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CHINA'S NEW LEADERSHIP: THE OUTLOOK FOR POLITICS
AND POLICY

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Welcome

JEFFREY A. BADER
Senior Fellow and Director
The John L. Thornton China Center
The Brookings Institution

ALICE L. MILLER
Editor, *China Leadership Monitor*
Research Fellow, The Hoover Institution

First Keynote Address

TOM FINGAR
Chairman, National Intelligence Council

PANEL ONE - POLITICAL LEADERSHIP AND SUCCESSION POLITICS

CHENG LI
Senior Fellow, The John L. Thornton China
Center, The Brookings Institution

ALICE L. MILLER
Research Fellow, The Hoover Institution

DAVID MICHAEL LAMPTON
George and Sadie Hyman Professor of China
Studies, The Johns Hopkins University

Second Keynote Address

SUSAN SHIRK
Director, UC Institute on Global Conflict
and Cooperation, University of California,
San Diego

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JOSEPH FEWSMITH
Professor of International Relations and
Political Science, Boston University

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

BARRY NAUGHTON

So Kwan Lok Professor of Chinese and
International Affairs, University of
California, San Diego

ALBERT KEIDEL

Senior Associate, The Carnegie Endowment for
International Peace

**PANEL THREE - THE TAIWAN AND MILITARY POLICIES
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ALAN D. ROMBERG

Distinguished Fellow and Director, East Asia
Program, The Henry L. Stimson Center

MICHAEL SWAINE

Senior Associate, The Carnegie Endowment for
International Peace

NANCY BERNKOPF TUCKER

Professor of History, Georgetown University

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P R O C E E D I N G S

MS. MILLER: Good morning. My name is Alice Miller, and I'm a research fellow with the Hoover Institution, and I'm the editor of a strange publication called the *China Leadership Monitor*. I'm grateful to you all for showing up this morning to hear today's presentations.

Our event today grew out of several considerations, but I want to highlight two. One obviously, of course, is developments in China's leadership politics in the last few months. These I'm sure everybody knows stem from two major leadership meetings. One, the 17th Congress of a Chinese communist party. Now, the other, the 11th National People's Congress, the Chinese Parliament.

These meetings are important because they do change the leadership in significant ways, and, second, because reports delivered at these meetings have a bearing on the future approach of policy, they lay out very broad guidelines and priorities for the next five-year period. And, so, it seemed an appropriate moment to try to take stock of these meetings. That led Li Cheng from Brookings and I to begin to talk last summer about doing that and staging this occasion.

The other consideration is the *China Leadership Monitor*, which I edit at the Hoover Institution, and that Li

Cheng contributes to regularly, along with four other contributors. The *Monitor* is now in its seventh year of publication. It tries to provide authoritative analysis of ongoing trends in the Chinese leadership and trends in policy and major policy sectors.

The methods that we use are the traditional tried and true methods of the good old days, that is chronology, as applied to China's politics, now supplemented by the new sources of information and insight that have become available in the last two or three decades.

So, who better to try to sum up trends in the leadership than the group that contributes to the *China Leadership Monitor*, and that's the secondary point of today's session, to try to bring all of these people together to try to offer their assessments of what's going on in China's leadership.

We haven't done this before, and, so, this is an inaugural effort to try to do that and to get reaction from the broader Washington community interested in China. And, so, I'm grateful that most of the crew from the *Monitor* has joined us today; four people, not including myself, have been with the *Monitor* right from the beginning. They include Li Cheng from Brookings, Joe Fewsmith from Boston University,

Barry Naughton from the University of California San Diego, and James Mulvenon, now at CIRA, here in town.

The sixth contributor aside from those four and me is Alan Romberg, who joined us two years ago, two or three years ago, and replaced Bob Suettinger, and before Bob, Tom Christensen, who's now deputy assistant secretary at the State Department.

So, they almost all of those contributors are here today to present their views on what's going on in Beijing for our session today. We do have one last minute change in our lineup, and that is James Mulvenon isn't here today. He was commandeered. Maybe the right term is shanghaied to go give briefings out at STRATCOM in Omaha, and, so, the American military unfortunately takes priority, at least unfortunately for our purposes. And, so, I'm grateful that Michael Swaine from the Carnegie Endowment for International Peace has agreed to come and offer his views on what's going on in the leadership with respect to the military affairs.

So, thank you very much for your interest in today's event. Please, I encourage all of you to ask lots of questions of the panelists, everybody except me, of course.

So, may I turn the podium over to Jeff Bader from Brookings? Thank you.

MR. BADER: Thank you. Thank you very much, Alice. I'm Jeffrey Bader. I'm director of the John L. Thornton China Center here at the Brookings Institution. I first want to thank Alice for proposing this conference. Alice came to Cheng Li, and I can't think of a better combination to pull together an event on Chinese leadership than Alice Miller and Cheng Li.

It's my pleasure this morning to introduce our opening speaker, Tom Fingar. You all have his bio, I trust. I won't repeat it. He's the deputy director of National Intelligence for analysis and chairman of the National Intelligence Council.

I first met Tom in, I think it was 1987. I was deputy director of the China desk and used to go upstairs each morning for the daily intelligence briefings. Tom would come around turn to the assistant secretary and the deputy assistant secretary with the most sensitive intelligence that the U.S. Government had.

I didn't know Tom at the outset. He showed us this extraordinarily sensitive material and didn't say much unless spoken to, and when he was spoken to, he gave the most extraordinarily insightful and intelligent answers.

And he knew more than anyone else in the room, I quickly discovered.

Well, let me modify that statement. (Inaudible) was in the room, so it was a tie. It was a tie for first place, and but one thing I note, I was sort of neophyte in this game; I hadn't been in the briefings by the INR briefer before this, and one thing that struck me was it didn't matter where the discussion went, Tom refused to offer any policy guidance to any of us. He told us what the intelligence meant, he told us how he evaluated it, but he wouldn't tell us what to do.

It seemed strange to me at the time. That's to say since he seemed to know more than anybody else, but now I get it. And with that same spirit of understanding, limits and understanding the lines between intelligence and policy had been better understood by more people in the U.S. Government.

I do remember somewhere around May 24, 25, 1989 I wrote a memo to Secretary Baker describing what was going on in China at the time, and you all may remember that there were a few things going on in China at the time, and I purported to describe what was going on in the grounds because there seemed to be a need for such a memo. Tom

came by, I remember, to tell me ever so gently to remind me that I was supposed to do policy and not describe what was going on in the grounds and that he would take care of what was going on in the ground. But, anyway, he softened the blow by -- I asked him, so, what do you think of the memo? He said, oh, I thought it was quite good, except I probably wouldn't have referred to that leader you referred to as Deng Xiaoping's useful idiot. Tom was right in that case, too.

We've now seen in recent months Tom's commitment to courageous and quality analysis on the Iran national intelligence estimate. Tom didn't want it to be public. Tom, like the craftsman who built the Notre Dame Cathedral likes to labor in anonymity. But I think it's great that we did get to see it because what this served to do is to remind a broader public of the quality and courage of the people who labor on analysis and intelligence and who provide and who call it as they see it, not as the policy community would like them to see it.

It's my pleasure now to ask Tom to speak to us, and he will now call it as he sees it again. Tom is as superb a public servant as I've ever worked with. I don't like to use the most overused word in Washington,

patriotism, but Tom is a patriot in the finest sense of the term.

Over to you, Tom.

MR. FINGAR: Thank you, Jeff. I'm intimidated by that introduction.

One thing that Jeff might have mentioned is that I am a lapsed China specialist. Having sort of once labored very diligently in the China vineyard, I now feel sort of under-prepared to speak to this group, which is continuing to work on it.

I'm reminded by one of our earlier encounters. It happened to be slightly after the May date that Jeff mentioned. It was a taskforce set up in the State Department, as is almost always the case when something momentous happens, and the 24-hour news cycle and the talking heads being there all the time was rather new, and the pundits were having difficulty filling the air, and we were there waiting for the pizza to come, and the talking head was going on about how confusing this was, what was going on in China, but, fortunately, the experts at the State Department, even as he spoke, had a firm grasp of what was going on, the true experts. Jeff turned to me and said, are you the expert because the rest of the us don't

have a clue what's going on here? Honesty is one of Jeff's virtues, or I thought that until he introduced me.

Let me begin your conversation about China's new leadership by posing for you some observations for somebody who now for 15 years has had a portfolio that includes the 191 countries in the world. Part of the framing here is the question: How unique is China? How unique are the considerations, the motivations, the frameworks, the challenges that China's leaders face domestically and one the global stage?

To get quickly to my bottom line, it's not very. That those of us who started in the China business decades ago I think probably were most impressed or persuaded ourselves that China was a very unique place historically because of the nature of leadership, because of the relationship of the Communist Party to develop in that country, because of its early origins as a part of the International Communist conspiracy led by the Soviet Union, because of the legacy of World War II, because of the relationship between the United States and Taiwan and so forth. They had a very long list of things that were unique.

In retrospect, I think we were probably more right than wrong to adopt that approach, but, as a cautionary note for your discussions today, I would at least posit that that uniqueness is less of a factor today than it was 5 years ago or 10 years ago or 15 years ago, and anything will have Chinese characteristics, Chinese attributes, be worked through a Chinese culture screen, political history, and so forth, but all nations and leaderships have a history, have a culture, have a background. So, at least ask the question of yourselves, of one another: Would other political leaders faced with the same set of circumstances, the same challenges apply a more or less similar framework in making decisions, structure their analysis with more or less the same set of options, come down in more or less the same place? Why or why not? What is it about China and its leadership? How much of it is the character of the leadership, the personalities, the relationships, their own career trajectories and experiences, and how much of it is China, a very large country, one that plays on the global stage? That is developing, modernizing very, very rapidly. That has a large military capacity, that is a nuclear power, that is a permanent member of the Security Council, and so

on. That is, to get the right balance between leadership with a small L and the context within which leaders operate. It led me to help frame this a little bit more specifically, suggest sort of three levels of analysis, if you will, for attempting to get at these questions.

One is the actually quite typical Chinese approach, in China, China studies field of focusing on personalities, leadership generations, life experiences, patron-client networks, who likes whom, who's accountable to whom, who hates whom, for what reasons, and imputing to this a certainly explanatory power or a predictive power that I think is at least worth questioning from time to time.

A second, which is one where I confess in my career I have been relatively more comfortable with, some of system or systems, plural, dominance, Chinese leaders, like others, operate within center local relations, dealings with the pluralizing interests that result or a dependent on economic growth, local leaders, persons involved in the private sector, involved in international business, a system of the international system or international systems nested together, kind of terrorism regimes, kind of proliferation regimes, the United Nations

and its subordinate organizations that the large and growing array of activities that operate with less and less direct control or even direct impact by national governments, that the globalization phenomenon has been described by many whereby many, many activities that were once the sole purview of national governments are now shared or completely outsourced or have gotten completely away from national leaders. It's true around the globe, it's true to a less or greater extent in China, it's probably topic-specific, it may be leader-specific, it may be sector-specific. I think it's important to think about that, that how much of the decision space of China's leaders is constrained by the requisites of system maintenance, that pressures and countervailing pressures that are brought to bear.

Sort of the third approach to this is sort of a problem centric one. Much of what China's leaders deal with today will deal with tomorrow, like that of leaders in our country and around the globe, sort of its thrust upon them. The issues that come up day in and day out because of developments that happen, and they may have provoked them at one time, they may have encouraged, they may have attempted to shape, or they may not have even anticipated.

In the economics fear -- no, the ripple effects of our home mortgage problems into the international system that actually reify into everything from the price of oil, which is now a lot cheaper for those paying dollars, to the amounts of money that China holds in U.S. dollars, and on and on. These are opportunities to excel. These are diversions from what would otherwise be higher priorities for the leadership. These are complicating or compounding factors for efforts to work issues through the United Nations, through the WTO, regional groupings, discussions of free trade areas, discussions of security trade agreement, and the like.

So, there are probably more. There certainly are more sort of dimensions of this, but if one thinks of this as a three dimensional space in which leadership proclivities and experience, systemic constraints and problems that are just out there all interact and which kinds of topics and which kind of systematic and which kind of context are most sort of comfortable for Chinese leaders to deal with, most difficult for them to deal with, where is there a school solution for dealing with the problem, where are they off the map in terms of their own experience or the role that China has been willing to play?

To put this in a little bit more specific terms, I think it's fair to say that, while he was alive, Mao Zedong kind of trumped system attributes, the party, the ideology. End of the day, most of the time the chairman got what he wanted. Sometimes with positive consequences, many times with very negative consequences, but the systemic constraints on him were rather small. And the insulation of China from developments in the world beyond its borders was pretty high, I think, much at the time.

I mean, moving into the Deng Era, Deng certainly exerted a great deal of personal authority, and he was able to work the system because he had the dossier. Unessentially, anybody who was anybody in the system. He had help to put them into those positions or he had the dirt on them, and there was a lot of personal loyalty within that system, but he was operating in a way that, at least in my view, attempted to make the system less personality developed, to insulate it from the disastrous effects of another Mao, should one emerge, moving it towards one that was engaged in the international system, deliberately, purposely, but I think without full anticipation of what that would mean. China was going to join the international system while maintaining as much as

possible of the system, the orientation, the priorities of policymaking procedures, as it had before.

For purposes of argument, I will contend that China has been changed more by its engagement than the international system than the international system has been changed by China's participation. Now, that may be a today and tomorrow problem because the system is going to have to change to accommodate China more than it has.

The final point I'll make in this section is sort of the evolution of both China and the world, that modernization through all of the sort of imperfections and inadequacies of modernization theory and how private economic activity, the requisites for being competitive in the international system result in competing interest, in pluralizations that must be taken into account in the political system. However inadequate to theory and how ungrounded or unfounded the expectations for how fast China would move sort of in the direction of other industrializing, modernizing, democratizing societies, I think it's undeniable that China is a very different place today than it was 5, 10, 15 -- pick your bench point -- year. And it's different in specific ways, noble ways,

comparable ways, ways that could be examined in comparison to other systems, and the global system has changed.

Again, I think you probably are aware of that. You don't need me to elaborate.

In short, there are different systems; there are different kinds of problems. There's a different kind of leadership, and all of these are working together to shape what China does, what China wants to do, the way it perceives its options, the way it shapes its options, the way it explains what it is doing to its own people, the way it explains to the world what it is attempting to do.

The second sort of broad category of things I think are worth considering is the notion that, like when it existed, the Oldsmobile commercial, this is not your father's Oldsmobile. This is not your father's China. That the demographic changes that have occurred, that the relative youthfulness of the population, perhaps most important is the vast majority of the Chinese population have no personal memory of the days before 1949. Relatively few have any personal memories of 1989. Just look at demographics on it.

All of this means there's very little cushion for the party made life a whole lot better for your

grandparents than it ever had been before. We made tremendous gains against a China that very few remember. That, as legitimacy, has shifted away from revolutionary credentials into one of performance.

As younger Chinese perhaps are less conservative than their elders -- by "conservative" here, I mean willingness to take risks in order to achieve gains. That, for purposes of argument, I will make the judgment that, throughout most of the period of China's opening to the outside period of reform, and especially since Tiananmen , there has been a mixture of pride and pleasure at the games, life is better, materially, culturally, in almost any dimension, for the vast majority of Chinese. For some, it is unimaginably better, for many, it is still pretty grim. But the cast for much of this period is an unwillingness to run the political risk.

We don't want to put at risk what we have accomplished, what we have gained by trying to push too fast, too far, whether it is in making demands of the political system, pace of change internally, or role on the international stage. There is a sort of moving beyond the fear of chaos, into the fear of jeopardizing gains by trying to do too much.

I think that period may also be waning. With a population that, as its life experiences in the go-go years of reform and opening and engagement where China has moved beyond the slogan of China has stood up, and China really is a player on the world stage on all kinds of dimensions, and that the view of what government is supposed to do, having changed from low expectations that would actually do things for you and a high level of concern that it would do things to you if you stuck your head up, if you made them into one in which governments are there to serve the people, governments are there to deal with the tough problems of healthcare, of education, care of the elderly in a one-child culture and so forth, as legitimacy has become more performance-based, the citizenry, I think, has become more demanding, and it's likely to become even more so. I think the leaders are aware of this. How they balance concern for stability, prioritized foreign policies, economic policies, domestic policies that were thought out with a sense of being appropriate, to not putting anything at risk, that may be seen as too slow.

And, finally, foreign expectations count. That the demonstrations in Tibet, for Tibet around the Olympic

celebration sort of underscore, but there are many more that Chinese leaders are on the world stage, whether they want to be or not, the idea that the relevant constituency is in the parlor bureaus, is in the central committee, is in the party, or is just inside China is sort of an idea, quaint idea from yesterday, that what leaders do, the way they do it, the way they explain the problems, frame the problems, pose solutions are viewed not only by the foreign policy elite within China, but by a constituency that transcends China's boundaries and goes around the globe.

The final sort of set of thoughts that I will submit for your consideration concern new challenges, and whether they are seen as new opportunities for China and Chinese leaders to make their mark, to have an impact, to shape the future, or seen as meddling, troublesome problems that are a diversion, that would ducted if they could, dealt with in a minimum way. The greater involvement on the global stage.

One of the things that I observe now as I -- you know, through China maybe 2 percent of the time and read more widely in issues is an expectation that, as China emerges increasingly on the world stage and plays and seeks to play an ever larger role, that the role it will play

will be in extrapolation of the role it played in the 50s, 60s, 70s, 80s. There's almost an expectation of being unconcerned about world law issues, human rights issues, to have a mercantilist view of economists and so forth, to have, if not a reluctance, an absolute disinterest in aligning with the United States, the West, pick your other country depending on the issue and working jointly through international systems on issues that would appear to infringe sovereignty, constrain the latitude of one country's government. In this case, China not wanting to have precedence in the international system that could be applied to China.

I would at least posit for your consideration that the past is probably the least useful way to think about behavior in the future. I'll let you do with that as you may, but let me toss out some examples that I hope will make more concrete what I'm pointing to.

China's economic engagement in Africa. Big problem, big opportunity. Won't be a big problem for us or big opportunity for us, but for China. It's a mix of motivations from access to resources and markets to humanitarian concern, eagerness to spread Chinese model of development and so forth, but whatever the mix of

motivations, it has consequences that may not have been fully anticipated.

The magnitude of Chinese investment in Africa in the aggregate and in specific locations is now quite substantial. I suggest that that probably will increase Chinese private sector and ultimately Chinese private sector interest in the quality of governance in the countries where this investment is placed, that it not be put unduly at risk. That bribery, maltreatment of workers that put -- the Chinese don't want the problem in international perceptions of what they're doing in Africa sort of analogist to the problem that Nike and other U.S.-based companies have had in the way the labor forces in China have been depicted in what that does to sales and marketing strategies. That, for reasons having to do with concrete stakes, leaders are going to have to think about problems in a more activist way than in the past that can't simply say this is the responsibility of pick your country in Africa and plug in the name. They now have an interest in it, and I think it's more than crass economic interests; it's not all about the money. I think that sort of the humanitarian developmental impulses and motivations that

are articulated at times, I think they're real. How real, I will leave to you, thank you. But they're there.

Two others very briefly here. I asked Jeff to do this.

One is energy dependence, that as much as the rest of the world, except for India, sort of began to diversify energy portfolios after the 1973 and 1979 oil shocks and China and India began to require more and more imported oil and gas, it has caused China to be much more dependent than the United States is directly on stability in the Persian Gulf region.

That's not somebody else's problem, and it isn't simply they're got a lot of money, they'll pay the price, they don't care about the character of the countries in the region, whether Iran is developing nuclear weapons, whether human rights are not respected in the region in Darfur and Sudan for example. They have to be concerned not simply with acquiring the energy, but with the international regime and its impact on it, what the United Nations does or doesn't do, whether there is to be an energy control regime and so forth.

And, finally, environmental challenges. Looking at the impact of climate change. Among the places that are

going to feel this, are feeling the effects early on in China, and all of those millions of tube wells drilled in North China in the 70s in order to increase food self sufficiency have depleted the water table, and with less rain, the estimates I've seen are up to 400 million people sort of are dependent on water, the quality of water in North China. China's need or incentives to deal with its internal environmental challenges will shape what it has available as far as attitudes towards a global level of activity. Now, you could take it from here.

The final one I'll mention is reengineering of the international system. We're still talking about the post Cold War Era because we haven't got a new organizing rubric. Whatever other characteristics it has, we may have moved past the unipolar moment of United States, a dominance. We certainly are not in the bipolar world anymore. Well, what is the character of the world? What's China's role in it? What's China's role in shaping it?

China, interestingly, has become one of the most forceful and articulate defenders of the status quo, of the post World War II system because it has benefited very greatly from it. But almost everybody else that looks at it says this is getting pretty shabby. It was a great

system, but may have exceeded its useful life, and what's going to replace it and who's going to replace it? But there is no analog of the United States in 1945 to come up with the blueprint and have it accepted.

Will suspicions of China make it hard to play that role? Will China's stakes compel it to play a role? How will that be perceived and acted on by its leaders?

Let me stop for a minute. Let me stop in terms of initial presentation and see if there are questions that people want to pose to me in this, but also to thank Alice, Jeff, and Cheng Li for organizing this. It's timely, it's important, and I actually look forward to seeing what comes out of it.

Thank you.

MR. BADER: If that was the presentation of elapsed China hands, then the rest of us who do China every day are pretty lucky that we don't have that competition anymore. That presentation actually serves to remind me that those of us who deal day to day with China and nothing but China that, perhaps, maybe the best way to increase our understanding of China is to get out of the field for awhile and develop some comparisons with the way some other

places work because you see the kind of insight that Tom brings from having meandered away from China for a bit.

Anyway, let's open up for questions for about 15 minutes if you'll just raise your hands and wait for a microphone to come around and then identify yourself and your institution, we'll give you a chance to offer your views.

QUESTIONER: Julia Chang Bloch, the U.S. China Education Trust.

MR. FINGAR: Hi, Julia.

QUESTIONER: Hi, Tom.

In your analytic framework, I wonder whether you can comment -- and you mentioned Tibet. I wonder what you think, how Tibet, the problem with Tibet will impact on China's emerging leadership and what do you think their proclivities will be in resolving this problem?

MR. FINGAR: This is an excellent question. It's also a hard question. Hard not just for the lapsed China guy to answer, but it actually gets to the heart of what I was trying to frame.

The time in which this was a no-brainer for Chinese leaders, that Tibetans are out of line, go whacko. If the world doesn't like it, too bad. This is China's

internal affair and so on. You can play it with more or less sort of exaggeration than I have, but I think that's the way in which they would have approached it.

It's a problem that's not going to go away because of the clash of cultures, if you will, and I think it's much more than Han versus Tibetan, its view of modernization, its who benefits from modernization. Is it better to have a subculture in a country that is able to perpetuate, extend, rely on its own language and culture and so forth? It's a question that countries far, far beyond China face. Or to mainstream so that they can partake fully in the opportunities of the larger nation, and one can ask this around everything from Black English, as it has been dubbed in American inner cities, in preparation for jobs in our own economy? So, it is that dimension of it in China.

There is, I think, more than the timing here, and the Olympics and the both real and imputed motivations for the Chinese to resolve this in a way that doesn't adversely affect participation in the Olympic games, but if the Olympics were not taking place in China in August, the kind of problems, intentions that have erupted in Tibet probably will erupt in other places around other issues, will compel

the new leaders and the new leadership institutions to deal with them in new ways.

This is one where I think they're a little bit off the map, that the "whack them" option isn't there anymore, the "accommodate to them" option isn't on the table in terms of full consent, pull out the migrants, all use of language and so forth. But the midpoint solution or range of midpoint solutions is yet to be defined.

I mean, the system has yet, I think, at least to my awareness, to generate proposals among which the leadership could chose, weigh costs and benefits of dealing with strengthen the role of the party, weaken the role of the party. More space for Tibetan activity within education, within the economy, more quotas on different things or more emphasis on a Chinese populous that one could go on and on here in terms of the options not yet articulated, not yet considered, and what process is going to articulate them, what mechanism is going to put them before the leadership, what calculus they will use to select among them, what willingness to adopt a conscious trial and error, the crossing the stream by feeling for the approach, the Mao Zedong approach, or we solve this problem, and any sort of backtracking modification would

suggest that we made a wrong decision and being very, very rigid about it. I would suspect there's going to be a fumbling toward partial solutions, but that's a guess.

