

**Keynote speech: 2012 NYU Law School Annual Hauser Dinner**  
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Three years ago in 2008, I left New York to join the newly established China Investment Corp, CIC. It was also the year of the global financial crisis and the collapse of Lehman Brothers and other institutions. Luckily for me, things happened in that sequence.

The weekend of Lehman Brothers collapse was a dramatic scene for everyone.

However, the event was in particular shocking and confusing for someone like me, if you consider that since I first came to the US in 1997 with the Hauser scholarship at the NYU law school, I studied for law and MBA degrees in the US, and for many years I practiced capital markets laws in New York and worked diligently as an investment banker and financial products specialist on Wall Street.

Most important, for a long time I always thought I would bring back the US regulatory framework and cutting-edge financial products to China for its growing financial markets. But the financial crisis turned everything upside down.

So clearly something was wrong.

Among the many theories offered by numerous pundits regarding the financial crisis, the Harvard historian and author Naill Ferguson probably made the most intriguing explanation.

According to him, the financial crisis “that began in the summer of 2007” should “be understood as an accelerator of an already well-established trend of relative Western decline.” What the world is experiencing, he said, is a shift of the world’s centre of gravity from West to East.

For Naill Ferguson, we are now living through “the end of 500 years of Western dominance” while China is on the rise.

So how would a US-educated native Chinese, like myself, react to such a flattering proposition?

To start, it is important to recognize that the concept of civilization itself in Chinese history has a dynamic nature.

In Chinese ancient history, “China” in the Chinese language meant the “Middle Kingdom”, representing the civilized society; the societies of the rest, whether it’s to the East, West, South or North, the corresponding Chinese characters literally meant

barbarians. Apparently, that was the origin for the legal term “Chinese wall” in today’s financial markets.

But the term China and the concept of civilization evolved in more recent centuries. Gradually, “civilization” became more relative, and it was no longer a concept of geographical region or genealogical group. Such notion was the most obvious in the late Qing dynasty of the 19<sup>th</sup> century, when Chinese scholars were puzzled by the China weakness and Western strength.

Mr. Liang Qichao, a late Qing dynasty scholar who went through the era of the last emperor, summarized his thoughts succinctly as follows: “if China acts like barbarians, then China becomes barbarians; if the barbarians act like Chinese, then barbarians becomes China.”

Reflecting the learning and mobility aspects of Chinese civilization, since Qing Dynasty, the world has seen continuous flow of Chinese studying abroad. This trend was the most obvious last three decades, during which period approximately 2 million Chinese students studied abroad. The US U. S. attracted a large portion of this group and I was also one of them.

The three most recent waves reflect the different phases of China modernization and the transformation of the world around it:

The first wave was in the 1980s. As China started its “Open and Reform” policy, education, science and technology became the core of China’s modernization plan. With their excellent academic background in China, Chinese students came to the US mostly for PhD studies in those majors with full scholarship (with income so low in China, a tuition waiver was not sufficient).

Because the average American income was tens of times higher than average Chinese, Chinese people had huge admiration towards the US system and life style. The general mentality was that “things foreign are better than things Chinese”. One classic joke said that “the moon is bigger and rounder in foreign lands.”

After graduation, many Chinese students did bring home advanced technology and management experience, but the majority stayed in the US and they lived happily thereafter.

The second wave was in the 1990s, when China’s robust economic growth took off, and its modernization efforts went beyond science and technology into capital markets, service sectors, and legal system. So in addition to traditional technology majors, Chinese students started to come to the US for law schools, management studies, and financial majors.

During this period, because the Chinese government took measures to attract overseas students to return, and because China's growth offers cross-border educated Chinese unprecedented opportunities, the number of returning Chinese increased significantly.

After graduation many Chinese students worked overseas and then returned to China. After spending a few years in New York's law firms and Wall Street investments banks, they returned to China to join the build-up of the burgeoning capital markets and the related legal/transaction systems. I myself have enjoyed the ride.

Then, the third wave in this new century is a bit more complicated. 10 years ago China's accession to the World Trade Organization in 2001 dramatically changed the fate of the economy in China as well as the whole world. Since then China's economy paced forward with astounding double digit growth in an unstoppable fashion.

