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EVOLUTION OF CHINA'S GOVERNANCE:
CHINESE AND AMERICAN PERSPECTIVES

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PARTICIPANTS:

THE INTERNAL LOGIC OF CHINA'S POLITICAL DEVELOPMENT:

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PROCEEDINGS

MR. LIEBERTHAL: Good morning. I'm Ken Lieberthal, director of the John L. Thornton China Center at the Brookings Institution. Delighted you're here. For people in back, if you have trouble seating or something, there's an overflow room right next door that has additional seats and a video feed available.

I really want to welcome you to this conference on the Evolution of China's Governance: Chinese and American Perspectives. Let me give you a little bit of background because this conference this afternoon is actually part of a larger U.S.-China project that is headed on the Chinese side by Yu Keping and his institute and on the U.S. side by the John L. Thornton China Center. It's funded by the China-U.S. Scholarly Exchange Foundation, which is based in Hong Kong.

We convened a conference last October in Beijing that brought together about 12 Chinese specialists on the Chinese political system and 12 American specialists on the Chinese political system; given papers and extensive comments, and that set of materials, now revised, will come out in two books -- one in Chinese and one in English -- a little bit later this year. And 4 of the 12 members of the Chinese delegation to that conference are panelists in this afternoon's activities.

Since this is the first of a series of sessions this afternoon, let me make a few comments that will apply to all of the sessions. And then I'll introduce our speakers for this first session. For all of the sessions, we'll have first formal presentations. You've seen the people involved on your program and then we've allowed significant time for a moderated Q&A afterwards. And we really look forward to your questions.

For the speakers, let me mention that there is someone sitting right here with a cue-card set who will hold up a card saying, 3 minutes, and then 2 minutes, and then 1 minute. I'm not going to tell you what happens to you after you've exhausted your one minute because I'm sure none of you will do so. But we really ask all speakers to keep strictly to their time limits, so that we have adequate time for discussion and to bring all of you in and address your concerns.

For you in the audience, when you have a question, we will have several roving microphones, so please just put up your hand. When you're recognized, wait for the roving mic and then please stand up. First give your name and your affiliation and then ask your question. And please -- given that we have a full room and a fascinating set of topics -- please keep your questions direct and short. Feel free to direct them to a particular speaker or just to the group as a whole and anyone can answer who wants to answer, then. Okay?

Another way to put it is, please no speeches, just questions. Thank you.

This conference really brings together scholars from both sides who have studied in depth how the Chinese political system operates and how it's evolved over time, so that really is the focus of this conference. Not so much current events, but really a deep dive on the Chinese political system and its evolution. And I hope that we'll really have some high-quality discussion of those issues through the course of the afternoon.

One more announcement and then I'll introduce the speakers for this first session. The final announcement is the Thornton China Center and Brookings has recently published a number of books on China that you may find of interest. They're on a table right outside this room. They are available for purchase at the bookstore right across the hall and those who purchase them today at the bookstore will get a 20 percent discount for having been to this conference. So I just thought I'd mention that in passing, okay?

Let me get to the real heart of the matter and introduce our two initial speakers, and it's really a pleasure and a privilege to have both of them at Brookings. The first speaker will be Ambassador Stapleton Roy. Stape is -- I say, "Stape." We've been friends for 35 years, I think, at this point. He is now the director of the Kissinger Institute on China and the United States at the Woodrow Wilson International Center for Scholars. Prior to that he was managing director of Kissinger Associates, but that really came after an extraordinarily distinguished 45-year State Department career. He left the State Department with the rank of career ambassador. I believe there have only been three of those -- five in the history of the United States.

AMBASSADOR ROY: Five at any given time.

MR. LIEBERTHAL: Oh, five at any given time? Oh, you misinformed me when you

first got it. (Laughter) Five at any given time. Still a very high honor and reflective of a very distinguished diplomatic career. That career included serving as an ambassador to Singapore, to Indonesia, and to the People's Republic of China, so it's really a pleasure to have Stape here today.

And then, also, Professor Yu Keping. Dr. Yu is professor and director of the China Center for Comparative Politics and Economics. He is also professor and director of the Center for Chinese Government Innovations at Beijing University. He holds his doctorate from Beijing University -- Peking University in political science. He has had an extraordinarily distinguished career of objective, serious, and attention-getting -- I mean that in the best sense of the word -- publications and speeches about the evolution of China's political system over time. And so much so that the Brookings Institution a few years ago began a new series of taking key Chinese thinkers whose writings are really deserving of very wide attention -- not only in China, but abroad -- and translating their key works. And the first book we did in that series was a book by Professor Yu Keping called *Democracy is a Good Thing*.

And so, without further ado, I'll ask Ambassador Roy to begin, then Professor Yu. Afterwards, the three of us will be up here and we'll have Q&A from all of you. Thank you. Ambassador Roy?

