

THE BROOKINGS INSTITUTION
THE JOHN L. THORNTON CHINA CENTER

CHANGES IN CHINA'S POLITICAL LANDSCAPE:
THE 17TH PARTY CONGRESS AND BEYOND

Washington, D.C.

Thursday, April 12, 2007

Opening Remarks:

CARLOS PASCUAL, Vice President and Director, Foreign Policy Studies,
The Brookings Institution

Panel One: What Should We Expect from the 17th Party Congress?

Panelists:

CHENG LI, The Brookings Institution

ALICE L. MILLER, Stanford University

BARRY NAUGHTON, University of California at San Diego

Moderator:

CHU SHULONG, The Brookings Institution and Tsinghua University

Panel Two: Agents of Change in Chinese Politics and Policy

Panelists:

RICHARD BAUM, University of California at Los Angeles

JACQUES DELISLE, University of Pennsylvania

ERICA S. DOWNS, The Brookings Institution

Moderator:

XIAO GENG, The Brookings-Tsinghua Center

Lunch Keynote Address

Keynote Speaker:

SIDNEY RITTENBERG, author of *The Man Who Stayed Behind* and
former interpreter for Mao Zedong

Moderator:

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JOHN L. THORNTON, Chairman of the Board, The Brookings Institution

Panel Three: Chinese Discourse About Democracy

Panelists:

ANDREW NATHAN, Columbia University

DAVID SHAMBAUGH, The George Washington University

YU KEPING, Translation Bureau of CCP Central Committee

Moderator:

JEFFREY A. BADER, The Brookings Institution

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PROCEEDINGS

CARLOS PASCUAL: Good morning. Good morning. My name is Carlos Pascual. I'm the Director and Vice President of the Brookings Institution responsible for the Foreign Policy Studies Program. And it's my great pleasure today to welcome you today to Brookings and to this two day conference on Changes in China's Political Landscape: The 17th Party Congress and Beyond.

In recognition of China's massive importance as a political, economic, and security power and with the generous support of the Chairman of the Board at Brookings, John L. Thornton, we were able to inaugurate in September of 2006 the John L. Thornton China Center to specialize in the study of China, its policies, and US-China relations.

The center is lead by Ambassador Jeffrey Bader. Jeff -- right here in front -- Jeff is really one of the outstanding scholars and analysts and practitioners on US China policy in the United States. Including Jeff and our colleague Xiao Geng, who I will come back to in a second, who is based in Beijing, the Center has six full time scholars who focus on issues such as Chinese politics, leadership and decision making, US-China trade and investment issues, China energy questions, cross-Strait relations, Chinese foreign and security policies, Chinese economic policies, and looking at all of these together, how they affect US-China relations and the roles that the United States and China play in Asia and in the international community.

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In order to deepen our capacity and the impact of our work, in October of last year, the John L. Thornton China Center at Brookings, together with Tsinghua University in Beijing, founded a joint center for Chinese public policy research at the Tsinghua University School of Public Policy and Management in Beijing.

It's a real pleasure for us to partner with Tsinghua, which we see as one of the leading universities in China and in particular, with the School of Public Policy and Management, which we see as at the forefront of the field of public policy analysis in China. That center in Beijing is led by Dr. Xiao Geng, who is here with us today.

The Center is a reflection of Brookings's philosophy, which is that if we want to have an impact in a global environment, we need to work in partnership with those who are leaders in scholarship and analysis overseas, because they are the specialists who better understand the particulars of their country, the leadership, and decision-making, but where we also have an opportunity to bring in expertise on how those country specific issues link up with US and global factors.

And together, we believe that we can in fact actually produce a stronger set of products than either of us can produce on our own. The kinds of issues that we will be tackling at the Brookings-Tsinghua Center include questions such as: China's dependence on coal for its energy sector, its impact on the

environment and the implications for global climate change; China's dependence on oil -- it's becoming the second largest importer of oil in the world -- and how this affects international energy markets and China's decision-making internally and in its decisions on foreign policy issues; the massive structural imbalances that we see internally in China, where we have massive poverty and wealth existing side by side; the challenges of urbanization, where you have cities of 15 and 20 million people and what it takes to be able to manage that kind of growth; and questions of public health, where you have massive challenges in finances in a country with great regional disparities.

These are the kinds of things that will be at center stage at the Brookings-Tsinghua Center, where we have already started a lecture series that was kicked off by Jeffrey Sachs on issues of economic development and sustainability and where you will see constant engagement and activity.

Today, we are going to focus on the question of China's changing political landscape and the upcoming 17th Congress of the Chinese Communist Party. The Party congress is held every five years. It selects members of the Central Committee, the Politburo and the Politburo Standing Committee. It is also used to lay out a political vision where the top leaders hope to guide China's development over the next half decade.

Why is this important? Now, let me give you a sense. If we think about China in 2050, it will have the largest GDP in the world; it will be the largest

emitter of carbon dioxide in the world; it will have the largest active duty military in the world; and it will have, after India, the second largest population. Without China, it will be impossible to address the world's key challenges, whether they be economic growth and prosperity, poverty, environmental sustainability, energy security, or peace and security on the planet.