Do you want me to pick?

MR. BADER: Sure.

MR. FINGAR: Eric?

QUESTIONER: Eric McVadon, the Institutes for Foreign Policy Analysis.

Tom, of course, there's a lot of talk about military modernization in the China threat and so forth, some thinking a more prosperous China is a more dangerous China, yet, of course, we here from the Chinese we're not expansionists, we're not aggressive, and so forth.

I wondered to what degree today's leadership or maybe the leadership in the near future believe their own rhetoric and how much that might influence China in its decisions.

MR. FINGAR: I suspect that Chinese leaders will, in a sense, "believe their own rhetoric" or at least believe much of their own rhetoric. Like leaders anywhere, they'll believe it until it becomes inconvenient to believe it. I don't mean that to disparage them in effect. You

know, rhetoric is that. Policies are broad frameworks here.

But, as China becomes more prosperous, more integrated into the global economy, has interests around the world, unless it were to adopt -- I'm sorry, I think highly unlike a Japanese model of outsourcing its security to somebody else, it's going to develop military capacities. If these military capacities are going to have any sense behind them, they're going to be force projection capabilities. To push the problem as far away from China's borders, particularly its prosperous costal areas as possible, and that means it's going to be navy and it's going to be air and it's going to have long legs, and it's going to be oriented towards the United States. I think not because we are perceived as the biggest threat, the most likely adversary.

I realize I've pushed aside Taiwan in this response, but because if you're going to develop military capabilities, if you orient them toward the most capable player in the international system, you're kind of taken care of everything else along the way.

We are the yardstick. We are recognized that we are the yardstick and not immediately interpret every

Chinese public statement, budget rationalization, justification as betokening inevitable conflict, inevitable adversarial status. We ought to be talking to the Chinese about this. We can say we are, but continuously. What are the objectives, what are the motivations? How do we avoid miscalculation and misperception in this?

There's a near term and a long term here, and part of it has to do with the intensity of what is called the Taiwan problem. That how concerned they are on the mainland that the island is drifting further away. I suspect that the outcome of the just-completed election will cause some lowering of the anxiety in Beijing. It won't turn around military procurement programs and doctrinal development that has been in the works for years, if not decades, and which has applicability even if there were no Taiwan problem. That I would at least propose that the development of the military wouldn't be that much different if Taiwan miraculously were solved tomorrow.

Let me go in the back here. I'm sorry; I don't know your name.

QUESTIONER: Thank you, sir. Nadia Tsao with the *Liberty Times* from Taiwan.

Since you just mentioned Taiwan, I wondered after election, do you actually see a change, possibly of a change in this equation, especially when maybe we will have the first time a vice-president elect who will visit China soon? Do you see some flexibility or possibility for policy change from China's leadership? Thanks.

MR. FINGAR: I don't know. And I hope that doesn't come across simply as a copout. It does reflect my belief in the veracity of the utility of the aphorism of no investigation, no right to speak. I haven't looked at this. I mean, I would think that an event such as the election, regardless of how it turns out, is an occasion to rethink, is an occasion to reexamine. One could make a hypothetical case that now is a good time to move in a particular direction. One could also make a case that, given the inertia in the system, there will be an inclination to wait awhile, to see how this sorts out, and to see how it plays out rather than seizing the moment.

So, my non-answer to your question is that how Beijing and how Tibet sort of react may be somewhat indicative of willingness for greater activism as opposed to a more cautious, conservative, seeing how this shakes out to the point of, perhaps, missing an opportunity.

Nancy?

QUESTIONER: Nancy Bernkopf Tucker, Georgetown University. Loud?

Nancy Bernkopf Tucker, Georgetown University.
I'll use my lecture voice.

Several of the things that you said, both in your talk and in answers to questions, speak to the point of how China deals with the outside world, and I'm thinking particularly in terms of crisis management. China hasn't been all that good at managing crises. The reaction to the election in some ways is similar, even though it's not a crisis, the inclination is be cautious, watch and wait until you've lost the opportunity, and I'm wondering if, over time, you've seen change and anticipate if that will change.

Is China learning from its interaction with the rest of the world or is that going to persist?

MR. FINGAR: My highly impressionistic response, and I expect that you folks will deal with this today, is that they recognize it. Who's "they?" The new leadership. This is a savvy bunch, it's people that had much more sort of exposure to ideas beyond the walls. They understand that

this is a problem or a challenge or an opportunity or somewhere along that spectrum.

Do they know what to do about it? Do they know how to minimize the downside risks, while taking advantage more than has been the case with let's see how the dust settles and miss the opportunity?

I would agree with your characterization. There is the wait and see how they do, but the next set of questions is what will influence? What will push them or pull them towards a higher degree of proactive engagement than has been typical of Chinese foreign policy in the past? How many opportunities they see in a world in which the U.S. in particular, the West more broadly, the old system in place coming out of the Cold War, is no longer adequate, and how much they see that is just leading with the chin in order to get whacked by people because it'll make somebody unhappy along the way and reluctance to do it. So, looking for the how is the issue posed, how costs and benefits are articulated, what differences exists within the leadership over the appropriateness or inappropriateness, how are those hammered out, are all of the risks for good old-fashioned China studies.

Here comes the hook.

MR. BADER: It's the last question.

Michael?

QUESTIONER: Michael Yahuda, now at GW, at George Washington University.

I'd like to press you a little bit more on the third dimension that you initially raised, that is to say this impact of the international system on China and China's sort of changing relationship with that system.

As you know, there are many people who argue that, at bottom, there's a conflict between the way the communist parties organize and the way it thinks about itself and the systemic influences from the outside. After all, the systemic influences are bound to call for the greater accountability, greater transparency, greater understanding of how decisions are made. One of the problems that, for example, China's neighbors have is that when they meet in regional organizations, the Chinese clearly have open to them all the kinds of problems and internal issues in the neighboring countries, whereas, by comparison, China is relatively close.

So, how can you have a cooperative relationship when you keep all your decision-making as it were closed and the others are open? How can that generate the kind of

trust that is necessary for the kinds of developments you were talking about?

MR. FINGAR: Michael, that's an excellent illustration of why, A, it's not easy, and I think why China has not sort of moved further and faster in a direction of a greater engagement.

The two things I would sort of look for here. one is sort of the unannounced transformation or further transformation of the Communist Party or the way in which it operates, how much it shares. You know, things that have started at the local levels percolating up, that openness accountability and so forth, for purposes of argument, I think have to increase, otherwise the bicycle tips over internally, so, the motivation will be largely internal. That probably will have beneficial consequences in terms of ease of engagement with foreign interlocutors on here so that it is not quite the you show me all your cards and I don't need to show you mine because I'm transparent as hell. It's, of course, not true.

So, I think that taking that is sort of illustrative of a category of constraints that result from the nature of the system, the systemic constraints on what the leadership can do or opportunities for an activist

determined motivated leadership to change the rules of the game within the system that is dominated still by the party.

Great questions. I hope this has been helpful to you, and have fun today. I wish I could stay with you.

(Recess)

MR. BADER: I think you'll all agree that Tom got us off to a superb start and sets an extremely high standard for subsequent panels to try to measure up to.

We're actually almost on schedule. Let's take a break now and let's come back at 10:50 for our first panel.

(Recess)

MR. LAMPTON: I think to keep things going on schedule, we need to take our seats if you would. Do we still have people in the foyer? I can't see here. Are there still people out there?

AUDIENCE: Yeah.

MR. LAMPTON: Okay. We'll get going in the spirit of if we start speaking, they will come. And I want to welcome you all here this morning. I'm David Lampton, head of China studies at Johns Hopkins SAIS, and I'm just really excited and pleased with this meeting. And I think we're all going to learn a great deal.

And I just wanted to say it was such a pleasure hearing Tom Fingar talk. We were colleagues, *tongxue* -- fellow students at Stanford many decades ago. And it's nice to hear fact-based analysis and prudence. And so, I couldn't be more proud of my *tongxue*.

In any case, this panel is on political leadership and succession in China. And we have two of America's premiere analysts on the topic, Cheng Li, who is a Senior Fellow here at Brookings and Alice Miller, Research Fellow at Hoover. And Alice was a colleague at Johns Hopkins SAIS for many years and someone whose work we're very proud.

You have their bios and I won't go through it, but I did want to call your attention to a couple of, among the many notable things in their résumé, both contribute to Chinaleadershipmonitor.com, which is really a premiere resource for those of us interested in leadership in China. I imagine everybody in this room has seen it, but if you haven't hit [www.chinaleadershipmonitor](http://www.chinaleadershipmonitor.org), all one word. I guess it's dot org actually. I think I said dot com.

So, in any case, they both contribute often. Alice writes on party affairs and Cheng Li on the

provinces, but there are many people here who contribute to that publication as well as Cheng Li and Alice.

Cheng Li has written what I consider to be really in terms of both the combination of aggregate analysis of China's leaders combined with qualitative analysis -- his book China's Leaders: The New Generation is really a superb book that I at least find very useful in my classes as well as my own thinking.

Also, one of the most interesting things Cheng Li has written in the last couple of years is on China's emerging corporate leadership. And maybe just a point to keep in your mind, to what degree is emerging leadership in China coming out of society and out of corporations and recruitment into the party. I think that's a whole issue. But Cheng Li has written some interesting things on corporate and business emerging leadership in China.

Alice has written most recently on the work system of the new Hu Jintao leadership and also wrote one of the earlier classics, important work called Science and Descent in Post-Mao China. So, I think we're all very lucky to have them both here.

As you would all know this discussion of Chinese leadership comes into particularly specific context.

Certainly last fall's 17th party congress, the March 11th National People's Congress, it comes amidst I would say some degree of turmoil in the domestic Chinese economy and certainly the global economy. And it comes at a time of opportunity in the Taiwan Straits, all of which we'll discuss, particularly the last topic, presumably this afternoon.

I want to ask each of our two speakers just to briefly speak for 20 minutes. I may have a few comments just to get things rolling thereafter, and then we'll throw it open to a lively question and answer period.

Cheng Li? I took his notes.

MR. LI: Well, I'm honored to speak to such a distinguished audience and in the presence of so many fine colleagues and good friends.

I want to thank you -- thank many of you in the audience for your continued interest in both the Hoover institution's China Leadership Monitor and the Brookings Institution's conference series on Chinese political leadership.

One of the main objectives of this conference is to review the state of Chinese leadership politics or leadership studies, so-called "Pekingology". After Tom

Fingar delivered a brilliant talk last hour, in which he highlighted just how important the study of Chinese leadership is.

For over two decades, Dr. Fingar has encouraged China analysts in both academia and the government not to lose sight of the big picture that American analysts should develop. But at the same time, particularly at the same time as the field has become increasingly specialized, he argues that American analysts should develop, and here I quote, "the ability of a Doak Barnett or Lucian Pye to move beyond the minutia and microcosm of 'my village' and 'my bureaucracy' to make a sensible statement about China as a whole."

I want to applaud Dr. Fingar -- he just left-- and his foresight and his invaluable advice, from which I have personally benefit greatly in my professional career.

In the next approximately 19 minutes or so, I will address what I believe are the three important trends in Chinese leadership politics.

The first trend relates to current status and the future development of Pekingology. The second trend concerns the defining characteristics of the so-called fifth generation leadership, including the changing nature

of Chinese political succession. And the third trend has to do with the political and policy implications of the changes in the Chinese elite politics.

These three trends can be summarized as "old Pekingology, new environment"; "strong factions, weak leaders"; and "political pluralism, policy deadlock."

Now first, "old Pekingology, new environment." As I look ahead to the future of Chinese leadership politics and leadership studies, I believe that we confront many new opportunities and new challenges.

The new opportunity include increasing availability of new open sources of information in the PRC, including topographical data on almost all of the leaders above the vice governor, vice minister, senior officers of military regimes.

As a sign of a great openness and availability of information, the lists of members of Politburo Standing Committee of the 17th Party Congress and the list of the members of State Council of 11th NPC, both were leaked to the public through outside world a few weeks before these two meetings. Previously, those who leaked information were being jailed; but this time, no one was put in jail for this kind of leak.

Now meanwhile, senior Chinese officials are more accessible to both the Chinese public and foreign guests, including foreign political and business guests. And they also offer more candid views than ever before in the PRC history.

Also, some up and coming fifth generation leaders are in fact former classmates or former colleagues of foreign researchers like me. We may or may not like each other, but we more or less know each other's mindset.

This is a picture of Li Keqiang and his famous class of 1982. As we know that China now dominated by leaders who graduated from -- graduated in 1982. This class was in 1978 or '79 and this were the classmates. You see that in -- next to Li Keqiang is Wang Shaoquang, previously taught at Yale for six or seven years and now currently teaching at Chinese University of Hong Kong.

And some of Li Keqiang's classmates later become distinguished leaders overseas, including Wang Juntao of Columbia-educated PhD in political science and now is the founder of the Chinese Constitutional foundation or association.

And Hu Ping is the chief editor of *Beijing Spring* and Fang Zhiming who becomes a priest and now a founder of

China's Christ association or foundation. These are just some of his former classmates.

At the same time, however, the field over Chinese leadership studies confronts many new challenges. The information explosion in China makes issues of priority and judgment more important than ever before in our research.

The growing diversity among the Chinese leadership in terms of class backgrounds, political affiliations, career paths, and worldviews require us to be cautious about any analytical generalization we make.

Also, it seems to me that the Chinese authorities have increasingly used a "good cop, bad cop" routine to deliberately confuse potential critics both at home and abroad. This, if true, makes our study of decisions made by Chinese leadership even more difficult.

The views of the Chinese public regarding the country's leaders have also becoming increasingly diverse. Previously, when we asked the Chinese people about their views of the leadership, for example, Jiang Zemin and Zhu Rongji in the third generation or Hu Jintao and Wen Jiabao in the fourth generation, you would hear more or less similar responses--the range of opinions tended to be rather narrow. Most people were mildly negative on Jiang,

more positive on Zhu Rongji, fairly neutral on Hu Jintao, and generally warm to Wen Jiabao.

Today however, if you ask the Chinese people about their views of Xi Jinping and Li Keqiang, two rising stars in the fifth generation, it is highly likely that you will find sharply differing evaluations of these two leaders with respondents either very enthusiastic about Xi and down on Li or very negative about Xi and very positive about Li. And increasingly, the responses you get would depend on where you ask the question and of whom you ask it.

Given these developments, it is important to point out the Chinese leadership politics, especially during a period of political succession, is not stagnant or predetermined, and is therefore not immune to changes in the domestic and socioeconomic and the political environments or the international setting.

For example, if one looks at the three of the new leaders who were recently appointed to top positions in the provincial and municipal leadership like Guo Jinlong, New Beijing mayor, Hu Chunhua, new Hebei governor, and Yang Song, new Wuhan Party Secretary, they have one thing in

common: they've spent a lot of years in Tibet. These are the recent appointments.

Now, this reflects the Chinese leadership's drive to promote those officials whose loyalty was tested in minority provinces where there is a threat of separatist activity.

Meanwhile, the recent presidential election in Taiwan, with the victory of the KMT, also has political implications for Chinese elite politics. Top fifth generation leaders, such as Xi Jinping and Li Yuanhao and Li Keqiang all have had close contacts with Lian Zhan, former Vice President of Taiwan and former chairman of the KMT. So they already prepared many years ago for these rising stars to have some experience with Taiwan.

Now, to a great extent, students of Chinese leadership politics must live with complexity, tolerate ambiguity, and expect uncertainty. However, the complexity and the changing nature of our subject should not be an excuse for failure to use good judgment and present well-grounded predictions.

Insightful assessments are particularly valuable at a time Chinese has more influence on the world economy and regional security than any other time in history.

We especially need to understand the important developments that have resulted from the generational turnover in the Chinese leadership. This leads me to my second observation about upcoming fifth generation, "strong factions, weak leaders."

Now, the two factions emerge in my view that is in sharp contrast to the old years, as Tom Fingar mentioned, that all was dominated by one strong man such as Mao or Deng. That era has come to an end. And the things Jiang Zemin and now Hu Jintao, we do see two factions that compete, equally powerful factions competing for power, influence, and policy priorities.

Now, the first when we call *Princeling*, the children of high ranking officials and the others *tuanpai*, those leaders who advance their careers through ranks of Chinese Communist Youth League. Those factions also reach out to form coalitions. For *Princeling*, they reach out to the former members of Shanghai Gang and also business leaders. They form what I call the "elitist coalition."

And the *tuanpai* also reach out for the party function list, like those working in the propaganda, the organization, and the united front, and the party discipline, and also many local leaders or provincial

leaders in China's inland region form so-called "populist coalition."

Now, by weak leaders, I don't mean they are weak because they are incapable. Actually, some of them are very capable. But in terms of public opinion of, and institutional restraints upon, these rising stars, they have inherently become very weak.

Now, I refer to *Princelings*, of course, that it may or may not related with patron-client ties. But at the times, they're facing major criticisms from Chinese public and also facing a very powerful leader. These things "glue" them together, particularly because of a shared interest.

Now, let me show these leaders. These are the six leaders who are under sixty now in the Politburo. These are the only six leaders in the twenty-five people Politburo. We call them fifth generation leaders. But interestingly enough, they are divided by three against three -- three *Princeling* and three *tuanpai* leaders.

Now, also in the six people Secretariat, the two youngest leaders also: one comes from *tuanpai* and the other comes from Shanghai gang. Now, in the recently selected Vice Premieres, the same pattern, two versus two. And in

the five State Counselors, one is from the military. Except that the military figure, if you look at four civilian State Counselors, also two versus two. They've even not allowed those who do not have strong factional ties into the top leadership. Always equally divided again these leaders.

Now, look at the Central Committee, 371 people. You do see the *tuanpai* leaders now increase from 50 in the 16th Party Congress to 86, so *tuanpai* become largest faction in the Chinese leadership accounting for about 30 percent of the Central Committee. *Princeling* is less, about nine percent, but the *Princelings* really occupy some important economic financial positions. Look at the economic and financial leaders with *Princeling* background. Xi Jinping, Zhou Xiaochuan, the Governor of People's Bank, and the Chairman of CIC, China Investment Corp--his Deputy was actually interviewed by *60 Minutes* last night--this is has \$200 billion for foreign investment, and finally the Chairman of the government bank. They have one thing in common, they are all *Princelings*.

Now let's also look at some shocking data released by Chinese official sources two years ago. About 85 to 90 percent of CEOs and the Senior VPs of the foreign

sectors are *Princelings*: finance, foreign trade, land and resource development, major construction projects, and the security in the stocks. These are the most lucrative industries or sectors. Eighty-five to 90 percent of the CEOs or Vice Presidents are *Princelings* and also, 91 percent of the richest people, about three or 400 --who own 100 million RMB property, domestically, not including their foreign owning. Ninety-one percent of them are *Princelings*. These are from Chinese official sources conducted by the Central Party's school and also the China's (inaudible.)

Now please bear with me, I want to expand this six people, the six most powerful figures we should watch very carefully. Three are *Princelings*--their father or father-in-law were Vice Premiers. The three others are *taunpai*, coming from a more humble background and Wang Yang was from a poor family background. He lost his father when he was a boy and really helped his mother to raise the family.

Now Cultural Revolution experience, four of them were sent down in their youths. During Cultural Revolution they were sent down to the countryside to work as manual laborers for about five years, about a decade. Bo Xilai

was in jail largely because of his violent behaviors as a Red Guard, and Wang Yang was also Labor Camp as instructor. Education: PhD in law--usually part-time; History BA; Journalism MA; Economics for Li Keqiang; Law for Hui Liangyu; and MS in Management for Wang Yang.

Now look at their main advantage. Xi Jinping is the first among the equal. If everything moves smoothly he will be successor to Hu Jintao, but of course, there is a big question mark. And Wang Qishan has reputation as the Chief of the Fire Brigade. He did remarkably well during the SARS it's been now five years ago. And Bo Xilai is really quite media savvy. He's very popular with journalists in both domestic and foreign media. And Li Keqiang is very strong in term of the network, the *taunpai*--remember the 86 people, 23 percent of the Central Committee. He can really inherit that very powerful network. Li Keqiang is currently in charge of personnel affairs and organization department--very important position. Wang Yang has broad leadership experience, both in local and in central government.

Now their main weaknesses. Xi Jinping's helicopter-like rise really offend a lot of people, particularly he only spent eight months in Shanghai then

moved to become the standing Committee Member. That in many people's mind is a violation of the norm or rule of China's leadership promotion. Wang Qishan is very insensitive towards environment protection. Look at the three million cars issued during his leadership as the Mayor of Beijing and many other things. He actually quite out-spoken in term of unfriendliness with the environment.

Bo Xilai has far too many enemies, locally and centrally. Li Keqiang has bad luck wherever he went: there was fire and the AIDS village in Henan where he served as governor. He also considered too soft. He may have a personality like Hu Jintao and Wen Jiabao. But Hu Jintao can be very tough, example, like fighting against SARS, purging Shanghai gangs, and also dealing with major Party change after Jiang Zemin. But Li Keqiang, at least, until now is very soft. It's unclear what he has been doing.

Now also Hui Liangyu is considered too liberal. Even in 1989 Tiananmen he was considered as quite liberal in terms of handling the situation. He certainly protect his protégées during that time in 1989. And also he has had not - no inland experience which is also very important. All the other leaders, more or less, has some inland experience. And Wang Yang, he will also face strong

resistance among conservatives. These are each individual weaknesses.

Now hot-button issues. For Xi Jinping it's economic growth, continued growth and market reform. For Wang Qishan, he will push for financial liberalization. For Bo Xilai, urban development. Previously he did well in Dalian and now he want to repeat in Chongqing. Li Keqiang has been pushing for administrative reform and also affordable housing and the basic healthcare are also his hot button issues. Hui Liangyu has good reputation as anti-corruption and push for inner Party Democracy. For Wang Yang, since he moved to Guangdong become Party Secretary there, he push for so-called (inaudible) emancipation and political reform. Now you see that difference in backgrounds and world views.

Now let me move to the third point. We do see the leadership diversity in terms of their class backgrounds, education credentials, political affiliations, career paths and world views. Now what do those mean for China's domestic and foreign policies? I want to make four points in terms of possible policy deadlock.

One is this will cause the decision-making process, the so-called "collective leadership", to be

lengthier and more complicated. And it will make the political system less capable in responding to urgent crisis. There's no Mao or Deng-like figure. And also will lead to some politicians to reach out, whether to the middle class or to the migrant workers for support.

You do see the increasing tendency of reaching out to the public. And also they may encourage some (inaudible) in foreign policy. If there's in-fighting, usually with those hardliners, those leaders will probably win the battle.

Now here is the chart, I won't divide. One on their political views on political reform, or Chinese Political Democracy. The other is their view about economical revitalization. It's conservative and liberal. Now you put these six major figures, these leaders, Xi Jinping is certainly for financial liberalization or market reform. Wang Qishan less so, but he is more open to the political election. Bo Xilai is at the other end: he has become very cynical about political reform. If there's a vote, elections he will simply be defeated. And Li Keqiang is more conservative in terms of market reform because he is more concerned about the low income housing, employment, and the basic healthcare. Hui Liangyu is even stronger in

terms of political reform. And this actually based on some questionnaires I put to myself and to some intimate people to get this number. Although still not scientific, it's generally correct. You see that divide along this line in the two group, *taunpai* and *Princelings*.

Now let me share with you in terms of what that means for future political successions. As we know that Xi Jinping now become Vice President of PRC replacing Zeng Qinghong, but everyone knows he's no Zeng Qinghong. He does not have Zeng Qinghong's charisma, the political skills, and well-connected political network. So whether he can inherit it, Zeng Qinghong certainly (inaudible) to Hu Jintao's power is a big question mark.

Now Li Keqiang now moved to the front in charge of economic reforms. He has a PhD in Economics, but most of the people in China think he has no clue about how to run a modern economy. Well, maybe it's too premature.

Now Wang Yang, in this picture. No Chinese leaders dare to have such a picture but he does. Just like a Mao-like figure. He's really populace to reach out for public support. The last photo is Bo Xilai with his son who is studying in private school in U.K., now at Oxford also a new politician. He actually became China's Mr.

Fashion, the cover for fashion, Bo Xilai.

So they're well situated in political success in the future. If not this time, next time. But these are always questions how Chinese public regards them.

