

Strategy & Corporate Finance Practice

# What makes Asia 'Asian'?

Global-strategy adviser Parag Khanna describes what makes Asia's political economy distinctive.

**In this second installment** of a two-part interview, Parag Khanna, the managing partner of FutureMap, explains what makes Asia stand out, in politics and economics. In the first installment, Khanna discussed the ways the world economy is becoming increasingly Asia-centric. To dive deeper into Asia's future, McKinsey's experts and a diverse range of voices will offer their views in a series of publications launching the summer of 2019. The following is an edited transcript of Khanna's conversation with McKinsey's Rik Kirkland.

### Interview transcript

#### Technocratic governance

One of the hardest issues for me to try to tease out and condense into a generalized argument about Asia was to describe or capture what I call the "new Asian values."

I identified three sets of values that I think Asians loosely—emphasis on loosely—have in common. The first is technocratic governance. And please remember that there are more Asians living in democracies—proper, respectable democracies—than in the entire rest of the world put together. So the notion that Asia is simply Chinese authoritarianism writ large is kind of ridiculous. That said, even in the democracies there is a certain deference to executive authority if it has a long-term vision around national inclusive development.

Technocratic governance means that even if a society is democratic, you still have a set of issues or mandates that a government has the license to pursue in an independent, apolitical, nonelectoral way on a long-term basis. And policies are carried out or strategized by a competent team of civil servants—bureaucrats that, again, are not subject to constant electoral whims. We see that in the democracies and the nondemocracies.

If there is a strategic vision, then societies tend to have the patience, and the tolerance, and the acceptance, and the trust in government to fulfill that mandate, and give them more than just two years to do it. That said, they're not afraid to throw out their governments.

#### Mixed capitalism

Point two is mixed capitalism. This is something that is fairly easy to understand because now every country has become mixed capitalist, especially since the financial crisis. We can't truthfully say that the American economy or the British economy are truly laissez-faire, free-market systems. We have government intervention in many forms, whether it is through tax policy, subsidies, or bailouts.

In Asia, of course, that's quite the norm. It's been the norm in Asia's democratic modernizing societies, like Japan and South Korea, since the '50s and '60s. In fact, it is that strong hand of the state—the MITI [Ministry of International Trade and Industry] of Japan, the chaebol of Korea—that account for the East Asian economic miracle. China didn't need to learn those things from Japan and Korea, but it certainly did. And so state capitalism is very much the norm in China.

Now again, even in the democracies, even in a place like India you have the [Make] in India campaign, which again is industrial policy. It's the government directing and steering investment into sectors that it determines are going to be the critical growth engines and so forth. Whether it's technology transfer, whether it's subsidies, various kinds of industrial policy, mixed capitalism is the norm. This is, just to emphasize again, a European invention much more than it is an Asian one. But Asians are very comfortable borrowing this from Europe. So that's the second set of Asian values 2.0.

#### Social conservatism

The third is much more diffuse. It's what I call social conservatism. This is an incremental approach to social liberalism in society more broadly. This can be measured in many ways. It could be press freedom. You already have quite a bit of censorship in Asia. You don't need new Asian values to legitimize it, but you can at least start to rationalize why some countries are very cautious about unlimited freedom of speech in the media or otherwise. Part of it has to do with the very fragile and diverse nature and the social complexity of these societies.

**“Even in the democracies ... it’s the government directing and steering investment into sectors that it determines are going to be the critical growth engines.”**

If you take a place like Indonesia or Singapore or Malaysia, where you have Muslims and Chinese populations coexisting, people have to be careful what they say. That’s one aspect of it. But there’s an interesting aspect to it that’s very novel and contemporary, which has to do with technology. Particularly in the United States, where so much of our wonderful social-media innovations come from, these are now being not discarded but castigated and viewed as social ills.

You don’t have that view in Asia where governments have allowed everyone to be on social-media platforms, whether it’s WeChat in China, or all of them, really. You’ve got billions of Asians now online, debating and chatting and sharing information. However, governments have said, “Look, when it comes to politics, we will not tolerate fake news. We’re not going to allow foreigners to be able to purchase advertising on our social-media platforms, perhaps never, and certainly not during elections.”

We’re going to ask these technology companies to install filters and monitors and hire lots of local teams to verify content and immediately take down fake content. The adoption of foreign technology and improving on it, adapting it, innovating it to your society is quite germane to Asia for sure. But here’s an example where it makes a lot of sense in the context of incremental, cautious liberalism in society.

We could go across the board, whether we’re talking about LGBT rights or the death penalty. I find that, again, with your Chinese, Filipino, Russian, Arab, there is this sense that freedom is great, but let’s make sure that we do it right, and we do it in stages, and we do it incrementally, and we do it in a way that doesn’t alienate vulnerable segments of the population.

**Parag Khanna** is the founder and managing partner of FutureMap. **Rik Kirkland**, a partner in McKinsey’s London office, conducted this interview.

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