

Fostering mutual understanding

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Why have you made China the focus of Yale's internationalization efforts? Yale has a long history with China and quite a number of our faculty members are well-connected to it. China is also emerging as one of the great powers in the world and, from my point of view, strong US-China relations are going to be key to global peace and prosperity.

So if we are trying to educate American students for leadership, getting them better acquainted with China seems to me an important priority.

One of the big questions of our time is how the US should engage a rising China. What do you tell your students on this issue? My belief is that our economies are highly inter-dependent, and becoming increasingly so. A peaceful relationship between our countries is in the vested interests of both sides, and (therefore) it is important to develop a real understanding of one another.

There are a lot of misperceptions on both sides, and I think the great hope for the future is to get young people of both countries to have a better understanding of one another's values, cultural orientation and things that matter to them. That, in the long run, will help our countries get along better.

You are an economist by training. What do you think is the biggest stumbling block to continued economic growth for China? I think there are several potential obstacles to China's continued rapid growth. To some degree, Chinese leaders are trying to address them all.

One is whether the expansion of the rule of law is fast enough to accommodate the needs of the business sector, especially intellectual property law.

The second potential stumbling block is environmental problems. If China and the US don't seriously start to address the issue of greenhouse gas emissions, the whole planet is in trouble.

The third problem is rising inequality of income wealth, which is curiously driven by the nature of China's economic structure. China has a large pool of under-employed labour in the agricultural sector, meaning you can absorb large numbers of people into the industrial sector at fairly low wages. So China will have a manufacturing cost advantage for many years ahead. But this also means that people with higher skills and capital are going to get wealthier and wealthier, and people at the bottom are not going to change very much.

The final potential stumbling block is how China is going to avoid the fate of Japan, that is, running out of steam once they catch up with the rest of the world.

At a certain point for China, wages are going to start to rise. Manufacturing will be the key for China, but shifting to services and knowledge-based industries will be important too. Japan did not make that adaptation very well in the 1990s as it did not educate its people for creativity.

What can China do to encourage creativity? It's not a short-term fix; it's a long-term issue. This is one place where President Hu Jintao has been very far-sighted, already identifying creativity as a key issue for China.

But this means a fundamental change in the way Chinese students learn. Instead of being passive recipients of education, they will have to be more interactively engaged and willing to challenge authority and think independently. This will have potential political implications that are obvious and interesting.

There's a popular belief that greater economic openness will lead China to greater political transparency, if not democracy. Do you buy this argument? This is where there is tension between what the history of the West teaches and what Chinese values, culture and history teach. A rising middle class, at least in the West, historically has been associated with a greater demand for political freedom and for greater democracy. But it's not obvious that (such a trend) translates automatically in a society with very different norms and values. It's not completely obvious to me how things will turn out. I think it could go either way.