

Dr. Frank-Jürgen Richter  
Global Economic Leadership  
May 3, 2019

*How China Works: Season 2, Episode 54*

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*Brendan Davis:*

Welcome back to *How China Works*. I'm Brendan Davis and on behalf of my cohost Yingying Li, we are very proud to present this episode of the show for you.

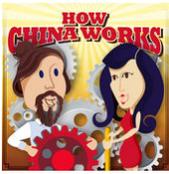
Our guest this week is Dr. Frank-Jürgen Richter. Dr. Richter is the Chairman of Horasis. They describe themselves as a global visions community dedicated to inspiring our future. Horasis uses its unrivaled history of partnership with corporations from emerging markets to create a powerful platform for cooperation between emerging and developed markets. They host four flagship events throughout the year to bring together the key players from the economic and business and political scenes from around the world.

Dr. Richter is considered one of the leading analysts of international business, and he influences major business and governmental decisions with his public commentary on these matters. Prior to founding Horasis, Dr. Richter was a Director of the World Economic Forum, which you may know of as the organization that puts on the event that is commonly referred to as Davos in Davos, Switzerland.

Dr. Richter is German; he currently lives in Switzerland, but he previously lived and studied and worked in Asia for about a decade, mostly in Tokyo and Beijing where he developed and managed European multinationals' China operations specifically.

Dr. Richter was very generous with his time and it was quite an honor for Yingying and I to get to spend his time with him. And our questions range very broadly and we ask both very pragmatic and practical questions in talking about the roadmap for the future and what he's thinking about and hearing when he talks to people; as well as asking him some fairly philosophical questions about his orientation to his work and what the bigger picture is for him.

So, we are very proud to bring you this episode. Please enjoy this show with Dr. Frank-Jürgen Richter.



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*Brendan Davis:* Welcome back to *How China Works*. We are here today with Dr. Frank-Jürgen Richter, and did I pronounce your name properly?

*Dr. Richter:* Absolutely correct, yeah. It's not an easy name.

*Brendan Davis:* Nice. And this is great for us because this is Brendan Davis, and I'm here with my cohort...

*Yingying Li:* Yingying Li.

*Brendan Davis:* Yeah, same room again! We've both been on a world tour. I've been all over so this is our first interview sitting with a guest again. And you travel quite a bit yourself as I understand it. So, could you briefly for the sake of the audience give us your introduction for yourself, your self-introduction?

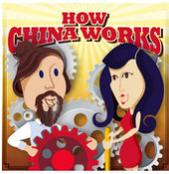
*Dr. Richter:* You're right. I would travel I would say most of the time. I'm almost never at home. And one of my hobbies actually, talking about culture is to travel to all 200 countries on Earth. Now I'm at number 163.

*Brendan Davis:* Wow!

*Dr. Richter:* Yeah, but now the difficult countries are missing. Yeah, but those things besides what we do. I founded Horasis 15 years ago, and I used to be a Director of the World Economic Forum of Davos. And we host large-scale summits for CEOs. We host five summits per year including one on China, and that's what brought me here actually, this place. I attend here the Belt and Road Summit with President Xi Jinping tomorrow.

*Brendan Davis:* Fantastic. So, I think in terms of background how did you come to your work? How did this become something that interested you and what was kind of the short version of your journey?

*Dr. Richter:* Right. I always wanted to connect people and to make the world a better place to live on. And what we do is to shape the future and to inspire the future – that's our vision. And so, we bring people from different backgrounds, from different countries, from different industries together basically from business, government and civil society. And the China meeting's actually how we started



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15 years ago. The meeting is always held outside China which is quite interesting. The Chinese CEOs travel to a given country to meet their global counterparts, and of course they learn about investment, venture capital, private equity; but also about culture, how to deal with a given country, how to in a way accept also global best practices; and also to engage with the leadership of this country.

*Yingying Li:* So, how did this idea come to you that you host this kind of China meeting outside of China?

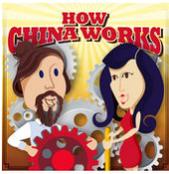
*Dr. Richter:* Right, it's kind of contrarian. People always say we should do a China meeting in China but there are so many meetings here. And I'll tell you, it's sometimes easier to get a Chinese high-level CEO to a different country. This year's meeting will be held in Las Vegas and I hope and see and feel that many Chinese CEOs will attend this meeting. So, if you go to a meeting here in Beijing they will just appear for an hour to speak and disappear; but somewhere else they'll stay the whole time and they're approachable, they interact and they try to make new friends.

*Yingying Li:* So, I have a follow-up question with that before we actually move on. What was the most impressive story that you have heard or you have experienced during the last 15 years of hosting this event? And did you see any kind of changes starting when you just started these whole China meetings outside of China and do now – like what has changed when it comes to the topics and people's focus?

*Dr. Richter:* In the beginning, actually, it was quite difficult to get a Chinese CEO on a panel and even still with Chinese translation it was not easy to get them to speak and to interact, and to... You know, we have this Western way of communication. Nowadays it's almost the contrary. You know, there are so many very good Chinese speakers even with a portion of humor and they're joking on the panel. And now actually the pendulum is swinging back, you know? It's quite easy to find good Chinese speakers. You've been one of them, Yingying, last time.

*Brendan Davis:* I was going to brag on her but I didn't want to interrupt you.

*Dr. Richter:* Exactly. And sometimes I feel like some of our European and American friends are kind of boring in comparison. That's one observation. But besides the China meeting we host also a global meeting which is the whole world. And there was one very



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touching moment last year – we had a session on Nelson Mandela and on his 100<sup>th</sup> birthday with actually one of his inmates on Robben Island joining us at this meeting. And it was all about principles, about leadership. And I think a lot of people had tears in their eyes after this session.

So, we would like to also generate those emotion moments that people can really sit back and say, “What does it mean for my life? What are the lessons to be learned?”

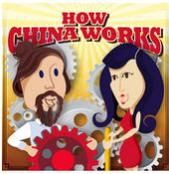
*Brendan Davis:* What is the derivation of the name of your organization?

*Dr. Richter:* Horasis is Ancient Greek. It means long-term visions. And of course you need a name for a company, and the good thing is people are usually asking what it means. But shop aside, we are very much into the visions business. We would like to provide long-term visions, and I believe that our role today and talking about Anglo-Saxon capitalism is very much in a way dominated in a way by short-term action. It’s all about pushing up the share price.