Whatever those principle issues are, unless the United States and China are centrally involved in tackling those questions, it will be simply impossible to address those issues with any degree of success, and hence, this conference will seek to help us understand China, its goals, its decision-makers, the structures for how those decisions are made and how they might impact on policy.

We are fortunate to have with us over the next two days sixteen extraordinary experts who will help us understand and assess the forces that will be at play when the party elite gather to pick their new leadership and lay out their strategic vision this fall. It's impossible for me to note all of those experts right now, but in particular, let me highlight the participation of Mr. Sidney Rittenberg, the author of *The Man Who Stayed Behind* and a one time interpreter for Mao Zedong. Sidney is a two-time political prisoner, and a man who literally has seen it all in modern China. And he will address us this afternoon in a keynote speech from the perspective of someone who has literally been at the center of Chinese politics for 60 years.

I'd like to give special thanks to Cheng Li, who has been the principal organizer of the conference today and planning this event. Without him and his vision of how to bring this together, it simply could not have happened.

I'd like to again thank Jeff Bader for the leadership that he's given to the John L. Thornton China Center. It has been an extraordinary act of leadership and of vision to bring together the people and the issues that have made the Center so vital. And to the China Center staff, thank you for the work that you've done in pulling together this conference.

The conference itself will generate a series of papers and they will then be published as an edited volume by Brookings that will come out this fall. Cheng Li will take the leadership role in editing that volume.

And so, to start, let me make the transition to this panel, where we will begin with what to expect about the 17th Party Congress. We have the benefit of having with us this morning Dr. Chu Shulong, who will moderate this panel. Dr. Chu is from Tsinghua University. He is a visiting fellow this year here at Brookings, so we've had an opportunity to work with him intensely for the past months.

On that note, Chu Shulong, thank you, and I turn it over to you.

CHU SHULONG: It's an honor for me to be a moderator on the 17th Party Congress. And as we all know, the Party Congress is the most important event in Chinese politics every five years, although, not every Party Congress is the

same. This year may not be same as the last one five years ago, because this time China will not be picking a new number one leader. It will, however, change some of the leadership. And while this fall's Congress may not pick a new leader for the next five years, we may see the emergence of the individual who will become the next leader five years from now at this Congress.

On this panel we have three distinguished scholars on Chinese politics. First, there is Professor Li Cheng, who is well-known not only in the US but also in China. His book about the Chinese leadership is a really outstanding interpretation and it's not only read in the United States, but also in China on the subject of elite politics. It's a very influential book for the understanding of Chinese politics.

Next, we have Professor Alice Miller. You'll note that you can get information about the career and achievements of each of our panelists in the materials handed out at the door on the way into today's conference, so I will not say too much about each panelist. Professor Miller works on a wide range of issues in China, including democracy, human rights, and institutions. She is now at Stanford University's Hoover Institution.

Our third panelist is Professor Barry Naughton. He's a professor at UC-San Diego and has worked a long time on Chinese politics, economics, political economy, and has written numerous articles about the Chinese economic transition and reform.

So, we are going hear from them about the coming Party Congress and its significance for Chinese politics, the economy, and society. Before we begin, I'd like to ask you to please turn off your cellular phones or put them on silent mode. Also, after the presentations we will have time for questions and comments.

LI CHENG: Well, thanks, Shulong, for that generous introduction, and especially for saying that I'm famous in China. I wish my mother were here--she would believe that. Well, I'm honored and a little overwhelmed to speak to such a distinguished audience.

When F. Scott Fitzgerald sent the final manuscript of *The Great Gatsby* to his editor, he attached a brief note expressing his joy at completing the work. "My God," he wrote, "it's so good to see those chapters lying in an envelope." Well, today, my colleagues at Brookings and I have a similar feeling of fulfillment.

We are grateful to see so many China-watchers sitting together in this conference room. We truly look forward to having two days of fruitful intellectual exchanges and scholarly debates.

Now, the title of my paper for this conference is "Will China's Lost Generation Find the Path to Democracy?" I'd like to start with a joke once told to me by my good friend Steve Orlins, the President of the National Committee on US-China Relations. In the middle of a trans-Pacific flight, an aircraft pilot

announced to the passengers that he had good news and bad news. “The good news,” he said, “is that we are ahead of time. The bad news is that we are lost!”

Now, this may be a good metaphor to describe today’s China. The country has had the fastest growing economy in the world over the past two decades. But it seems to be lost concerning the political direction in which it is heading. China’s political system has been increasingly inadequate for dealing with the complicated, sometimes contradictory, needs of the Chinese economy and society in recent years.

Coincidentally, the upcoming generation of leaders, the generation that will emerge into positions of national leadership at the 17th Party Congress this fall, is mainly composed of the members of so-called lost generation. These individuals were born in the 1950’s, and lost the opportunity for formal schooling as a result of the Cultural Revolution. Many of them were sent from the cities to the countryside to work as farmers for years or even decades. Yet, many of these fifth-generation leaders made remarkable comebacks by entering college when higher education system reopened after 1977.

These experiences enable them to put their professional and political careers back on track. Now, in their late forties and early to middle fifties, they are on their way to the pinnacle of power. Will this new generation of leaders have a better understanding of their fellow citizens’ needs than previous leaders? Will this unique lost generation of leaders, who made drastic changes and dramatic

comebacks in their own lives, also find a brighter future, a path to democracy for their country?