AMBASSADOR ROY: Good afternoon. China, as we all know, has gone through an extraordinary economic transformation over the last 30 years. This transformation has remade the face of coastal China. It's now spilling over into the interior and it's raised, literally, hundreds of millions of people to an unprecedented level of affluence.

Conventional wisdom, however, shared by many Americans and much of the media is that China's political system has remained frozen and that there have been no significant political reforms to match those in the economic sphere. This, of course, is nonsense. Political change in China has occurred on a vast scale, in a number of vitally important areas affecting the day-to-day existence of ordinary Chinese. These changes encompass, first, the relationship of the government to the people.

In the 1970s, China still had a totalitarian political system in which the government

controlled literally every aspect of people's lives. Now, the Chinese have significant freedom of choice on such matters as where they can live, where they can travel, what they can wear, what they can read, where they can work, and where they can be educated.

Even with the censorship that remains in place, the Chinese have access to a wider range of information than ever before, and social networking and the blogosphere have become significant factors influencing government attitudes and behavior.

The second change is in the age and educational characteristics of national leaders. China is alone among modern countries in having a system of rigorously enforced age limits that apply even to its top political leaders. The top level age limits have only been applied consistently since the 16th Party Congress in 2002. But at national, provincial, and local levels they have dramatically and visibly altered the age structure of the leaders. As long as this practice continues, it means that the successors to top leaders are a minimum of 10 years younger than their predecessors. In China, you can't have a John McCain replace a George W. Bush or a Bill Clinton. (Laughter)

As for the characteristics of the leaders themselves, not only are they younger, they are much better educated. In 1982, in the early stage of reform and openness, the Politburo of the Chinese Communist Party did not have a single university-educated member. In 2007, just 25 years later, 23 of the 25 members of the Politburo that emerged from the 17th Party Congress had formal university educations, and the 2 others were educated at an equivalent level.

A third area of change is in the ideology of the Communist Party itself. In essence, the Chinese Communist Party has abandoned traditional communist ideology. Instead of class struggle, it preaches a harmonious society. Instead of claiming to be the vanguard of the proletariat, it now admits capitalist entrepreneurs to the party and claims to represent all of the people. It has embraced market economics. It has instituted an orderly process for the selection of top leaders.

A fourth area of change is in the way Chinese think about political issues. This is the result of many factors, including the hundreds of thousands of students who have studied

abroad, the millions who travel abroad on official trips for business or for tourism every year. The greater access to information and the greater freedom for discussion. Tens of millions of Chinese can compare conditions in China with conditions in other countries on the basis of personal experience and observation.

While the government can and does monitor expression, restrict information in certain areas, and ruthlessly suppress organizations that lack government and party approval, this is far less pervasive than it was three decades ago. These changes are not just cosmetic.

As anyone who visited China in the 1970s and more recently can see, they have altered patterns of life in significant ways. What has not changed, however, is equally significant. In terms of systemic political change, evolution has been much slower. China still has a one-party system controlled by the Chinese Communist Party, which is determined not to permit any organized opposition to emerge.

The government and party have been experimenting in offering greater freedom of choice, both within the party and in the selection of officials at the village level, but these changes have not yet gone very far and the experiments with representative government at the village level have not moved from the village to the cities and the provincial capitals.

In essence, the party is determined to avoid the mistakes made by Gorbachev, who, in their eyes, committed the cardinal error of loosening the political reins too quickly and then losing control. Most importantly, China's political system is still in a pre-modern form in that it lacks the legitimacy that can only be provided by an electoral mechanism that provides citizens with a direct say in the selection of their rulers.

China has the distinction of being the only major country in the world that lacks such an electoral mechanism. The absence of a meaningful electoral mechanism also sets China apart from the other so-called BRICs since Brazil, Russia, and India all have some form of direct electoral process, as does South Africa and even Iran. Within the G-20, only China and Saudi Arabia lack electoral mechanisms that give citizens a direct voice in the selection of national leaders.

As China continues to develop economically, this omission will become even more

glaringly obvious and over time it has the potential, if not addressed, to create systemic instability. At the same time, when considering the internal logic of political development in China, we should not underestimate the impact of generational change in the leadership over the next two decades.

Political change in China is likely to be driven by such generational changes in the top leaders. The fifth generation leaders who will take over next year will be the first leaders in China to have spent most of their adult careers during the period of reform and openness. Xi Jinping , the current vice president and the presumed heir apparent to the top position of general secretary of the party, was just 26 at the time of the Third Plenum of the 11th Central Committee, which launched the reform and openness policies. So, most of his formative experiences as an adult occurred during this period.

Li Keqiang, the presumptive replacement for Wen Jiabao as premier in 2013, is two years younger than Xi Jinping. Within the Politburo, if the age limits now in place are adhered to, seven of the nine members of the standing committee of the Politburo will have to step down to be replaced by younger leaders. And the same is true for over 40 percent of the full 25 members of the Politburo.