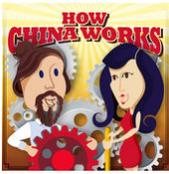
But a lot of CEOs don’t really have the long-term vision. Even politicians in the Western world, you know, there’s a four-year election circle. And the first year in power not much is changing because you have to adapt and to learn. Maybe at the end of the second year there’s some changes and from the third year they’re focused again on reelection. I like the Chinese model I have to say, of course a totally different model of governance and political governance but it’s a very long-term view.

*Brendan Davis:* Exactly. This is something that I’ve learned a lot of from doing this show and from Yingying the previous season discussing the long-range, long-term thinking with China. And I’m wondering what have been some of the other challenges, just process challenges with kind of bringing China into this more Western-oriented conversation?

*Dr. Richter:* You know, one challenge definitely is obviously what should be on the agenda? Of course, we are not so much focusing on geopolitics; we try to avoid it. This year in Las Vegas we will definitely have a session on tariffs and being in the US we have to talk about the US/China trade war but it’s not let’s say the main topic. We have sessions actually on innovation and how American and Chinese CEOs can join hands.



- Yingying Li:* That's a very important topic.
- Dr. Richter:* Exactly, and join technologies and learn from each other. If you go to the Silicon Valley states, you know, many of the innovators actually are Chinese.
- Brendan Davis:* I just spent about a month in Palo Alto. My partner on my current film project is based in Palo Alto.
- Dr. Richter:* Yeah, yeah.
- Brendan Davis:* And we're surrounded. My daily walk was by Steve Jobs' house.
- Dr. Richter:* Oh, okay.
- Brendan Davis:* So, I was surrounded by it. And what's funny is that my first trip there back in the fall, where I was staying in an Air BNB, I looked out my window the first morning and the Tencent office in Silicon Valley is right across the way.
- Dr. Richter:* Right beside you, yeah.
- Brendan Davis:* And so many of the Chinese companies have their office right off of Sand Hill Road or something, that's a very prominent location.
- Yingying Li:* So, we are intertwined together already. Like in China we say “Wǒ zài nǐ shēnbiān, nǐ zài wǒ shēnbiān.” Basically “I'm in you and you're in me,” part of this soul...
- Dr. Richter:* Yes.
- Yingying Li:* This is at least from what I see globally.
- Dr. Richter:* And even with this trade war I think the US/China relationship has to go on, and despite all the political stuff behind which is also very short-term oriented I think we have to find a solution. And if you start with business, I think business is really the change maker in society and not so much the political dimension.
- Brendan Davis:* Well, we're both excited to get into a lot of specifics with you but let's first ask you to give a bit of a framework of your current mission shall we say. Again, you mentioned the event in Vegas



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and what's on the agenda sort of at a high level, but what are the action items? What are you hoping to accomplish?

*Dr. Richter:* Right. So, the event in Vegas is really an event for big changes I hope. We will also invite politicians from DC and Beijing. Our partner is US Chamber of Commerce and the Sands Company; the event will be held at the Venetian Hotel. And with this event maybe we are moving back to normal when it comes to the US/China relationship because of course we have the human dimension, you know, when American and Chinese CEOs come together, and I think for a better understanding maybe some even deals happening.

We are trying to invite technology companies from China despite the whole Huawei issue, and companies like Tencent, Baidu are on our list. And I think they will come. And I think it's really a golden opportunity to bring both countries again together.

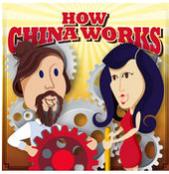
*Brendan Davis:* Let me ask a question that it's going to sound like I'm putting on my tinfoil hat for a second. But for the sake of people who are not living in your world, Davos is often used as a four-letter word among certain people who don't understand the mission. Could you, for the sake of giving us context to build on, what does it mean to you? What is the purpose of the World Economic Forum and what are the steps to making it actually slightly more demystified I think for the average person, who is only peripherally like, "What are all those people doing as they're making their plans?"

*Dr. Richter:* Right.

*Brendan Davis:* You know, meanwhile the agenda's published and there's cameras. So yes, what is Davos ideally in your mind?

*Dr. Richter:* You know, I used to work for the World Economic Forum. Of course I have my own personal view and some people now start to compare us with Davos, saying we are like Davos 20 years ago. Other people say we are like Davos for emerging markets; even a third group is saying we are like a Davos for nice people because you know, in Davos we have many so-called 'fat cats.'

*Yingying Li:* Giant corporations.



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*Dr. Richter:* Exactly, giant corporations, politicians; President Trump actually attended Davos last year. And people always think, you know, people, delegates go to Davos and there's a bit of kind of an agenda behind it, even like a secret agenda to govern the world which is not the case.

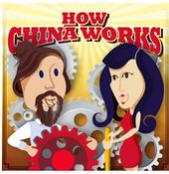
*Brendan Davis:* Right, like it's the Bilderberg Meetings or something.

*Dr. Richter:* Exactly. Exactly, yeah, which is really not the case. I think it's just a very good event, maybe the best event in the world but we are not benchmarking ourselves. So, we are maybe a bit more practical. We are not, let's say on the level saying that we have to put forth new philosophies on a very high level but we are more practical, and you see if you can change those little things it's already like a big win.

*Brendan Davis:* Right.

*Yingying Li:* So, with that being said, interestingly I had a direct feeling when it comes to, you know, you just mentioned about the secret... Because right now, the general public get information from the transparent media or from their own media channels. They want to see how the world is shaped, and a lot of people start to feel like why should I trust and how should I trust? And how could I get also involved? And this particular meeting or initiative had the potential to actually bring more people from actually more diverse backgrounds, not just of course from the top intellectuals but any other... From the practical or pragmatic way to bring, like the last time you mentioned interesting people, right? So, what if actually those people could become the pillars of the event that you're interested in and you're looking for?

*Dr. Richter:* You know, a lot of observers say that the so-called Bretton Woods institutions are in crisis – you know, IMF, World Bank, even the UN. And maybe they are. You know, they are old institutions and they should be reformed I guess, maybe streamlined as well. But what's really happening is that those institutions were founded 60, 70 years ago basically after the war, and I believe you would need new institutions where governments and business and civil society can work together. And the WEF, World Economic Forum is doing it; we are doing that. And I think we need more of those kinds of institutions.



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People say we are even like a new Bretton Woods but very informal, right? But we have a community. People come every year again, so I would say 80% of participants always come. Even some people who come to all four of our meetings throughout the year, so they travel with me around the world.

*Brendan Davis:*

Wow.

*Dr. Richter:*

And with these communities there are also initiatives coming up. At our last Horasis global meeting we had the President of Sierra Leone attending – a small Western African country. And he proposed an African Peace Initiative where basically the budget for the army, I think he proposed that 10% of the budget is put into peace initiatives. And now we started to talk to other African leaders and this idea was born at Horasis. And that's just an example, you know, of how a public/private partnership could work.