So for the first time, Chinese students would consider "opportunity cost" when the plan on studying abroad. One important factor is the information technology breakthroughs that made the world flat. The Internet and social network has driven a revolution in learning in China. Many people believe that they could enjoy the same good training and learn about cutting-edge trends out of China anyway; meanwhile the China boom is too exciting to miss.

Another more subtle factor is that China's growth creates ample opportunities in its own market. For many growing industries, they have their own business models that are not much related to international experience. For young professionals, the local, real life struggle and experience is more important than a foreign degree. A good example of such is China's domestic hedge funds focusing on China local shares.

However, to make it interesting, the number of total Chinese studying abroad is still increasing every year. Among broad Chinese population, there is strong momentum to go abroad around three distinctive yet related themes

No 1: people go into English studies. After China joined the WTO in 2001, a fever for mastering foreign languages, especially English, has developed along with the concept of globalization. People believe that foreign language skills are one of the basic criteria for a "global citizen" (in Chinese "shi-jie-ren"), meaning the person should be able to communicate with people from different countries and with different cultural backgrounds, and could work and live anywhere in the world. Naturally, studying abroad is the best way to master foreign language.

No. 2: Many parents sending their children overseas to attend high school or even primary school as a way to invest in their only child's future. Many simply believe that western education is better than the Chinese model of education.

Compared with the previous two generations, this group of students is much younger,

and they are coming to study without scholarship supports, because their parents are much wealthier.

No. 3: Even for those benefitted most from the China boom – the people who got rich in recent decades, they are making immigration arrangements for their older years and their children.

According to a joint survey released in April 2011 by China Merchants Bank and Bain & Co., more than half a million Chinese have investable assets of over 10 million yuan (\$1.6 million USD). The study says almost 60 percent are considering emigrating, have begun the process, or have emigrated.

In the U.S., a Bloomberg story reports that for 2011 about 3,000 Chinese citizens have applied for investor visas, up from 270 in 2007. If it doesn't sound impressive, that's 78 percent of the total applicant pool for this type of visa, according to U.S. Citizenship and Immigration Services.

This “rich immigration” trend has gained momentum in China: Even after my relocation to North America, my China cell still receives unsolicited text message advisements for investment-related immigration services, in similar volumes as Beijing real estate sales promotion.

Still, it's not a one-way story. To add further twist, according to an October 2011 survey by the Bank of China and Shanghai-based Hurun Report, which publishes an annual ranking of China's richest people, about 80 percent of the wealthy Chinese emigrating don't plan on giving up their passports. Because their businesses are mostly tied to China and their assets are denominated in Chinese yuan the local currency.

Now, back to Naill Ferguson's discussion of the West and China, what could we find from the recent waves of Chinese people's overseas studies and immigration arrangements?

From the different patterns of the past three decades, we could see a shift of relative power and importance between the US and China. However, it has more profound aspects than a single-dimensional rise and fall. Otherwise, why the Chinese new riches are making immigration plans while expanding businesses in the China boom?

And is it coincidental that, while the US and Europe are struggling to recover from the financial crisis, China at the same time is working hard to adjust its export-driven growth model that has been extremely successful for the last three decades, especially the last 10 years following China's WTO accession?

I don't know the full answer to these questions and many more related ones. But I do

know that we are living in a very complicated world where the nations are highly interdependent. Our interdependent world not only passes 7 billion populations but is also interconnected through information technology on a historic scale.

The net result will be transformational changes in social values, resource needs and technological advances as never before. In either context, the necessary conceptual models do not exist from which to develop a systemic understanding of the great transformations taking place now and in the future.

At this time of transformation, existing models are unable to cope with interconnected, complex global issues and trends, for which one can be either extremely pessimistic or reasonably optimistic.

A pessimistic view towards to the global crisis, as offered by NYU Professor Nouriel Roubini and Eurasia President Ian Bremmer, is “the collapse of all,” for which they created a new term “G-zero”.

They feared that we are now living in a G-Zero world, one in which no single country or bloc of countries has the political and economic leverage -- or the will -- to drive a truly international agenda. The result will be intensified conflict on the international stage over vitally important issues, such as international macroeconomic coordination, financial regulatory reform, trade policy, and climate change.