These are the central themes and broad context of my study of the so-called fifth generation of leaders. In the following 15 minutes or so, I will focus on three specific questions. First, what should we expect from the 17th Party Congress? Second, what are the defining characteristics of China's fifth generation leaders? And third, how far can China's so-called 'inner-Party democracy' go?

Now, let's start with the first question. What should we expect from the 17th Party Congress? There are two important issues with respect to the Congress that I want to deal with today. One is the anticipated rise of the fifth generation of leaders, and the other is the question of picking Hu Jintao's successor-designate or what we could call "After Hu, who?"

Now, let's look at these issues very quickly. The first, let's look at the average age of the members of the top Party organs. We'll look at the three most important bodies: Politburo Standing Committee, composed of the nine most powerful people in China—its average age is 67 this year. The next level is the 25 Politburo members, including the aforementioned 9 from above—its average age is 66. The final level is the Secretariat, the organ that's in charge of day-to-day events in China--its members average 65 years in age. And these are all supposed to be very young organizations!

Now, if we also look at the full committee, the whole central committee altogether, that amounts to 356 people – including full members and alternates. The percentage of those above 60 is about 68%. But if you look at only full members, about 190, the percent of these members above 60 is over 88%, which means that more than half of them will have to step down because of age restrictions.

Looking at the nine most powerful figures, the Politburo Standing Committee members, I expect that about 4 to 5 of them will retire. Hu Jintao and Wen Jiabao probably will stay, but Wu Bangguo is likely to retire; he's the head of the NPC. And Jia Qinglin, while he's not that old, might nonetheless retire because Jiang Zemin, his patron, is already less powerful.

Zeng Qinghong is also pressing the mark. I personally think that he will want to retire, but of course, there's a 50% chance that he may stay. Huang Ju will retire and Wu Guanzheng is going to retire because of age, while Li Changchun will probably stay. The last member of the Politburo Standing Committee, Luo Gan in charge of China's security and public security, is already 73 years old and will surely retire.

Now, let's look at some of the details. In my assessment, 50 percent of both the Politburo and the Politburo Standing Committee will step down. And all except for one person, the propaganda czar Liu Yunshan will stay and all other six members of the seven-member Secretariat will step down. And also, three out

of four vice-premiers and four of the five state councilors on the State Council, except the Vice Premier, Hui Liangyu, and the state counselor, Zhou Yongkang will stay. All others will be replaced. Of course, this will not happen until March of 2008 during the National People's Congress. But the decision will be made in this Party Congress.

Now, this also means that most of China's financial and economic team, including Huang Ju, Vice Premier Wu Yi, Vice Premier Zeng Peiyan, and State Councilor Hua Jianmin. China's foreign policy team will also see a number of major retirements, including State Councilor Tang Jiaxuan, Foreign Minister Li Zhaoxing, and possibly Dai Bingguo.

A number of members of Party's Central Military Commission are also expected to retire because of age. And also, finally, 60% of the Central Committee will step down. This figure of 60% is probably not so unusual. Looking at the previous party congresses from 12th in 1982 to 16th in 2002, there has been roughly a 60% turnover rate. This is an authoritarian regime, but the turnover rate of the top leadership in the Central Committee's most important body is very high, 60% on average.

Now, the second question, Hu Jintao's successor-designate. There are two models currently debated, if not publicly then at least among the leadership and also among the think-tanks. One is to choose one core leader, very much like what happened with Hu Jintao, put him in the Party's Politburo Standing

Committee, give him some kind of responsible position for a period of about 10 years, and then let him become the number one leader. In this model, the next top leader is chosen and placed as first among equals.

However, there's an alternative method of selecting the next leader that many of China's intellectuals favor. They argue that the Politburo Standing Committee should not just decide to appoint the next leader but should instead pick two to four new stars and let them compete with each other for the final promotion. Whoever these next leaders are, they will be probably identified at the 17th Party Congress. All of them will be promoted to the Politburo Standing Committee, and then, after 5 years, there will probably be an election within the Central Committee of 350 people to 400 people at the next Party Congress – the 18th Party Congress in 5 years, to pick the next leader.

Now, these are the two scenarios. I don't know which one will come to pass, and both are risky for different reasons I can elaborate on during the question and answer period.

Now, let's look at the second question. What are the defining characteristics of China's fifth generation leaders? I selected the 103 highest-ranking leaders who fit in the age group of those born between 1950 and 1959. These are the 103 highest ranking fifth generation leaders. I include ministry leaders as well as members on the three most important organizations—the Central Committee, Politburo, and the Secretariat. If they're

not counted in these organizations as alternates or as full members, they should at least be ministers or governors or provincial Party Secretaries.

All the information on the individuals in this database comes from Chinese official sources, particularly from Xinhua News Agency on-line, but also from Chinese publications. Seven categories are coded and indexed for analysis. This group of 103 leaders includes five stars, Liaoning Party Secretary Li Keqiang, 52 years old. Another one is Jiangsu Party Secretary Li Yuanchao, 57 years old, and Wang Yang, 52 years old, Chongqing Party Secretary. The next one is Xi Jinping, just appointed as the Shanghai Party Secretary, 54 years old. And actually of these four people, three of them have Ph.D.'s. A final star is Han Zheng, the Mayor of Shanghai.