*Brendan Davis:*

So, in terms of the framework for what you're actually working on, could you give us this overview and then we will kind of drill down into some detail?

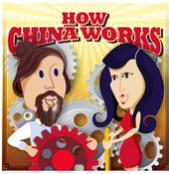
*Dr. Richter:*

Right. So, we host four large-scale summits every year. So, we do China, India, Southeast Asia and a global meeting. And it's a true public/private partnership. There's always a country inviting us. We work with a government but we change the governments, so not to be dependent on just one government. And independence is extremely important. We are Swiss-based so we are neutral anyway, and we avoid any political opinion. Of course, we've opinions on the economy and where the world is moving but we say we wouldn't kind of favor let's say the left or the right, but we're just maybe in the center but we don't have our own opinion.

But the real stars are really our participants, the delegates we're inviting. So, we invite entrepreneurs, all the CEOs of *Fortune* 500 companies, large Chinese state-owned companies. We invite private companies. It's really a mix, and we believe that this mix can generate what I call the wisdom of the crowd because there's many different opinions.

*Yingying Li:*

Right. How diverse it is of this kind of group when it comes to all participants coming together for this event. You also mentioned this has been like 15 years, right?



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*Dr. Richter:* Yeah.

*Yingying Li:* So, 15 years ago people get information maybe from broadcasting and TV or newspapers. Right now, everybody gets information or kind of forms their world view from a different kind of media, digital media.

*Dr. Richter:* Right.

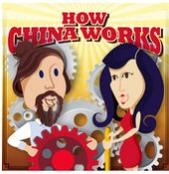
*Yingying Li:* So, when it comes to digitalization, a new era of globalization right now with a lot of people going global and going through this particular stage, how much percentage are from the new generation who actually have a way to showcase their opinion?

*Dr. Richter:* Right.

*Yingying Li:* Because generally speaking, the well-accomplished people are relatively in that generation because you kind of have to build everything up, right, from time. But right now with younger people staying on social media and following the world news every day, they kind of have their opinion to show how much this is valued from what I see? Like how important it is to hear their opinions like from the different generations at least?

*Dr. Richter:* Good question, Yingying, and in terms of I'll have to say that information and knowledge is not the same. And why are people coming to our event? You know, you can read news of course digitally every morning and you just go on the web. But what's really counting is knowledge, and people coming to our event all come for the learning experience – learning from each other. And usually, you know, there are not things public on the web. There's all brand new, it's all like personal experience and that's really the reason why people come. And we always hope that everybody goes back with one life-changing idea which could maybe lead him to a new business, and that's what we want to achieve.

On diversity, at our global meeting now we are approaching 50% female participants. We make a very special effort. The China meeting is less but we are trying hard. You know, a lot of CEOs of state-owned companies are still male but a lot of young female entrepreneurs. And we will try to invite them, a lot of young people as well. You have seen maybe at the last Horasis China meeting a lot of startup entrepreneurs as well, both from China and the world. And again, I think this mix is extremely important also



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in terms of reverse mentoring because the elder CEO maybe might learn from the young people.

*Yingying Li:*

Exactly. This is what I say when I really share with my people, like my peers, this generation is generational diversity intelligence. When you can interact with people from different generations and form consensus and collaborate together, I mean there's huge potential to be unleashed.

*Dr. Richter:*

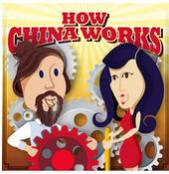
Yes. And also, you know, people from different countries. For example, there was an opening panel for our global meeting two weeks ago with a Royal attending, the Princess from Norway – basically the daughter of the King. And she was just amazing, and at the same session we had a President, a Head of State from an African country, from Namibia. And then, we had actually a Minister from Kosovo which is a small country which is not recognized by many other countries. So, it was a very interesting mix, and again, diversity. And at the end, all three panelists agreed on the future saying, “We need more empathy.” Especially the Princess said, “We have to reconnect to Mother Earth and avoid greed,” because greed in a way is driving us and greed is behind I think wars, corruption, and any kind of radical misbehavior.

*Brendan Davis:*

Well, this opens up a pretty interesting can of worms related to what I was thinking about heading over here, which is building on what Yingying said about the importance of diversity of all kinds as you were just addressing – to get all of these voices in a room and form some sort of a consensus. How do you get to a consensus with something specifically like monetary policy and how the world should cooperate? How do you get to a new Bretton Woods or something like that with so many voices in the room?

*Dr. Richter:*

Right. It's in a way difficult because there's so many voices. You know, at our last meeting we had 800 participants from different countries and of course not everybody agrees on everything. But we have the so-called co-chairs; the co-chairs are the eminent leaders that speak on the main panels, and their task is also to summarize results, to find consensus. So, like small working groups where the co-chairs meet and kind of feed back from the different sessions they attend. And we had a final plenary and we declared at the end the consensus and the vision for the future, and the idea was to say we have to give up on populism, nationalism and protectionism.



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And I believe that those three developments are very much behind this new Machiavellian mindset. You know, Machiavelli, the Italian philosopher who says the end justifies the means? And I think it's really happening right now. We have an America first doctrine and I think this doctrine is now copied by many other countries, saying, "You know, we have to create like a new Chinese Wall around our country. We have to kind of stop imports; we have to work on kind of trade deficits." And it's even a kind of cultural war. You see that you know, we have to kind of impose our culture on others.

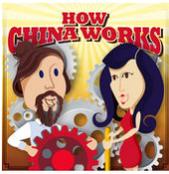
You think about Europe, what's happening there on the migration front with many migrants coming from Northern Africa, and we see the rise of populist parties; maybe also the reason behind Brexit. And Brexit was basically a vote against foreigners and you know, we see movements in Italy. Italy is now led by a very populist government from the extreme right and extreme left together, they seem increased. And in France, we have a very populist party; and even in Germany we have a populist party rising. They have around 15% to 20% in the recent polls so it's really scary.

*Brendan Davis:* Wow. Yeah, that didn't work out so well last time for Germany.

*Dr. Richter:* Exactly. And just, you know, I hope that history is not repeating itself in Europe. And we have an election very soon and we have a big session on Europe saying how can Europe really come together and have to reform its institutions and processes?

*Brendan Davis:* Well, and the fear of the other is never going to go away. It's been with us since as far as we can tell time immemorial, but somehow we have to find ways to cooperate and we mentioned some of the things especially coming together on environmental issues that affect us globally seems like one avenue to do it. What are some of the other ways that you are attempting to actually find common ground? What are some of the other major topic areas?

