

George Soros  
Remarks at the World Economic Forum  
Davos, Switzerland. January 24, 2019.

Good evening and thank you all for coming.

I want to use my time tonight to warn the world about an unprecedented danger that's threatening the very survival of open societies.

Last year when I stood before you I spent most of my time analyzing the nefarious role of the IT monopolies. This is what I said: "An alliance is emerging between authoritarian states and the large data rich IT monopolies that bring together nascent systems of corporate surveillance with an already developing system of state sponsored surveillance. This may well result in a web of totalitarian control the likes of which not even George Orwell could have imagined."

Tonight I want to call attention to the mortal danger facing open societies from the instruments of control that machine learning and artificial intelligence can put in the hands of repressive regimes. I'll focus on China, where Xi Jinping wants a one-party state to reign supreme.

A lot of things have happened since last year and I've learned a lot about the shape that totalitarian control is going to take in China.

All the rapidly expanding information available about a person is going to be consolidated in a centralized database to create a "social credit system." Based on that data, people will be evaluated by algorithms that will determine whether they pose a threat to the one-party state. People will then be treated accordingly.

The social credit system is not yet fully operational, but it's clear where it's heading. It will subordinate the fate of the individual to the interests of the one-party state in ways unprecedented in history.

I find the social credit system frightening and abhorrent. Unfortunately, some Chinese find it rather attractive because it provides information and services that aren't currently available and can also protect law-abiding citizens against enemies of the state.

China isn't the only authoritarian regime in the world, but it's undoubtedly the wealthiest, strongest and most developed in machine learning and artificial intelligence. This makes Xi Jinping the most dangerous opponent of those who believe in the concept of open society. But Xi isn't alone. Authoritarian regimes are proliferating all over the world and if they succeed, they will become totalitarian.

\*\*\*

As the founder of the Open Society Foundations, I've devoted my life to fighting totalizing, extremist ideologies, which falsely claim that the ends justify the means. I believe that the desire of people for freedom can't be repressed forever. But I also recognize that open societies are profoundly endangered at present.

What I find particularly disturbing is that the instruments of control developed by artificial intelligence give an inherent advantage to authoritarian regimes over open societies. For them, instruments of control provide a useful tool; for open societies, they pose a mortal threat.

I use “open society” as shorthand for a society in which the rule of law prevails as opposed to rule by a single individual and where the role of the state is to protect human rights and individual freedom. In my personal view, an open society should pay special attention to those who suffer from discrimination or social exclusion and those who can’t defend themselves.

By contrast, authoritarian regimes use whatever instruments of control they possess to maintain themselves in power at the expense of those whom they exploit and suppress.

\*\*\*

How can open societies be protected if these new technologies give authoritarian regimes a built-in advantage? That’s the question that preoccupies me. And it should also preoccupy all those who prefer to live in an open society.

Open societies need to regulate companies that produce instruments of control, while authoritarian regimes can declare them “national champions.” That’s what has enabled some Chinese state-owned companies to catch up with and even surpass the multinational giants. This, of course, isn’t the only problem that should concern us today. For instance, man-made climate change threatens the very survival of our civilization. But the structural disadvantage that confronts open societies is a problem which has preoccupied me and I’d like to share with you my ideas on how to deal with it.

My deep concern for this issue arises out of my personal history. I was born in Hungary in 1930 and I’m Jewish. I was 13 years old when the Nazi occupied Hungary and started deporting Jews to extermination camps.

I was very fortunate because my father understood the nature of the Nazi regime and arranged false identity papers and hiding places for all members of his family, and for a number of other Jews as well. Most of us survived.

The year 1944 was the formative experience of my life. I learned at an early age how important it is what kind of political regime prevails. When the Nazi regime was replaced by Soviet occupation I left Hungary as soon as I could and found refuge in England.

\*\*\*

At the London School of Economics I developed my conceptual framework under the influence of my mentor, Karl Popper. That framework proved to be unexpectedly useful when I found myself a job in the financial markets. The framework had nothing to do with finance, but it is based on critical thinking. This allowed me to analyze the deficiencies of the prevailing theories guiding institutional investors. I became a successful hedge fund manager and I prided myself on being the best paid critic in the world.

Running a hedge fund was very stressful. When I had made more money than I needed for myself or my family, I underwent a kind of midlife crisis. Why should I kill myself to make more money? I reflected long and hard on what I really cared about and in 1979 I set up the Open Society Fund. I defined its objectives as helping to open up closed societies, reducing the deficiencies of open societies and promoting critical thinking.

\*\*\*

My first efforts were directed at undermining the apartheid system in South Africa. Then I turned my attention to opening up the Soviet system. I set up a joint venture with the Hungarian Academy of Science, which was under Communist control, but its representatives secretly sympathized with my efforts. This arrangement succeeded beyond my wildest dreams. I got hooked on what I like to call “political philanthropy.” That was in 1984.

In the years that followed, I tried to replicate my success in Hungary and in other Communist countries. I did rather well in the Soviet empire, including the Soviet Union itself, but in China it was a different story.