Now, of course, some of the other possible contenders for top positions may not have been born between 1950 and 1959, but they're usually just a few years older. These people also have a chance to move up. However, because of the Chinese obsession with age, they probably will not be successors, though they are likely candidates to enter the next Politburo. These including Beijing Mayor Wang Qishan, Tianjin Mayor Dai Xianglong and also, the united front head, Liu Yandong and currently the minister of the NDRC, Ma Kai.

Also there are a few others, like Du Qingling, Party Secretary of Sichuan and Minister of Commerce Bo Xilai and the recently-appointed Tianjin Party Secretary Zhang Gaoli, and the Governor of the People's Bank, Zhou

Xiaochuan. These are eight people still have a chance to move up, but probably because of age obsession I mentioned will not be successor to Hu.

Let's also look at their characteristics. One commonality is that members of the fifth generation all have had humble, hardship experiences during their formative years. Second, a majority of the members of this generation have post-graduate degrees. Also, the end of the predominance of the technocratic leadership that characterized the third and fourth generations will happen in this generation. The rapid rise of lawyers, a number of whom have foreign study experience, have already started to emerge, particularly in social sciences and also proving power of the *tuanpai*. The *tuanpai* is the Chinese Communist Youth League. A number of officials made their careers there. They've become very, very powerful because Hu Jintao was the head of that organization.

Let's look at the first graph. About 54% of the fifth generation leaders have had the experience of being sent-down youths, and spent years or even decades in the countryside as manual laborers. Eight of them, about 7.8% were themselves born in a farmer's family, and started their careers as farmers. This is extraordinary. Sixty percent of these leaders have rural experience due to their formative years. This will probably never happen again in China's history.

Many of the new leaders have advanced degrees—about 80% of them have Master's or Ph.D. degrees. Now, this reminds me, Qian Xuesen, Deng Xiaoping's advisor, predicted 20 years ago that at the beginning of the new century

all the committee-level leaders should have undergraduate degrees; all municipal leaders should have Master's degrees; all the ministers or above should have Ph.D's. You know, when I told it to my secretary at Hamilton College, she just amazed. She said "Can you imagine a country run by Ph.D.'s? You guys can't even run the copy machine!"

This dramatic change will bring to an end the dominance of the technocrats, ending their years as the leading source of politicians. If you look at 1982 – 1992, there were only a very small number of people – only two people and one minister. Five years later, these numbers increased to about 20 to 45 percent in the three categories of ministers, Party secretaries, and governors. And in 1997, this trend toward leadership by technocrats in my view reached a peak. About 70 percent of the current leaders are technocrats, mostly engineers, including all nine of the top leaders of the Politburo Standing Committee. Beginning this fall, this will change.

Looking at the 62 current party chief and governors, engineers and other technocrats only account for about 33%. Turning to the study pool of 103 leaders, engineers and other technocrats account for only 17%. From 70% of current leaders being technocrats to just 17% expected to be technocrats in the next round... this is a tremendous seachange that we will see within the next few years. The rise of lawyers or those trained in politics is particularly remarkable among the fifth generation. Among the front runners for high positions in the next Politburo,

all have either a law degree or a politics degree: Wu Aiying is the Minister of Justice, Xi Jinping is the Party Secretary of Shanghai, Han Zheng is the Shanghai Mayor, and Wang Huning is the Director of the Policy Research Center of the CCP. All of these individuals have international relations Master's degrees or law degrees.

Yuan Chunqing also has a law degree and Ph.D. in law. Yang Jing, the Governor of Inner Mongolia, is also a law degree holder. Song Xiuyan, the only female governor has a law degree and politics degree at the Central Party School. Hu Jintao's personal chief of staff Ling Jihua also has a degree in law and politics. And finally, the recently-appointed Qinghai Party Secretary Qiang Wei also has a law degree. All these lawyers have suddenly emerged in the Chinese leadership.

A second common characteristic of fifth generation leaders is that they tend to have greater foreign experience than their predecessors. As we know, previous leaders usually studied abroad as visiting scholars in fields such as science and engineering. But now, this has changed. Most of the fifth generation leaders who studied abroad did so as visiting scholars in the social sciences. Yang Jiechi was in UK in 1970s. And Wang Huning was a visiting scholar at the University of Iowa. And this was about 18 years ago. I went for a job interview and they constantly talked to me about Wang Huning, his experience. You know, he is very open-minded, very courageous, really interested in political reform. This was

about 12 years ago. He was a visiting scholar later around the eighties, around the time of Tiananmen.

Cao Jianmin is the number two person of China's superior court, also a law degree and study in San Francisco and Belgium. And Jiang Jianqing a friend of John Thornton, and Feng Jiansen, have been visiting scholars at Columbia University, where they studied finance. And more recently, Li Yuanchao is a rising star, one of the possible successors; he was a visiting scholar at the Kennedy School 2002. And he speaks very good English. He spent half a year. And another rising star, Li Hongzhong, Party Secretary and Mayor of Shenzhen, also spent half a year at the Kennedy School. This is really a major change from the past.