*Dr. Richter:* You know, you're right – it's a fear of the other. And there's another philosopher Thomas Hobbs based in or he lived in the UK. And he was basically saying in Latin *homo homini lupis*, man is man's wolf. And maybe it's kind of in our DNA, I don't know, but I believe that we are basically born as good people and only the environment is kind of changing us and the greed is coming in. But what I really would like to call for is an open world, a world where



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people and nations can collaborate and we have to strengthen multilateral institutions.

And maybe we've seen a void of leadership. I can't really see strong leaders around. In Europe we had a strong leader with Angela Merkel; she's on her way out. Macron was a big hope but Macron is now facing the Yellow Vest Movement and that's definitely a crisis of the middle class. And Macron, I think he's fighting for his political survival so hope is gone that he might lead Europe. And the same in other countries, right? We don't really have true leaders anymore and the world is really on the edge, and it's a world a bit out of order.

*Yingying Li:*

So, when it comes to a new form of leadership, it's kind of like a burning and really emerging, critical item right now for us to think about what are the essentials for forming the new type of leadership? What are the key ingredients like in your mind that are very, very, very critical here for forming this new type of leadership that is ideal?

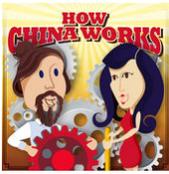
*Dr. Richter:*

Yes. I think we have to start to groom leaders. And you know, a country doing that actually is China. You know, China is using the model that always the best is going to the next step. It's maybe the old Confucian principle of Confucianism, and we are not really doing it in the West. And sometimes a populist party is coming in and just grabbing power but we are not grooming the best. And I think maybe we have the most powerful leadership but not the best people.

So, maybe starting with early education like in kindergarten where we teach the kids to kind of give up on greed and to be friendly to each other; and maybe a new form of altruism, what I would call weak altruism. Of course, you can't be a full altruist; otherwise you will die because you will give away your clothes in winter. But weak altruism means that you always think that you know, you give most things you have to the other people and over the long term you will also benefit because the environment is growing and the environment is giving back to me. And it's a bit of my own philosophy, saying that we need weak altruism where we abandon our kind of personal greed and our personal ambitions.

*Brendan Davis:*

Well, and I don't want to play devil's advocate for the sake of that because I subscribe to your philosophy in terms of thinking that's the way we should be in the world. And I would hope more people



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would be, but you see China struggling with a lot of things. One thing that they struggle with and it affects my industry of entertainment, which is more broadly in the culture industry of course, because everyone knows that soft power in China has these lofty soft power ambitions, yet they are very bad at it frankly – as anyone would tell you who’s working within the system.

And you can’t legislate someone to think that your culture is cool; to make it translate and transfer it has to have some intrinsic value to the person receiving it. So, when that doesn’t work there’s a tendency to fall back to hard power because people know how to do hard power. How do you reconcile that tendency? It’s really I guess a dialectic of these two forces, but I love the idea of intrinsically you know, the proper kind of altruism. But if that’s the carrot what’s the stick that’s gonna make people behave? How do we find this middle ground here?

*Dr. Richter:* Right, yeah. You know, talking about middle ground I think what we really need in our nowadays life is a middle ground where we avoid the extreme to the left, to the right, to the north, to the south – just do the right thing in the middle and have like principled leadership. Talking about China and soft power, you know, the country leading in terms of soft power is the US. If you think about Hollywood, if you think about music, it’s I would say globally 70% to 80% American and then there’s a big gap to the next countries. China has been trying and there have been a lot of actually Hollywood productions recently with Chinese elements.

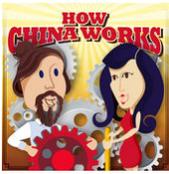
*Yingying Li:* Like *Crazy Rich Asians*.

*Dr. Richter:* Exactly, which is actually quite a bad example but...

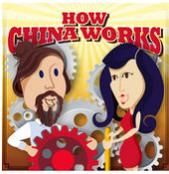
*Brendan Davis:* But I’m in the process of producing one right now with small Chinese elements.

*Dr. Richter:* Right, right. And I think that’s maybe a way to go ahead. You know, I think there’s more and more interest in Chinese culture. And a lot, for example, the older movies of Zhang Yimou but it’s a minority; it’s not for the mainstream, obviously. But once China is producing its...

*Yingying Li:* Like which element of Zhang Yimou’s films that I like most because I engage with a lot of Westerner friends. They love Zhang Yimou’s movie, you know?



- Dr. Richter:* Right.
- Yingying Li:* So, in some ways I want to understand what are the most interesting themes for you guys?
- Brendan Davis:* Yeah, 'cause sometimes I mean, his films tend to be sort of among the most professional, like the most well-done and satisfying on an artistic and technical and creative level.
- Dr. Richter:* Right.
- Yingying Li:* Mm-hmm.
- Brendan Davis:* But the stories behind it I think are what you're asking about. Why do they resonate?
- Yingying Li:* Because what I truly want to understand is what resonated most and why it resonated? Because I have my own assumption on it.
- Dr. Richter:* Yes. You know, I like actually his older movies. The new movies with a lot of Kung Fu elements feel more like a mainstream thing but you know, his earlier movies had even a political dimension. It's about history and about the Cultural Revolution and showing a family and all kind of the ups and downs; and even not so much a comedy but more like tragedies also reflecting a bit of human mankind from the Chinese...
- Yingying Li:* The human side.
- Dr. Richter:* Yeah, the human side and that's what I like. You know, of course I also love stories involved but all weaved in with history. And for me, I could watch those movies just for hours, right, one after the other. And I think that's where China should go and show really the true elements. And Chinese culture is very deep and it's definitely different from the mainstream Western ascension, and we always thinks it's just like a Kung Fu story but the Chinese culture is very deep.
- Yingying Li:* So, you brought us one particular word that I think is very important. In our show we push that in front a lot of times – history. When it comes to understanding a country's whole background and what is past and now in future, we've got to understand – go back to understand the history and the civilization



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behind it. So, now my question is generally for your people, like the people who are not Chinese that you engage with generally speaking, how much percentage, like what is the percentage that as far as you know when it comes to understanding China they put history in their knowledge or in their understanding, or in their interests, their curiosity?

*Dr. Richter:*

Right. You know, of course the percentage is increasing but it's still very small. I think most people in the West don't understand or never learned about Chinese culture, you know, the different dynasties and even the philosophies behind. It isn't only of course Confucianism but you know, Taoism and everything; and of course, like Buddhism how it started in China. And I think we should maybe rewrite our textbooks for the young kids, have maybe longer chapters on China. If you read an American textbook it's all about American independence and so on; they have a bit of European history and China history is usually on one page, right? Interestingly enough, the Chinese study Western culture. They know a lot. I'm always amazed how much they know. The educated people, those who enter university, they know everything. They even know where Switzerland is spaced, you know, a small country where I'm living and it's quite amazing.