The sixth generation leaders that will take over in 2022 -- 11 years from now -- will be too young to have any memories of the great Cultural Revolution. These leaders will be confronted with the never ending sets of problems generated by China's rapid transformation, but their responses will be influenced by their different generational perspectives, their greater familiarity with the outside world, and China's growing integration in the global economy.

It flies in the face of experience and common sense to assume that leaders with such different formative experiences will respond to the problems of managing China using canned formulas inherited from their predecessors. This is where so many analysts went wrong in accessing Gorbachev in the Soviet Union. The analysts saw Gorbachev as an apparatchik, cut from the same cloth as his predecessors. That's true, but he was also the youngest Soviet leader since Stalin became general secretary of the Soviet Communist Party in 1922. It should not have been surprising that Gorbachev adopted an approach far different from the aged

leaders who had preceded him, who were 20 to 25 years older than he was.

I came to Washington to join the U.S. Government at the end of President Eisenhower's first term. Then, after several overseas assignments, I returned to Washington during the Kennedy administration. It was like coming back to a different country, in no small measure because of the greater youthfulness of the ruling group.

What do these factors mean for the evolution of governance in China? Conceivably, the economic and social changes that will occur in China over the course of the next two or three decades, including the continued emergence and maturing of the middle classes, will confront China with strong and perhaps irresistible pressures for systemic political reforms. The question, as always, will be whether such reforms can take place under conditions of stability or whether any loosening of China's political constraints will unleash uncontrollable domestic forces that will make the country less governable. There are no easy answers to this question.

Deng Xiaoping's thesis, which I personally heard him outline in 1981, was that China could only succeed in economic development under conditions of stability and only continued one-party rule by the Chinese Communist Party could ensure stability. Whatever the merits of that thesis, circumstances later in that decade suggest that continued party rule could not ensure stability in the absence of significant adaptations. That is likely to be the case in the future as well.

But that still leaves the question of what sorts of adaptations will be necessary in order to provide for continued stability. Some of the lessons from China's economic development may be relevant to the course of political change in China.

Why has China been able to sustain rapid growth for such an extended period? The answer is that China's leaders have been remarkably adaptable in adjusting the system to accommodate the changes that are taking place. The altered mindsets in China are enormous, far greater than many Americans realize.

In essence, the party has been bold and imaginative in responding to the challenges it faced. It is too little appreciated in the United States that for the last 30 years China has been constantly adapting as its domestic and international circumstances have changed. This has

included major government reorganizations every five years for three decades. Ministries have been created or abolished. State agencies have been turned into quasi-private corporations. This willingness on the part of China to change differs sharply from what one encounters in Washington, where there's such concern over our inability to correct the problems that are making our political system -- in the eyes of many Americans -- increasingly dysfunctional.

I attended a conference in Hainan Island a year ago in January, and it was literally stunning to find that Chinese at all levels of participation assuming that China would simply change their institutions if necessary to cope with new problems, whereas nobody in Washington thinks that our institutions can be changed, or at least nobody has found a way to do that yet.

Conceivably, this same adaptability could eventually emerge in the political sphere. We should remember that within greater China there are already two alternative political systems. You have the multi-party Democratic system in Taiwan and you have the mixed -- elected and non-elected -- systems in Hong Kong and Macao. How these political systems function over the next several decades will have an influence over political developments in the rest of China.

The vast majority of Chinese recognize that stability is a precondition for continued economic growth. This perception unites Chinese of widely varying political views. Does this mean that meaningful political reform will not take place? The answer is no.

Elsewhere in Asia, authoritarian governments that have remained open to the outside world and have been active participants in the global economy have, without exception, given rise to representative forms of governance after 30 to 40 years of rapid economic development. It happened in South Korea, it happened in Taiwan, it happened in Thailand, and it happened while I was ambassador in Indonesia. In the case of Thailand, we also see that such transitions may be fragile and subject to backsliding, especially when electoral systems produce bad leaders, which, unfortunately, is sometimes the case.

China has only moved 15 to 25 years along this path, depending on whether you start counting the period of rapid growth from 1979 or from 1993. I prefer the 1993 date

because if you look at the charts, you see that that's when you really had the sharp rise in the growth in China's GDP. To the extent that these Asian models have any relevance for China, this means that it's premature to expect significant systemic political change to occur in China in the near future. Indeed, if we want positive political change to occur in China, this will more likely to be the result, not of outside pressure, but of continued rapid economic growth and generational changes within the Chinese leadership.

Inevitably, the world will be watching what happens. Thank you. (Applause)

MR. YU: Good afternoon, ladies and gentlemen. I'm very happy to be here. Three years ago, I was in Washington to give a lecture by The Brookings Institution. Now I come here again. So many thanks to the colleagues of The Brookings Institution for providing such a nice opportunity to meet.

Today I would like to talk about China's look towards democratic governance. It's a very brief analytical overview of China's political development since reform in 1978.