Looking at the rise of *tuanpai* officials, these people in the past five years have increased dramatically in number and influence under Hu Jintao's leadership. There has been a rapid rise in the number of governors with *tuanpai* backgrounds. There are now two major camps or factions, although this is not a new, but rather a continuation of a past trend.

In my study, about 48.5% percent of the top 103 fifth generation leaders are *tuanpai* members. Almost half of 103 people with close ties with Hu Jintao usually started working with the Chinese Communist Youth League in the early 1980's. As such, they tend to have roughly 20 years' of work relations with Hu Jintao, and most were promoted by Hu Jintao himself.

But at the same time, other forces have come together to try to contest the growing power of the *tuanpai* faction, such as the children of former high-ranking officials. You see this with Xi Jinping; Lou Jiwei, the former Executive Vice-Minister of finance; Han Zheng; and Wang Huning. These people we just mentioned—to China experts these are very familiar people. At any rate, these two camps are already starting to compete.

Now, let's move to the last question. How far can China's so-called "inner-Party democracy" go? In my view, there are some trends that will become more visible in the future. One is the end of zero-sum politics. Politics in China is no longer a zero-sum game. Another is the growing consensus on the need for institutional checks and balances or what I call a "one Party, two factions" formula, borrowing Deng Xiaoping's "one country, two systems" formula for Hong Kong.

Let's look into this "one Party, two factions" idea very quickly. There are several important things to note here. One is that these two factions represent two very different socio-economic and political groupings and geographical regions. Second, they have differing policy initiatives and policy priorities. Third, they are complementary to each other in terms of their leadership skills and also their areas of expertise. And finally, while they are competing with each other on certain issues, they cooperate with each other on other issues.

I don't want to go to too many details. Looking at the top 14 *tuanpai* leaders, Hu Jintao's protégés, one sees that they are very strong in rural experience,

in organization work, and in propaganda. At the same time, however, they have no experience and no expertise in foreign trade, banking, finance, or industrial policy.

Now, what does this mean? The groups certainly have their own set of policy preferences, but it also means they have to rely on the other faction, so therefore, sharing power, compromise, and negotiations will increasingly become a norm. How far will these trends go? Very quickly, we'll look at some limitations. One is the lack of transparency and democracy. Factional politics is not yet seen as legitimate. Many people fear the loss of control and chaos, and media censorship has actually accelerated, which is incompatible with constitutionalism. The divisions between party, state, and army are not well-defined.

Let's look at some reasons for optimism though. One is the end of the era of strong-man politics. Another is that politics is no longer a zero-sum game, the translation of which in Chinese is literally, "you die, I live". Wu Guanzheng's recent remarks on democracy are also very interesting.

The rise of middle class and increasing public awareness of human rights are also important factors, as are the growth of political and cultural pluralism. And finally, Yu Keping and Andrew Nathan can sit together on the same panel, which tells us a lot.

Finally, what do the following people have in common? I don't want to tell you what my conclusion is, but let's just discuss the following

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individuals: Chun Shui-bian, President of the Republic of China; Annette Lu, the Vice-President of the Republic of China; Ma Ying-jeou, the former Mayor of Taipei and a leading presidential candidate; Li Keqiang, a rising star in China's fifth generation, Hu Aiying, Minister of Justice of China; and Zou Qiang, the youngest governor in Hunan – what do they have in common?

They are all lawyers!

Thank you very much.

CHU SHULONG: Okay. Thank you. Now, we are more clear about the next generation of leadership because of Li Cheng's presentation. He made a number of good points about how we are going to have a new generation, which they call the lost generation of Chinese leadership. This generation is different. Mr. Li and I also belong to this generation in terms of age, though not in terms of leadership!

Next we have another important topic. Professor Alice Miller is going to talk about institutionalization and the changing dynamics of Chinese leadership in politics. Professor?

ALICE MILLER: Thank you, Professor Chu. Let me say at the outset that I made way too many slides for a 20 minute presentation, so I'm going to offer you the advisory warning that I often give in this sort of a situation and that is that I'm going to talk very fast and move through the slides fast.

Some of you know that before I became a historian that I was trained to be a physicist, and so, this procedure is based on the idea that if you speed up, time slows down, and therefore, you can get more into the available time. So, I will hurry through this very quickly. A lot of it I think you may know.

I was happy to be invited to give this talk and write this paper, because it gave me an opportunity to try to pull together a lot of things that I've thought about for a while and largely tried to integrate in a way that makes sense.

The argument that I'm going to offer you is that what we see in China over the last 25 years is a process of incremental institutionalization that has changed the rules by which politics is played, especially at the top levels of the Chinese system and that this reflects a deliberate effort on the part of Deng Xiaoping in particular to create an oligarchic leadership that can govern China effectively but also inhibit the rise of an all-powerful dictatorial leader.

This has changed, I think, the criteria by which leaders are suggested to or proposed to rise to the top of the Chinese political system and I think we will see evidence of this at the 17th Congress, an opportunity to see this process of institutionalization play out in ways that I think will – I hope will anyway, from my viewpoint, verify or validate this viewpoint.

What I'd like to do is simply very quickly review the process of institutionalization. I'm sure most everybody knows this, but I want to provide a little bit of context for what follows. I'll talk a bit about the institutionalization of

the decision-making process at the top levels of the leadership. This is a very difficult topic to get at, and it's one that I've followed from afar, obviously. But I think we can begin to put together a picture that has some basis. Then I'll suggest how all of this may affect the kinds of leadership adjustments that we may see at the 17th Congress later this year. And then finally, I'll suggest what the implications of this may be for political change in China.