However, optimists are likely to see 2012 as an important historic juncture when the shape of the global frameworks started to become clear. It could be a year when the world begins to come to terms with a new political, economic and technological order. Correspondingly, the world could see the emergence of new approaches to problem solving, new models for the conduct of human affairs, and new ways of relating to each other and the world.

The G0 situation, if I borrow Bremmer and Professor Roubini’s term, could well be a transition stage for a quantum leap. As a former graduate from the physics major, I could relate the current crisis of modern financial system and institutional framework to classic physics at the turn of the twentieth century.

Exactly 100 years ago, the greatest scientific minds of Europe met to address a perilous state of affairs. While researchers in the 19th century had thought they would soon describe all known physical processes using the equations of Isaac Newton and James Clerk Maxwell, the new and unexpected observations were destroying this rosy outlook.

That was because the scientists made new discoveries — including the photoelectric effect (which was the origin of solar power technology today), X-rays, and nuclear radiation — that were rocking the foundations of physics.

So in late 1911, to tackle the crisis around the classical physics, more than 20 leading scientists were invited for a conference in Brussels, Belgium. It was named the Solvay Council, as the conference was funded and organized by the wealthy chemist Ernest Solvay.

For the first Solvay conference, the guest list included Max Planck, often called the father of quantum mechanics, and the youngest member of this group was a 32-year-old Albert Einstein. Einstein later wrote to his friend in his distinctive sense of humor, saying that “The congress in Brussels resembled the lamentations on the ruins of Jerusalem.”

Of course, little realized by the attendants then, that was the start of the quantum revolution.

Although the 1911 meeting accomplished little, this first conference led to Solvay establishing an annual meeting for leading scientists to gather and discuss the issues of the day. It would take about two decades before experimental evidence and scientific debates firmly established quantum mechanics as a true theory, but the Solvay Council was a remarkable start of the pursuit, a significant catalyst to the final discoveries.

Even today, in the quantum world, what we do know about the lack of understanding of certain mysteries, such as dark matter or superconductivity, is only possible thanks to the foundations laid down at the first Solvay Council.

We could make an analogy between the current global crisis and the physics crisis a century ago. The model for the post-globalization world has far-reaching implications for the global economy. Numerous companies, individuals, and entities around the world are anxiously waiting for the current era of uncertainty to pass.

The Solvay Council from a century ago offers lessons for today, with Europe, funny enough, again at the centre of the crisis.

As the history of quantum physics shows, to search for a new model is a complicated and painful process. It involves intellectual debates, collaborative efforts, and a wealthy sponsor always an additional boost.

And I believe the Hauser Program could be part of the solutions to the unprecedented challenges, just like the Solvay Council 100 years ago. The Hauser Program was set up in the 1990s with an amazing global vision, and now 15 years later, at a time of global institutional, regulatory and economic failures, I see great opportunities for the Hauser Program to aim further higher and make a bigger impact.

First, the Global Law School Program should continue attract professors, scholars and professionals from all over the world. In the post-crisis era, governments are taking active roles in the market system. But each government must work to build domestic security and prosperity to fit its own unique political, economic, geographic, cultural, and historical circumstances. To search for the new model, there should be cross-border conversations and brainstorming in the broadest possible context, and the NYU and Hauser Program is the perfect venue for that.

Second, the NYU and Hauser Program should provide the thought leadership for the global pursuit of new institutional and regulatory system, new economic growth models, and new global cross-border partnerships. We have the advantage of being at the global center of finance, and we have the unparalleled talents around the school and the city. Professor Roubini's G0 model has created one leading theory, and hopefully we could develop some more optimistic and promising ones.

Thirdly, relating the above two, the Hauser Scholar group should become a knowledge base and a global think tank. The program in the past 15 years has accumulated an impressive group of young leaders coming from all regions of the world and representing legal, business, government, academia and other fields. Just like Einstein attending the Silvan Council at his early 30s, we the Hauser Scholars are of similar ages today. There is a lot we can do, collectively.

This historic time of the century calls for the collective effort of the NYU community – each and every one of us.

So at the 15-year mark of the Hauser Program, together let us celebrate the past and look forward to the future!

- Winston Ma (MCJ '98)