Over the last 32 years, China has created an economic miracle. In the 32 years between 1978 and 2010, China's GDP grew at an average annual rate of more than 9.5 percent. China's economy has overtaken the economies of Japan and Germany to become the world's second largest, just behind the U.S. China has also successfully restored a global economic crisis which leveraged Western developed countries, achieving GDP growth of 11.2 percent last year. China's treasury reserves have exceeded \$3 trillion U.S. and now is even the largest holder of U.S. dollars nowadays.

China's rapid development has astonished the whole world. However, the world's attitude toward the implications of China's development are very complicated. Many people in the West might say, yes, China has changed greatly in economy and is rising as a new economic power in the world, but China's politics have made no big progress and particularly no great changes in her democracy. In my view, it's really a misunderstanding.

Achievements in the political field are obvious, too, to Chinese scholars. Here I just take some examples of the first time reform in Chinese political history. The largest free direct election in Chinese history was carried out over huge numbers of villages and towns. Direct

voting for the head of villages and the party secretary as a village, it's the first time in Chinese history so large scale of direct election; public recommendation and direct election of the party leader at a township level; direct election of the township leader.

Civil society has been emerging (inaudible) an increasing lure in social and political life. The government fundamentally changed its attitudes towards civil society from formerly prohibiting to encouraging civil organizations.

The last meeting before my trip to Europe and U.S., I participated -- was held at a big university. Their conference was particularly focused on selecting 10 top events of civil society in China last year. This is (inaudible) number one, (inaudible) opened new channels for the expression of public interest.

This is (inaudible) number five, civil society was (inaudible) five-year plan of (inaudible) city. And of course, regrettably last, it wasn't adopted as a final version.

And last year we even launched the first awards program especially on Chinese social innovations. We encouraged it, civil society organizations' behavior and the contribution over modernization and political democracy, so totally 160 civil organizations applied for this, the first awards of Chinese history. And totally we have made 10 final winners, like number one, (inaudible). Those were the final winners.

Human rights was always criticized in the past as (inaudible) rights. Now it has become basic political value and was written into the constitution of China. I was deeply impressed by my first paper, particularly on human rights, that (inaudible) published in early of the 1990s. Actually I was politically criticized at that time. But now, put into the constitution. (Laughter)

Safeguarding migrant workers' rights, right defending (inaudible) through the union. Rule of law for the first time became a goal for political development and now is stipulated in the constitutional provisions. The whole legal system has been established by the end of last year.

Each year we have an official day to popularize law on the street to the public. This picture, you can see, this is a "popularize law" at a street at a front office in (inaudible). (Laughter)

Constructing government under rule of law. Accountability, transparency, and service (inaudible) become requirements of government. Public hearing (inaudible) now carry out across the country. In 1999, there just was a (inaudible) -- or actually there's public criticism also learned from the Western countries. Now it's nationwide.

Democratic consultation, like democratic dialogue, but (inaudible) and public.

Public budgeting system reforms have begun as (inaudible). At administrative system (inaudible) reform. Supervision (inaudible) reform. One-stop-shop service or one-stop-shop administrative service. Actually even the system, I think, also, I learned from the Western countries, especially maybe USA, because in Europe, when I mentioned the one-stop-shop service, they don't know. They don't know. (Laughter) Why? But in China we definitely had no such term.

So what map lines, futures, dynamics, and internal logic of China's political development? We can find the far roads on the map of China's journey towards democratic governance: First, monastic governance towards pluralistic governance; second, from centralization towards decentralization; third, from rule of man towards rule of law; fourth, from regulatory government towards service-oriented government; and fifth, from party secretary towards social democracy -- from party democracy towards social democracy.

We always say in China everything in China has these Chinese characteristics. This is a particular (inaudible) for China's political development. So what characteristics of China's political development since reform? Or, in the first place, I would like to say incremental democratic reforms based on past dependence. China never introduced the shock therapy, so just an incremental democracy.

(inaudible) to structure of governance laid by the party is China's reality, a vertically and horizontally integrated structure of governance with a special term. The core value of sovereignty is placed above everything else. Both rule of law and rule of man are important instruments for (inaudible) nowadays.

So why so many great changes in the political fields? In China, I always told of senior officials for Chinese (inaudible) toward democracy or for Chinese democracy. The

problem is not if you like or don't like. The point is you have a new choice. We have to push forward democratic reform. Why should (inaudible) allegiance?

Firstly, China began to transform its command economy into the social market economy. A different economic foundation means a different political system.

Second, people's (inaudible) dramatically improved and as a new political (inaudible) emerge.

Thirdly, different interest groups begin to form and these groups need channels for expressing their interests and influencing decision-making.

And fourth, the impact of globalization.

Actually political development has its own internal logic, so China is the same. I think the most important development of all is that the Chinese Communist Party has transformed from the revolutionary party into the ruling party. China still is a developing power and the social (inaudible) of conditions for economic development. This is why Chinese top leaders always put their priority on stability of the whole country. So China is in a big transition from traditional society into modern one and incremental reform must be followed.