Now, the process of institutionalization began very early in the reform period. And there are two or three very basic motivations here. One was the shift away from waging class struggle, the kind of transformative regime that Mao built, in favor of a regime that governs, more of a regulatory party-state.

With that, a process of institutionalization began because they needed basic discipline, basic rules to be able to accomplish the goals that they'd set out. Also, they wanted to inhibit the acquisition by any single leader of the kind of power that Mao Zedong had. They did not want to live through that kind of system again and in particular, they wanted to prevent the resurgence of the kind of revolutionary politics of the Cultural Revolution decade.

This was visible in a lot of ways that I'll spell out very briefly. One was simply the restoration of routines in Party meetings and also in state meetings. The Party congresses and Party plenums began to meet according to the stipulations of the Party constitution. And you can see this, I think, if you look at the period from 1956 to 1959, when they were working very hard to follow the

dictates of the stipulations of the constitution set down at the 8th Party congress. They were meeting twice a year basically as the constitution prescribed. But after that, after the Lushan Plenum and the failure of the Great Leap Forward, the basic routines of Party process at the top broke down.

As we move into the reform era, we see an almost metronomic regularity in Party meetings and so forth. All of this came with corresponding changes, a routinization of all the processes that support these kinds of meetings. If you're going to have National People's Conferences at which the finance minister delivers an annual budget, then you have to have people and processes in place in order to be able to do that. And that's what we've seen.

Changes at the top, regularization at the top has driven corresponding processes farther down in the political system. You can see the same thing with respect to a convocation of the National People's Congress. With respect to Party discipline and socialist law, they restored the Party disciplinary mechanisms. They didn't restore the old control commission, but they created a Discipline Inspection Commission through various levels of the system, and various codes of cadre behavior were put in place and refined over the two and a half decades since. We have seen a resumption of the effort begun in the mid-1950's to set down laws. China has no shortage of laws. The implementation

or compliance may be in question, but at least the effort to try to create this body of laws has taken off, beginning in 1978, 1979.

In terms of leadership turnover, there has been a clear effort that I think has succeeded in significant ways in providing for the routinization of the turnover of leaders over time. And in the state institutions, there were fixed term limits written into the 1982 PRC constitution and internally, at least by internal Party norms, there are comparable norms for retirement, expectations of retirement reflected among other things in the prescription that was adopted apparently in the mid-1990s, maybe 1997. A number of Politburo people are expected to retire if they reach the age of 70 at the next Party congress.

This also has been accompanied by an effort to try to build an orderly process of succession. China is similar to all other communist countries in failing to be able to do that until this period. And so, what we've seen is a process that has finally produced in the 2002 to 2005 period a very orderly succession built on the precedent established by Deng Xiaoping himself, when he retired from all the leadership posts he held between 1987 and 1990.

This is, I think, the premiere example of a deliberate succession in which a senior leader, actually the top leader, withdrew from his top positions and was succeeded by a man who was prepared over a long period to be able to take the reins of power. And Hu Jintao, the Party's current leader, as I think everybody knows, was rocketed – helicoptered, I guess is the right term in Chinese, up to the

top level of the Politburo Standing Committee in 1992. Over the ensuing 10 years, he was given the post of PRC Vice-President in 1998 and then was made Vice-Chairman of the Central Military Commission in 1999.

What that meant was that when he took over as Party chief in 2002, he already had 10 years worth of experience on the Politburo Standing Committee. When he became PRC president in 2003, he had already been Vice-President for five years. And in 2004 or 2005, when he took over the Chairmanship of the two military commissions, he had 5 years experience in those roles. So, it was a very conscious and deliberate effort to prepare a man to take over.

The leadership work system I think is perhaps the most relevant aspect of this process of institutionalization that may give us some clues as to what sort of people we may expect to see appointed in the leadership adjustments at the 17th Congress. And what we've seen across the history of the PRC is an evolution in the leadership's work system, the process by which they make decisions and so forth that was initially set down in the 1956 to 1958 period. I'll explain this in a second. It fell by the wayside in the Cultural Revolution decade when the Cultural Revolution Leading Small Group took over much of the process of politics in that period. It was deliberately revived by Deng Xiaoping in 1980 and then revised in 1987.

The initial system was set down in two stages, at least as best I can tell, at the 8th Congress in 1956. They created a Politburo Standing Committee, a

smaller subset of the larger Politburo, that would take over the process of day-to-day decision-making. They also revived the post of Party General-Secretary, which had been set aside back 1937 and instead, in 1943, they created the position of Party Chairman, and that went to Mao Zedong. But in 1956, they brought it back and they gave it to Deng Xiaoping.

In 1958, they filled out this system. They added a couple more members to the Party's Secretariat, and most interestingly, they created the so-called leading small groups, the *lingdao xiaozu* that help coordinate policy once it has been decided by the Politburo and its Standing Committee.

This system was put in place because of recognition that the existing system was inadequate. It coincided with a shift from socialist transformation, the nationalization of business and commerce and the collectivization of agriculture, to the project of so-called socialist construction, China's current stage. The leadership wanted to create a collective leadership that could manage the day-to-day affairs as Mao began his retreat to the second line.