Now new leaders in the future of U.S.-China relations. This is famous picture which in my view really helps Xi Jinping got his job. Working along with Hank Paulson in the West Lake, this gives him credential. He is internationally exposed and well experienced. As we know Wang Qishan now replacing Xi becoming the Chief Negotiator with Hank Paulson. This is a recent picture, took a week ago. Now this is picture took about two or three years ago when Hu Jintao visit New York, gave a keynote speech or commencement speech at the SUNY-Buffalo and also I think SUNY-Albany, he also received some kind of honorary degree there and this is with Governor Pataki. And finally this is Wang Yang's meeting with Robert Zoellick, The World Bank Chief and this picture was also taken months ago.

So in my view all of these leaders, these six rising stars, are not anti-foreign, or anti-United States; but of course, they have some reservations or sometimes they probably quite angry with United States but this is a tremendous opportunity for us to work with these leaders.

Now what can we expect in the future?

Now this is my edited book which has all answers and also 20 percent discount. Thank you very much.

(Applause)

MS.MILLER: Earlier today Li Cheng proposed that he go first and that I follow and I can see now that was a bad decision on my part. He's a very tough act to follow.

Let me start simply by reminding you what a National Party Congress is. These convene by the Party's constitution every five years and they perform two or three very basic tasks. One is to review the work of the Communist Party over the preceding five years since the previous Party Congress and then second to lay out the priorities and guidelines for Party policy for the next five year period. And then finally they elect a new Central Committee which in turn then elects a new Party leadership. This is the structure of authority and so the Party Congress is the most authoritative public event in the life of the Communist Party. Authority, not necessarily power.

Therefore this is a major event in Chinese Communist Party politics. It performs tasks that are very sensitive and for that reason the lead up to a Party

Congress heats up the atmosphere for a good year and a half or even more ahead of time. The 17th Congress did meet last October and as expected Hu Jintao delivered a long work report that laid out the guidelines for future policy and reviewed the work of the Party since the 2002 16th Congress and it elected a new Central Committee which in turn then re-elected or appointed new members of the top party leadership including the members of the Politburo Standing Committee, the Secretariat, and the Party's Central Military Commission. The other shoe in this process is the convocation of the National People's Congress. These meet also with a slate of delegates every five years. In contrast to a Party Congress, the NPC meets in full session once a year, but this is a new slate of delegates that was elected for this session and this same group will meet in successive sessions for the next four years.

It also reviewed a long report by the premier on the work of the State Council laying out guidelines for the work of the government in the next five year period and it elected a new NPC and State Council leadership as well as the members of the States and Military Commission.

Now who dropped off and who was added? The members who dropped off are framed in red appropriately as

well as Huang Ju who is framed in black which how People's Daily presents those who die in their memorial observances. And so Huang Ju died in June last year, but the other three have simply retired. Among the new members, four new members were elected or appointed to replace the four who left the Politburo Standing Committee including two who were helicoptered into the top leadership from having no service previously on the Politburo or its Standing Committee and then two people were promoted from the ranks of the outgoing Politburo onto the new Standing Committee.

The broader Politburo membership, these people are listed in stroke order--that's the Chinese equivalent of alphabetical order, the number of strokes it takes to write their surname. And again, those framed in red are the people who dropped off and framed in black is also Chen Liangyu he didn't die physically but he died politically because he was removed or accused of corruption in Shanghai and was expelled from the Party in September of last year so I pretty sure he wasn't going to be reappointed to the Politburo. But the people in red were added to the Politburo and the ones in blue were promoted. Cao Gangchuan and Zhou Yongkang onto the Standing Committee and Wang Gang was previously an alternate and is now added too.

So what's happened here is Wang Gang's been made a full member of the Politburo and everybody else framed in red has been added to the regular members of the Politburo. The Secretariat previously had seven members, but five of those retired so this is a significant turnover in the membership of the Secretariat. The Secretariat is the body that oversees implementation of decisions made, at least in principal by the Politburo and the Politburo's Standing Committee. The new Secretariat only has six members, four instead of five added to it and beyond that there's an interesting new fact about the Secretariat. Not represented on the Politburo is a member of the PLA, the People's Liberation Army and they did not appoint somebody in charge of public security. And so the upshot is the Secretariat now is composed only of people concerned with the Party apparatus and this is an interesting development. And to me it suggests there is something new afoot in the way the Party coordinates and supervises implementation of Politburo decisions. I'm not sure exactly what, but it's one of the more interesting issues to emerge from the leadership appointments.

The Military Commission had 11 members presided over by Hu Jintao. The people framed in red retired. One

man, Zhang Dingfa, the Commander of the Navy died in 2006 so he is framed in black and so he wasn't re-elected either.

The new Military Commission leadership is interesting because we have only two vice chairman but we've added now a broader tier of eight regular members including Liang Guanglie, the replacement for the Minister of National Defense. His predecessor, the former Minister of National Defense Cao Gangchuan, had been one of the Vice Chairman. So it's interesting that he wasn't promoted to Vice Chairmanship. I don't have a good reason for that unless they are holding this seat for Xi Jinping and I'll come back to that.

The State Council as suggested by Li Cheng saw almost the entire membership of the State Council executive Committee retire. The only two holdovers are Hui Liangyu who has been in charge of Agriculture and the Premier himself, Wen Jiabao. Everybody else, the five State Councilors and the three other Vice Premiers are new.

Now looking at the overall scale of turnover here this is significant turnover. It's not as great as the turnover that emerged out of the 16th Congress in 2002. And so this time nine out of 25 members of the entire

Politburo, that should say 16th Politburo retired and in 2002 14 out of the 22 of the outgoing Politburo retired. And so this is a lower level of turnover. So it's a more limited adjustment to the leadership as might be expected. It's not occasion of full scale generational turnover.

Now what can we say about these leaders as a group? Now the yardstick I use is simply to look at the attributes of the broader membership of the Politburo and compare them to previous leaderships elected at earlier points. In the Jiang Zemin period from the late '80s down through the '90s there was significant common characteristics of the leaders appointed to the Politburo as compared to those who were appointed to the Politburo when Deng Xiaoping consolidated his power in 1982.

I like to use the generalization that the new kinds of leaders are post-liberation. That is to say that they advanced during their careers after 1949 and have no experience of the revolution itself to speak of and they're post revolutionary. These are not people who were selected because they can wage class struggle. They are people who have qualifications that are suited to managing the project of modernizing China and building China's national strength.

Now looking at the leaders appointed in '97 as it compared to '82; the 12th Central Committee Politburo versus the 15th. I think you can see the differences in trends as compared to the earlier Politburo around Deng Xiaoping. Education for example, 17 out of 24 had university degrees by comparison nobody on the 1982 Politburo associated with Deng had a university degree. Also, military experience. The old '82 Politburo 20 out of 25 had military experience and eight continued to be in military positions.

In the '97 Politburo only the two professional military people had military experience and so this is a profound change in civil military relations for the first time I would say in hundred years that China has had leaders who are purely civilian rather than with long military experience back in the 19th Century.

Now what can we say about the current leadership? This is the average age of the Politburo memberships. In '82. '97, 2002, and 2007 on appointment and I can think you can see this trend towards much younger leaders and I think there is a larger political agenda behind this in the sense that people are expected to serve until they are about 70 and then retire. So it means leaders can serve two terms, two five year terms on the Politburo and then presumably

retire.

In terms of education, the 2002 leadership appointed around Hu Jintao, 22 out of 25 had university degrees as compared to 17 out of 24 in the Jiang leadership and as compared to nobody and in the 1982 Central Committee. The new leadership is even more pronounced in terms of educational credentials. Twenty-three out of 25 have university degrees. The remaining two have certificates of attendance at the Central Party School for whatever that means. And among the degree holders there some interesting changes where previously they were predominately engineers or in hard science, now we have a lesser proportion of engineers. We have four people with Economics degrees and my friend Barry Naughton says there are Economics degrees and there are Economics degrees and Zhang Dejiang for example has a degree in Economics from Kim Il-Sung University in Pyongyang which is, you know, MIT, Pyongyang. I don't know.

Anyway, so there are perhaps qualifications to some of these credentials. But the interesting thing is that these are not so predominately people with technical educations. Increasingly we have Liu Yandong with a Political Science degree. Two people from military

academies and most terrifying of all three people from the Humanities and that include Wang Gang with a degree in Philosophy and Wang Qishan and Bo Xilai, I'm happy to have Historians. I'm not sure I trust historians in positions of political leadership, but we'll give it a shot. Anyway, the other interesting thing is six of them have advanced degrees and this is brand new in the leadership: three people with law degrees, one PhD and two MA degrees. So this is a very educated leadership by Chinese standards.

Party membership, you can see the shift in generations across time. Most of the leaders appointed in 2002 had started their party careers just before the Cultural Revolution. That contrasts with the '82 leadership in which 23 out of 25 had been veterans of the long march or came joined the party before 1935 and so this is a striking contrast. The current leadership you can really see an interesting split in generations. I think that jives with Li Cheng's observations. In the current leadership of 25 leaders, 10 joined the party before 1966. most in '64 or '65. Twelve joined during the course of the Cultural Revolution and three joined after the Cultural Revolution. What does mean politically? I'm not sure, but I think it points to the differences in experience among

this group.

Regional associations. The leadership in the '90s tended to be strongly drawn from the coastal provinces and consistent with the high growth policies that emphasized those regions through that period. The Hu leadership was somewhat more balanced in terms of where they came from. Only 11 of 25 were from the coastal provinces or had experience there. The current leadership is far more balanced and Chinese don't divide provinces in terms of coastal and interior. They use three categories: coastal, central, and western. And this is the balance in the current leadership.

Finally with respect to military experience. The '82 leadership around Deng Xiaoping had strong military experience. Twenty out of 25 were military veterans or currently in military force but as I mentioned the profound split between civilian leaders and military leaders that emerged in the '90s carries through in the current leadership as well. And so 22 out of 25 have no military experience at all. Two professional military people do sit on the Politburo as they have since the '90s and Xi Jinping interestingly enough is the only one who has active duty experience having worked in the General Office at the

Central Military Commission in '79 to '82 period.

Looking at the leadership as a whole, the generalizations that I'd offer are simply that this is again one of the youngest leaderships in the history of the People's Republic. It's less strongly technocratic in its educational background and are strongly civilian in their political experience without military credentials. And finally, I would add that they have a preference for red ties. I don't know what that means. (Chinese), didn't get the memo. But in any case attach whatever significance to that you will.

Now with respect to succession, I think and I've been arguing for quite awhile that the leadership has been using precedence established by Deng Xiaoping in the late '80s and carried them through with the appointment of Hu Jintao as Jiang Zemin's successor in 2002 through 2005 and that they would be using the same set or precedence to prepare the way for the succession to Hu Jintao down the road.

This worked out through the '90s whereby Hu Jintao spent 10 years in high level positions right behind Jiang Zemin in the Party apparatus as Vice President of The People's Republic and as Vice Chairman of the Central

Military Commission so that by the time he took office he had ten years experience running the Party's Secretariat and serving on the Politburo's Standing Committee. Before becoming General Secretary he had five years experience as Vice President of the PRC, that gave him international visibility--by State protocols the ability to receive foreign guests and to travel officially. And then finally, five years experience on the Military Commission before taking over those positions in 2004, 2005.

Going into the Party Congress the speculations ran wild with potential successors. People focused on Li Keqiang and remain close presumably to Hu Jintau. Xi Jinping although I though his appointment as Part Secretary in Shanghai suggested that he was not going to be the man who rose. Bo Xilai, Li Yuanchao, lots of others presumably might have been selected. The man who was selected was Xi Jinping of course, and there are number of reasons that suggest why. One he has good red blood lines politically. He's the son of Xi Zhongxun, close associate of Deng Xiaoping's from as far back as the 1950s. He has the right age so that if he becomes General Secretary he will have ten years ahead of him at least as the Party's top leader. He has a strong background both in engineering but also in

law and Marxist theory. It's always good to have Marxist theory, I tell my students that all of the time. And good experience in the provinces serving both in Fujian and then Zhejiang for long periods of time before moving to Shanghai briefly.

He has military experience by at least all accounts that I have seen; he has a clean record relatively free of corruption and abuse of privilege and so forth. He is non-aligned with the Shanghai, so called "*Shanghai Bang*" and Hu Jintao's Communist Youth League faction. And it probably helps to have a glamorous wife, Peng Liyuan.

Now presuming that the premise that the pattern of succession is intended to follow that which prepared Hu Jintao, what we should expect to see is Xi gradually move into positions that will give him experience before he assumes top positions in the period from 2012 to 2015. And so far that premise has held out. That is to say in December Xi was appointed President of the Central Party School as was Hu Jintao back in 1992. In 2008 at the National People's Congress he was made Vice President of the People's Republic which means now he can receive foreign visitors on State business and travel on State business himself. And I would project that at the fourth

plenum in the Fall of 2009 and then at a MPC session the following Spring he will be appointed to the two central military commissions following the same pathway that hu Jintao did over the course of his rise.

So if all of that plays out over the 2012 to 2015 period we should see him successively take the top Party State and Military post if things go well for Xi.

Li Keqiang had been widely, I believe, to be Hu Jintao's choice for successor. He is ranked right after Xi Jinping in the new Politburo Standing Committee and he was named Executive Vice Premier at the National People's Congress. All of this seems to me and I think to lots of others to suggest that he is the man being prepared to succeed Wen Jiabao as the next Premier at the 12th MPC in 2013 if things go according to apparent plan.

Now did Hu Jintao benefit from the 17th Congress? A lot of people suggest that Hu really didn't get much of what he wanted out of the Congress. I think the opposite. I think he got a lot and probably got most of what he wanted. He has benefited by the rise of people clearly linked to him politically.

As Li Cheng has shown very well, Li Keqiang has been added to the Politburo Standing Committee, Li

Yuanchao, Wang Yang, and Liu Yandong have all been added to the Politburo and so this increases his backing on the broader Politburo. At the same time, the *Shanghai Bang*, the Shanghai Gang, has seemed to dissolve at least as represented at the central level. Zeng Qinghong, the former vice president and the man who is running the Secretariat retired. Huang Ju died and Chen Liangyu was removed for corruption.

More critically or just as critically, Hu Jintao's own personal secretary Ling Jihua took over as Director of the General Office. The General Office seems like a humdrum office, but if you know anything about bureaucratic policies, the last people you want to piss off are the Secretariat and secretaries who actually run the place. And so what the General Office does is manage the paper flow, the communications, the logistics, the office assignments, everything that's important in bureaucratic politics, and this is a critical post for any General Secretary. Jiang Zemin had his own man in there early and so Hu has achieved the same basic building block in his own power.

And then finally Hu seems to have consolidated power over the basic appointment process. Traditionally it's

been managed by the General Secretary, by the Executive Secretary of the Secretariat, and head of the Organization Department. They don't make the decisions but they have a strong influence in the way the process works. So the cast of those three characters this time is Hu Jintao, Xi Jinping, who I would suggest has a basic interest in working together with Hu Jintao in this process, and the new head of the Organization Department Li Yuanchao who is a man apparently tied to Hu Jintao.

In contrast to Hu's power, I would suggest at the same time that Hu's status has not changed as a consequence of the Party Congress and I would argue further that this is a consequence of a clear and deliberate change in the way the party's processes are presented to the public. In the period from the Sixteenth Congress down through the Seventeenth Congress, what was interesting was that Hu Jintao was not referred, almost never referred, as the core leader of the fourth generation leadership, and that is to say the sort of epithets that were applied to Jiang Zemin were not transferred to Hu Jintao. Previously during the 1990s, Jiang Zemin was referred regularly in the context of the rest of the leadership as the Fifteenth Central Committee leadership collective with Comrade Jiang Zemin as

the core. Now one might have expected that after 2002 when Hu Jintao became the party's General Secretary that we would see references to the Sixteenth Central Committee leadership collective with Comrade Hu Jintao as a core leader. That didn't happen. Instead we got this alternative formulation which has been repeated millions of times in Chinese media simply to the Sixteenth Central Committee leadership collective with Comrade Hu Jintao as General Secretary. So this is at least by my reading somewhat of a leveling of the authority, of the status, the stature of Hu Jintao.

That ran concurrently with other what I would call symptoms of an effort to display collective leadership processes. These included explicit stress on collective leadership processes as a theme in media commentary, references to the Hu-Wen leadership. I never in all my years of China watching saw references to the Mao-Zhou leadership in "People's Daily" or to the Hu-Zhao leadership in the 1980s and so forth, but we do see references to the Hu-Wen leadership.

And last, there are no clear departures in policy that are identified as wholly Hu Jintao's intellectual property. So for example we've seen lots of new policy

departures that have been celebrated in party authoritative media. References to people centered governance, the effort to build a harmonious socialist society, sorry, socialist harmonious society--you have to say it in the right order--and promoting a scientific development concept. All of these emerged under Hu's leadership but they are never identified as Hu Jintao's sole intellectual property in the same way that the Three Represents for example were identified at least initially with Jiang Zemin's leadership.

This raised an interesting question about what did all this mean. Some people argued, like in "People's Daily," as some people mistakenly or as some comrades mistakenly believe from my perspective that Hu was simply not powerful enough to having gathered into his hands the power that made him the paramount core leader and that once he did so at the Seventeenth Congress that we would see instead attributed to him the same stature that had been attributed to Deng Xiaoping and then later to Jiang Zemin. My view was that this reflected a conscious effort in the leadership to transform the political dynamic in the way it was presented in the media that was more attuned to genuine collective leadership.

What we've seen since the congress in my mind strengthens the second argument, the first one, Hu is still not referred to as the core leader of the fourth generation leadership collective and still many of the concepts

including those enshrined in the party's fourth generation collective leadership, and still many of the concepts including those enshrined in the party constitution are also still not identified as Hu's intellectual property, and all of this points to the explanation that I prefer: we're seeing a pattern of institutionalized collective leadership in Beijing's politics.

Understanding this is a problem of how to understand the dilemmas of collective leadership or oligarchy. I get most of my political wisdom from two sources. One is from Lyle Lovett, who points out the problems with contractions. And the second is from the study of Soviet politics. I've spent a lot of time studying Politburo politics in the good old Soviet Union and highly miss it. In a brilliant passage on an essay by Tom Rigby on Soviet leadership in the 1970s, he pointed out that there is a basic dilemma in the politics of the Soviet oligarchy. How do you achieve expeditious decision making and consistent and coherent

policies without a *primus inter pares*, a first among equals, who orchestrates, guides, and adjudicates? If you allow such a primus to emerge, how do you stop him from accruing autocratic powers? On the other hand, some of the leadership's powers to wider elements of the polity, including perhaps some controlling assembly, might provide one avenue for countering the drift to autocracy. How do you prevent this dispersal of power from getting out of hand and threatening the security of the oligarchs individually and as a whole and from disrupting national unity? So it seems to me that there are counterposing or countervailing dilemmas here that are quite visible in the leadership's politics in China today. On one hand you have to stop the General Secretary from becoming a dictator like Stalin was in Soviet politics from the 1930s through the 1950s, and like Mao was from the late 1950s into the 1970s. And at the same time you have got to stop members of the top elite from reaching out to constituencies elsewhere in the political order and in society, and mobilizing them in ways that ultimately split the leadership. We saw examples of that behavior with Zhao Ziyang in the Tiananmen crisis and with Gorbachev's creation of the Congress of People's Deputies in 1988 and 1989 in Soviet politics; and most

dramatically and most alarmingly from the Soviet's perspective - Boris Yeltsin's ability to use the Russian Republic against the Soviet leadership in the context of the August 1991 coup.

Therefore, I think what is evident in Chinese leadership politics are several steps to try to reinforce a collective leadership polity. These include the General Secretary only as first among equals and not as core leader which I've already discussed. We restrict the new departures in policy from being claimed by the General Secretary as his sole intellectual property, and diffusing the claim to that property among the broader collective leadership. That's what we've been seeing. Increasingly, membership in the Politburo is, not totally, but strongly based on expertise and official representation. The head of the Propaganda Department, the head of Organization Department and so forth are always going to be on the Politburo. This is not to say that leaders do not make it into the Politburo without personal connections and that actions don't matter. It's just that there is now a new standard for the Politburo in order to make decisions in a much more complex society, economy and a very different international context. Finally, we see processes of

routinized succession and what I call constituency balancing of the Polit Bureau. To see this latter point, let's look at the current membership of the Polituro. If you take out the four people who preside over the four major hierarchies, Hu Jintao, the head of the NPC, the Premier and the head of the Chinese People's Political Consultative Conference (CPPC), and simply divide up the remaining numbers into the specific functional areas or institutional areas in which they work, you find that six leaders are part of the party apparatus, six are from the NPC or state council, six come from the regions, one person the security arena, and two from the military. So this is a very interesting balance that shows up in almost precisely the same way as in the 16th Politburo in 2002. You can see it arising in the appointments made to the Politburo since the 14th Congress in 1992.

All of this suggests to me that we have a different dynamic underway in Chinese leadership politics. What this means is that the techniques that we all developed to follow Chinese leadership politics in the good old days of the 1960s and 1970s are simply no longer going to work in the same way. This is a picture from 1967 I think, that shows the top leadership of the day apparently receiving

the Red Guard at some point. Anyway, we have Jiang Qing on the left, that's the Chairman's left, not our left. Chen Boda, also a member of the Cultural Revolution group. Lin Biao, waving his Red Book the highest in the picture next to the Chairman himself, then on the right side, the Chairman's right, is Zhou Enlai and then one step behind the leadership, the head of Internal Security Kang Sheng. So I find this a very graphic representation. You can take any representation of the leadership and see behind it very powerful factional allegiances, they are quite stark, and this was a period of power struggle unconstrained by institutional routines and strongly driven by the uses of ideology to back factional claims.

To give you a sense of how it used to work, I wanted to remind you of what the 9th Central Committee Politburo looked like. Mao was the great presider over the leadership, with the rest of leadership divided fairly evenly into four essential factions. Lin Biao had a powerful faction of cronies including his wife Ye Qun and members of the military. Zhou Enlai in the State Council was represented. So was the Cultural Revolution group, the Gang of Four and presumably including Kang Sheng, although that's maybe debatable. And then there were some PLA

moderate leaders, arguably who could have been in the blue group as well as the brown group. But in any case it was a rough balance, and it was easy more or less to figure out who was in which faction.

These days it's quite different. It's harder to see these kinds of differences. Instead, what stands out is the institutions that they represent and the processes that are intended to make the Politburo not the repository of the factional balance within the top leadership appointed by cronyism and so forth, but an effort to equip the Politburo to be an arena for balanced and rational decision-making in a country that is now much more complex, much richer, and has a lot more at stake in terms of the outcomes of political struggles.

Therefore what we're seeing is an interest-driven politics in which constituencies and interests matter a whole lot more, and they do have expression at the top levels of the leadership. I don't mean to say that leadership competition does not continue. I've built my reputation on trying to analyze factional conflicts and so forth, but I think we're in a very different ball game these days in the Chinese leadership and for very good reason. Leadership conflict of course continues. The

Chinese leaders are humans too and so they're not different than all the rest of us. But now it proceeds in a very different context. It's much better structured by institutions and increasingly by norms of expected political behavior. So all of this I would suggest is a wonderful case of intelligent design whereby Deng, after he returned to power in the late 1970s, explicitly and deliberately worked to create a very different kind of policy process than the one existed back in the 1960s and 1970s. And in a famous essay that's always worth re-reading every weekend, I hope you keep it by your bedside, he pointed out some of the problems in a political process that was built on very different premises and operated according to very different principles, and suggested the direction that he thought things ought to go.

So in summary, the 17th Congress is important because as Li Cheng very ably assessed, we've seen the beginning of the rise of the fifth-generation leaders and we've seen leaders appointed using the same broad criteria that were used in the 1990s and in 2002. But now they're not quite so strongly technical and in the background and we see the efforts to begin the process of preparing the succession of Hu Jintao and probably Wen Jiabao, the

consolidation of Hu's power and the increasing institutionalization of collective leadership politics in the oligarchy.

(Applause)

DR. LAMPTON: In the interests of expediting things, I'll forego most of the observations I was going to make and thank both of our speakers for really I think fantastic presentations, very illuminating. I would just draw attention to what seems to be some at least vocabulary difference between the two of you. Yours (Li) was at least using the word "faction" quite a bit and specified the princelings and the Youth League faction. You (Miller) were pointing to the emergence of a different leadership with collectivity, less faction. And I hope our questions will illuminate either how you're using the word factions differently or if it has different implications.