So what are the challenges and reform focus in the near future? On the one hand, as I mentioned, actually we have made tremendous progress even in democracy in Chinese politics. But, on the other hand, we have to say there's -- a lot of formidable challenges exist or we are facing. So basically democratic institution of election (inaudible) and the supervision are far from perfect. The (inaudible) mechanism of checks and balances on power is still not in place. The channels for public participation need to be further grounded.

Lack of mechanism to counter (inaudible) behaviors of state bureaucracy. (inaudible) is still (inaudible) in today's China. I think just two weeks ago, in my hometown, (inaudible), there was a vice mayor of Honsu metropolitan city, the total bribery is over then 200 millions of Chinese yuan. I think even in the United States, he's a rich man. (Laughter) Two hundred million Chinese yuan. So corruption is still very heavy.

Today public service by the government is far from enough; there is a lack of mechanism to legalize dynamic stability. Political transparency needs to be enhanced and

administrative costs are still very high. Just in six days the central government has a movement to reduce the public expenses. We call it in Chinese three public expenses: public car, public reception, and also public consumption. So terribly high.

Rule of law still lags behind. Civil society in China is still immature. Relationships among major public (inaudible), but in party, the government, people of Congress, people of (inaudible) conference need to be reshaped.

So what to do? In my view, among major (inaudible) in the near future, including firmly pushing forward the rule of law, especially all political organizations in (inaudible), and all people, all citizens, including top leaders, must act within the framework of state law, emphasizing much more upon inner-party democracy and social democracy. Why do we always put our emphasis upon inner-party democracy? Because the party controls the most core of political power, so the inner-party democracy I think is crucial for China's democracy; putting much more upon social justice to reduce apparent disparities; developing more high quality of public service in order to establish a service-oriented government; encouraging government innovation to make government more open, more comfortable, and more efficient; improving ecological governance to keep sustainable development, punishing (inaudible) officials to build a clean government, (inaudible) and innovating social management.

That's all my major points on China's look towards democratic governance. Thank you for your attention. Thanks. (Applause)

MR. LIEBERTHAL: Thank you very much. Maybe we can turn off the projector and move this. Yeah, thank you. Gee, I wish my staff always responded as quickly and effectively when I mention something. (Laughter)

Let me make two quick comments and then open this up. Comment number one is I should have informed you earlier, all slides that are used today will be put on the Brookings website. And by tomorrow, we will have a full audio of today's discussion on the website. And within several days we'll have a full transcript on the website. So as you take notes, if you get tired, you know you can pick this up tomorrow or the day after.

Secondly, we on the American side really appreciate our Chinese colleagues

agreeing to do this entire session, entire afternoon, in English. That is not necessarily easy for all of them, so we're having a translator to facilitate a bit. I ask, therefore, that you be sure to state your questions very clearly and concisely. It will save us translation time and facilitate our having an effective discussion.

These first two presentations really teed things up wonderfully. I think we heard the themes expressed here that in one way or another are going to resonate throughout our discussions this afternoon. Rather than comment on them, let me open the floor and ask you for your questions. And again, if you'd raise your hand and we'll get a mic to you right away.

Yes, sir. And please give your name, affiliation, and then question.

MR. HARROD: My name is Judd Harrod. I'm a documentary filmmaker.

The scene so far has been incremental political change in China and the merits of that. But isn't it true that incremental change has one fault? It gives the powers that are going to be -- that are going to lose out in this process, it gives them a chance to mobilize against you and to derail the process. I'd like to have a comment on this from the two gentlemen who spoke.

MR. LIEBERTHAL: Okay. First Stape and then Professor Yu.

MR. ROY: If we look at the examples in East Asia, we find that in three of the four cases the incremental change took place and then there was a convulsion and then you had more fundamental change in which the rulers basically lost control. The one exception to this was in Taiwan. And in Taiwan, you had the only leader who actually prepared for a political transition from a single-party essentially dictatorship to a multi-party system. And there the incremental changes took place smoothly.

So there is no guarantee that incremental changes will lead to a predetermined outcome in the absence of some leadership role in steering things toward the outcome. But the examples in Asia are so widespread; it's not just one or two. I mean, it's more than that. But the timeframe is much greater than Americans want when we think about political change. We want it today or tomorrow, but it simply hasn't taken place that way. And where we look at the examples in Asia, we find that if the circumstances aren't right for stable transition to

representative government, it doesn't work.

Indonesia has democratic elections in 1955. It lasted less than two years and you went back to authoritarian democracy and it wasn't until 1999 that you ended up having the next round of genuinely democratic elections.

In Thailand, we have seen what was an incremental process, but it produced a democratic government that produced a very corrupt style of democratic governance and there was a coup, and so we've had a backsliding in Thailand.

After World War I, the democratic transitions in Europe failed across the board. Failed so badly that they actually ended up justifying the dictatorial regimes that replaced them because they were seen as being better and more efficient. So the process of change, if it's too fast, it fails; if it's too slow, it can be controlled by the leaders and perhaps blocked. But rapid economic development makes it impossible for leaders to hold things the way they are without introducing changes. And in large measure, that's been China's experience.