In this system, the Politburo Standing Committee would emerge as the decision-making arena. The Politburo itself would serve as a kind of a back bench that could advise and endorse the decisions made by the Standing Committee, and the Secretariat would oversee, together with the leading small groups, the coordination and implementation of policies.

Mao summed up his system in 1959 at a speech in Shanghai in which he said I am the commander and Deng Xiaoping, the General-Secretary, is the deputy commander. And so it was a one-two working system that was inaugurated in this period, a fact that was reflected in the concentration of power in the Politburo Standing Committee of that period, in the top posts of the major political hierarchies in the period, through the addition of Deng Xiaoping, the man who would oversee implementation and coordination of policies made by this group.

Deng Xiaoping headed the Secretariat. Each of the members of the Secretariat had authority in the various policy sectors in which the most important decisions would be made, and five leading small groups were headed by the various people listed on the slide you see behind me. I finally found the Party directive that created this system buried in the Hoover Library of all places. Anyway, the Secretariat would assist in the implementation of the policies that would be put forward.

Now, this system fell by the boards in the leadership conflict of the 1960s, when it was displaced, but in 1980, it was the system that Deng Xiaoping brought back. This effort coincided with the resumption of the effort to spur modernization as the first priority of the Party. Class warfare was only a secondary or even tertiary responsibility for the Party. And so, specifically, they brought back the Secretariat and revived the post of General-Secretary at the 5th Plenum in 1980.

And at the 12th Congress, they filled out the same sort of working system that had existed in the 1956 to 1958 period.

Under this system, the Politburo Standing Committee became the principal arena of decision-making again. And in contrast to the period before this time, the Politburo stopped meeting on a regular basis. This was told to Doak Barnett back in 1984 in an interview by Zhao Ziyang, and I've been counting Politburo meetings for a long time, and it seems to confirm this basic pattern.

Also, in this system, the Secretariat once again became the operational system to implement and coordinate policy decisions. Now, this system worked for the early years of the reform, but ultimately, it suffered some setbacks with the removal of Hu Yaobang in January 1987 as General-Secretary. The underlying charge – there were a whole array of charges against Hu, but the underlying charge was that he has usurped decision-making authority that belonged to the Politburo and its Standing Committee. And that's confirmed, I think, by the reduction in the size of the Secretariat that was elected later in the year at the 13th Party Congress.

The resulting work system is the one that's in place today. It is a system that seems to be consciously designed to inhibit the assertion by power of a single leader who could dominate the Politburo in the manner that Mao did in an earlier period. It emerged from the 13th Congress. The Secretariat was reduced from ten people to just four. The Politburo Standing Committee was again made

the day-to-day decision-making body, and the Politburo resumed its monthly meetings schedule. This is confirmed by publicity accorded to the Politburo meetings in the period from 1987 through 1989.

When one looks at the composition of the Politburos and Politburo Standing Committees that emerged across this period, the conclusion or inference that I draw from this is that there seems to be a kind of a conscious balancing among the various organizational constituencies that sit on the Politburo. And this is underscored by three or four things, I think. In looking at the 14th, 15th, and 16th Central Committee Politburos, they tend to have a number of members that is stable between 22 and 25, there's variation from congress to congress in the Politburo Standing Committee, and there's a return to the original size of the Secretariat.

But when you add up the various constituencies, the secretaries who sit on the Politburo together with the representatives of the CC departments, you know, what one sees is comparable numbers in terms of representatives from the State Council and NPC and from the regions. The regional representatives were appointed for the first time with one exception in 1958. And so, they now constitute an important element on the Politburo.

This seems to be an effort to create balance among the constituencies on the Politburo itself. Now, this system coincided with a generational turnover that I'm sure most of you remember, the retirement of the old

guard of the so-called second generation elite and in their place arose a new third and then a fourth generation of leaderships that are much younger and appear to be configured in ways to provide for effective 10 year terms on the Politburo before they turn over.

The average age of Politburo members in the 12th central committee Politburo around Deng Xiaoping was 72. The 1997 Politburo average age was 63, and the Hu leadership was 60. And this appears to be a conscious effort to create this scale.

All of this coincided with the effort to cast the Politburo as a decision-making body that has the people on the body to make the kinds of decisions the Politburo now is called upon regularly to do. These are post-liberation leaders, people who joined the Party in the 1950s and 1960s and therefore are individuals who have no real experience in the revolutionary period in contrast to the previous ones. They are better educated and if you just compare the numbers who had university degrees in 1982, 1997, and 2002 on the Politburo, I think you can see the rise of a very educated Party elite.

They're also almost totally a civilian leadership. For example, in the 1997 and 2002 leadership, they are virtually no people with military experience apart from the professional military people.

This has created what I call a politics of oligarchy in which we now have a series of institutions and processes that mean that the hardball competition

among leaders, which always goes on – I take that as a matter of theological certainty – is now embedded in these various institutions. And there are within the system built-in safeguards to first try to preserve a collective leadership.

This is evidenced, I think, by the facade of unity and stability that changes the dynamic and at least the rhetoric of the vocabulary of politics in China that I think we've all observed. It's clear in the institutionalized turnover of leaders, and it's also clear, I think, in the way people exit the Politburo.