My first effort in China looked rather promising. It involved an exchange of visits between Hungarian economists who were greatly admired in the Communist world, and a team from a newly established Chinese think tank which was eager to learn from the Hungarians.

Based on that initial success, I proposed to Chen Yizi, the leader of the think tank, to replicate the Hungarian model in China. Chen obtained the support of Premier Zhao Ziyang and his reform-minded policy secretary Bao Tong.

A joint venture called the China Fund was inaugurated in October 1986. It was an institution unlike any other in China. On paper, it had complete autonomy.

Bao Tong was its champion. But the opponents of radical reforms, who were numerous, banded together to attack him. They claimed that I was a CIA agent and asked the internal security agency to investigate. To protect himself, Zhao Ziyang replaced Chen Yizi with a high-ranking official in the external security police. The two organizations were co-equal and they couldn't interfere in each other's affairs.

I approved this change because I was annoyed with Chen Yizi for awarding too many grants to members of his own institute and I was unaware of the political infighting behind the scenes. But applicants to the China Fund soon noticed that the organization had come under the control of the political police and started to stay away. Nobody had the courage to explain to me the reason for it.

Eventually, a Chinese grantee visited me in New York and told me, at considerable risk to himself. Soon thereafter, Zhao Ziyang was removed from power and I used that excuse to close the foundation. This happened just before the Tiananmen Square massacre in 1989 and it left a “black spot” on the record of the people associated with the foundation. They went to great length to clear their names and eventually they succeeded.

In retrospect, it's clear that I made a mistake in trying to establish a foundation which operated in ways that were alien to people in China. At that time, giving a grant created a sense of mutual obligation between the donor and recipient and obliged both of them to remain loyal to each other forever.

So much for history. Let me now turn to the events that occurred in the last year, some of which surprised me.

When I first started going to China, I met many people in positions of power who were fervent believers in the principles of open society. In their youth they had been deported to the countryside to be re-educated, often suffering hardships far greater than mine in Hungary. But they survived and we had much in common. We had all been on the receiving end of a dictatorship.

They were eager to learn about Karl Popper's thoughts on the open society. While they found the concept very appealing, their interpretation remained somewhat different from mine. They were familiar with Confucian tradition, but there was no tradition of voting in China. Their thinking remained hierarchical and carried a built-in respect for high office. I, on the other hand I was more egalitarian and wanted everyone to have a vote.

So, I wasn't surprised when Xi Jinping ran into serious opposition at home; but I was surprised by the form it took. At last summer's leadership convocation at the seaside resort of Beidaihe, Xi Jinping was apparently taken down a peg or two. Although there was no official communique, rumor had it that the convocation disapproved of the abolition of term limits and the cult of personality that Xi had built around himself.

It's important to realize that such criticisms were only a warning to Xi about his excesses, but did not reverse the lifting of the two-term limit. Moreover, "The Thought of Xi Jinping," which he promoted as his distillation of Communist theory was elevated to the same level as the "Thought of Chairman Mao." So Xi remains the supreme leader, possibly for lifetime. The ultimate outcome of the current political infighting remains unresolved.

\*\*\*

I've been concentrating on China, but open societies have many more enemies, Putin's Russia foremost among them. And the most dangerous scenario is when these enemies conspire with, and learn from, each other on how to better oppress their people.

The question poses itself, what can we do to stop them?

The first step is to recognize the danger. That's why I'm speaking out tonight. But now comes the difficult part. Those of us who want to preserve the open society must work together and form an effective alliance. We have a task that can't be left to governments.

History has shown that even governments that want to protect individual freedom have many other interests and they also give precedence to the freedom of their own citizens over the freedom of the individual as a general principle.

My Open Society Foundations are dedicated to protecting human rights, especially for those who don't have a government defending them. When we started four decades ago there were many governments which supported our efforts but their ranks have thinned out. The US and Europe were our strongest allies, but now they're preoccupied with their own problems.

Therefore, I want to focus on what I consider the most important question for open societies: what will happen in China?

The question can be answered only by the Chinese people. All we can do is to draw a sharp distinction between them and Xi Jinping. Since Xi has declared his hostility to open society, the Chinese people remain our main source of hope.

And there are, in fact, grounds for hope. As some China experts have explained to me, there is a Confucian tradition, according to which advisors of the emperor are expected to speak out when they strongly disagree with one of his actions or decrees, even if that it may result in exile or execution.

This came as a great relief to me when I had been on the verge of despair. The committed defenders of open society in China, who are around my age, have mostly retired and their places have been taken by younger people who are dependent on Xi Jinping for promotion. But a new political elite has emerged that is willing to uphold the Confucian tradition. This means that Xi will continue to have a political opposition at home.

\*\*\*

Xi presents China as a role model for other countries to emulate, but he's facing criticism not only at home but also abroad. His Belt and Road Initiative has been in operation long enough to reveal its deficiencies.

It was designed to promote the interests of China, not the interests of the recipient countries; its ambitious infrastructure projects were mainly financed by loans, not by grants, and foreign officials were often bribed to accept them. Many of these projects proved to be uneconomic.