For example, China did not have a political system during the first 10 years of reform and openness to manage rapid economic change. And so you had the purging of two general secretaries of the Communist Party in a 10-year period. But after the convulsions of Tiananmen and the fall of the Soviet Union, China adopted a new more flexible approach, redefined its ideology, adopted a different approach, and you've had nearly 20 years now of rapid economic development and the political system has been able to manage it. But continue this for another 20 years and the idea that you can simply stay with existing institutions in China simply doesn't hold water in my judgment. And I think Professor Yu was largely outlining a similar type of viewpoint.

MR. YU: Thank you. (inaudible) I would like to speak in Chinese. In China -- oh, I'm sorry. In (inaudible), we have two -- (Laughter) -- in China, we have two Chinese terms: one is incremental reform, the other is gradual reform. In Chinese: (speaking in Chinese).

For myself, I prefer to use incremental reform rather than gradual reform. Why? Three basic reasons.

First, I think the starting point for incremental reform is actually the process itself.

But the starting point for gradual reform is actually from the government perspective.

When we talk about gradual reform because why it's called incremental reform is because it's continuous, without interruption. But when we talk about incremental reform it implies breakthrough.

When we talk about gradual reform, it's controllable and the government has an agency to control it and it chooses to reform what it wants it to reform or what it should not be reformed. But when we talk about incremental reform, it's not controllable or it's less controllable than -- gradual reform, that means the ruling party can control the whole process. And the incremental reform means the ruling party cannot or it is very difficult to control. Why? Because according to the incremental reform policy there are a lot of big (inaudible), so maybe (inaudible) whole process very difficult to control by the government.

MR. BALZER: Thank you. I'm Harley Balzer from Georgetown University. And I have to confess, I spent 15 years running Georgetown's Russia-East Europe program, so I'm a little bit of an interloper. But I'm a little concerned about kind of unilaterality in the projections that are being made. You know, does generational change always go in one direction? Gorbachev was indeed 25 years younger than the people he replaced. Putin is younger than Gorbachev. He spent five years in Germany. (Laughter) Most of us wouldn't consider what's happening a positive change.

And one assumes that there have to be pretty intense debates in the Chinese leadership and the reactions that we've seen in the last few months to events in North Africa and the Middle East would suggest that there are people who are less happy about a direction that would involve more openness. And so I'd love to hear both of you comment on that.

MR. LIEBERTHAL: So basically, beware of straight line projections. Is that what you're saying? Yeah, okay.

MR. ROY: I don't make straight line projections. I don't think there's anything inevitable about the process. But in a world where representative government is successful and before the financial crisis, you didn't have a single developed country in the world that didn't have a market economy and a representative form of governance. So to the extent that any

country wanted to pursue a modernization process, all of the examples of modernization involved transformations both in the economic system and in the political system in one direction.

Now, the financial crisis introduced complications. Because in the eyes of many people around the world it has shown that what seemed to be a highly successful model, in fact was less successful than it appeared on the surface. And so this has created the potential for people coming up with alternative concepts of what the direction of change should be. And we're too early in that process to know whether that's going to develop fully-fledged alternative concepts or not.

But the factors that come into play are leadership, our rate of economic development, degree of openness to the outside world, and the success of the various models that exist out of there. And my comments are based on what has happened over the last 30 to 40 years when, in my judgment, the modernization models all had the characteristics that I've mentioned. Whether that will continue to be the case over the next 20 to 30 years, I think we'll have to wait and see whether the successful countries now continue to be the successful countries down the road.

MR. YU: To answer your question that is related to the age of the leadership, and based on China's reforming spirits, we see the trends that the leadership in China is getting younger and more open-minded and more liberal and they have more and more curiosity to know and understand the outside world. That's the general trend we see in current Chinese leadership. And we also have an administrative requirement for different levels of leadership hierarchy. For example, at the provincial level it is required that you need to have cadre under the age of 45. And also there's a specific requirement for different levels of leadership in terms of age.

But generally speaking, this is not absolute. And the general trend is we would like to see, and actually the party, the state, is making the effort to make the leadership younger and more open-minded. That's the general trend we see.

MR. LIEBERTHAL: If I could just add a comment. Obviously in any generation

there's going to be a huge array of views, right? So there's some uncertainty about what's going to happen always. So I think the comments here are kind of, in the main, the forces at play should be shaped in a more open, connected, and maybe more liberal leadership in the future than exists now. But I don't think anyone would say that, you know, absolutely that will be the case. We'll have to see.

Let's see, in back over here, this gentleman with the glasses. Yeah.

MR. LEE: Hi. My name's Lee Yun. I'm a master's student at Georgetown University. So I have a question for Professor Yu.