But I would just ask, moving toward the fifth generation, I was struck by Li Cheng's chart with the diagonal 45 degree line, and globalization and politics as your two axes. You had a perfect distribution of one faction on one side of that line, the other faction on the other, and it suggests to me an observation you mentioned, Alice. That is that Xi Jinping is nonaligned, which I think

was our phraseology. And you meant the Shanghai faction, which I think was the division you were using. But in a sense if we could identify who's the bridge or the people that are the bridges across these, aren't they the ones that are most likely to be functional in a succession? In other words, shouldn't we be looking for who can bridge these two groups in geographic areas, occupational experience and so on? So who is most likely to play the bridge role? That would be my question and then I'll throw it open to the audience.

DR. LI: This is a very good question. First, I do use the word faction. I also strongly believe factional analysis is very important at this moment of China's history. Now of course you will argue that factional politics existed in China all the time, which is true. But there are some important differences. One is this time two factions are almost equally powerful. They all have a social regional basis and the Chinese factional politics is no longer a zero-sum game. This is another change. Previously we talked about the zero-sum game in China, for those who know Chinese, it is *Ni si wo huo*, I win, you die, but now it's no longer the case. Yes, there's the purge of

Chen Liangyu of Shanghai, but the Shanghai faction more or less largely survived.

Who will play the bridge role? This is really negotiation and compromise, deal cutting and tradeoff. Sometimes Jiang Zemin and Zeng Qinghong played a bridge role. Now we should remember that actually Jiang Zemin played a very important role to promote Hu Jintao to be the successor. Someone said that Deng Xiaoping did that in the 1990s. Yes, Deng Xiaoping did promote him as one of the six or seven members of the Standing Committee. But the real appointment as Deng Xiaoping's successor occurred in 1998 when Hu Jintao became a civilian leader, Vice President of PRC, and one year later in 1999 becoming the only civilian Vice Chair of the CMC. These appointments occurred 1 year or 2 years after Deng Xiaoping's death.

David Shung led a delegation last June in which I was a member and we went to China and we saw Li Junru, Vice President of the Central Party School. He also mentioned that the Western speculation about Deng Xiaoping promoting Hu Jintao to be top leader is not accurate. Actually Deng Xiaoping asked Jiang Zemin to form something like a recruitment team and Deng Xiaoping was the head of the team, and then he recommended Hu Jintao. Hu Jintao was the

only provincial leader at that time who had two provincial leadership experiences as party chief. No one else had those credentials. So that's crucial. That is illustrated by the transition from Jiang to Hu, which had been smooth.

Also interestingly enough, I think Susan Shirk will talk about it later on in the next keynote speech, Hu Jintao also reached out to Xi Jinping and Xi Jinping is his protégé to be the future successor. So that's a very interesting phenomenon in China, you reach out to your own factional power base for someone else, but at the same time protect your own power base. That's a dynamic which we will watch very closely. So that's what I mean by factional politics and how that differs from the previous and that's what I call the bridge role of some leaders.

DR. LAMPTON: Do you have anything to add?

DR. MILLER: Just very briefly. Let me just add that I always agree with Li Cheng except with modification. I agree with his basic point that we have to be careful about what we mean by a faction, not the kind of hard factional orientation that existed in the Cultural Revolution for mutual protection and driven by ideological associations with strong patron leaders. I think of factions these days as more of a coalition, and these shift

visibly from policy issue to policy issue. That I think is appropriate in the politics of a country that faces the kinds of issues that China does and with the kinds of stakes that it has in whatever decisions do get made.

Finally, I think that the institutional process, I've been criticized for overemphasizing institutionalism perhaps by some other observers, but I think it's an undeniable fact that we're seeing hardening routines that make politics much more predictable and make the costs of transcending or exceeding those institutional boundaries much higher. So this is beginning to create a self-perpetuating process that invites the kind of collaboration as well as competition that Li Cheng has described.

DR. LAMPTON: I've been told that we have until 12:15, so we've been given a stay of execution. I'm looking for hands. Eric?

QUESTIONER: Eric McVadon, the Institute for Foreign Policy Analysis. Alice, would you comment on the decline of the influence and role of the PLA and what the implications of that are?

DR. MILLER: I don't think the PLA has declined in influence particularly in those areas of national security that the PLA reasonably should be concerned about. What I

think we see at the top is a deliberate effort to restrict the influence of the PLA into appropriate institutional channels and to limit the representation of the army at the national level's civilian politics so that it doesn't become a power base from which the General Secretary can begin to overturn the judgments of the rest of the leadership. This I think is one of the implicit lessons that Mao learned himself as a consequence of the Lin Biao affair in 1971. He brought Deng Xiaoping back in 1973 in part to manage the retreat of the army out of politics beginning with the rotation of military regional commanders in 1974. Deng carried that effort through visibly in the 1980s. The 1987 13th Central Committee Politburo had no military representatives. So what we've seen is the stabilization of two representatives in the Politburo and I think that's by institutional design. It does not undercut the influence of the army in places that the army should be concerned about.

MR. CHENG: I agree with Alice, but I just want to add two points. One is that there's a lot of princelings in the military. They emerged through the military district level and the army commander level. That is an important phenomenon that there are so many princelings,

there's a long list. So if there's a split in the civilian leadership, they may side with the princelings because of sheer identity.

The second phenomenon is we do see the civilian leadership become less and less technocratic, but in the military the young officers become increasingly technocratic. Now that probably will not cause serious tensions because these officers are still quite junior. But in 10 to 15 years they may challenge the authority of the civilian leadership, their knowledge of warfare and their mission et cetera. But at the moment I do believe that the military is very much under the command of the civilian leadership and the fact that they lost a seat in the Secretariat is an important indication to continue that trend.

QUESTION: Were the 16th and 17th Polituros influenced by foreign exposure? And by foreign exposure I mean the education of the leader, or of their spouses or children, extensive travel, service on commissions and entities that have access in foreign dealings?

MR. CHENG: Yes, we do see the moderate increase in numbers of returnees, those that the Chinese call "sea turtles" in the Central Committee from like 6 percent to 9

or 10 percent. And also an interesting phenomenon is that if you look at this top leadership, previously Chinese leadership would not allow these sea turtles to take the most important positions in the leadership, but now there are two interesting changes. One is that Li Yuanchao, who had some kind of short-term exposure at Harvard as a visiting scholar at the Kennedy School becomes the head of the Organization Department, the most important position in my view. Secondly, Wa Duying my former colleague at the Fudan actually spent 2 years as a visiting scholar at the University of Michigan, U.C. Berkeley, and I think Ohio University, or Iowa. Now he becomes the person in charge of China's propaganda, particularly in the foreign policy arena. This is a very important position, and this is one change.

Also we see two nonparty leaders become ministers, the Minister of Health and Minister of Science and Technology. These are real well-educated returnees. They spent more than 10 years overseas. But the overall percentage of ministers with foreign exposure is still low, less than 10 percent. I would say more leaders in the 17th Party Congress have foreign exposure than in the 16th Party Congress.

MR. LAMPTON: Alice?

MS. MILLER: I was just going to observe that there's at least at the Politburo level maybe a small diminution of people who have foreign study experience. In the 1990s there were at least two or three people including Jiang Zemin who had studied in the Soviet Union and I believe, in Romania. He liked to sing Romanian folk songs and things like that. And Li Taiying studied in Czechoslovakia, for example. That's obviously Soviet Bloc education and occurred in the heyday of Sino-Soviet collaboration in the 1950s, and so that element has disappeared. But I don't see anybody who's got a strong background by virtue of attending an American or European university for 4 years and so forth and so I think we'll have to wait for the fifth generation probably to see that.

MR. LAMPTON: That's the last hand I see, and I think after this exchange we're going to have to move on with the program.

QUESTION: Chris Nelson with the "Nelson Report." I think I could speak for all of us, if you two would want to take on the American political system and deconstruct us the way you do China, I would pay for it to hear that. I know you've got enough troubles. I had a question that's

probably a better question for the panel after lunch, but I'd really like to hear you two discuss it. Obviously we're all looking at the Tibet conundrum, situation, tragedy, take your pick for the words that we use as that unfolds. From what you know of the leadership at the top, the people who serve as bridge functions, the people who are gatekeepers, and especially as you point out, Cheng Li, so many of the guys at the top have real Tibet experience, is that a straightjacket for them or does it mean when the door closes that we may yet see what we would consider to be a an intelligent discussion internally about what to do and how to do it?

MR. LAMPTON: Good question. Cheng Li? You had three guys on your side.

MR. CHENG: Yes, this is related to a conversation I made with a Chinese official. This is before the 17th Party Congress. I told the official that I laid out four criteria for the future successor to Hu Jintao. One is that person should be in his fifties or her fifties, and should have been on the membership of the Central Committee, should have previous local experience particularly as a party chief in one of the provinces, and should also have the cross-regional or central/local

exposure experience. I asked him if that is the criteria you look for in the future successor or future Standing Committee members? That person replied, "Yes, but I want to add one more thing. That person should have experience in minority regions such as Xinjiang or Tibet". Now looking at these six rising stars, none of them have such exposure. But now look at these three recently promoted leaders, these are important positions, Beijing mayor, Hebei Governor, Wuhan Party Secretary, these are the stepping stones for further promotion. So that sent a clear signal that those leaders must also deal with minority issues.

Now not necessarily all these people are hardliners. As we know, Hu Jintao himself worked in that area, and also his mentor Hu Yaobang was a leader probably more sympathetic with minorities in Chinese leadership. But at the same time, at the moment you do see the very strong Chinese views about Tibet. No one wants to negotiate with the Dalai Lama. Any leader will the situation at the moment as a dangerous situation. But does that mean that they should not have a dialogue with Tibetan leaders and the Dalai Lama? I think some leaders express their interest, like Wen Jiabao, as he said in Thailand in the interviews.

This is really a contrast with China's propaganda, which presents very antagonistic views of the Dalai Lama, and it's a contrast.

Now Wen Jiabao probably wanted to try, but if things are out of control or if there's no room for further reconciliation or whatever, then the hard-line leaders probably will get more momentum, more support from the public. So that's the danger we face. Sometimes the hard-line approach will help hard-liners in China to reinforce hard-line foreign or domestic policies.

MR. LAMPTON: I want to thank both of our speakers as I'm sure the audience does, and I want to thank all of you for attending. I've been told that I should say that you should try to be back by 12:45 so our speaker will have the full allotted time.

(Recess)

MS. MILLER: Can we begin? If people could come back, sit down please. If everybody could take their seats please so that we can begin on time. Thank you very much.

It's my great honor and pleasure to introduce Susan Shirk. This is really a needless activity, because by virtue of her government service as well as her

scholarly work, she's known to everybody. But let me remind you of some of the details.

Susan is the Ho Miu Lam Chair in China and Pacific Relations at the University of California, San Diego, where she's also a professor of political science. She is Director of the University of California's Institute of Global Conflict and Cooperation centered at UCSD and has served for four years in the State Department as Deputy Assistant Secretary of State from 1997 to 2000, so she's had experience both in academics and in public policy but as well as government service as well. She has a Ph.D. in Political Science from MIT, studied with Lucian Pye, one of the great founding figures of China studies in this country, and is also a member of the Council on Foreign Relations, the Aspen Strategy Group, the U.S. Japan Foundation, and several other organizations as well. She's the author of several books and many articles, most of which I'm sure everybody is familiar with. Let me just remind you of her most recent book entitled *China: Fragile Superpower*, published by Oxford last year. It has made Susan, I think it's fair to say, something of a rock star in our field, and so I'm very grateful that she's agreed to come and deliver remarks this afternoon.

Susan.

(Applause)

DR. SHIRK: Well, thank you, Alice and Cheng Li and Jeff Bader, and all my friends and colleagues here who've organized this wonderful occasion for the gathering of the China-watching clan to come together and try to figure out how things actually work. This is really a great treat for me. I really enjoy these opportunities of collective Pekinology, except if we step back and think about how little we still know, and how much Chinese politics at the elite level does remain something of a black box.

Now, Cheng Li was accentuating how much more we know than we did in the past, which probably could be explained by the fact that I didn't go to school with any of the members of the Politburo.

(Laughter)

DR. SHIRK: but unfortunately, I'm just still very much aware of how many questions we have about how leadership politics work in China.

Well, I'd like to think of China's leaders, both Communist Party and government leaders, as politicians who are motivated like the politicians in other countries, by

not just solving the countries' problems but also by their own political ambitions. So, I guess in Tom Finger's categories of analytic approaches to China, I fall very much in the systemic approach, and I like to compare China to other countries.

So, Chinese leaders -- Chinese politicians compete with one another for their own political careers and then also as a group. They have to worry very much about the survival of Communist Party rule in China.

Ever since 1989, Chinese politicians have worried that their days in power could be numbered. That's because in 1989 we had demonstrations in favor of democracy in Beijing's Tiananmen Square and in more than 130 other cities throughout China. The leadership split on how to manage the protests, and only because the military royally followed Deng Xiaoping's orders and came in and put down the demonstrations forcibly did the regime survive. So, certainly from China's -- the standpoint of China's political leaders, this was a very close call.

In the very same year, the Berlin Wall fell, and Communist governments in the Soviet Union and Eastern Europe started to collapse. So, you put the conjunction of those two events together and it's no wonder that China's

political leaders have real anxieties about whether or not Communist Party rule can survive in China, especially in light of all the dramatic transformations in the economic and social realm that are occurring around them.

Coming out of 1989 Tiananmen, China's political leaders drew three lessons of what they need to do to make sure that the Party survives -- first, prevent large-scale political unrest; second, avoid public splits in the leadership; and, third, keep the military loyal. Now, the first two are very much related, because if the Party can maintain its public face of unanimity, then they can suppress protests. But if there are splits of the leadership as there were in 1989 at the time of Tiananmen, then it emboldens people to think that they can come out on the streets and demonstrate without the same fear of punishment. So, maintaining that face of unanimity of the leadership is extremely important.

Now, this morning we've been talking about the 17th Party Congress and the National People's Congress. Alice especially highlighted this conclusion that the Party leaders managed to negotiate this very perilous process of promoting a new generation and in particular selecting a successor to Hu Jintao, who will step in, in five years, to

take over as China's preeminent leader. They managed to do this quite smoothly in this last transition, and this is a big test very much related to this important lesson of Tiananmen of maintaining a public face of unanimity. They managed to find a package deal that satisfies all the key players by careful institutional balancing, as Alice described, and also by choosing Xi Jinping, an individual who very conspicuously is not a protégé of the current leader.

So, that's very interesting, isn't it, because China's authoritarian government, the leader, the main leader, does not have the authority that, say, the Mexican president did up until very recently to choose his own successor. Instead, in this collective rule, oligarchic rule, the formula seems to be that the successor needs to be someone quite independent actually, not closely aligned with the current leader. However, the decision-making was still behind closed doors. This is interesting, because I had, frankly, sort of hoped that they wouldn't be able to do this and they would be forced to open up to a real central committee decision-making process as the Vietnamese Communist Party now does. They have open competition for their leadership quite institutionalized within the Central

Committee. But as it turned out, China's leaders managed to do this behind closed doors.

They took one baby step in the direction of some democratic accountability to a broader body within the Party by having this kind of straw vote popularity contest last June. Whoever knows about how this actually works, I would love to talk with them because I am fascinated by this. But apparently what happened is they gave a list of current Central Committee members to the Central Committee at-large, including some other people. And again, I don't know the details of how they did this. Did they rank them or did they say, plus, zero, minus? Or how did they evaluate these people? But they got some information on the popularity of these people, which supposedly helped them put together the nominations for the top leadership. And that's very, very interesting. But again it was a baby step, because they didn't actually delegate control of the decision to the Central Committee, although of course the Central Committee, according to the Party constitution, does have the authority to choose the top leadership.

So, they did quite well in this last transition maintaining the public face of unanimity, and it will be very interesting to see if they can sustain that over the

next five years. It looks like there's no reason they shouldn't. I know Alice has always predicted that they would be able to converge on one successor and that they would follow the norms established in the last succession to prepare him over the next five years by taking a certain set of positions in the government. So in two years Xi Jinping will be appointed to the Central Military Commission, and so it does appear that they've managed to solve this challenge quite impressively.

But let's remember as we look out over the next five years that maintaining a public face of unanimity is becoming increasingly difficult for the leaders in this kind of political system as the politicians feel the ground shifting beneath their feet. In a society undergoing explosive change, like China's, political outcomes are unpredictable, because the political game is evolving too. What this means is that every day there are new opportunities that are presented to ambitious politicians. Keeping competition under wraps becomes increasingly difficult, especially because of the emergence of the commercial media and the internet that are competing for audiences and pushing the limits of censorship.

Cheng Li said that there was a leak of lists of who would be appointed ahead of time both from the 17th Party Congress and from the NPC. However, we don't yet have leaks about the actual deliberations, except in Hong Kong media, which we've had for years. And an interesting question is when will we start to see that in the PRC media? But individual politicians, I'm sure, feel tempted to reach out beyond Zhongnanhai to mobilize a popular following, to give an interview to a journalist, or make a speech, or post a manifesto on the internet. And of course if there are protests underway in a crisis, that temptation is even stronger, because you can see that a constituency is in place. And I, for one, think it's only a matter of time before Chinese leaders do start to reach out to mobilize constituencies in this way.

Now, let me stop being so abstract and political science-y here and talk about the current crisis in China that I know everyone is very interested in, which is the Chinese government's reaction to the Tibetan demonstrations, which have created a domestic and international crisis for the government just four months before the Olympics when the eyes of the world are upon it. China's politicians, China's leaders, in this case are very

much caught in the cross-pressures between their own domestic politics, international public opinion and international pressures. I think we see, as we have seen in the past in crises in China, that domestic political survival has a higher priority than China's international reputation.

So, what happened here? Without going into all the details -- I'm sure all of us are obsessively following this in the newspapers and the internet. After the demonstrations in Tibet turned into a violent riot against Chinese shopkeepers in Lhasa, the internet in China started burning up with angry Chinese criticism, not just of the Tibetans but also against the feebleness of the government's response. The Chinese leaders reacted immediately to defend themselves by getting out ahead of this upsurge of nationalism. The Propaganda Department went into high gear, and what they did is they deflected people's anger away from the Communist Party and the government onto the Dalai Lama, the Dalai clique, the Tibetan separatists, and the Western media whom they accused of biased reporting on the protests. They vilified the Dalai Lama with over-the-top rhetoric of the sort we haven't heard in China since the cultural revolution.

Now, the public lapped it up. But the foreigners, people broad, were repelled by this glimpse of China's emotional nationalistic side, which reinforced the international view that the Tibetans were the victims of a cruelly repressive authoritarian regime. This was not the image of the cosmopolitan, harmonious society that Beijing had hoped to project during the Olympics. Certainly now they do run the risk that the Olympic games, instead of bringing them the respect that they hoped to achieve, has instead brought the world's scorn down upon them.

So, what was going on here? What explains the reaction from China's decision makers, and what does this tell us about China's political leaders and the way they manage and respond to the new demands that are emerging in their own society?

Well, first of all, I think it reflects intensifying nationalism within China in part as a spontaneous expression of China's revival as a powerful country and in part due to the Communist Party's efforts to enhance its legitimacy and build popular support for itself. This nationalism is focused on a few hot-button issues --Japan, Taiwan, the United States, and, now as we see, Tibet. Party efforts to play to this nationalism did

not start with the Jiang Zemin era, although Jiang, through the Patriotic Education Campaign, did make an effort to stimulate this kind of nationalist sentiment. In fact, even in the Deng Xiaoping era certainly these hot-button issues were already hot-button issues, and the propaganda officials reinforced that.

I say this, because I just have to share with you this wonderful account that I recently read in the memoir of the late U.S. Speaker of the House Tip O'Neill, an account of his conversation with Deng Xiaoping in the 1980s. O'Neill said to Deng Xiaoping, "You and I have a lot in common. You're a revolutionary fighting for a better life of your people. I know what you want, better health care, better education, higher standard of living. There's only one thing I don't understand. Why are you always talking about Taiwan? Here's a little island of less than 20 million people. The way I figure it, Taiwan should mean nothing to you. Surely you have more important things to worry about." "You're absolutely right," said Deng. "Just between us, it's something our people love to hear about, and that's why I keep harping on it."

(Laughter)

DR. SHIRK: -If you go back and look at memoirs of all the people, the foreigners, who ever talked to Deng Xiaoping, you could really piece together a very interesting perspective, because he had this candor. Can you imagine Hu Jintao making the same kind of comments today? I don't think so.

So, China's leaders keep harping on these hot-button issues: Taiwan, Tibet, Japan. But they are also afraid of this nationalism that they have in part helped reinforce. They are hypersensitive to nationalists venting on the internet, and they want to make sure that it doesn't take them as the target.

The lessons of Chinese history before there ever was an internet are very much on their minds. They know that the previous two dynasties, the Qing Dynasty and the Republic of China both fell to national movements in which the specific discontents of various rural and urban groups were fused together by the powerful emotional force of nationalism. Nationalism is one of the few issues that can really bring various discontented groups together. And the government may be seen as being too weak in the face of foreign pressure. They want to make sure that the same thing does not happen to the Communist Dynasty in China.

So, now they have boxed themselves into a corner by mobilizing the public around a very tough line on Tibet and the Dalai Lama. It is very hard for me to see how they could reach out now, in the next four months, to the Dalai Lama or to moderate their Tibet policy without risking severe public condemnation at home.

Could the Tibetan protests, which have spread widely in the western parts of China beyond the Tibet autonomous region, could they snowball into protests from other groups? Now, this is a relevant question, because in 1989 there were protests in Tibet that preceded the protests in Beijing and other cities. It does look as if the Tibetan demonstrations are, to a certain extent, being copied by weaker protesters in Xinjiang and internationally. But I think it's highly unlikely that there would be a snowball effect from the Tibetan demonstrations to other Han Chinese groups, because this time the Party mobilized this sort of we vs. they propaganda campaign against the Tibetans. And perhaps one of the reasons they did so is both to protect themselves from criticism and also to draw a very clear line between the Tibetans and other groups of unhappy Chinese who might

want to demonstrate for various reasons, especially in the lead-up to the Olympics.

Well, what about splits in the leadership? I've highlighted the importance of preventing leadership splits. Are we going to see differences over how to handle this crisis? I think that although individual leaders may place different weight on the international considerations now, and may have different ideas about how to salvage the Olympics and reduce the international price that China is paying for the Tibetan demonstrations and the Chinese government's reaction to them, but my hunch is that hot-button issues like Tibet are not likely to trigger open differences within the Chinese leadership, because it is a collective leadership and no ambitious Chinese politician is going to want to go out on a limb to advocate for a flexible policy toward Tibet. Other than a handful of intellectuals, there's no constituency of Chinese out there, maybe anywhere in the world, for an opening of a dialogue with the Dalai Lama right now. Also, Chinese politicians are going to be reluctant to reveal to one another any wobbliness on this issue. Instead, probably like boys in the locker room, they're going to try to outdo one another in dumping on the out-group and talking tough.

Hot-button issues like Tibet are more likely to be used to build solidarity within the leadership than to spark debates, I would argue. So, this is a very tragic situation for China's leaders and the Chinese people. The Olympics are in danger of, to a certain extent, being spoiled by China's fragile domestic situation. So, maybe one thing we could talk about is what could China's leaders do between now and August to try to rebuild their international reputation and to set the stage for a successful Olympics.

Well, as I think about this, what I would do if I were Hu Jintao is to try to make a dramatic breakthrough by initiating dialogue with Taiwan's new president. This is what American politicians learned a long time ago. If things are not working for you now, change the subject. Change the subject from Tibet to Taiwan. Now, this is kind of ironic, isn't it, that actually China's leaders now are less constrained domestically on Taiwan, which is one of the real hot-button issues, than they probably are on Tibet.

So, if Beijing, and there are some hints and things that Wen Jaibao has said recently that they may actually be doing this. If they give up trying to get the

Taiwan president to utter the magic words "one China" and instead substitute the more hand-waving compromise of the 1992 consensus with "one China, two interpretations" and start talks with Taiwan on that basis, you know, I think this would really not be particularly hard for Beijing to do right now.