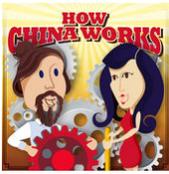
Talking about culture and globalization, maybe I should make a point that globalization doesn't mean that we all have to eat the same food and have the same thinking. I think we always need a local in the global. And that's extremely important, saying that even though we travel around the world we still are distinctive and we can enjoy our own roots. And you know, I travel a lot but when I come back to my small village I just like to be there. And I have a little walk in the vineyards and see the mountains and say, "You know, that's home," right?

*Brendan Davis:*

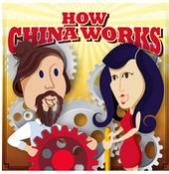
Right.

*Dr. Richter:*

I think we need both and it starts also with actually a session at our next Horasis meeting on cultural sensitivities, which start in a way with greetings. You know, how do you greet each other? In Southern Italy you give three kisses, in France even four; and then you know, the Japanese, the bowing. And it's always interesting when different cultures meet for the first time, and I've seen funny things that suddenly the Japanese start to kiss and the Italian starts to bow, right?



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- Brendan Davis:* What is the collision?
- Dr. Richter:* And it's always a very interesting moment and it's a moment of joy and to see that culture can be so diverse.
- Yingying Li:* That's amazing. So, you have a little bit of background related to the Silk Road, right? I assume that you studied either about the Silk Road and part of that history or you have been there? I think when I was doing some reading about you that you had some keywords pop out. Can you elaborate on that?
- Dr. Richter:* Yes. As a young boy I lived in Japan, and for my PhD studies I didn't want to go back and go to Rurich. And I said, "You know, let's spend half a year on a \$10 basis per day and travel to many countries on the Silk Road." And I spent a few months in China and so I discovered the Taklamakan Desert. So, I was riding on camels, monkeys, walking, old busses and it was a great experience. And I went to the Karakoram Highway to Pakistan and so I've seen in way how the Silk Road works and how the different cultures kind of merging.
- I've seen at the time actually some very old caves in China on the Silk Road and there were still people living in them – totally unusual, because usually when a foreigner comes to Shanghai he comes to the Grand Hyatt Hotel and says, "You know, that's China." But China is so diverse. We have people still living in caves and almost like 2000 years ago, and that's really the richness of the Silk Road.
- But I'm also very much into the New Silk Road, One Belt One Road. I'm attending here a summit which is of course more like an economic agenda. People talk about the new maritime plan and where China connects with Central Asia and Europe; and partly also with Africa. There's even like an Arctic route now to the north. So, I think China is now more and more trying to be a good global citizen, talking about soft power again; and trying to compliment the Western framework of collaboration.
- Brendan Davis:* How do you see this playing out? I mean, of course there's a lot of moving parts to this but how do you see the next, like the near term of China's ascendancy on the world stage? And of course there is the wild card, as you said the populist movements and we don't get political but unfortunately what's happening in my country – I'll say that. But given the givens and given that we have so many



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variables, in an ideal world how would you suggest people should approach this? Dealing with China, respecting China, what Yingying mentioned and learning about the culture, how do we do this collectively?

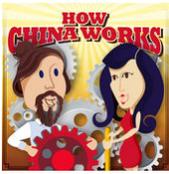
*Dr. Richter:*

Right. You know, I see that there's definitely a wild card – friction or even a war, a trade war which could become even worse. Because what we see right now is that the world superpower the US is slightly declining and a new superpower is rising. And it's kind of a period of what I call an interregnum, something in between. We're in a limbo. It's still not clear who's taking over, and we have seen this before. The UK was basically the power of the past and suddenly the US came up, and Germany was a challenger. There's always a challenger, and sometimes there might be a clash between the incumbent power and the challenger.

And talking about the trade war, there might be actually some announcements pretty soon – people say maybe as soon as next week – where the US and Chinese government sign a deal. I'm pessimistic I have to say, and after President Trump got the clearance after the Mueller report I think he's now again putting his attention on China. And I don't think there will be a deal on the midterm and this whole thing is dragging on, and eventually there might be really \$200 billion tariffs coming up, you know, on imports – which I believe could really lead to a new global economic crisis. And maybe a double-whammy combined with Brexit and already now the world is showing signs of deceleration and some countries already in a technical recession like Italy; Turkey definitely as emerging markets even like Brazil; and South Africa is not in a good shape, talking about the breaks. And even Germany which is a European powerhouse just revised their growth figures by half to around 1%.

*Brendan Davis:*

Well, you mentioned interregnum, and of course that's an analogy in a different dimension; purgatory is another phrase that comes to mind for me – we're in this in-between place where we don't know where things are going exactly. If you could indulge my, you know, the people who spend time chasing the worst-case scenarios and perhaps we can put some of that to rest. What do you think the worst-case outcome of the current situation, the current balls in the air as things land? What does *bad* look like to you in the next couple of years? And then let's focus on the good of course.



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*Dr. Richter:* Right. You know, I don't want to be called Mr. Doom which looks around...

*Brendan Davis:* Yeah, a few people with the understanding that you are coming from an opposite orientation to this, you can only do this if you understand the other side as well.

*Dr. Richter:* Right, right. Absolutely.

*Brendan Davis:* I'm curious of how your knowledge would shed some light on this.

*Dr. Richter:* Right. Talking about the wild card and you know, the kind of doom scenario...

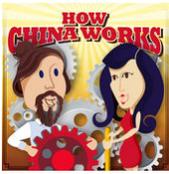
*Brendan Davis:* I mean short of war. We have said nuclear apocalypse is like that's the worst of the worst.

*Dr. Richter:* Right, right.

*Brendan Davis:* But short of that, what does bad look like?

*Dr. Richter:* Yeah. You know, I feel that we might go into a global economic crisis by the fourth quarter this year already which is quite frightening or the first quarter next year. And I believe the next crisis will be much worse than the crisis of 2008 for two reasons. The first reason is the rise of populism; we talked about it before. There's no longer any incentive to collaborate globally. It's like a dog-eat-dog mentality. In 2008 actually all nations came together, like central banks collaborated but it's not happening now in case we have this crisis. Even central banks at the time lowered interest rates. Now, you can't really lower interest rates because we are at zero. There's no real arsenal to fight an economic crisis. So, that's one point.