The iconic case is in Sri Lanka. China built a port that serves its strategic interests. It failed to attract sufficient commercial traffic to service the debt and enabled China to take possession of the port. There are several similar cases elsewhere and they're causing widespread resentment.

Malaysia is leading the pushback. The previous government headed by Najib Razak sold out to China but in May 2018 Razak was voted out of office by a coalition led by Mahathir Mohamed. Mahathir immediately stopped several big infrastructure projects and is currently negotiating with China how much compensation Malaysia will still have to pay.

The situation is not as clear-cut in Pakistan, which has been the largest recipient of Chinese investments. The Pakistani army is fully beholden to China but the position of Imran Khan who became prime minister last August is more ambivalent. At the beginning of 2018, China and Pakistan announced grandiose plans in military cooperation. By the end of the year, Pakistan was in a deep financial crisis. But one thing became evident: China intends to use the Belt and Road Initiative for military purposes as well.

All these setbacks have forced Xi Jinping to modify his attitude toward the Belt and Road Initiative. In September, he announced that “vanity projects” will be shunned in favor of more carefully conceived initiatives and in October, the *People’s Daily* warned that projects should serve the interests of the recipient countries.

Customers are now forewarned and several of them, ranging from Sierra Leone to Ecuador, are questioning or renegotiating projects.

\*\*\*

Most importantly, the US government has now identified China as a “strategic rival.” President Trump is notoriously unpredictable, but this decision was the result of a carefully prepared plan. Since then, the idiosyncratic behavior of Trump has been largely superseded by a China policy adopted by the agencies of the administration and overseen by Asian affairs advisor of the National Security Council Matt Pottinger and others. The policy was outlined in a seminal speech by Vice President Mike Pence on October 4th.

Even so, declaring China a strategic rival is too simplistic. China is an important global actor. An effective policy towards China can’t be reduced to a slogan.

It needs to be far more sophisticated, detailed and practical; and it must include an American economic response to the Belt and Road Initiative. The Pottinger plan doesn’t answer the question whether its ultimate goal is to level the playing field or to disengage from China altogether.

Xi Jinping fully understood the threat that the new US policy posed for his leadership. He gambled on a personal meeting with President Trump at the G20 meeting in Buenos Aires. In the meantime, the danger of global trade war escalated and the stock market embarked on a serious sell-off in December. This created problems for Trump who had concentrated all his efforts on the 2018 midterm elections. When Trump and Xi met, both sides were eager for a deal. No wonder that they reached one, but it’s very inconclusive: a ninety-day truce.

In the meantime, there are clear indications that a broad based economic decline is in the making in China, which is affecting the rest of the world. A global slowdown is the last thing the market wants to see.

The unspoken social contract in China is built on steadily rising living standards. If the decline in the Chinese economy and stock market is severe enough, this social contract may be undermined and even the business community may turn against Xi Jinping. Such a downturn could also

sound the death knell of the Belt and Road Initiative, because Xi may run out of resources to continue financing so many lossmaking investments.

On the question of global internet governance, there's an undeclared struggle between the West and China. China wants to dictate rules and procedures that govern the digital economy by dominating the developing world with its new platforms and technologies. This is a threat to the freedom of the Internet and indirectly open society itself.

Last year I still believed that China ought to be more deeply embedded in the institutions of global governance, but since then Xi Jinping's behavior has changed my opinion. My present view is that instead of waging a trade war with practically the whole world, the US should focus on China. Instead of letting ZTE and Huawei off lightly, it needs to crack down on them. If these companies came to dominate the 5G market, they would present an unacceptable security risk for the rest of the world.

Regrettably, President Trump seems to be following a different course: make concessions to China and declare victory while renewing his attacks on US allies. This is liable to undermine the US policy objective of curbing China's abuses and excesses.

\*\*\*

To conclude, let me summarize the message I'm delivering tonight. My key point is that the combination of repressive regimes with IT monopolies endows those regimes with a built-in advantage over open societies. The instruments of control are useful tools in the hands of authoritarian regimes, but they pose a mortal threat to open societies.

China is not the only authoritarian regime in the world but it is the wealthiest, strongest and technologically most advanced. This makes Xi Jinping the most dangerous opponent of open societies. That's why it's so important to distinguish Xi Jinping's policies from the aspirations of the Chinese people. The social credit system, if it became operational, would give Xi total control over the people. Since Xi is the most dangerous enemy of the open society, we must pin our hopes on the Chinese people, and especially on the business community and a political elite willing to uphold the Confucian tradition.

This doesn't mean that those of us who believe in the open society should remain passive. The reality is that we are in a Cold War that threatens to turn into a hot one. On the other hand, if Xi and Trump were no longer in power, an opportunity would present itself to develop greater cooperation between the two cyber-superpowers.

It is possible to dream of something similar to the United Nations Treaty that arose out of the Second World War. This would be the appropriate ending to the current cycle of conflict between the US and China. It would reestablish international cooperation and allow open societies to flourish. That sums up my message.

##ENDS###