They feel quite confident, and they are patting themselves on the back for handling the Taiwan issue quite effectively over the last few years, so effectively that they managed to get Ma Ying-jeou elected, and therefore if they declare that dialog is a victory for Beijing that keeps Taiwan in the fog, I don't think that the public in China is going to worry very much about exactly how they got there. You know, exactly what the preconditions were, is not something that the public will pay close attention to. What they will recognize is that the leadership managed very artfully to bring about a situation in which Taiwan's leaders are once again talking to Beijing and the trend is moving in the right direction, away from independence. So, I think this would be a really good time over the next few months for a breakthrough on Taiwan, because I don't see anything very good happening on the Tibet front over that same period of time.

Thank you very much.

(Applause)

MS. MILLER: Thank you, Susan. We have time for a few questions. Maybe, Susan, you could call on questioners.

DR. SHIRK: Sure.

Yes.

QUESTIONER: I'm a Fellow at the National Endowment for Democracy. Thank you for a wonderful talk. I was wondering if it is also a good time to talk about Chinese federalism.

DR. SHIRK: Federalism.

QUESTIONER: Yeah, because I think two issues are linked together. One is the Taiwan issue. Someone would say that the cross-strait situation is the way it is because China is not, you know, democratic. Could China be more democratic, with Taiwan be part of it, and then federalism is a good thing. And then federalism can also solve the minorities issue, the Tibetan issue and the Mongolian issue. Thank you.

DR. SHIRK: Federalism in China. Federalism in China has a very bad name. It was considered and discussed a little bit, I gather, in the '20s and '30s. Alice knows a

lot more about this than I do. And I don't think we've had enough people in China studying comparative politics, because their view is that federalism means a weak government, a weak political system, whereas in fact China has so much de facto power in the hands of provincial governments and below, but it would be much stronger if it were a federal system. So, it would help solve a lot of problems. And a country the size of China I think really should be a federal system. But I doubt that there's going to be much discussion about that in the near-term future, although hopefully in the middle and long term there will be.

Eric's always fast off the mark. He's already had two questions today, so I thought I should probably call on someone else, but they're always such good questions.

Go ahead, Eric.

MR. McVADON: Thank you. You're very kind.

I wonder if there is a role for the U.S. government in what you suggested last in changing the subject, and of course it would have to be subtle and behind the scenes and so forth, or is that too dangerous and we should let it go another way.

DR. SHIRK: On Taiwan, what should the U.S. do. In my book I do recommend a more active U.S. role here, because it struck me for many years as very odd that in this part of the world where American national security is really at risk and we really might have to fight, yet we have tied our hands in so many ways that we feel we can't really actively try to get the two sides together to talk to each other. And I'm not advocating mediation or a Camp David or this sort of thing, but I certainly think that we should be talking to Beijing. I'm not suggesting that President Bush go early before he goes to the Olympics to have this discussion necessarily. But we should encourage China to do things related to Tibet that would improve its international reputation and help make for a successful Olympics and point out that there are things that they could be doing in other respects: human rights, on Darfur, and certainly on Taiwan, and that this would be a great time. Now we have a new president in Taiwan for the two sides to start to talk to one another once again.

Yes, Teng.

QUESTIONER: Thank you. My name is Teng Foo and I am from the Mansfield Foundation. My question's on the unity of the public face of the central government. I agree

with you, the central split on these hot-button issues can really spin off problems. The social movement theory can help facilitate public protests and offer opportunities for social movement. My question is, how about the environment? Environmental issues are also a hot-button issue in China right now, but it actually doesn't seem to fit the general theme of the unity of the central government, because the central thing to be split are the economic and environmental issues. So, I just want to see what's your take on that.

DR. SHIRK: No, I think that is the kind of issue that already has stimulated protest activity. Therefore, from the standpoint of China's national politicians, it is a political issue, not just an economic issue and a health issue, because you're likely to see more demonstrations in the future. And you can imagine an environmental crisis of the sort we saw in Songhua river that might, when you have large numbers of people upset about the same thing at the same time, that really does potentially lead to large-scale social unrest. I think that it's also clear that there are constituencies out there, and therefore it does become the kind of issue that you might see a real open split in the leadership.

Now, you already see people at the SEPA (State Environmental Protection Agency) - what is it now, MEPA? - mobilizing public to try to get more "umph", more pressure on the government for environmental cleanup. So, just to move up a notch or two to a more senior leadership, that I think is something that we are likely to see in the next few years.

Yes, Michael.

MS. MILLER: -- last question.

MR. YAHUDA: Thank you. Michael Yahuda, George Washington University. I think the exchange of Tibet for Taiwan, as you suggested, would play very well in certain circles, but not in others. Clearly it would play very well in Washington, but I think Tibet is such an emotional appeal throughout the Western world that whatever arrangements may be done with regard to Tibet won't really affect the opinions of the demonstrators and potential demonstrators in Western countries. On the other hand, what it may do is it may provide assurance for China's neighbors, I think, who are very afraid of what for them are the consequences of what's happening in Tibet, and that is a angry China that withdraws into itself and therefore is in danger of spoiling the whole network of relationships

that are being built up. And in addition to it, I think there's also a danger that the Chinese will seek the moment to exploit the divisions between the developing world and the Western world. I don't think the developing world cares so much about Tibet in the same way as the Western world does. So, I think the issue here would be in some ways for the American government also to engage in a degree of public diplomacy if the Chinese began to show more flexibility on Taiwan. In that sense, the united government would be able to paint the Chinese leadership as not the big baddies that exists generally, but as being concerned, rightly or wrongly, about the threat to unity of their country and so on. But nevertheless there's still a leadership that is sensitive to political change and is prepared to adapt. But I think it's something that is not just concerned with emotions in China, but it also reflects, to a certain extent, on what Thomas Finger was talking about before about how the different international pressures and what happens in China are not always in sync and indeed may create new kinds of problems.

DR. SHIRK: Yeah. Well, I think that those are very interesting observations, and I do think that what's interesting about the Tibet issue is how strongly the

Europeans feel about it. And, of course, this comes on top of also great concern in Europe about the renminbi and the trade deficit. So, I mean, speaking as a former U.S. government official working on U.S.-China relations, it's certainly a very welcomed development to have Europeans, you know, being concerned about these issues, because it makes us a little less lonely as the only country in the world working on them. But it does make the whole game a lot more complicated, doesn't it? You're right that the Europeans are not going to be as focused on the Taiwan issue as the United States would be and therefore will continue to agitate on the Tibet issue regardless of what Beijing does with Ma Ying-jeou.

And what you also said about the split between the developed and the developing world is quite interesting, because the criticism is coming entirely from the developed world as far as I can see. China as the leader of the developing world facing the United States, Europe, and Japan, that's not a kind of cleavage that is healthy for anybody and one we certainly don't want to see in the future.

So, thank you all very much. Great discussion.
Thank you.

(Applause)

MR. KEIDEL: I'm Albert Keidel, The Carnegie Endowment for International Peace, and it's an honor to be moderator and commentor at this excellent panel. We're discussing the Chinese economy and social tensions and the policies that might shift or be new as a result of the new leadership. And we have an extremely distinguished pair of specialists and experts on China's political development and economic development.

Joe Fewsmith is a Professor of International Relations and Political Science at Boston University. And his book, *China Since Tiananmen: The Politics of Transition*, is due out with a second edition just in a couple of months, he tells me. So make your pre-orders at the book store.

Barry Naughton, Professot of Chinese and International Affairs at the University of California, San Diego, has just published last year the book which no responsible teacher of the Chinese economy at any level can carry on a course without, and I attest to that myself. Their detailed biographies are in your handouts, and so we're going to move right into their presentations. And Professor Fewsmith is going first; Joe.

MR. FEWSMITH: Thank you, Bert, and thank you to everybody. It's a great honor and pleasure to be here at the Brookings Institute and the cooperation of China Leadership Monitor, Hoover, Stanford, signs all around here. I want to talk about a problem that we've already talked about.

I think all of us who are trying to deal with contemporary Chinese politics are trying to figure out how much the system is institutionalized. What do we mean by institutionalization? And what are the limits of institutionalization? I want to talk a little bit about what I think is going on at the elite level, so I will actually not repeat what Li Cheng and Alice Miller said, I will demure a little bit from their views, just to show you that we really don't understand what's going on, and also sort of to prove that we do not have a party line, unlike China, which does have a party line.

And then I want to go on to the local levels, where maybe we actually do know something about what's going on, because the box isn't quite so dark and opaque at the local level. And it also sheds light on the institutionalization issue. And so I want to go on both the top and the bottom of the systems. I want to basically make two arguments. And they're contradictory arguments, they stand in tension with

each other, as does almost everything in China these days. One is, I think that the forces upholding the status quo in China today are strong and perhaps are getting stronger. And the other is rather, as I say contradictorily, that there's a lot of pressure on the system to engage in some sort of political reform.

Alice Miller already stole my line: doesn't know what way to buy a tie, that was it, but okay, that's the leadership, we'll move along. How is it that all of us have noticed this and we haven't been able to interpret it? What is it? Maybe Wu Banguo was about to be dropped from the Poll of Bureau Standing Committee, and had to run out to buy a tie quickly, I don't know.

In any case, we've been talking about the princelings, and the factor that I want to focus on, not so much who are the princelings, but simply that at the 15th Party Congress ten years ago, there were very few so called *Gaoganzhidi* princelings. There was, of course, Jiang Zemin and Li Peng, who qualify for princeling status, but nobody else as I recall that was a full member of the Central Committee. There were, I believe, three on the alternate list of the Central Committee. Number 187, the very last one, of course, was (?), who's come a long way in ten years.

But there was a little sort of sense of embarrassment about the princelings ten years ago. They moved up a little bit in the 16th Party Congress five years ago, and this time, of course, that sense of embarrassment seems to have disappeared as all sorts of people, Se Jen Peng, Bo Xilai et cetera, et cetera, have been named to the Central Committee.

And this suggests to me, I don't want to think of the princelings so much as a faction as I do a social force. They're part of Chinese society, a major part of Chinese society. By the way, the term *princelings* has, of course, a negative connotation, and I don't think we should necessarily take it that way.

Some, you know, sons and daughters of high level cadres are arrogant, rich, and spoiled, and so forth, others are tremendously capable, they've been well educated, they've been exposed to political currents and so forth. So I use the term sort of copying Hong Kong media rather than with prejudice. After all, this is a country that had a choice eight years ago between two princelings for president, so we should not hold anything against princelings, except note that they are a symbol of the status quo, and I think that that's an important part, something that has developed in China over the last decade that was not there perhaps before.

And I think you can continue that theme in looking at the rise of enterprise leaders. You have -- major enterprise leaders are now Central Committee. And, of course, they're very prominent as alternate members of the Central Committee.

Now, having spent my earlier career studying bureaucratic capitalism in Kuomintang China, I look at this leadership line-up and I say, I know this, I've been there, done that, it's familiar, China is China. The political and the social economic elite are I think, in some ways, coming together. And in some ways, I think that's a good thing, although it does create certain social and political tensions on the other hand. And it certainly stands in tension with the populism that Li Cheng and others have talked about.

Certainly you remember the controversy over China's joining the WTO. Some people were interested in joining the WTO and others worried about the damage that WTO entry might do to the agricultural sector. This was a very controversial issue in China, perhaps particularly because there were a couple of JDM bombs that hit the Belgrade Embassy about the same time and made the issue particularly controversial.

But in any case, that was a very much a sign that populism had arrived on the Chinese political scene. And, of

course, it continued with the controversy in '04, when an economist from Hong Kong gave a speech in Shanghai accusing the head of a big corporation of doing some insider trading. The Chairman of the corporation had the bad judgment to sue for liable. He not only lost the case, he and six cronies ended up in jail because the economist happened to have been correct on the data, if not on the prescription.

But public opinion very much sided in a populous way with the economist, and that was a new measure. And, of course, a year or so ago, the letter criticizing the property rights law was another mark of that. It managed to delay the implementation of that law by a year. And, of course, I guess the nationalism that we've just been talking about, vis-a-vis the Tibet issue, might be another instance of that. This populism stands in a very clear tension with those status quo forces I was just talking about. Well, at the 17th Party Congress, my understanding is that they were supposed to talk about a harmonious society, that was going to be one of the sections of Hu Jintao's report. And if you read the report, it's not there, it's some place on the floor in Zhongnanhai. Check the wastepaper baskets very carefully.

It seems that there were other people who were concerned that there was too much populism going into the

report and that could stir tensions. And, hence, you have a very strong and I think somewhat unusual emphasis on reform and opening up. Why, in other words, in 2007, do they need to stress reform and opening up, which they've been doing for 30 years? It's because they were stressing reform and opening up in clear opposition to that harmonious society and populism.

Now, talking about elite politics and institutionalization, certainly we've had a retirement age that has been implemented, it's 70, except during the transition from the 15th Central Committee to the 16th, when Li Ruihuan was removed at age 68. Then, of course, it was convenient to keep it there. Zeng Qinghong just happened to be 68 years of age. If Zeng had been 67, I think we would have had a real test. You know, sometimes systems are institutionalized, if that's the word, by chance. At any case, expanded democracy, I think we did see a little bit of expanded democracy.

Barry Naughton had some very interesting observations in China Leadership Monitor that they seemed to have nailed several of the economists who otherwise should have made it onto the Central Committee.

But by and large, those who should have been elected to the Central Committee were elected. You know, you got all those provincial party secretaries, and all the provincial governors. You can kind of go through position by position, and those who should have been elected were elected, which suggests that the democracy stuff is still very nascent, with the one sort of interesting exception of Xi Jinping that Susan referred to. And I think it was more than a straw poll that took place on June 25th.

There was a full meeting of the 16th Central Committee, it was an expanded meeting, it was never reported in the press, but that meeting did make more or less a firm decision on Xi Jinping as the successor to Hu Jintao. And it's very interesting. If there's anything that the party constitution is clear on, I think, is that those who are elected to the 17th Central Committee would pick the leadership. This was clearly a meeting of the 16th Central Committee to pick the leadership of the 17th Central Committee. And as somebody puts it, if we hadn't had so much democracy, Li Changchun would have been the successor. Yeah, uh-huh, that's called a mugging.

At any case, it suggests that there is something less than full institutionalization going on. My point here

is not that there are not institutions being created in China, but that they still exist in considerable tension with informal politics. And it's that dimension, that dynamic that I think we need to focus our attention on over the next few years.

Now I want to get on to something that's more interesting, the demand for political reform and how it's proceeding. I'm going to pick on one township to describe all of China. I'm only going to skip the other 34,999 townships. The 17th Party Congress, as you know, did demand increased popular participation in politics and an increased demand for inner-party democracy. And two authors connected with the Central Party School just published a very interesting book on political reform. It discusses the urgency of political reform, and then proceeds to set out a 20 year program for introducing political reform, which it then says will lay a solid foundation for the next 20 years of political reform. That may stand in some contradiction or tension with the urgency thereof.

But in any case, there have been many forums that have been talking about political reform. And obviously, the problem is local government, which is not good. And there's

lots of data to prove it, which I don't have time to go through.

In general, when you look at the Chinese political system, I think that you see pressure for political reform coming from the local level, because local officials have to deal with very angry people, and that makes them want to do something positive in response.

And they worry about political reform at the highest level, because these are legitimacy issues, as well as institution building issues, and so the Hu Jintaos have to think about these sorts of issues. But the problem is, the silent majority in the middle, somewhere below the highest level and above the lowest level, they don't, it's not their job, they don't need to worry about it, and it's a problem for them, and that means that it's a problem for political reform in general. Let me talk a little bit about Maliao Township, out in Sichuan. It's located in Kai County, which I hope none of you have been to, it's a long bus ride from the station in Chongqing. I think you can take the bus for about four hours, and you're still in Chongqing.

Chongqing is a very big place. This is up the Yangtze River, and indeed, it's one of those places where slow erosion is noticeably serious and things of that nature.

It's a very poor mountainous area. And, of course, one of the outcomes of the tax system reform of 1994 was that revenue at the local level fell. Beijing has gotten very wealthy, which had tremendous impact on the political system at the highest level. It's also had a tremendous impact at the lowest level, where they're very poor.

And as revenues fell, cadres begin to press for money. In this particular locality, they said, well, there have been a lot of peasants who have violated laws on family planning, on cutting down trees, and so on and so forth, they were sort of given fines that were never paid. And so they said, well, our revenues are down, this is a time to go collect those revenues. And so they went around and they collected the revenues, and the peasants responded the way peasants have for at least 2,000 years, which was that they didn't like it, and they got mad. On June 14, 1999, the pheasants surrounded the township offices, and the cadres in there couldn't get out for two or three days, and they decided actually to resolve the incident peacefully.

Their first instinct was to call in the police, except Maliao Township doesn't have any police, and it's still tough to rotate them in from Kai County. In any case, the person in charge of the legal affairs in the township had

been a teacher. And he said, oh, you can't kill those people, they're nice people, they were my students back when I was the teacher there. So they resolved it peacefully.

Now, the problem was not so much one of raising revenue, but of being able to do any public works after that, because the public works, they didn't have revenue for that, so you have to get the revenue from the peasants, but you have to convince the peasants that you're going to do it honestly. So there was an obvious need to build a bridge over a two-river junction, which is here. And you can see the top of the bridge is there, so it was built. There are a couple of rivers that come together here. There are four villages up in the mountains on the left hand side that were cut off from the village and township on the right hand side, and so there was a real need to build this bridge.

Okay, how do you do this so that the peasants will make contributions? You have to make the cadres honest, which is difficult in China at the local level. They adopted the eight-step work method. And in the interest of time, I will cut out six of the steps. The point was that you make a small group in charge of the construction, which also handles the finances and is represented, more than half the members are, peasants.

And so they say, okay, Mr. Cadre, you need to buy a brick, here's the ten cents for the brick. The cadres handled no money, which meant that they could not be corrupt on this issue.

And you also had to get approval of building this public works project by 85 percent of the people. They had to sign or put their thumb print on a form that said I approve of this, so that you had to have this sort of referendum on the project. If we followed that, no public works projects would get done. But in any case, this was an effort to try to rebuild trust in this area, and the result was, greater trust, petitions in the area declined to zero for six years, and public goods continued to be constructed. There's a number of projects that we had an outcome. You have financial crisis, you have peasants and cadres clashing, and you saw that through institutional innovation, a good story.

Then, of course, the result is that revenues continue to decline because the peasant taxes, agricultural taxes are removed completely, so Maliao Township's revenues decline from about 670,000 -- to 2,000, that's not a misprint.

That means that Malio Township is entirely dependent for all of its revenue from the upper level, from Kai County. So the cadres were looking for their, you know, support, not down from a constituency, which they have finally established, but again, once again, up to the upper level cadres. What happens is that reform becomes really aborted and all those nice institutional innovations are pretty well washed away in the two river junction. The lessons of this, and I think maybe at the top level, as well as the bottom level, is that the innovation is taking place within the broader context of the Leninist System. The eight-step work method could not be extended to Malio Township as some people wanted. There was no electoral framework within which to sustain this innovation. And Kai County was not subject to the same pressures as a township. They didn't care as much.

And so there's no felt need for institutional innovation. So as we think about institutional innovation, we usually are trained in political science to think in terms of path dependence. Paths can be winding and twisting and it's an arduous way forward. Thank you very much.

MR. KEIDEL: Thank you very much, Joe. And we're now going to move right along.

MR. NAUGHTON: I want to talk about a fairly narrow topic, in a way, that has to do solely with elite politics, namely the selection and adequacy of the economic policy decision-makers. The timing of this conference is actually perfect for this. Even though the main outlines of the economic decision-makers clearly were visible after the 17th Party Congress at the end of last year, it's really not until the last couple of weeks that we've seen all of the different personnel decisions that are part of this selection process really sort of fall into place. And so I'd like to use this as a kind of - I very much want to stand on the shoulders of the people who spoke about the broader political issues this morning, at lunch, this afternoon, just now with Joe - but use this as a kind of case study, where by looking at a specific area, we can get a sense of how well the transformations in leadership selection are working and what difference they're likely to make.

And I suggest one of the benefits of looking at economics is, paradoxically, that it's less contentious, that is to say there's a very broad consensus that China needs to develop, that economic growth is a good thing, and even a rough degree of consensus about the metrics that we should

use for looking at economic growth, even though that's changing a little bit.

So that's my objective. So I'm going to end up, you know, with really a very specific set of personalities and conclusions. So in order to do that, I want to start out by setting the scene with some of the broadest issues, because this is clearly the context that we need to get started. So let me give three points that I think are necessary to sort of set the scene for the selection of the current economic leadership; number one, there is now an extraordinarily full policy agenda that confronts the Chinese leadership. Because you know, for most of the last 25 years, certainly the economic challenges facing leadership have been great. But still, in many cases, you could boil them down to stimulating growth and resolving systemic blockages so that you could cross the river by groping for stepping stones and move forward with a growth orientation.

But that's changed very much under the Hu Jintao-Wen Jiabao administration. And in particular, they have carried through what I called in this very forum a year ago, a left tilt in policy, where many, many social policies have been brought to the top of the policy agenda.

Now, some of those have been pretty successful, and I think Joe just gave testimony to the very strong on the ground impact of the abolition of agricultural tax, which is I think a tremendous, generally speaking, a tremendous policy, although it clearly has unanticipated consequences that are difficult. And the replacement of local government funding with central government subsidies that have led to a significant rebuilding of public education and public health expenditures in rural areas. These are the shining spots, this is the clear success. More generally, we see a leadership that faces a policy agenda that's ambitious, but very incomplete, and possibly overly ambitious, possibly over full.

I mean, for instance, if we just look back at the sort of basic macro economic issues, China has been talking a long time about slowing down the economy, reducing over investment, working through to a more realistic exchange rate.

None of those things have occurred in a successful enough fashion in the sense that, in the last six months, open inflation has come back as a very serious problem. In some sense, we economists expected it earlier, but in any

case, it's here now, and it's a big problem that confronts the leadership.

The environment has moved up onto the rhetorical agenda, and in particular, improvement of energy efficiency, reduction of energy intensity. So far, I think we'd have to say no real progress has been made on this front. The long run effort to restructure the central government so that there's a separation between business decisions and regulatory decisions, again, not much is happening. But finally, you know, let me come back to inflation, because inflation has a very special significance among the economic problems that face Chinese leaders.

Inflation is especially feared in some sense because inflation, in many past episodes, and obviously the late '40's and in 1989, inflation is associated with a breakdown of the authoritativeness and capability of the central government, and it's something that leadership fears very greatly.

But as you can see, we are currently in a period of very significant open inflation in China. So we've got one specific economic issue that unavoidably has muscled its way up to the top of the agenda, even though there are still all

these other uncompleted agenda items still on the table, okay.

Now, China has always faced a lot of problems, but within the last couple of years, we see mounting signs that the bureaucracy is having trouble staying on top of this very ambitious agenda. Lots of decision processes have been dragged out longer and longer. I've got a bunch of examples up here. I'm not going to go through them all, but the examples are inconsistency in decision-making, interagency conflicts, capture policy agendas by specific bureaucracies. And a lot of this has been accompanied by increasing grumbling, dissatisfaction with the work style of the premier, who's viewed as not authoritative and powerful enough to drive the bureaucracies into submission with a certain unified policy orientation.

Now, it's not that this is at a crisis point, none of this is new, you know. In general, we could say, look, this is an inherent failing of an authoritarian system that concentrates far too much power and discretion at a few points at the top of the hierarchy.

How on earth could we ever expect any human being in the world to manage China's economy, solve the environmental problems, restructure the bureaucracy, create a

market economy, oh, and by the way, deal with Tibet and a big snow storm, you know, it's ridiculous. But this is, in a sense, what the system asks from its apex political leaders.

And therefore, their relative success or relative failure in achieving it is of great importance. And we're in one of those periods right now where the sense is growing that the system was not quite handling all of the challenges that are thrown in front of it. And I should say before I leave that topic, not quite handling them, but on the other hand, we're coming out of a little five year little mini golden age, right, where the Chinese economy has out performed every expectation, where peoples' incomes have doubled almost, you know, where, in a sense, you'd say, well, of course, people haven't made tough decisions, they haven't had to make any tough decisions, and you know, it's very understandable, but the point is, it's changing, and the challenges and the needs to face those challenges are different.