The second point is why I believe the crisis might be much worse is China. China I'm cautiously optimistic about the economy, but if the trade war really comes China might lose 2% of GDP immediately. And China's no longer decoupled. In 2008 there was a so-called decoupling of the Chinese economy because China was still not very integrated in the global economy. Now it is. You know, the whole supply chains globally start in China and end in China. So, I think China will definitely feel the effects. So, from an economic point of view a severe economic crisis eventually leading to something much worse.



*Brendan Davis:* Sure.

*Dr. Richter:* Why I'm telling you that, we see in the Western world the crisis of the middle class. You know, the middle class is shrinking in the US but also in Europe, leading to populism again. And people go to the street. It's actually the reason behind the Yellow Vest Movement in France. So, just imagine – we go into an economic crisis and what will happen to the middle class? A lot of people will lose jobs, unemployment, they might go to the street.

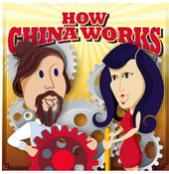
*Brendan Davis:* And there's automation and AI which are happening anyway, and how do we integrate that?

*Dr. Richter:* Exactly, yes. So, people talk about the fourth industrial revolution saying that with the rise of AI and blockchain the world will be a much better world. I am much more pessimistic. I believe that AI really is changing everything dramatically. Think about the truck drivers in the US. You know, with self-driving cars suddenly hundreds of thousands of people will lose their jobs. Think even about a lawyer. You know, AI actually can replace the world of lawyers because an AI agent is so intelligent, right, that you don't really need PhDs anymore, right, in law.

*Yingying Li:* So, so you believe that because AI is doing self-learning very, very quickly, when AI development is crossing a line the humans, a majority of humans – our jobs are going to become irrelevant? Or it's kind of like there will be a line, a turning point?

*Dr. Richter:* There will be a turning point and I think with a loss of employment on both ends: the uneducated people, right, let's say the truckdrivers; but then also the very educated people and then everybody in the middle. I think everybody will be affected and I'm not sure what we should tell our kids to learn, right? What should they study in this world of change? And I believe, coming back to the shrinking middle class, that we won't see a fourth industrial revolution but maybe a fourth political revolution.

You know, after the French Revolution and you see how it ended with the guillotine and the French King; we've seen the Russian Revolution and again the fall of the Soviet Empire. Maybe we will enter a fourth revolution. Again, I'm Mr. Doom but...



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*Brendan Davis:* Sure, but how does that look to you? Again the worst-case dystopian nightmare that wakes you up, what does that look like when you look at the paper that day?

*Dr. Richter:* You know, there's a famous novel – I think I talked about it in my talk at Tsinghua by Michele Houellebecq, a French novelist. And he says the next French Presidential election, in the second round there will be a very populist party – it will be the Muslim Brotherhood, and you choose in between seeing those two options. And that's maybe what Europe is facing, you know, extremes. And Europe is like a really interesting laboratory for the future and these things might happen in other countries as well.

So, just in short there could be a new kind of revolution happening because there's globalization and there's discontent and the middle class is shrinking. And finally, a clash between China and the US. And I think Russia is out here. Russia of course is always a threat if you wish, but I think the real kind of thing happening in the future is the US/China thing.

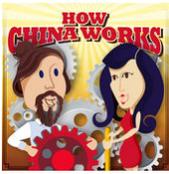
*Brendan Davis:* Well, I'm going to mention someone and I hope you don't throw me out of your apartment, because I know he's very discredited in many mainstream circles. But the controversial economist Martin Armstrong has his Armstrong Cycle Model predicting certain types of changes and upheaval. And I have a friend who's kind of a geek about that, and he's been telling me, "I told you so, I told you so." All these things happening are strangely lining up with this very dystopian reality where it looks, according to his projections and watching these societal things, it looks like it's about eight to ten years of no fun.

*Dr. Richter:* Yeah.

*Brendan Davis:* And then basically things get so bad with some kind of another World War of some kind; and then there's the rebuilding which is our opportunity to rise from the ashes. Hopefully we don't get there. I hope my friend and those people are wrong.

*Dr. Richter:* Yeah.

*Brendan Davis:* So, on a more positive note because you're not Mr. Doom, you're not Dr. Doom you're sunshine, you're Mr. Sunshine. How do we collectively and how does China specifically, since the show's called *How China Works*, let's get your insights about China. How



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can China and China watchers and friends and allies help to avoid that worst-case scenario?

*Dr. Richter:* Right.

*Brendan Davis:* What can China do to lead with... Lead with love sounds pretty corny and I'm going to regret saying it, but I'll say it.

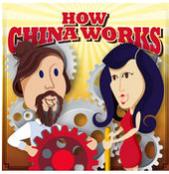
*Dr. Richter:* Yeah. You know, there are a lot of black swan scenarios and even black elephant scenarios of what could happen, and you know, you're right. Ten years is quite a good timeframe. People say that the cycle of crisis is getting shorter and it might happen every ten years. So, just looking back the last one started in 2008 and the new one might start very soon. It might be leading to a kind of war or at least like a clash, a clash of civilizations. And maybe that's like a blessing in disguise to say out of the ashes, but I think we should avoid this in any case.

*Brendan Davis:* Let's try not to burn anything in the process.

*Dr. Richter:* Exactly. I think we have to avoid it and we have to find a consensus. And I have to applaud here the Chinese leadership, because when the trade war started everybody was thinking that the Chinese government would kind of fight forcefully against America. But so far, the reaction was very soft and I think it was very wise by the Chinese to just wait and go for compromise. A lot of things actually are changing when it comes to IP protection, intellectual property; when it comes to investment framework; when it comes to even subsidies.

And I think China is ready to go to the negotiation table. And maybe they should do more and also taking more responsibility in global institutions, and saying, "You know, maybe a future ahead of a World Bank or an IMF could be Chinese." So far it's always an American-leading World Bank, a European-leading IMF. So, I think China needs also its space in the world and maybe the West should actively invite China and embrace China.

*Yingying Li:* Do you see that other tendencies or kind of willingness from the China side right now in terms of events, in terms of activity-wise, that more Chinese participants in those organizations are, as you said, actively taking that role?



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*Dr. Richter:* You know, we have Chinese heads of international organizations already. The current head of the ITU, that's the International Telecom Union, is Chinese. For many years, a Chinese was leading the WHO. So, on the specialized UN agencies you've got already some names. Also, the Deputy of [Kriselegat] for the last few years was a Chinese, [Mr. Xiamen]. But I think we should see more and the West shouldn't be afraid. I think we have to engage China and the best way is to abandon certain things we've held in the past and to actively invite the Chinese.