You were saying that the economic growth is one of the key factors for China's democratic change. However, due to the lack of a fair mechanism of resource distribution can this huge wealth generated in the past decade, on the other hand, consolidate the current authoritative political system and the vested interests so that, in turn, hinders further political change?

I'll repeat my question in Chinese again, so. (Speaking in Chinese.)

MR. YU: Well, the most important reason for the political reform in China is its rapid economic development. And this has two aspects. The first is a structural aspect of it. The second is the institutional aspect of it. And we understand that China has transitioned from a planned economy into a market economy. And also the ownership has also diversified from a centralized state ownership in terms of the enterprises to a diversified state ownership and also private ownership in terms of enterprises.

Because of the dramatic economic prosperity and economic growth, people's lives have improved a lot. And coming with this is increasing political claims and political demands for people. And this is the motivation or the driving force behind political reform.

That brings a lot of new challenges and new problems. At the very beginning of our reform Deng Xiaoping said (inaudible) certain regions and certain individuals get rich first, so that was his slogan if you remember. But we look at our current situation and we see tremendous disparities between different regions and between city and rural areas and between individuals between the Eastern part of the country and the Western part of the country. And if

we look at statistics from last year we see great numbers in terms of GDP and this is very encouraging signs. But when we look at the other disparities and other issues and we see they are very grave.

When Deng Xiaoping made his slogan 30 years ago to let certain regions and certain individuals get rich first, his purpose is to break the egalitarianism at that time in Chinese society. But now we're facing great disparities in Chinese society after 30 years of reform. And we see this is actually an issue of income allocation or resource allocation or interest allocation. We need to do reform in this. We need to make innovations. But all these disparities cannot be solved by economic reform alone. It has to go through political reform in order to achieve social justice and social fairness.

Around the time of the first central planning committee of the 17th Party Congress and I was interviewed by Tsinghua News Agency, and I made the funny remarks, which is the focus of the government should shift from economic growth, economic reform, to social and political reform because a lot of the issues cannot be solved by economic reform. It has to be solved by social and political reform.

And also, in our cadre training at different levels of the government the focus has been on social governance -- the reform of social management or social governance. That's the focus of the government work.

MR. LIEBERTHAL: If I can add just a footnote because there was a piece that appeared in Bloomberg News about a month and a half ago, in early March, that really impressed me. They had done some work and they had figured out that the personal wealth of the top 70 -- 7-0 -- members of the U.S. Congress, Senate and House combined, totals \$4.5 billion U.S. The personal wealth of the top 70 -- again, 7-0 -- members of the National People's Congress in China totals \$75 billion U.S. Now, the question is if you have that much wealth at the top of your system how can you politically manage changes that redistribute wealth?
(Laughter) Right?

Yes, in back, the back row, standing.

MR. CHUA: Thank you. My name is Jim. I'm a reporter from Singapore.

Despite the obvious differences between --

MR. LIEBERTHAL: I'm sorry, what is your full name, please?

MR. CHUA: Jim. Jim Chua, C-H-U-A. Despite the obvious differences between China and Singapore, the governing model between the two countries often compare. So I was wondering if the panelists could speak to the broad lessons the CCP could learn perhaps or would learn perhaps from the recent general elections in Singapore whereby the government, despite engineering a year of 14 percent economic growth, witnessed a pretty strong voter backlash energy and they had to obviously address a lot of voter unhappiness. I was wondering what lessons would there be for China going ahead.

MR. ROY: The question is what lessons can China learn from Singapore from the most recent --

MR. CHUA: Well, what (inaudible) draw from the -- rather what lessons would the CCP, who obviously pays a lot of attention to the governing model in Singapore, what lessons would it take from what this recent election showed? You know, unhappiness on the ground? The greater demands for opposition voices? A greater demand for democratic representation? Despite the fact that it delivered 14 percent growth and a strong rebound from the financial crisis.

MR. ROY: I have great respect for Lee Kuan Yew, who was the prime minister when I was the ambassador in Singapore. But I sometimes joke that if he were to die and go to hell, he would find himself the premier of China. (Laughter)

And the point I'm trying to make has nothing to do with his personal morality. It has to do that the governance procedures that work in a country like Singapore with 3- to 4 million people simply can't work when you have this problem of scale that you run into in China with its enormous geographic diversity and the enormous population masses.

What you can learn from Singapore is that if a government has adequate feedback mechanisms and if a government has a process for reasonably gauging whether the people accept the policies that are being implemented or are opposed to them, that actually you can maintain stability if the government is responsive to those types of considerations.

So my experience, I learned several things from my experience in Singapore where the elections were free, but opposition parties had a great deal of difficulty in getting established. But the ruling party in Singapore never got more than 75 percent of the vote. So one of the lessons you learned is that even with the best governance in the world if you want to characterize Singapore that way, ruling parties can't get more than 75 percent of the vote. And that tells you something about human nature.

But at the same time, if it got 62 percent of the vote, the party would go through real soul searching. What was going wrong? Why weren't people paying attention?