And then the third and final sort of background feature here is, of course, politics is in command, all right. All of the things that you've been told during the rest of the day which reveals a system that, however you evaluate, is transitioned from personalized dictatorship to a

kind of autocracy with balances and checks and all kinds of partial institutionalization. However you evaluate that process, there's no question that that process dominates the selection of leadership, so that economic leadership becomes, in certain crucial respects, subordinated to this very delicate process of promoting, balancing, coordinating, institutionalizing, assuring that the system is more robust politically. Okay, so those are my three scene setters. Here's the outcome then. The outcome is, of course, a new State Council. The new State Council, unlike the Standing Committee or the Pilot Bureau, the new State Council is quite different from the old one. It's got a lot of new people, it's got three new vice premiers. I'm only going to talk about the economic leadership, which is the people I've surrounded in a red box, because I have nothing to say about the other State Counselors.

But the vice premiers all have very important economic portfolios. So let's take a look at this, what do we see, all right. First of all, at the top, we've got Li Keqiang coming in as Executive Vice Premier.

And notice that, at the same time that Li Keqiang is appointed, they've also specified that there's a new State Council Articles of Work, that for the first time say, when

the premier is out of the country, the executive vice premier runs the show, runs the government.

He's been given a very broad portfolio, and it's very clear that Li Keqiang is put in there, in part, to strengthen Wen Jiabao, but also to give Hu Jintao a little bit extra oversight perhaps. In other words, it's a response to the fact that maybe the government bureaucracy is seen as a little bit weak. So Li Keqiang comes in with a great deal of authority, and he is clearly a dynamic reformist individual. But when we look at these vice premiers in general, what we notice is, they're all politicians, all right. Two of the vice premiers that they replaced were clear technocrats.

Now, this word, "technocrat" has a lot of different definitions. By technocrat, I mean somebody either is an economist by training or a bureaucrat by experience, so that's somebody who has rich, practical, or theoretical experience of economics, that's how I'm using this word.

This State Council is much more dominated by politicians, whereas the past one was largely dominated by technocrats. That's a big change. That's not how we usually think of China as evolving.

Obviously, the long term evolution of China towards technocracy is a very important trend that we're all used to thinking about. Why? Well, a couple of the earlier speakers have mentioned that the limited steps towards inner party democracy ended up working against the promotion of technocrats. So this open audition system, where Central Committee members and others were polled about how they thought about some of these candidates for higher office, and in particular, for State Council office, as well as the Standing Committee Politburo, very much worked against the most important technocrats. And in particular, two of the technocrats who were proposed for membership to the Politburo, Zhou Xiaochuan, who is head of the Central Bank, and Ma Kai, who is head of the National Development and Reform Commission, both failed to be elected to the Politburo, and Chen Deming who had been designated to take over the NDRC failed even to be elected to the Central Committee.

Now, Joe is absolutely right and Susan as well, it's wrong to think of this as a true election, because in a sense, Hu Jintao and the other leaders had the option of sort of accepting these results or not, but in practice, what happened is, they accepted them.

They said, this is a pretty good deal for us, the straw ballot has given us a set of leaders that is very close to our wish list, so let's go with it. All right, let's take this as an expression of inner party democracy and make this the new list of leadership. But the price here was, a lot of the technocrats did not advance into key positions of responsibility. Some of it was a resentment of the NDRC, which is pretty high-handed sometimes. Some of it is, for reasons I just cannot understand, people just don't like economists. So the outcome was somewhat unexpected. And one of the things we've seen since the Party Congress is, the government is kind of scrambling to get enough people lined up to fill the key technocratic posts. Most obviously, for Zhou Xiaochuan, it was widely known that he was either going to move up and be a vice premier or he was going to step down.

But given the circumstances, the party said, we need you to stay on, nobody else has the gravity, nobody else has the credibility given this massive financial turbulence originating in the United States, we need you, and not only you, but all the other bank governors to stay on, so it was.

Chen Deming, who had been scheduled to take over the NDRC, instead took over the Ministry of Commerce, which

is the original super ministry. Well, now there are a few new ones, but the Ministry of Commerce had already combined domestic and external trade functions, and Chen Deming started to play a big role right away. Ma Kai, who would have followed his patron, Zeng Peiyan, to become a vice premier, instead wasn't able to do that because he wasn't on the Politburo, but he still stepped into an important role as Secretary General of the State Council. And he'll play an important role in economic policy-making. And even the vice premiers, there were conflicting reports about exactly what portfolios they would take on, and we didn't really find out until mid March or later.

So what does it look like? So Li Keqiang has this very, you know, significantly stronger role compared to past vice premiers. And he also has the whole macro portfolio, which means he has mainline authority both over the National Development and Reform Commission and over what we would typically think of as fiscal and monetary policy.

So he's got a big responsible position here, and as I think somebody mentioned this morning, it's not quite clear that he's up to it. He's a politician, he's a lively and vigorous leader, but his economic credentials are not that strong.

Yes, he has a ph.d, but it's kind of a night school ph.d, where he wrote a dissertation about an essentially spurious topic about whether there was a third path of industrialization in China based on rural enterprises. So here's somebody in a key role, how will he perform? A crucial question.

The next person,Zhang Dejiang. He was the Party Secretary in Guangdong Province, and I would say in most areas, his record there was poor. But there is one area where he was reasonably successful, and that was essentially in cutting deals with private business, working with private business, converting Guangdong into an economic region, which is now sort of predominantly private.

So he got high marks from businessmen, and he's been promoted to be in charge of industry, which is sort of precisely the area where these kinds of skills would play. So it's not somebody you'd give a great assessment to, but he's probably in the right place.

Wang Qishan, the person who has the strongest technocratic credentials, he's still I would say more of a politician than a technocrat, and, of course, he's certainly a princeling, but he has significant and I think fairly successful experience working with the rural economy in the

'80's as a young man in financial management, especially dealing with financial crises, and generally speaking, did a pretty good job as the Mayor of Beijing. So here he takes over the commerce portfolio, but also has this role in finance. So he's probably pretty well set up.

At the same time, we've got a major reorganization of government through the so-called creation of super ministries. Now, this is something that has a lot of people scratching their heads, because a lot of the reorganizations don't quite make that much sense.

The most important new creation is the new Ministry of Industry and Informatization. It's not even a word really in English, but that's the only way that you can translate the Chinese, which strips out all of the industry oversight from NDRC and puts it in this new super ministry.

It also takes military industry, which has sort of been its own separate kingdom with the Commission of Science and Technology Defense Industry, or COSTDI. It has authority over that, as well as telecom. So it's a new ministry with a huge portfolio of a lot of different areas.

And clearly, part of the intention here is to cut down the NDRC. But then, on the other hand, the State Energy Bureau, which had been mooted as a possible precursor of a

super ministry in energy, stays under the NDRC and is controlled by the same old guy who's been the boss there for a long time, namely Zhang Guobao. Now, there's significant evidence here of a last minute scrambling to put this all together. But you can see that one thing that's been created is a new bureaucratic system, where each of these vice premiers has a clear kind of authority relationship to one of these super ministries. So the objective of strengthening the authoritativeness of the bureaucracy runs through all of this.

But let's end then with a little bit of questioning. We can understand where the motivation comes from. Let's see, though, whether this makes sense. We've got several different politicians now being given supervisory authority over big chunks of the economy. Part of the motivation for this is to make the economy less bureaucratic, more streamlined, tried to do less, cover a broader area, be more modern, and more effective. But at the same time, they've really had trouble figuring out the right principals to dividing up these areas. And in particular, let me just point to one possible area of trouble.

We've got this access of sort of Zhang Dejiang, the politician's politician, controlling industry, where the new

Head of the Ministry of Industry and Informatization is a guy who comes from the petroleum sector, who worked as the Party Secretary of (inaudible) and when he left, things got better. Now he is back as a minister. It's not clear that this is a really effective means for getting the economy going. I better stop, and hopefully some of the implications of this will be clear.

MR. KEIDEL: Thank you, Barry. That was a tour de force. And I'm going to spend a few minutes - I was asked to comment with a Powerpoint for ten minutes. I'll try not to make it that long. But I want to raise some of the issues, socio economic tension that are part of the topic for this afternoon's session, and query a little bit our panelists on how this might play out.

I want to first touch on inflation, but I'm also going to discuss some systemic challenges, and wonder whether they aren't really developmentally appropriate difficulties that China's new system may be able to handle fairly well.

The response, the policy response, I think the word I used first last fall, Chris Nelson picked up in his Nelson Report, was that China seeming to become a "corporate technocracy" rather than any kind of dictatorship or authoritarian regime, and it seems to me that then the right

response for the U.S. is to engage and to adapt itself to the new world. But let me talk first about inflation. And what I'm doing here is saying this is a simplification. The headline numbers are all year on year, and those are the numbers that Barry showed you, and this is a simplified picture.

But what really happened last year on a month to month basis, there were two surges in crisis in June and July, and then we've had the snow storm in effect here in January and February. These are the surges. And, in fact, this gets messy, I'll show you what it looks like in a minute.

But the way the Chinese report year on year, once those prices pop up, they stay there for a year. And so you go along for month after month after month saying we still have seven percent inflation, or five percent inflation, and the reason is, because you're still measuring it over a period that was very low on inflation back here. This represents how high inflation has gotten compared to the beginning of 2006. So it's up there, but what's going to happen to it is my issue.

If things go well, and we can set some prices coming down after the snow storm here, and six months -- I

mean 12 months after the initial June/July surge, prices come down again. And I guess I can use this thing, is that right, yeah? Prices come down again after we get 12 months from the snow storm. So you could say, if they just hold on and other things don't happen, this problem could go away, but that really isn't very likely.

There is - this is just technical-, there is seasonality, and you have to wash that out to be able to look at this on a month to month basis. Here's what it actually looked like. You had the two surges, this is cleaning out seasonality that's measured over the last 12 years, and then you had kind of a messy up and down, September was down, November was up, and then you had the big two pushes in February.

So here's what it looked like in the headline, but here's what it really looked like. And if you move ahead and say, well, what could become if it's benign, you'll get back down in this area.

However, I think it's a possibility, but the real risk is that it goes in the other direction. You've got to get up to 30,000 feet now if we're going to talk about how high it could go. This is the same picture that you've just seen. There's the benign solution. But if you begin to get

in here some real price reforms, which is what the NDRC economists have been talking about, energy prices permanently higher, they've been trying to suppress that with price controls, food prices going up, then you move up into the 20 percent territory on the headline inflation, and that will cause social repercussions.

And this is the risk, and it might come back down again later on, but that's just too long to carry this on. There will be a crunch in here that could go negative and effect growth.

If we go even higher up into the stratosphere and allow a big surge, which is when you monetize the inflation, and people start withdrawing their funds from the banks and spending like crazy, then you will get inflation that breaks the records from the mid 1990's inflation, and you have some really serious problems.

So I think that they need to be erring on the side of caution. And I don't yet see that happening except in some mumblings in writers within the NDRC. Behind this inflation are some very serious issues they have to face. Rural-urban terms of trade, shifting in favor of the rural economies would raise the cost of living in the urban areas. On top of this now is a new kid on the block, which is very

high international energy prices that have fed through into ethanol prices, going up to the point where China is just starting to import grain to process it into ethanol, and it's effecting the ability of them to use the international market as a kind of a safety valve.

And what's happening internationally in my mind is not at all clear. We've seen in the last few years, and I've been to the workshops of many of the financial companies that are doing this, they've been persuading many of their large retirements funds, to put their funds into futures markets for energy, which makes it less stable, less stable on the up side, but if there is a global slow down, then this could come down again, and that is one of the things that I find difficult to see going forward.

If world energy prices drop because of the backing away or unwinding of these various futures positions, then the ethanol price might come down, you wouldn't see the attractiveness of it.

But the Chinese are covering themselves a bit with a number of subsidies. Of course, they're subsidizing student food now. They're also introducing much more funding for the old responsibility systems, where mayors contract out to distance provinces sometimes, and counties, to generate

supplies of vegetables and meat. That has picked up a lot just in the last few weeks, announcements of funding for these responsibility systems. It isn't doubted by anybody that if they're going to get through this, it will have to end up with higher energy and food prices. How to do that without social tensions, I think, is hard to accomplish, and therefore, there will be social tensions around prices changes, just as there were in 1989 linked to the 1988 hyper inflation at that time.

So this is the inflationary threat, it's real, and I'm recommending that they do what they did in '88/'89, and what they did in '93, which indexed long term bank deposits to inflation. Right you lose money if you have your money in your bank account.

But I'm interested in how the leadership is going to handle some of these other socio-economic tensions, and those speakers have touched on them. Corruption, you know, if you look at data from Transparency International, and the World Bank, China is kind of about where it ought to be. So is this a systemic problem or is it something that is manageable and will continue to be managed?

Inequality and poverty, the urban rural gaps, if you look at the shift in population from urban to rural areas, the two groups now in population sizes are approaching parity. So you have a low income rural economy and a population, and a significantly higher urban population; when you have that configuration, your genie coefficient is as high as it's going to be. And as that population continues to move into the urban areas, you can expect the genie coefficient potential to come back down again.

The inequality also maybe a sign of actual policy success. I wonder if that isn't really part of a necessary configuration to solve rural poverty problems. Pollution, if you compare pollution in Korea, when I was living there in the early '70's, Japan in the '60's and '50's, and the United States in an earlier area, there are data that show that some of the concentrations in Chinese cities are not unusual for countries at that developmental status.

I'm interested in the phrase that these are developmentally appropriate problems, and I would encourage you to think about that as we look at this new leadership, which has been tasked to focus on scientific development. I think that's a major evolution from the Party Congress to what we're seeing today. And political change,

developmentally appropriate pace, I think people have heard me say from this podium in the past that democracy is really a technology, and you need to apply it to stay in power if you're an elite, and I think the Chinese will continue to do that, but it'll be at a very slow pace.

What I hear are threads of instability, the notion that legitimacy is all they're after, rather than thinking that the current system that they've evolved is really the only one that will really work for a country of such low per capita GDP.

China's government as a corporate technocracy, has a board of directors, and they are responsible to the ownership, and then they appoint management. I think we've just seen that process. The owners met, if you will, last fall, and we've just seen last month, they appointed the new management, that's the State Council.

There's a lot of insider control, to put it mildly, but there are also some internal checks that have become more complex. This practical way of solving problems evolving into a corporate structure for the Chinese economy and decision-making process for now is attractive to me, and I'd be interested in whether that fits into the more political science oriented analysis. The corporate goal is a modern

country, it's not maximizing profits, and promotion seems to be based on proven technical ability. I would not say that the definition of a technocrat is someone who is either economically trained or who has strong economic experience in the bureaucracy. I mean it in a much broader way.

People that are well educated have shown that they can solve problems that are complex and that involve management skills and people skills, and I think that seems, increasingly to be the kind of process that's going on. Who can deliver is what they're saying.

To summarize, the immediate challenge I think is inflation. It's not totally clear to me that by holding on and subsidizing and cushioning the impact, they can't make it through.

My guess is that they will have to introduce significant long term price reforms that will be inflationary. They will need to find a way to somehow control, support, or soften the impact that that will have on certain sensitive population groups, particularly in the urban areas. Pollution and equality, social unrest -- social unrest I think is very hard to avoid when you have as many people who were accustomed to a standard of living which is no longer justified by their productivity. You have to

bridge them over, you have to get them through, and this leadership may be able to do that. I'm curious what our panelists think.

And China's policy response, I think this -- results driven corporate flexibility is what I'm seeing coming out of the appointments in the last month's meeting. I think in this case, the U.S. priority is to try to have as large an impact on this evolving flexible system of managing economic problems by engaging and also adapting our own positions in as many ways as possible. That's a set of issues that are sensitive socially and economically, and I think we can either ask our panelists to respond if they wish or go right to the questions. Questions from the audience. We have about five minutes. Yes, sir.

MR. McVADEN: Eric McVaden, the Institute Foreign Policy Analysis. Barry, if energy has the low bureaucratic rank, do you lump energy security in with that, or is that sort of a separate category?

MR. NAUGHTON: It's a huge puzzle from this outcome. What seems to have happened, was that they had an ambitious idea to create a super energy ministry, probably headed by Chung Diming because he had the energy portfolio in

NDRC for about 18 months, and it collapsed, for whatever combination of popularity and interest group maneuvering.

Under that circumstance, they were left with the good old boy, John Gilvou who is a very capable, bureaucrat, who has been responsible for working with lots of big foreign companies and putting through a lot of mega projects. He is a very smart capable person, but not the person who has the kind of vision to lead to some kind of radically different energy policy outcome, not the person, I don't think, who's going to lead China and the next U.S. administration into a global compact on carbon emissions.

I think it's a stop gap, because they didn't want to fall to nothing, so they had to fall back to the tried and true. There may be other people in the room who knows more about this particular --

MR. KEIDEL: Yes, right here. We've just been given a reprieve for another 15 minutes, so thank you.

SPEAKER: -- Georgetown University. One related topic I want to just touch on is, how does the U.S. recession and the slow down in growth impact on the way that they might be having the plans, because China is quite different on exports -- to be a counter balancing force, and

that also plays into the whole environment and domestic needs; how do you see this playing out?

MR. NAUGHTON: The main thing is, since nobody knows where the U.S. economy -- nobody knows. But think of it for a moment -- Chinese export, you've got inflation, you've got appreciation of the -- which has been, you know, over one percent per month for the last four months, and you've got a slow down in U.S. demand. So, you know, they're hurting, no question they're hurting.

On the other hand, they're coming off such an extraordinary period of export expansion and there's such a big trade surplus that, it's okay if these guys are hurting, we can live with that. However, if there's a very dramatic change, where the U.S. stumbles into a deeper than expected recession, then they're going to have to change policy quickly. Right now it's clear, inflation is the big enemy, just as Bert was saying. It's obvious that that has to be the number one priority. It could change so rapidly if the U.S. economy goes into a deeper, more rapid recession, and I think that's how they see it, too. It's like, all right, we're here, but we've got to be prepared to shift on a dime.

MR. KEIDEL: As some of you know, I have a report that I've just finished on the web site, and a hard copy,

that has looked at China's ups and downs over the last 25 years, and you don't see an export component in any of the twists or turns of the Chinese economy. You can argue that their global surplus didn't really appear until three years ago and actually added more demand than they could handle.

The question of, can they decouple successfully if the U.S. and the world economy slump I think is the wrong question. I think they've never been coupled. And that, yes, it'll hurt certain areas, it will squeeze certain companies within margins, but that, by and large, they can actually benefit from a slow down, because energy prices could decline dramatically, raw material prices could decline dramatically, skill prices could come down, and their demand has always been dominantly controlled by policies that effect domestic investment. This is a very interesting issue for differences and discussion, but the statistical record, from my point of view, says that they really don't have to worry; in fact, it may benefit them to have the world itself cool off for a while.

MR. MADERIS: Thanks; I'm Evan Maderis from the Treasury Department. I have a question for Bert and Barry. You say inflation is the top priority and that's been institutionalized in I guess this claim that Chinese policy

is now -- they're going to pursue a tight monetary policy and prudent fiscal policy, but yet last week the State Council officially said that they have concerns about slowing growth, and that's going to result apparently in some shift in government policy.

How do you pursue a tight monetary policy and a prudent fiscal policy in an environment where you think slowing growth, downside risks are suddenly the greatest concern? What are we likely to see in Chinese economic policy-making in the future given these two apparently contradictory policy goals?

MR. NAUGHTON: I'm sorry, the conflict you say is the Council saying they don't want to see slowing growth?

MR. MADERIS: A tension between pursuing the tight monetary policy, on the one hand, to try and get a handle on inflation, and the statement by the State Council last week that they're concerned that growth is slowing too much.

MR. KEIDEL: Well, I would say they're speaking with a forked tongue, in a good way. And I was very interested that the discussions that Secretary Polson had last week really centered also on assurances that together they would make sure the global economy didn't sink.

The key word here is expectations. They want to influence inflation expectations. The liquidity growth has not slowed down. There's been a lot of money thrown into this economy, even though they're talking the talk.

My view is that they're holding the line on inflation with a lot of talk, and also with price control, hoping I that some of those background issues that I mentioned will help them out if there is a slow down. They also begin to introduce some price forms. I don't think they want to slow down very much, but they do want to control inflation expectations. That would be the way that I would interpret it.

MR. NAUGHTON: I think they want to minimize the trade-off if they can control inflation without taking a hit to growth, of course, they'd prefer to do that, but can they do it?

MR. KEIDEL: That's risky.

MR. NAUGHTON: If push comes to shove, I think they'll take a slower growth rate if they have to in order to control inflation.

MR. KEIDEL: A question here and then over here, out of the corner of my eye.

MR. PRIEST: Dave Priest; this is a question for Joe Fewsmith. The book that came out of the Central Party School on Reform sounds to me like a rather remarkable document. Can you put it in some context in that the Party School is obviously part of Hu Jintao's base? The book discusses some fairly unusual kinds of reform.

PROF. FEWSMITH: Well, I should start by saying I haven't read the whole book, I've read parts of it.

MR. PRIEST: I haven't read any of it.

PROF. FEWSMITH: Let's see, what should I say? I think that it's remarkable in the sense that it's -- as authoritative as a document as I think we have. Li Jun Rue writes the preface, Jo Chengyung, Deputy Director of Research at the Party School, is one of the editors and wrote a major part of it, Won Chucheng head of the Party building department is another editor and wrote part of it. They're thinking systematically about what you need to do to make political reform.

I don't want to get anybody overly excited about it in the sense that this is intended to move away from the leadership of the Chinese Communist Party in any way. To the contrary, they're very explicit about maintaining this under the leadership of the Communist Party.

I do sense some differences of opinions among the authors. Joe Chengyung is an economist, and he wants the system to work better. And so, for instance, he doesn't like townships at all, the fewer townships the better. If he can get rid of them all together, fine, you save a lot of money.

Townships have been expanding in number of personnel, and they're probably the single most hated level of government in China, and so they're not very efficient from an economic or political standpoint. This, by the way, raises some real questions about political reform. The village elections, as far as I can tell, have been undermined for a lot of the same reasons the township reforms have been undermined, which is that nobody has any money. The removal of the agricultural taxes means that villages don't have any revenue. If you don't have any revenue, being a village head doesn't mean anything, so who wants to be a village head?

It's not a competitive thing going to who can control these resources, it's let the Party secretary do it. I think the village elections have been really undermined, and if you curtail the townships, I think you don't have much democracy at that level.

I don't think anybody is going to introduce democracy at the county level. There's an interesting

contradiction built into this book about the urgency of political reform. At the same time, in some ways, it prescribes things that would remove the possibility of political reform, in my opinion.

Now, Wantan John I think has a rather different view, and he's been pushing a lot of these reforms at the township level, and is one of the main people pushing inner party democracy. He's been quite interesting, because some of the reforms he's introduced. I didn't talk about -- County in -- today, where he was one of the people I think pushing that reform, where they were electing within the party, but with representatives of the public present at the forum, party secretaries at the township level, competitively. His point was, it's up to the party to put forth the talent, to persuade people who they should vote for, but ultimately, it's the peoples' decision, which I think is about as far as you can go within the party.

I don't know how much this relates to Hu Jintao. I think, Li Jon Rue was brought in by --. I don't like to go beyond the evidence in terms of who's beholding to whom. I think this reflects a lot of thinking on the part of a lot of people at the Party School and elsewhere. As you can see from

my description, I think there are a lot of contradictions in this in thinking about it going forward.

MR. KEIDEL: Yes, there was a hand over here, please.

SPEAKER: Hi, my name is -- from -- Shanghai News Agency . 2008 may be the most difficult year for China in terms of economic problems I mean in 2008, the super ministry reform will face some difficulties, how should the new leadership handle these things? Thank you.

PROF. FEWSMITH: I'm not sure if I caught all that. Fighting inflation I'll leave to this side of the room. You're talking about the Communist Party facing what type of difficulties?

MR. KEIDEL: The fact that it didn't go as well.

PROF. FEWSMITH: Oh, that it didn't go as well.

MR. KEIDEL: How do they handle the situation under those circumstances.

PROF. FEWSMITH: Well, it didn't go well particularly in energy, and I think Barry Naughton just talked about that in terms of -- not getting elected to the Central Committee. A lot of people are talking about interest group politics. There are a lot of bureaucracies and individuals who have major stakes in say the petroleum

industry. I think maybe we need to look more seriously than we have in the past at individuals or corporations, real interest groups.

One of the things the CPC has done fairly well in recent years is not be pushed by interest groups. They obviously have to balance these things. now I think, as some of these bureaucracies and individuals become really wealthy, I think interest group politics are maybe going to play a bigger role in the future of Chinese politics.