*Brendan Davis:* Well, you mentioned that you did your PhD studies in Japan. And so when I, for instance, was going through high school and entering college in the '80s Japan was on the ascendancy. And everyone thought it was going to be Japan's century, or everyone didn't think that – that was what was being promoted and pushed. And then, of course it's worked out a bit differently, and without getting off on a tangent because I don't know enough about Japan on that level to even have a coherent discussion, other than to say what are some lessons China could learn from Japan and from its other neighbors who have been faced with this opportunity and/or I would say mandate?

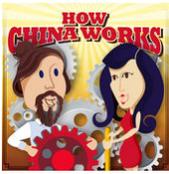
*Dr. Richter:* Yes, yes.

*Brendan Davis:* China has a mandate as it [beats off populism]. What are some things that could be learned from these very – speaking of history – recent examples of trying to join the big table at that capacity?

*Dr. Richter:* Yeah. You know, Japan was really taking on the role. There was a saying of “Nihon ichiban,” in Japanese meaning Japan #1. At the time you know, Japanese companies were buying into Hollywood. They were buying into Manhattan, buying towers and skyscrapers and companies around the world. Toyota was taking over Detroit in a big way and suddenly the bubble burst. And people still say, “Well, why did it really happen?” And maybe it was too much of expansion, too much of kind of leveraging.

And the Chinese are very much looking into the Japanese experience, seeing how can we avoid it? And what I've seen the last three to four years is that some of the most active, I would even say aggressive Chinese companies now were taken back. Companies like Foursome for example...

*Brendan Davis:* Wanda.



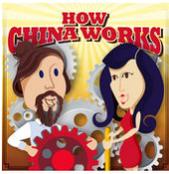
*Dr. Richter:* ...Wanda or even Hainan Airlines and have to sell assets and to kind of avoid the Japanese experience of overexpansion. I think it's a very wise strategy. Of course, it's in a way state capitalism, right, where the state goes in; it wouldn't work maybe in a Western context. But finally, I think history is telling the Chinese government they did the right thing.

Of course, China has a very large domestic market, so it's maybe a bit more isolated compared to Japan. But still, China has to be very careful and go only step-by-step; also avoid shadow banking which is another big issue, and to avoid of course also the whole area of corruption which, you know, was very rampant until recently. So, those are the areas I think China should be really careful in looking into.

*Brendan Davis:* Well, let me ask a question that of course you would have to answer with a cloak of anonymity of the people. But in your work and in your consulting, you speak and consult with business leaders, world leaders. Can I ask if you could summarize what are people at that level saying to each other and to you? What are you discussing sort of off the microphone in terms of where things are? What are the sticking points here in the present day? Like what's actually sort of what those of you who are really in the know understand; and then, of course you have to discuss it at a bit of a more macro level for the sake of a conference. But what are you actually talking about over a tea or a drink?

*Dr. Richter:* Yeah, yeah. Of course I don't want to quote people or share any secrets. But you know, I'll tell you quite rightly what's happening. When you listen to Western leaders, usually they are still very optimistic and don't want to scare anybody. And when you talk to them privately it's different; they are very scared but I don't have an answer and that's very scary. And I think they just don't know how to face the ARA challenge. They don't really know how to face populism. They don't really know how to face the rise of China – it's a lot of muddling through. And that's really how I would describe the world. It's muddling through, and I think some of our principled or more principle leaders are concerned. They know about those challenges. They know that we are on the edge and we can really quickly fall off the cliff.

*Brendan Davis:* Does anyone seem to offer up any good solutions about how to avoid that worst-case scenario?



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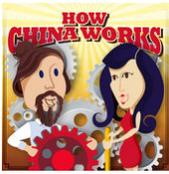
*Dr. Richter:* You know, I had an interesting story some actually leader told me recently, that some enlightened leaders should collaborate. Let's say maybe Mr. Trudeau in Canada, Mr. Macron in France and maybe Xi Jinping in China and say, you know, like a group of concerned leaders saying, "You know, let's forget any kind of political background and history. Let's just sit together." And it's not like a formal G8 or G20 meeting; just like you know, three, four enlightened leaders who collaborate to change the world and say, "You know, what are the institutions we need?" – a very informal group; and really try to change course and leave all kind of national interest beside. This could be a solution.

*Brendan Davis:* Well, this is a tricky question. I've been thinking of how to phrase this because I know again you'll be seeing President Xi tomorrow I believe if I'm understanding your schedule correctly. Is there one idea? If you had his ear in a one-on-one context to ask or to suggest, if you assume that it was politically in the small piece sense, assume that it was appropriate to speak freely as they say in the military – permission to speak freely. You could impart one question, one knowledge, one directive, may I ask what you might say?

*Dr. Richter:* Yeah, just imagine sitting with him together and I think five minutes, and it's very difficult. I think he's doing many things in the right way, but maybe one gentle suggestion is you know, the Chinese government should try more to put themselves into the shoes of the others when it comes to perceptions. And the perception of China in the West is not very good, and I think China could work on those perceptions – could work on the more like positive perceptions and do everything to change perceptions.

And it's not soft power; it's something different. It's more saying that you know, China is a benign global citizen and China is trying to contribute to the world. It's defending globalization and putting global interests above national interests. I think this might be something I could just advise I think to any leader in the world, not just to the Chinese. I think to almost everybody, just put yourself into the shoes of the others.

*Yingying Li:* That already goes to the empathy, the emotional level that we can resonate. I always say that I have this image in my mind almost all the time most recently. If God, if there is a God watching the earth like from the God, from the universe perspective, they see the



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countries like the US and China – our suffering and we're not talking to each other where many other countries are really suffering in being able to talk and communicate with each other. And what's the official expression from God would be? Like is he going to be smiling or like concerning or fearfully? It's this kind of thing that pops into my mind because we have to really think about from a humanity level instead of just from a human level. Because when it comes to we're just a human, you think about you as you and me as me. So, that would be a quite different perception from a much more visionary, a bigger vision.

*Brendan Davis:* Like a more holistic view of everything.

*Yingying Li:* Yeah. How could leaders develop more holistic views? Because there's only two ways – you drive humanity forward or you stay where everybody's going to suffer.

*Dr. Richter:* Right.

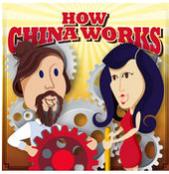
*Yingying Li:* So, it's like how could this become a consensus that we need to move humanity forward, right?

*Dr. Richter:* It's almost a philosophical question or maybe even a spiritual question but a good question.

*Brendan Davis:* Yes.