And you had access to information in Singapore. So the people could express their views and the government would have to pay attention. And I think the stability in Singapore is partly a function of the fact that it has feedback mechanisms and a government that is able to monitor how people are reacting to the policies that are being implemented.

When I served in the Soviet Union, the government was terrified of even raising the price of bread by a couple of kopeks or raising the price of vodka by a tiny bit because they had no way of knowing what people really thought because all feedback mechanisms were suppressed. And the result was while I was there, for example, to raise the price of vodka they withdrew the entire national brand of vodka and replaced it with another brand of vodka slightly more expensive, which was the same vodka in new wine bottles. (Laughter) But to have to go through that process shows how really authoritarian regimes live in terror of what people really think because they can't measure it.

Now, China has developed some of those feedback mechanisms, but China is changing at a breakneck speed and that is generating the sorts of problems that Professor Yu is referring to: the enormous income disparities, the enormous geographic disparities in wealth, and the problem that Ken touched on of what do you do when the wealthy have a major role in the political system and aren't interested in wealth redistribution. This is going to be, I think, an ongoing problem for China.

MR. YU: China has always been paying very close attention to Singapore, even since the Deng Xiaoping era, because Singapore is (inaudible) Chinese society and there is lots

that China can learn from Singapore. When we look at the different aspects of Singapore society, for example, there's a relatively high level of livelihood in Singapore and also there's a social stability in Singapore. And the most interesting is the one-party rule in Singapore. So these are also issues, all issues that China is very interested in.

Well, with the reform opening and reform in China pushing through, we have experienced tremendous changes. And in this process we notice that the experience and lessons from Singapore have their very limitations or restrictions. For example, these two countries are very, very different, (inaudible) different from each other if you look at the population of the CCP members, and we have 75 million Communist Party members, and look at the population of Singapore.

But we can still learn a lot from Singapore in terms of the party system. And we understand if a party's going to rule for long term, it has to meet the most basic economic needs of its people. That's the first, the fundamental aspect of it. But on top of that, that's far from enough. In order to rule for long term, the party also needs to meet the political needs of the people, the cultural needs of the people.

MR. LIEBERTHAL: Thank you very much. We have time for one more question, I think. Over here.

MR. MITCHELL: Thank you. I'm Garrett Mitchell and I write "The Mitchell Report." This is a question for Professor Yu and it builds on the question from Singapore.

You outlined in some detail the kinds of changes that you look for in governance in China: decentralization, greater government services, accountability, transparency, et cetera. I'm wondering that as you and your colleagues have looked at various models of governance around the world and you think about your own evolution from where you are today to where you might be in a decade or so, are there any specific countries or any specific models that seem to you to be most relevant to the Chinese experience, in other words that you might emulate in some way or another? And if so, what would those be?

And the second part of the question is in looking at those various models you've obviously looked at the United States. And I would be interested in knowing what your view is

of the most significant flaws that you see in America's governance model and governance experience today.

MR. LIEBERTHAL: Boy, we only have about two minutes. (Laughter)

MR. YU: This is a very big question, but I'm personally very interested in the topic because one of my research areas is comparative politics.

As you see, China is a very unique country. It's a very unique people. And we say everything has Chinese characteristics. You are very familiar with such a statement. But we have been learning from the Western countries. At the same time, we insist on we're not copying from the Western countries. But throughout the process of opening and reform, you can tell that we've been learning a lot of the good and beneficial sense from the Western institution without directly copying.

Well, China probably is the only country that sends a lot of its high-level officials to the Western countries, especially the United States, to attend a seminar or attend training or to learn. And, say, they have a seminar and training courses at Harvard, of course you have to pay, but the focus of the training is mostly governance.

When we look at the governance in China you see it has a very strong -- it still remains very Chinese. It has a very strong Chinese characteristic, especially in the party leadership. And so you see on the one side it has its unique Chinese characteristics and on the other side it also shares some commonalities or similarities with the Western institutions, especially of the USA.

Well, I can't say which governance model from other countries that we like best or from the party leadership's eyes which is the best governance model. But I can tell that our leadership is always eager to learn from other countries in terms of governance by looking at the place our party officials travel to learn or to be trained. The first and the biggest destination is the United States and then UK and we have also a training seminar established for cadres at Cambridge and Oxford and also we send party officials to be trained in Germany. I don't see anybody going to Russia or African countries in these destinations. Maybe for research purposes, but definitely not for training.

Also, Singapore is one of the destinations. (Laughter)

MR. LIEBERTHAL: As you can see, Professor Yu is both a scholar and a diplomat.

(Laughter)

As I mentioned at the start, the themes that were struck in the formal presentations are themes I think that will carry throughout the day, but we'll look at these issues from different angles. Our next panel begins after a 15-minute break. It'll focus on trends and challenges in Chinese governance.

So you have 15 minutes, but before you leave to take your break, please join me in showing our appreciation for (inaudible). (Applause)

(Recess)