MR. KEIDEL: I think we've covered inflation pretty well. It's risky, things could go one way or the other. Barry, do you want to add anything?

MR. NAUGHTON: I agree with what Joe said.

MR. KEIDEL: The last question. Right over here.

MR. LOY: Jim Loy from CSIS. My question is about the development of China's private sector. Looking forward, do you see an environment where, in the future, let's say Microsofts of China can really develop? I think in one of the previous presentations we saw that a lot of the SOE's higher executives are on the Central Committee. Do you see an environment where the state enterprise sector is going to really be able to drown out, private sector, small start-ups from really growing and being the future of China's economy?

PROF. FEWSMITH: That's a great question, it's a big question. I think the need for technological development is one of those items that command such broad consensus support among the Chinese leadership, we should see it as being, a constant, an orienting pole around which lots of other policies develop. This super ministry, I mean just look at the name of this ministry, you know, the ministry of industry and informatization -- I mean it's a remarkable testament to how strong that priority is. I think they've done a pretty good job of accepting that technologically dynamic enterprises can't be subject to the kind of control that your energy and telecoms providers are. I don't think this will act against private business or entrepreneurial activity or market orientation, I think it's pretty compatible with it.

Clearly, they've had as many failures as successes in the last ten years in technology policy. They've put a lot of money into it, and it's not clear that the returns of that money is high, it might be pretty low, it might even be negative. Maybe hands off would be even better given the incredible entrepreneurship and dynamism of the Chinese people and the Chinese economy. I don't see any move for a

big change in that. Whether that's going to end up helping Microsoft, that's another question.

MR. KEIDEL: Well, thank you all very much. Please join me in thanking our panel for a very stimulating session. We'll now take a break until the next session.

MS. TUCKER: It is late in the day, and I thank you all for still being here. We have, of course, saved the best for last in what's been a really terrific day, and I wanted to thank both Alice Miller and Li Cheng for including me in such a sensational program.

We are now going to turn to security issues and before I introduce our speakers, who probably don't need introduction, I just wanted to say a word or two as a historian. Alice was saying earlier that there should be historians on the program but not in charge in policy. I'm not sure I agree with that completely, but certainly there should be historians on the program.

One of the things that occurred to me as I was thinking about today was how recently it has been that we talked about the Chinese military in very whispered terms about what bad shape it was in, how it was not a competitive military with anyone, how all its weapons were Soviet era systems, the same kinds of things that the

United States decimated in the Persian Gulf War, that the soldiers were poorly trained, that there was virtually no maintenance or logistics and that the leadership was inferior and morale was low. Well, that was then. That was maybe about 10, 15 years ago, and this is now.

Of course, we're talking about leaders, and I think it was Deng Xiaoping's original decision to make military modernization a very low priority. That was, in part, the reason for that. He certainly saw the result in 1979 in Vietnam. But since then, as China has become prosperous, money has finally flowed to the military and we have seen considerable change. I think that's some of what we will be talking about today.

One of the ways that change happened was because of the focus on Taiwan as a future military possible objective, and again the wheel may have turned and things may be getting better across the straits. In any case, China clearly has turned its vision to broader issues beyond Taiwan, and we can hope that things will actually get better across the straits, although my own private view is that China never misses an opportunity to miss an opportunity, but I do hope that I'm wrong on that.

In any case, I want to introduce two people who are at the very top of the game in talking about China's military, Taiwan's military and the whole cross-strait issue:

Alan Romberg, Distinguished Fellow and Director of the East Asia Program at the Stimson Center, prior to that, he served in government in various positions. He's author of a terrific book -- if you haven't read it, go do that -- called *Rein In at the Brink of the Precipice* on the Taiwan issue.

Following him will be Michael Swaine who, of course, is at the Carnegie Endowment. Prior to that, he was at the Rand Corporation, and his most recent book is an edited book called *Assessing the Military Threat Across the Taiwan Straits*.

So we'll go to Alan first.

MR. ROMBERG: Thank you very much, Nancy, and I also want to thank Alice and Cheng for the opportunity to be here and also my colleagues in the China Leadership Monitor Enterprise for tolerating me as sort of an interloper. My subject is not really about Chinese leadership as centrally as theirs is nor is it as scholarly

as they are. They are very nice to let me participate in that activity and also in this one.

I'm going to talk about the triangle, in essence, the U.S.-P.R.C.-Taiwan triangle. The questions I think that I'd like to look at, at least, are where do Ma Ying-jeou's sweeping victory last month, with his advocacy of One China respective interpretations as a prominent campaign theme, and Hu Jintao's new approach to Taiwan including his statement that he would accept Ma's version of One China, leave us in terms of the likely prospects for cross-strait relations?

Is Ma going to be able to press ahead with the agenda that he articulated during the campaign in a very explicit way or is he going to lack, among other things, the political wherewithal to do that?

Will the Chinese leadership follow through on its expressed openness to better cross-strait relations?

What about the United States? Will the United States cooperate with greater cross-strait cooperation, or will it act rather more timidly and with concern that its own interests somehow are going to be negatively affected?

First, a bit about what I consider to be the facts: Some of you may have different interpretations of

facts. With regard to Ma Ying-jeou's electoral success, it was not simply, in my view, a rejection of eight years of DPP rule and Chen Shui-bian's presidency, though taken together with the KMT overwhelming victory in the legislative election in January, it certainly was that.

And, it was not simply a victory of the Kuomintang's well-oiled and well-organized grassroots machine, though it was also certainly that as well.

I think this was a positive achievement of Ma Ying-jeou personally, but also for the KMT which has largely, though not totally, retooled itself in the context of Taiwan's new political environment. It was the achievement of a positive agenda over his opponents' attacks on Ma's character, his loyalty, his ethnicity even. It was a victory of substance over identity politics, though the latter remains of vital importance in Taiwan and people, especially on the mainland, need to understand that.

Taken together with the resounding rejection of the two U.N. referenda which were on the ballot at the same time, it was a reassertion by the people of Taiwan that, while most assuredly they do believe they live in a sovereign independent state and most assuredly they do

believe that they deserve an appropriate international role, pursuit of the formal trappings of that place and that role are not more important than promoting their livelihood, their political, democratic, independent identity and their security.

How the KMT will behave in power is a big question. The incident where we had four Kuomintang members go pay a call, shall we say, on the opposition's headquarters at the end of the campaign and got into a big brouhaha demonstrated that Ma Ying-jeou is going to have a rather large task in front of him to control the party and rein in some of those who will think that, as members of the legislature, they have their own power base. But the handling of the incident after its occurrence also suggests that perhaps there will be some success in trying to do that. We're going to have to wait and see.

For the DPP, which has only in the presidential election of 2004 and there, under very special circumstances, exceeded its normal 37 to 42 percent of the vote, for them, it's now a moment of reflection and renewal. And, again, how that proceeds will have great significance not only for Taiwan's democracy, which it will, but also for cross-strait relations.

I believe there is strong support within Taiwan for better, closer cross-strait relations but not at any price and not with a view toward eventual reunification. The former, the not at any price part of it, means that the terms of engagement will have to be fair and mutually beneficial, any PRC effort to extract extra concessions because they think perhaps they now have a more sympathetic government in place in Taipei will lead to failure of the entire enterprise.

The latter, the political attitudes, means that as both the PRC and MA recognize, I believe, the issue of structuring Taiwan's eventual long-term relationship with the mainland is many years, perhaps decades, away and cannot be rushed.

At the same time, the reality is that Taiwan's economic future depends on sound and productive cross-strait relations. The new team in Taipei has made clear that it puts strengthening the domestic economy first and then, on that basis, moving ahead to achieve better and closer cross-strait relations hopefully, in their view, ending in an economic agreement. Meanwhile, step by step, we will see the rapid increase, I think, of charter flights, agreement on tourism which has been negotiated for

a long time and perhaps even scheduled airline links and shipping links, so the fabric of a new relationship can be built.

In the course of this, Ma Ying-jeou has made clear he wants to increase two-way investment flows but with an eye to ensuring appropriate technologies rather than capital levels are what he is trying to control. To achieve much of this, Ma needs to create and sustain a suitable domestic political consensus.

Yes, 58 percent of the people voted for him; 42 percent didn't. So it's important for him to be able, I think, to help reconcile these various views and opinions. It's important particularly because he is suspected by many of those who oppose him of either willy-nilly or purposefully being willing to sell out Taiwan's interests, and he needs to demonstrate clearly and successfully that his policies will work and that he is being transparent.

That then leads to the question of whether the PRC is going to contribute to making those policies work. I think that in light of Mao's -- excuse me. He did that at Harvard, actually.

(Laughter)

MR. ROMBERG: In light of Ma's resounding success and of the overwhelming defeat of the referenda which caused Beijing so much heartburn, I think the PRC needs to adjust its political lens and escape from the box in which this relationship has constrained its approach over the last several years and help Ma to maintain and build that political consensus.

There's no way, of course, that the PRC is going to abandon its One China principle, and I think any effort to try to get them to do that would not only be fruitless, it would be counterproductive, raising suspicions in the mainland after all about what is this, what is the purpose of this new relationship.

Although a lot of new thinking on both sides will need to be done eventually about what One China means or what sovereignty means, for now, one needs only really to understand that we do need to operate within the framework for dealing with the PRC of their One China principle and that one is not going to challenge it with any success. You don't need to press for a definition. PRC is not interested in doing that and Ma's approach of mutual nondenial, as he calls it, I believe will, in fact, work.

At the same time, the PRC cannot simply afford to sit and watch and wait and expect that somehow this will all turn out for the best. I think the PRC needs to be quite activist in its approach to Taiwan. In this respect, calls for Beijing to go along with Taiwan's observer status in the WHA this year, I think, are perhaps not going to work. The calls are not going to be met by Beijing because of concerns, number one, that the application is actually being filed by the Chen Shui-bian government and, number two, in any case, one should take a go slow approach.

I think that's too bad because if they don't go ahead this year and demonstrate that the new approach is, in fact, going to pay off for cross-strait relations and for Ma, I think it could have a negative effect on momentum. Beijing says it wants to start from functional issues. I consider the WHA a functional issue. It doesn't involve sovereignty, and it seems to me that it is important to try to demonstrate success on such questions. In any event, that may not be the way it turns out.

I'm also concerned, to go back to some comments made earlier today, that events in Tibet will, in fact, while not directly impinging on Taiwan and I don't think that they're directly comparable issues at all, but I am

concerned that the PRC leadership may find itself less willing to be flexible because of Tibet. Whether it spreads or doesn't spread in terms of minority areas, I don't know, but I think that it could have a negative effect.

I think, finally, in terms of the PRC itself, as you know, there has been an expression used about the Period of High Danger. The Period of High Danger started out in January of 2007 as the immediately following period when people were signing up for the referenda, and then it moved, and then it moved, and then it moved. Now we're in the final phase of the Period of High Danger which is between March 22nd, the election, and May 20th, the inauguration. There is still, I think, some concern in Beijing that maybe something untoward will happen, perpetuating President Chen in office.

I don't think so. I think we're going to get through this period just fine, and it will be useful to be through it.

For the United States, the prospect of closer cross-strait relations has raised the question at least, apparently in the minds of some people, that U.S. interests might suffer. There was a recent flurry of reporting in

Taiwan about a congressional report here that, in one paragraph, speculated about that.

For my own part, I'd say even if the PRC and Taiwan were to peacefully and noncoercively move toward unification, although this would create considerable nervousness, the U.S. should go along with that. But the fact is, the reality is unification is not on the table. It isn't even remotely on the table, and this is not simply because Ma Ying-jeou has said he's not going to talk about during his presidency. It's because the issue is not ripe for addressing in a serious way and the people of Taiwan have no interest and would offer no support for any such thinking.

So the practical issues for the United States that arise from possible improvement in cross-strait relations come at a much lower level, if you will: whether economic relations across the strait, closer economic relations will have a bearing on U.S. interests, whether the reduction of tensions across the strait would have a bearing on U.S. interests.

I find it utterly unpersuasive that these developments would not have a positive bearing on U.S. interests. I actually also presume, though I certainly

don't speak for the Bush Administration, that the U.S. Government will come to the same conclusion.

Perhaps, we should pay more attention to technology transfer issues, but my clear sense is Ma also is sensitive to this. So the issue is one of coordination, not one of conceptual clash.

But otherwise, I think we now have to raise questions about cross-strait economic relations more in terms of are we sorry what we wished for? I don't think so.

Would reduction of military tensions and perhaps reduced military confrontation, including sale of fewer glitzy weapons systems to Taiwan, be in the U.S. interest? I believe so, but I think reduction of tensions is not going to be all that easy. Reaching a peace accord is not going to be all that easy. Beijing is not going to give up its deterrent against eventual Taiwan independence in some future administration, not this one, and Taiwan will not be relieved of the requirement to have a substantial military establishment of its own to cope with that. So I think the requirements for military preparedness will not go away, and it's going to remain a sensitive issue as well.

One final issue for me and that is one that may have already been decided. I think most people who deal with the issue in the room think it has been. That is the question of whether Ma Ying-jeou would come to the United States before his inauguration. Based on press accounts, one has to say it looks like that issue has indeed been resolved in the negative. If that's the case, and I don't have any information on it, but if that's the case, I would regret it.

I think that it would be helpful for the United States, number one, for the leaders to meet because there will not be an opportunity once he is in office. Number two, I think a laying on of hands is useful. I would pick up on the quote, the Abba Eben quote that Nancy cited of not missing an opportunity to miss an opportunity, and I'm afraid it might apply here as well as, one fears, in the case of the PRC as we go forward.

I think Ma erred in making his hope public, but his wish was obviously to restore trust with the United States, and I'm sure that does remain his wish.

But, in any case, whether he comes, whether he doesn't come, the U.S. encouragement of improved cross-strait relations is going to be essential to ensure its

success. If the United States shows reluctance or hesitancy, this is going to complicate matters and potentially make climbing out of the current trough in cross-strait relations extremely difficult.

I'm not for a lot of American activism on cross-strait relations in the sense of not only mediation but a lot of other ways, but what needs to be very clear from the United States Government -- and I think President Bush's letter of congratulations on the election in Taiwan was a good step in this direction and his conversation with President Hu Jintao as well -- is that we do support their new beginning. We do want to be helpful if we can be, and they should be able to count on that.

Why don't I stop with that, Nancy?

(Applause)

MS. TUCKER: Just one quick word I was asked to say and forgot, before Michael speaks, there will be a transcript of today's events that will go up on the web site in a few days. So you can be excited about it and come back and read what you missed.

MR. SWAINE: Thank you, Nancy. Thank you very much.

Well, if Alan is an interloper in the China Leadership Monitor, I guess I'm even more of one. I'm the understudy for Dr. Mulvenon, and he's not available this afternoon, so I am filling in for him.

I've been asked to make some comments on, in particular, military leadership issues, and I'd like to cover three points. The first is to talk about civil-military power relations in China today as I see them, particularly coming out of the 17th Party Congress. The second is to talk a little bit about what I see as the PLA's influence upon or role in PRC policymaking and in policies themselves. The last is just to say something about possible trends in the future, longer term trends.

So, first, regarding the power relationship, the power structure itself, as some people have already said, what we can see in the PLA, in its involvement in the leading party power structure, is really a continuation of what we've seen now for quite some years. Within the most decisive party bodies, the Central Committee, the Politburo, the Politburo Standing Committee, you're seeing a sense of continuity in terms of the membership amount, the proportion of PLA representation and the way in which

these leaders, these PLA figures are being selected for these bodies.

In the Central Committee, for example, about 20 percent of the Central Committee today, about roughly 40 or so of the 200 members, are PLA members. This is normal. This is a continuation of existing trends in that group.

The members are, in many ways, a comprehensive representation of the main PLA leadership units, both functional and geographic, including both commanders and political commissars. The section, as I say, of these individuals has become rather regularized over time based upon these types of positions.

In the Politburo, you have representation, as Alice said earlier today, of only two individuals, 2 senior military figures, the two vice chairs of the Central Military Commission, out of a 25-person Politburo. That is a continuation of some period of time now, some decade or so of having that relationship.

In the Standing Committee, there is no representative of the PLA, and this has not been the case since Leo Ha-Ching in the 14th Central Committee, the Politburo Standing Committee in the early to mid-nineties. Even before then actually, you had no what you could call

regular pattern of representation by PLA having slots, if you will, in the Standing Committee. You had senior PLA members who were in that position, but they were in that position because of their overall stature as both party and army figures, senior party figures who happen to also be senior military leaders.

So, what I see when I look at this pattern is not really a reflection of the fact that the PLA is a powerful entity that must be represented on these bodies. It's more that these party bodies want to have senior PLA leaders in them to vest them into the party leadership and to make sure they are co-opted and involved in the party leadership. They are senior party figures as much as they are senior military leaders in that sense, as representatives of those bodies.

In terms of lower level organizations, though, you also have to look at that to understand how the PLA relates to the power structure in China. Here, I would say that the most important are among some subordinate policy implementation and legislative bodies, in particular, PLA representation on what's called the Leading Small Groups and PLA representation in the National People's Congress.

Here, again, you have the continuity of representation that we've seen over past years. There are PLA representatives on the major Leading Small Groups that have anything to do with military-related or defense-related issues. The National Security Leading Small Group, the Foreign Affairs Leading Small Group, the Taiwan Affairs Leading Small Group, all have PLA representatives on them.

Of course, there is no Leading Small Group per se for military affairs, although people often say that the Central Military Commission itself is a kind of Leading Small Group, but I would say that that organization is actually quite different from the other Leading Small Groups. It is an organization that is not just for policy implementation. It is to some degree a policymaking body.

Secondly, of great significance obviously, it is composed almost entirely of military leaders. It is not an organization, unlike the other Leading Small Groups, in which you have civilian agencies, ministries, commissions that have some involvement in the functional area who are involved in the Leading Small Group. In the case of the Central Military Commission, you only have one individual who is unambiguously a civilian, who is the General

Secretary of the Party. This has now become the standard position.

You also have usually, at least in recent years, you have a second civilian Vice Chair of the CMC, who is regarded as the putative successor. This was the case for Hu Jintao. This was the case for Jiang Zemin. Jiang Zemin was Vice Chairman of the Central Military Commission as was Hu for one term of five years. If this pattern is to be followed, one would expect that the next successor, mostly likely Xi Jinping, will become a Vice Chair of the CMC perhaps in another year or two according to Alice and others who analyze this thing in meticulous detail, far more than I do.

So there, you see a pretty regularized structure in that kind of representation.

Within the CMC, just to say another comment about that, you see increasingly representation across the military in all the major functional areas. All the heads of the GSD, the General Staff Department, Political Department, Logistics, Armaments, Second Artillery, Navy, Air Force, all are members now of the Central Military Commission. So you have, again, this institutionalization of representation based upon functional responsibilities in

positions that individuals are promoted to largely through their vast experience in specific areas.

So you can see, though, also that the dominance of the CMC by PLA members suggests that, in fact, military affairs does continue to remain something that is largely under the purview of the military in terms of decisions about purely military areas. There are no nonmilitary figures other than the most senior individual on the CMC because, in part, other institutions and organizations on the civilian side in China don't know a whole lot about military matters.

There still isn't a lot of communication between the military system and civilian bureaucracies beyond those that are directly responsible for or related to defense industry areas. Even there, the amount of coordination and interaction in decision making bodies is not that extensive. So it still represents, in that sense, a kind of separation between the CMC as a body of military affairs and other types of leadership bodies.

Now what about informal patterns of influence in power, however, within the PLA? I would say that looking back during the last 15 to 20 years and the evolution of leadership politics and PLA relationships to leaders,

there's no clear pattern since the early to mid-nineties of promotion or placement within the PLA that's associated with any kind of informal personal or organizational associations that we can see.

Now that doesn't mean they don't exist but the idea. The last time we saw a real clear, convincing evidence of personal associations that exercised political power in the PLA was the famous Yangs, the Yang Baibing-Yang Shangkun Group in the early 1990s who clearly acted as an internal group being personally related, in this case through blood, and having influence within the military. You don't see that sort of thing any longer. You can't detect it at least.

You certainly don't see the continued influence of going way back to the pre-1949 era of what were called field armies at the time which emerged, which was a basis of much analysis, my own analysis in part, in the early 1990s.. You could actually see how certain leaders were promoted and placed in positions because of their relationship to longstanding institutional and territorial geographic bases that the PLA had developed over the years through the thirties, the forties, the fifties. You could

see that still at work right up until the early 1990s. You don't really see it any longer.

The most predictable basis for promotion, placement and retirement in the PLA today is formal regulations regarding tenure periods, retirement age, previous experience and competence, in short, professional criteria of one sort or another.

Now, as I said, does that mean that personal ties and informal associations no longer matter in the PLA? I'd say no, you certainly can't say that, but you can't point to the evidence for it being decisive in terms of decisions about senior personal leaders.

Now one interesting question you can ask is: To what extent is the General Secretary of the Party powerful or influential or able to put his stamp on the senior leadership of the Chinese military through promotion and selection of individuals? This is something that's often referred to, particularly in the popular press, about the structure of loyalties and association.

Jiang Zemin or, today, Hu Jintao has control over the leadership roster. He makes selections of leaders in the Chinese military, and therefore they're beholden to him through some kind of patron-client relationship. Now that

certainly is possible. He can have final say-so over leadership promotion as Chairman of the Central Military Commission and as General Secretary of the Party. However, we don't know much about how this works.

Does Hu Jintao, for example, approve of personnel promotion rosters that are drawn up by the PLA and they're given to him as a set of options from which he can choose, or does he put his own names on that roster according to criteria that he determines for one reason or another that may or may not pass the smell test for senior military leaders? We don't know that. At least, I don't know it. If anybody else does, I'd be happy to hear from them.

Can Hu Jintao override PLA recommendations for senior slots, for senior positions to be placed in different areas, geographically or institutionally, based upon merit and longstanding experience? Can he just say no, that person can't be promoted even though he meets all the criteria for promotion? We don't know the answer to that either.

So it's hard to make a final bottom-line assessment about the degree to which the General Secretary can dominate and put his imprint on senior PLA leaders.

I would say that today the most likely basis you can point to for personal ties existing within the PLA is probably longstanding service within military regions , service within a particular armed service , or service within a particular province. Such ties certainly must be there. Officers are promoted through these geographic areas and through these services. They spend a long time together in them before they come out into higher levels of the Chinese military leadership.

But again, we don't have much of a clear indication that this kind of association can predict political power, can predict selection of individuals in one position or another and be a basis for informal interactions among them on questions of power. Leaders are rotated quite often through the MRs on a regular basis and into the center intentionally to break up this kind of interpersonal relationship at the more senior levels. So, again, you don't see confirmation of this.

In general then, just to sum up on this question of power, I would say given their greater professionalism, their detachment from the most powerful organs of party and state rule and their lack of informal personal contact with their civilian colleagues, military leaders today are less

willing and less able to exercise political power as a coherent institution and are unlikely to intervene in elite politics, barring severe cases of internal political or social chaos that they think threatens the regime in some fundamental way.

Let me just say a word about policies and PLA views on policies. My view here is that in most areas of policymaking in China in the government, civilians exercise virtually exclusive control. If it's a nonmilitary-related, nondefense-related issue, the PLA doesn't have much of a say, if any.

PLA is focused primarily on those areas that relate to its professional responsibilities: national defense, preserving territorial integrity, ultimately achieving great power status and maintaining domestic social order. Those would be the primary areas of responsibility as I would see them.

Now some of these areas obviously overlap with civilian responsibilities and leadership issues. In this area, we can't say for sure exactly how civilian and party leaders at senior levels interact to formulate policies. We can talk about the institutions that they're on. We

don't see the process that goes on inside those institutions to be able to tell exactly how they interact.

But my sense is, from having researched certain policy areas like the Taiwan policy area in the past, is that there is a kind of a dance that goes on. There's kind of an interaction that goes on between civilian and military leaders where the civilian leadership seeks to retain the initiative, maintain flexibility, and shape the views of the military leadership as it might apply or placate the military in some cases. They also resist some military views in some cases through a combination of personal persuasion, balancing of bureaucratic interests, direct control over formal organs and policy channels.

Now the outcome of this interaction can vary significantly, depending upon the policy issue involved, the level of unanimity within the senior levels of the leadership, civilian and military. So you can't say there's one specific way in which they interact in these overlapping areas of policy.