*Dr. Richter:* First of all, I have to say talking about God, I think there's only one God and even so, we talk about Islam, Christianity, Buddhism, Hinduism and many other religions. You know, I think it's all the same. There's only one God and you know, God is I think what is behind religion saying that you should never do anything bad to anybody else; and just expect that the others shouldn't do anything bad to you. And that's anyway I think the principle of maybe universal love. And I think we should maybe talk about this concept of loving each other and to be friendly with each other and having empathy.

When God now would look down and say, "How are the humans moving here?" I think God would be concerned but I think he's always concerned – that's actually his job, right? He has to kind of care for people.



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*Yingying Li:* Yeah, it's almost like the kids are fighting with each other, like, "Okay, okay, boys and girls, quiet."

*Dr. Richter:* Yeah, exactly. And usually, you know, wars are started by men, right, and not so much by the girls.

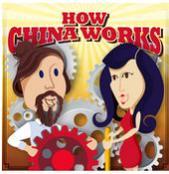
*Brendan Davis:* I've noticed this, yes, this is a trend, yeah.

*Dr. Richter:* But yes. I think God will try to kind of stop everything, but of course he has no direct influence. So, he's watching and maybe he's giving like the faith and the hope to people. And I think faith at the end of the day has a lot to do with hope – you hope for something better and maybe something more long-term than just like the short-term gain. And I think love and empathy is exactly that. We talked about altruism before and we have to care for each other.

*Brendan Davis:* How do you integrate something as specific and technical as monetary policy with your obvious philosophical take? I mean, I'm sure that I think that the one feeds the other, but how do you integrate that?

*Dr. Richter:* You know, it's a very complex agenda. We have usually around 150 sessions at our global meeting and there are many different topics. But there's always one general theme. So, this year the theme was globalization and its discontent; and how to generate, create a new version of globalization. Next year will be all about leadership and all sessions actually will have this framework of leadership. But yes, I think we need the ethical dimension. We had actually this year a session led by a philosopher. His name is Lou Marinoff based in New York and he was leading a session about love. So, it was very interesting, with even people going to the session saying it's something a bit more about physical love, right?

Or actually with all aspects because love is encompassing everything, and I think just caring for each other – and this was like the basis. But then we talk about monetary policy in coordination, saying if one country for example is currently devaluing its currency with like a short-term advantage then the other one will suffer. And then maybe we go in a vicious circle. So, much better to coordinate and then we kind of talk about you know, at the level of currencies we should always consult each other.



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*Brendan Davis:* So, that's what I was getting to is that what's driving the setting of the policy, what is actually? You know, is it this sense of Agapé or something that's driving the policy, trying to find a way to do the least harm?

*Dr. Richter:* Yes, to do the least harm and avoid any kind of tit-for-tat; always go for a win-win scenario. And maybe it's also a very Asian principle, right, saying there has to be a win-win where everybody is taking something out of it.

*Brendan Davis:* That's a negotiating topic that we talk about on the show a lot.

*Dr. Richter:* Right, and speaking of course of game theory as well, right?

*Brendan Davis:* Right.

*Dr. Richter:* Yep, yep.

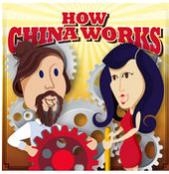
*Brendan Davis:* Well, Dr. Richter, we really appreciate your time and respect your time. Let me ask you this – what is the best question that we did not ask you? What should we have asked you that we didn't ask you yet?

*Dr. Richter:* Let me just think about it. That's actually a tough one.

*Brendan Davis:* Okay, take a moment and if it's a long moment I'll edit it, but if it's a short moment we'll leave it in.

*Dr. Richter:* Right. You know, one issue is how to take all the good energy let's say of people at our summit for example or any other gathering into very concrete action; and how to create initiatives. And to say that we are really using this energy, this empathy of people and saying you know, we are not just having great ideas and walk away but really make it happen.

Horasis is now working on initiatives so we have a special program when we follow those initiatives, and say, "We want to lead on this." We have smaller working groups in between who can report back when we meet next time. That's our own agenda, and I think that all of us should do in our normal life, let's say our day-to-day life as well to say when we get up in the morning, we should say, "What can I do to improve things in the world?"



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What can I do? Maybe it's a little smile when I talk to my neighbor, when I talk to even like you know, ordinary people. I see so many leaders or so-called leaders who kind of look down on people, you know, like to taxi drivers, people at reception in a hotel. There's a kind of expression in Chinese, [fau pixi] – "Get off your skin," right, who are very kind of short-tempered. And we should always treat each other in a nice way.

*Yingying Li:*

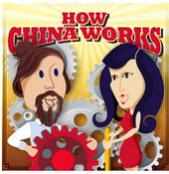
That's why I said you touched some of the habits that I practice. I of course just wouldn't go that far. I would say, I'd just ask one simple question: What is my mission? What do I need to do every day to keep my mission moving forward into helping more people? I mean, just a simple question but it's a very different question. Most people actually right now are blinded about it because technology, media, everything is so destructive in many, many ways, especially for young people, right?

So, this is kind of my concern and I always talk about it on our show that yes, young Millennials like myself, like my peers – we are with great dynamics, great energy and great spirit in changing the world, but we are also young in many, many ways in our brain. And I feel like we are constantly in an environment that is quite different from two decades ago when it comes to how technology wound around our brain, when it comes to putting the information in our brain; and that one of the biggest challenges is this digital culture. It could either be a huge blessing; it could either be a huge also disaster for us.

That's why I would say that's kind of the practice. We need to know ourselves even stronger, you know, deeper to practice asking that question you just mentioned in the forum and maybe drive people to ask this question in a more regular way. And that will lead about helping people.

*Dr. Richter:*

Absolutely. I think that's almost like a great conclusion. And I would say that you know, we have to start with ourselves, like self-actualization. Like saying, "How can we build up ourselves?" And of course, everything digital could be a major distraction. Digitalization could be very good but also very bad for mankind and I think we have to work on the good side, and maybe starting or finishing with a word of hope. I wish that in ten years' time the world will be a better place to live on and we will find solutions. We will avoid war, real war or a trade war or any kind of war and we are just good citizens in this world.



*Brendan Davis:* Dr. Richter, thank you so much for your time.

*Yingying Li:* Thank you so much.

*Dr. Richter:* Thank you so much, I appreciate it.

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*Brendan Davis:* Okay, that's our show this week. You can visit [www.HowChinaWorksPodcast.com](http://www.HowChinaWorksPodcast.com) to learn more about Dr. Richter or any of our previous show guests. Also feel free to contact us with any feedback or suggestions for future shows. On behalf of my cohost Yingying Li, I'm Brendan Davis and we'll see you next week on *How China Works*.

*[End of Transcript]*