At the same time, I wouldn't say you should overemphasize the degree of differences that go on between civilians and military leaders in making policy. At the most senior level, both sets of elites, in my view, remain

unified by a common commitment to regime survival, by increasingly institutionalized norms of policy formulation and conflict resolution, and by broad agreement on some of the most fundamental national security-related issues such as Taiwan.

They also, the military and the civilians, commonly support pragmatic development-oriented policies that are designed to sustain or expand social order, regime unity, prosperity and national power and prestige. There doesn't seem to be much disagreement among them over this. It may be over some tactics but not over the broad principles.

I think the military tends to support or, at the very least, does not oppose the policies of the senior civilian leadership as long as that leadership stands sufficiently firm in the defense of national honor and territory and continues to support military modernization. I don't see any hesitation on the part of the civilian leadership on doing those things.

Then, even if they weren't to do that to some degree, I'm not saying that the military acts as an outsider bloc ready to veto the civilian leadership. I think even under those conditions in which they might not

like what they see, they still don't have the capacity and, in many cases, the willingness to intervene to change policies in a decisive way.

Now some observers argue that the PLA nonetheless can act as an independent entity in some key foreign policy areas and issues or undertake actions that could run counter to the prevailing policy of the government and undermine the strategy by doing so. People, for example, point to the Chinese Navy's incursion into Japanese territorial waters some years ago; PLA's and Chinese Navy's aggressive ship maneuvers in contested waters in the East China Sea against the Japanese; the January, 2007 PRC ASAT test, shooting down their own weather satellite; the surfacing of a Chinese submarine near the Kitty Hawk; and, most recently, the denial of ship visits to Hong Kong by carrier and by other U.S. warships.

People have referred to these as kind of rogue operations, off the reservation, if you will, of the Chinese military that were really designed to prod the situation or to provoke it in some ways. Well, we can't know for sure exactly how such decisions were made in every case.

But what we do know about the civilian-military pattern of decision making in general and about the overall process of making certain types of decisions like requests for ship visits in particular suggests, to me at least, that specific actions that were taken by the PLA most likely conform with general practices or principles that were established or known about by the senior civilian leadership. In my view, there is no convincing evidence of what you would call rogue behavior on the part of PLA units to the detriment of PRC policies.

Let me just give you one example of something that might suggest this, and that's the recent ASAT test. Here, I'm citing a reference to what James said in one of the China Leadership Monitors.

The individual who was probably most responsible for overseeing that test was a man named Chen Bingde who, at that time, was in charge of the PLA system that was involved most likely in keeping the senior leadership apprised of the ASAT program that has been underway in China for quite some time.

Now if, indeed, that ASAT test which created an enormous amount of negative fallout, a lot of criticism about the debris issue, was really kind of not the best

action. The Foreign Ministry didn't know about it most likely. It created a lot of criticism in the U.S. and elsewhere. If that were the case, you might well have not seen Chen Bingde subsequently promoted to be Chief of the General Staff, which he was. If he embarked on his own or through the military, you wouldn't quite expect that to happen.

I agree with James on that. It really doesn't give me a whole strong idea, strong impression that they were acting on their own in this regard. Some people in the civilian side of the leadership, I think, almost certainly understood what was going on.

Now what about the future? And, I'll end here.

Sure, over the long term, I think political and bureaucratic competition could become increasingly open within China between the military and other institutions. We could get this as this system continues to institutionalize, as differences become more organizationally based and more bureaucratic process of interaction. The PLA might just become one of several institutions vying for influence within an overall bureaucratic process.

To some extent, this is what we see today. I mean that is, to some degree, the case within the budgetary process that goes on between the civilian and the military sides.

But, again, I'd like to emphasize as long as the current system continues in its basic elements, you're unlikely to see the PLA operate as a self-conscious, self-contained, separate bureaucratic entity that impresses its positions on the civilian leadership in the way in which you might see it. For example, in the past in Central American and Latin American republics where the military plays a very strong role in some of these political systems and argues very forcefully for its point of view, acts as a check to some degree on the civilian leadership.

I don't think that's the role that the PLA has been playing and will play in its interactions with the civilian side. As I've said, it is not very able and is not that willing to be able to do that. It is certainly, in addition to all the other factors I mentioned, penetrated by party control structures and its senior leadership is very much co-opted into the party system itself.

Now the PLA might act as an autonomous arbiter of elite conflict or might intervene decisively to determine policy or to wield ultimate power in the political system if the one-party system were to fall into enormous disarray or the party leadership were to attempt to undermine, significantly, military interests over an extended period of time.

Alternately, you could also get the military fracturing if you had that much of a chaotic situation where the one-party system itself was under enormous stress and you had enormous differences within the leadership. Where that could go, however, we just simply don't know at this point. We don't know enough, as I said, about the informal alliance structure within the military to make really confident predictions about that kind of long-term possibility.

And, I'll end there. Thank you very much.

(Applause)

MS. TUCKER: Rather than go ahead and deliver some long comment, I want to just take the privilege of the moderatorship to ask a question and then open the floor to all of you and the question, in part, is prompted by what

Michael was just saying about the role of the military in policymaking and Alan's remarks as well.

I wondered if one or both of you might speculate on what a peace agreement of some kind across the strait might look like. What would the elements be? Would the PLA have a say in what it looked like and where it might go?

MR. ROMBERG: As I said in my remarks, I think that a peace agreement would be, first of all, a very complex undertaking. But, to me, the essential tradeoff would be confidence on the part of the PRC that Taiwan was not moving to independence, de jure independence, and confidence on the part of Taiwan that the PRC was not moving to use force.

It's a lot more complicated than that. What is de jure independence? What is the use of force, for that matter? If you demonstrate something, are you using? All these questions, but it does seem to me that that is the essential tradeoff.

Nobody is looking at this, as far as I can tell, as a permanent thing. This is an interim agreement in essence, although my clear understanding is that Ma's initial proposal sometime back for a 30 to 50-year

agreement would not be acceptable to Beijing simply because they don't want to put in writing that there's going to be separation between Taiwan and the mainland for 30 to 50 years even though everybody recognizes that might be the case.

But anyway, I think there is some work underway by various folks even in various think tanks around town, who are looking this kind of thing. But that, to me, is the basis of it. I don't know.

Michael?

MR. SWAINE: Well, one area where the military has come into this is in the question of preconditions for arriving at a peace accord where Ma Ying-jeou has made reference to the need for the Chinese to -- I don't know what the exact wording is -- to withdraw their missiles along the strait.

MR. ROMBERG: You might try reduce and then you cover it all.

MR. SWAINE: Okay, reduce.

And then you might have also the question of some confidence-building measures built into a peace accord that would be designed to try to reinforce stability across the strait.

In both of those areas, my sense is that the military's view on this would be to give advice as to what is and is not useful for the leadership in terms of security. Does this erode our position of a deterrence capability that we otherwise would want to retain by removing the missiles?

I think the answer to that is clearly no because these are mobile missiles and they can be moved back again. Jiang Zemin has already made this offer in a different context to President Bush at Crawford where he tried to get the U.S. Government into beginning to discuss the idea of a quid pro quo for arms sales for the movement of missiles back. I'm sure the military would say: Fine, that's great. Excellent. We'll pull the missiles back.

So they can make, I'm sure, assessments about that sort of an issue.

Now, as to whether or not they would be an advocate for a particular position: No, you can't say this. You should say this.

I think that's very unlikely. We don't know for sure, but I don't see the military as coming in and saying, in terms of the actual creative side of the peace accord and what it would look like structurally, that they would

take the initiative to make suggestions as to what the civilian leadership should agree upon with the Taiwanese side. I think that's highly unlikely.

I think that they would likely give a response and give their view if called upon to comment upon what would and would not be likely or useful from a military perspective.

MS. TUCKER: Thank you.

Please let me remind you to identify yourself when I call on you.

Jeff.

QUESTIONER: Thank you, Nancy.

If I may, I have a question for Michael and one for Alan, if I could.

MS. TUCKER: Who are you, Jeff?

MR. SWAINE: You have to identify yourself.

QUESTIONER: I'm a friend of Michael and Alan. I'm Jeff Bader. I'm with the Brookings Institution.

Michael, I was struck in Alice Miller's and Cheng Li's presentation this morning that even if the numbers of military people in the Central Committee aren't going down very much, the number of people with military experience clearly is.

I wonder if you have a view about whether the absence of senior leaders, people in Politburo, the Standing Committee with military experience, will dispose them towards wariness of recommendations particularly on use of force issues coming from the military or will propel them towards greater deference to such people or neither. Does this comfort or lack of comfort?

Question for Alan about the folks in Taiwan on Ma's team who will be responsible for mainland affairs: I personally was underwhelmed by the DPP's people who were dealing with mainland affairs, with their knowledge and the granularity of their understanding of the mainland. I suspect if you went back and looked at the Kuomintang a generation ago, you would have found a pretty high degree of knowledge and understanding about the mainland, but this isn't your father's KMT anymore.

I wonder if you think that the people who will be dealing with mainland affairs for Ma will resemble those we saw a generation ago for the KMT, will resemble those we saw from the DPP, or neither?

MR. SWAINE: It's a very good question, Jeff, and it's one I've sort of struggled with for a long time to try

to get a bottom line, and I don't think I really have a clear bottom line on it, unfortunately.

I do think that the fact that there's so little interaction, little experience between the civilian, the very senior levels of the civilian leadership and the military, on the one hand, it's reassuring in the sense that you have greater institutionalization. You don't want a high level of military influence in the most senior decision making bodies. You want there to be, if you will, civilian control over the military albeit of a party nature.

So that argues in the favor of greater professionalization if the military looks upon this as an institutionalized system and decisions are made based on merit and if the civilian leadership brings the military in as needed into enlarged bodies for decisionmaking, which apparently is the case. If they do need to have military advice and viewpoints, they bring them in.

Now, that said, you also have the concern that these guys don't know much about the military side. They don't want to appear, if you believe the military does have a somewhat strong view on certain issues or at least some military leaders do and have a somewhat tough-minded

attitude about certain issues. They want to make sure that they are expressing that kind of toughness towards people in the military.

I'm not entirely convinced that that's the dominant dynamic. When you talk to people in China about this issue, you don't often hear them saying: Well, they needed to do this to placate the military. Well, they needed to do this to make the military happy because their view is tougher than the civilian view.

You most often hear there are gradations of viewpoint in the civilian and the military side about like an issue of Taiwan. You have hardliners, relatively hardliners and softliners within an overall common consensus in both institutions, in both types of bodies.

So I'm not so sure that the civilian leadership is intimidated by the military in that regard, although maybe I'm coming down on the side of saying it's not so bad.

MR. ROMBERG: There are a lot of examples closer to home where experience is not necessarily the best indicator of successful policies. I have no particular thoughts, but I guess it is worth saying that a lot of the folks who will be involved in that, I think, have had a

great deal of experience with the mainland over the last several years in a variety of ways: dialogues in the mainland, in Taiwan, and elsewhere. So it isn't as if they're starting, number one, in terms of understanding the thinking on the other side from scratch or even having conversations about the serious issues that they're going to have to be dealing with from scratch.

So I guess I'm hopeful about it, but again you don't know until you're actually in the situation, what you're going to get.

One difference, I think, and an advantage perhaps for those dealing with the mainland over those dealing with some other areas is that they've had the access to the mainland. They've had the access to thinking on a lot of this. Whereas, in certain other areas of government, the folks who are going to come in, even if they've been in the legislature before, have not had access to a lot of government secrets which have mattered more. You may not know very much about what a good weapons system is or is not or an appropriate weapons system is or is not if you don't know what the details of it are.

So it's certainly going to be a learning experience for everybody, but I would not be discouraged

about this possibility of having folks who've thought about it, who've had dialogue about it and who are also going to be following Ma's leadership on what the overall policy outlines should be.

QUESTIONER: Thank you. Susan Shirk, UCSD.

I'd like to ask both Alan and Michael, how much flexibility you think there is on the Chinese side about talking to the Taiwan Government because Hu's proposal. It's sort of hard to see how you could do something like that without talking to the Taiwan Government.

Those of us who have been working on this issue for some time recognize that even technical talks become political very fast just as political talks become technical. So even these limited economic and technical issues, who will you talk to on the Taiwan side? How do you bring in government officials?

For a long time, this has been a taboo notion in Beijing. Is it no longer a taboo notion?

MR. ROMBERG: I think one of the things that will happen early on is the restoration of the dialogue between SEF and ARATS, the two designated quasi-governmental organizations. So I don't see a huge issue here.

The PRC obviously cut off that dialogue, in essence, although there have been communications on certain issues because Taipei was not accepting One China. As I said in my talk, I'm quite confident that, in fact, they will accept the One China respective interpretations formulation as a basis for resuming that dialogue.

At the end of the day, they're not going to recognize certainly the government in Taipei as a sovereign government, and I'm not sure how Taipei would sign anything other than an equal entity. The PRC's position on this has always been that under a One China principle, that they would negotiate on an equal basis.

So I don't know what the exact titles used will be, but it's very clear that government officials in whatever capacity would be the ones, as you're saying, who would have to be responsible for this. I think that probably any peace agreement would have to be, at least in Taiwan, approved by the LY, the legislature. What sort of formulations they use to describe the negotiating partners, I'm not very worried about, but I think the answer is, in substantive terms, it should not be a problem.

MR. SWAINE: I really don't have much to add on the modalities of this. I would defer to Alan.

MS. TUCKER: Mike Fonte.

QUESTIONER: Mike Fonte; I'm the Washington Liaison for the DPP.

To follow up a bit on Dr. Shirk's question, it seems to me that during the election ramp-up, Mr. Ma was very clear about two things which I think, if I may say so, confirmed President Chen's legacy which is: First of all, the ROC on Taiwan is a sovereign, independent nation which Mr. Lin did not, of course, underscore very much in his visits to China; and, secondly, that only the people of Taiwan are the ones who are determining the future of Taiwan, not people on both sides.

So I guess the question is whether you think, as a follow-up again, Dr. Shirk's earlier recommendation during the noontime talk, that China somehow could initiate dialogue with the Taiwan authorities at some level and really still see that as a victory for themselves and whether the public in China would be accepting of this as well because it seems to me there are really some fundamental differences here about how you look at the sovereignty question and how you look at who determines the future.

MR. ROMBERG: Again, I think sovereignty is the key issue and as long as the issue of sovereignty is not broached, you can do practically anything you want to do, and I think there are ways to handle this.

Ma has said, if you asked me what my One China under a One China respective interpretations formula is, it's the Republic of China. It's been a sovereign, independent state since 1912. Some would say 1911. And then, we're going to take that issue and we're going to set it aside.

I don't think the PRC is going to have a huge problem with this. As I said, I think mutual nondenial is where we're going with this. He is not going to accept that the PRC is China under such a formulation. They're not going to accept that the ROC is. But it's good enough for government work.

In 1992, the PRC's position was let's agree there's One China and let's not define it, essentially. I mean they allowed each side to orally express that there's One China, but they knew they would never get agreement on the definition. That's true today as it was true then, and it was good enough to move ahead then, and I think it's

probably good enough to move in a much bolder way today, assuming nothing derails it along the way.

So, yes, there are these differences if you press them to the wall on these questions. Do you accept the other side's definitions? The answer is going to be no, but I would certainly hope that both sides would avoid getting into issues of definition because they know there are differences. Ma said this on a number of occasions. Certainly, there are a lot of PRC folks who have probably indicated their understanding of this, and I don't think they're interested in spoiling what is a strategic opportunity here to move ahead.

MS. TUCKER: Alice.

QUESTIONER: I'm Alice Miller. I play rhythm guitar at the Hoover Institution.

(Laughter)

Ms. Miller: I'd like to ask a question to Michael, and that is just simply that I agree with your judgment, your skepticism that the PLA leadership is not uniformly hardline. You can see distinctions among various PLA leaders on the issues of the day, and the same thing is true with the civilian leadership.

In that context, we have now what I regard as an increasingly professionalized military leadership in China, as you described very well, but also a very thoroughly civilian leadership that in its own way is thoroughly professionalized in expertise and so forth.

I'd like to turn Jeff's question around and ask whether or not you can envision a situation in which hardliners and the civilian leadership want to go to war and the PLA leadership itself is less excited about that idea. They're the ones who have to do the fighting. In that situation, do you think the PLA leadership will follow? Is the system established enough that we can presume civilian control over the military?

MR. SWAINE: I'll pull out my crystal ball. I think it's conceivable that you could have a situation in which pressures on the civilian leadership are very strong in part because of the kinds of factors that Susan has referred to and some of the factors that we analyzed in the context of some work I've been involved in on crisis management, that come up from the public, that have to do with nationalist viewpoints and that they argue for more extreme courses of action and that the military

professionals know full well that those things involve tremendous risks.

Now you're getting to the question of, okay, given that situation, what exactly would the military say? There's not much record that we can go by to make a judgment about that.

My general sense thus far in looking at past crises and civil-military interactions is that the military has a clear sense of its limitations. Increasingly so, I think. But, at the same time, you haven't got a lot of examples where the military has kind of come in as a really strong we better not do that kind of point of view. They have generally gone along with what has been decided upon, it seems to me, if not encouraging it.

You had the case in the 1995-1996 Taiwan Strait situation where some people say the military came up and sort of demanded that Jiang Zemin take a stronger position and he has to do this. You have to have missile tests. You have to have this. You have to have that. Do all this.

I didn't get that kind of confirmation at all. I got the notion that the civilian leadership told the military: I want options. I want to know what we can do

to be able to really show that we mean business, but I do not want to go to war with the United States over this.

I mean I think there was a shared viewpoint there between the civilians and the military, and the military basically gave them a set of options, some of which they then exercised.

I think a similar pattern would likely take place in the future -- that's my guess -- that you wouldn't get the military doing its own thing.

Now you're saying, would the military, would they support a really robust, strong civilian leadership if they were really pushing forward and they really wanted to do something strong? That's a hard, hard question to answer, whether or not they would actually say: No, we can't do that. We're not going to.

But I rather doubt it. I think they would present options again that would be grounded more in the realistic sense of what they can do and put it to the civilian leadership to say: You're going to end up at a big problem if you really go this far. This is what we can do and we think is realistic.

How that would play out, anybody can guess.

MR. ROMBERG: Just one follow-up on this which is not exactly the scenario you're presenting: My sense was with regard to the two referenda, especially the DPP referendum this time, the closer you got in your interlocutors to the PLA, the more caution you were given about don't rule out some demonstration actually using military force precisely to make clear how serious they were about what would happen if they stepped over the red line, I think, in order to avoid having a war.

But I think they were more confident -- at least that's the sense I got -- that actually showing a willingness and a capability would deter the really bad step, than perhaps others were.

MR. SWAINE: If I could just add, this reminds me of one problem that comes to play in looking at a Taiwan scenario, let's say, in the future is when you look at the dynamics of crisis management in that kind of a situation.

Back in 1995-1996, the Chinese didn't have a whole lot of options, the Chinese military, that they could pull out that would really communicate their resolve on this issue. They set off missiles, but we knew they didn't have a whole lot of missiles. They had exercises, but we knew damn well they couldn't do anything against Taiwan.

They didn't have a capability to really mount anything successfully against Taiwan.

They're acquiring much more robust capabilities there. So, therefore, they have more options.

Therefore, the argument needed is to deter them from contemplating those options. And so, the willingness to use higher levels of military signaling in order to deter the other side arguably goes up in that kind of a situation and therefore makes crisis management more difficult. Both sides tend to assume they can be more assertive with greater options and more is needed to keep the situation deterred effectively.

The more kinds of military implements you bring to bear on that kind of a question, the more dicey it begins to get. You have to control more people, more operations. I mean people like Mike McDevitt and others would know.

That makes for a more difficult kind of management situation, and there the military could very well be saying, we have options, more options than you thought, even though they certainly would not want to go to war over it.

MS. TUCKER: Mike McDevitt.

QUESTIONER: Mike McDevitt from CNA.

A question that combines some of the discussion we had in a previous panel about the State Council and the institutionalization, if you will, of how decisions are made within China in Michael's discussion of senior leadership: It seems to me that one of the great areas where there is going to be, potentially, conflict between uniformed PLA and civilians is in the competition for resources as these capabilities that you talked about continue to grow and they become more expensive and you need more of them, et cetera, et cetera.

So what do we know, if anything, about how in fact the competition for resources goes on?

How is the five-year built? What are those interactions between the PLA and civilian decisionmakers as to what gets in the plan and what doesn't get in, which means what gets funded and what doesn't get funded?

MR. SWAINE: Gosh, Mike, it's been a while since I thought about this. I'll try to draw on some rather old information to answer this.

The process, as I understand it, is pretty regularized. It's built into the overall budgeting

process. Burt, you can comment on the larger process, certainly.

My sense is that the military, as with many militaries, draws up a range of proposals as to what it thinks it needs and what's important within the force itself in terms of force structures and estimates. I don't know about estimates of costs and such but from a point of view of need on a force structure basis. That is, in some way, folded into the overall priorities in the context of the budget as you would expect. It's a logical progression of assessment as to how it's done.

Now who makes the ultimate decision as to how much is enough for a particular set of missions is something that I can't sit here and tell you with any confidence.

Burt, do you have any comment on that?

BURT: Barry has a lot of information on this too.

The planning process has 15-year plans. The Chinese do a lot of work in rolling plans so that there is a constant massaging and rethinking over the long term, where it's sketched out where they think they want to go and what's possible. As you get closer to the five-year

plan, it's worked up, but then it's also pretty indicative. You get the annual plan and you get the quarterly plan still that involve resources that are going to be channeled either out of the budget or from the financial institutions who are guided by policy lending decisions.

So I think there are major markers that hang around, Michael, that I learned about, where they learn about Desert Storm and then suddenly they have to really realize that long-term 15 years or what. We need to adjust that because there's some stuff we don't have and how do we ramp up for that.

I don't know what they're looking at now. I'm sure they are suddenly working on drones. But it's a long-term rolling process that doesn't mean you have to decide now what you're going to do next year because it's been massaged so many times.

MS. TUCKER: I always like to end everything with a question from Eric. So this will be the last question.

QUESTIONER: Eric McVadon, the Institute for Foreign Policy Analysis.

Let me reinforce something that Michael said. I remember asking about the carrier for the PLA navy back in

the early nineties and getting the answer, we want one, the PLA navy saying it, but Beijing has denied us.

It rose again with the Thousand-Ship Navy that Admiral Mullen, when he was CNO, had proposed to Admiral Wu Shengli, the global maritime partnership or the Thousand-Ship Navy idea. When I was in Beijing, I was told Wu Shengli will not be the one making the decision on that. I guess that's no surprise, but the degree to which it was emphasized, that look, this is a collective decision and the PLA will not be making it.

But I do have a question. It seems to me that in the mid-nineties that the Chinese shifted to nonmilitary means to a significant degree in emphasizing how they protect their security. I wonder if you agree with that.

But the other thing is has the modernization of the PLA tended to change that now so that military means now may be getting a greater degree of emphasis that it's had over the last decade or so?

MR. SWAINE: I think, in general, certainly the military has been getting more of attention, more emphasis within the overall planning, but I don't think this has come as a sudden unforeseen development. I think there has been an understanding for a long time that military

modernization was going to get more financing, more resources. Once the civilian economy really gained momentum and was developing more robustly, they could develop the wherewithal for a more capable military. I think that was an understanding from the very beginning.

So the prioritization that began in the Four Modernizations has changed, and the military now is getting the kind of resources that was expected. What accelerated it to some degree and focused it was the Taiwan problem which was not necessary foreseen.

Now, however, you have the larger issues going beyond the Taiwan problem of China's larger geostrategic interests and the extension of those interests beyond its immediate periphery. How the military plays a role in that, I think is an increasingly significant issue within the leadership as a whole. It's not just a question of forces and military deployment. It's a question of military diplomacy and military presence to some degree at the table. That, I think is, in general, again indicative of expanding interests, expanding influence more broadly.

How do you draw that balance between you don't want to have too much focus on the military side as opposed to the civilian side in diplomacy and interactions with

other governments and nongovernment entities? I think that's a constantly calibrated kind of a thing within the Chinese Government. I don't think there's any clear and fast rule as to we emphasize the military more here and less there.

MS. TUCKER: Thank you again, everyone, for coming today and thanks to our panel.

(Applause)

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