In terms of collective leadership, what we see is a current leader, the Party leader, who is not designated as the foremost leader, the paramount leader. Instead, he's just identified as the General-Secretary. It reinforces the idea he's simply first among equals. Hu Jintao's position is simply referred to by the Party as the "16th Central Committee leadership collective with comrade Hu Jintao as the General-Secretary". He's not called the "core" of the 4th generation leaders.

Also, there are explicit stresses in Chinese statements, high-level statements, that reinforce this collective process. We see references to the Hu-Wen leadership, not the Hu leadership, fairly frequently. And most interestingly, there are no ideological innovations – and I'll return to this in a second – that are advertised as Hu Jintao's personal contribution to the development of Chinese Communist Party thought.

Thus, we see an altered exit pattern in the leadership. This means that leaders who leave the Politburo no longer do so only after being denounced in

national criticism campaigns. We get no more airbrushed pictures to remove people as occurred in this period. And instead, what we get is leaders subject to socialist law. They get to be put on trial for various misdemeanors and felonies or whatever, though usually only if other political calculations bring matters to a head. In practice, rather than being sent to do hard labor in the countryside, today's fallen political leaders get to go play golf if the winning coalition judges that it's not worth prosecuting the case further.

What we have then is the youngest, best-educated, most technically-qualified and professional leadership China has ever had, and one that is also the most firmly civilian in character in the history of the People's Republic. All of this, I suggest, is a case of intelligent design. It reflects a deliberate effort to create a leadership that is competent to guide China and that will act according to collectivist principles.

To wind this up, I will simply charge through and offer some reservations on some of the suggestions that comrade Li Cheng has made. I think it is always wise to agree with everything Li Cheng says, and I think you should too. So, you can simply take the following comments as nothing more than the reflections of a cranky person.

I think the leadership turnover might not be as great as Li Cheng suggests. I think that among the leaders on the Politburo Standing Committee, we'll see some retirements but perhaps not as high as 50%. It depends on a number

of calculations. Also, the size of the Politburo Standing Committee is a question, but I think it can be quite variable. With respect, this is not Stanford's engineering school graduating class of 1975. This is the rest of the Politburo membership.

We'll almost certainly see some retirements mandated by age. Chen Liangyu is already gone. Jou Li Chung has been replaced as secretary, but I think he could go on to become vice chairman on the National People's Congress or something like that and preserve his seat.

All of the other potential changes and additions are based on power calculations. There may be true connections to Hu Jintao. I don't know. But I think perhaps if you take this institutional argument seriously, one wonders how much Hu Jintao will actually dominate the proceedings.

I'll skip the military commission. We will see an effort, I think, to designate Hu Jintao's successor along the lines we saw earlier. I take some reservation with the scenario that Li Cheng has sketched that we'll see a competition. It seems to me this is an invitation to factionalism that really undermines the system that they've built in place. And so, among the candidates that you always hear about, they're always presumed to have ties to Hu Jintao. My suggestion would be it may be somebody quite different, who is not so explicitly tied to Hu Jintao, simply for the sake of political balance.

The other interesting thing in this is what is going to be done with Zeng Qinghong. Zeng has accumulated the titles that go with the position of

successor. This looks to me like an insurance policy through Hu Jintao's first term. And I expect him to step aside from these positions. And I don't assume that necessarily he will retire. He could become say head of the CPPCC or something like that.

One scenario I do not expect is the attribution of paramount status to Hu Jintao—we've already seen that he just doesn't have the power to claim such status yet.

I'd suggest that what we're seeing is a very different leadership style and that what we won't see after the Congress, is the attribution of all the accomplishments since the 16th Congress in 2002, the rise of people-centered policies, a home-owning society, and all that stuff, being credited after the 17th Party Congress to Hu Jintao's intellectual innovation.

What do we make of the long term? I'm sorry to go over my allotted time, but this will only take one minute. I looked for a piece of wisdom from the *Shi Jing*, the *Classic of Poems* that is a collection of poetry. I looked for something that would encapsulate the dilemmas facing China, but I couldn't find anything. Anyhow, I get most of my wisdom from country music. And Lyle Lovett in this case, I think comes up with the language that best illustrates the dilemmas of oligarchy.

The problem with oligarchy -- and I'm citing Harry Rigby here, a student of the Soviet Politburo, who I've read a lot of works by, argues that you

need a *primus inter pares* in the top leadership circle to organize things so that people can make decisions, but the tendency is for that person to become all powerful, or at least, such a tendency exists if the individual so designated has the ambition to become such.

On the other hand, if you instill collective leadership, there is the possibility that the system will be destabilized by elements in the system who reach down to lower levels to try to mobilize supporters on behalf of their position in the system.

In the Soviet case, the Soviets in the 1970s faced a similar dilemma—they made a similar effort to institutionalize collective leadership. They did the same kind of organizational balancing on the Politburo that we see today in China. In that case, Brezhnev overrode the system. He did capture some of the bases to be the supreme leader, but he was simply too old really to use it in a way that might destabilize the system.

On the other hand, in the Soviet case when they did get a powerful leader, he reached out to other levels of the system to try to break the monopoly of the Party apparatus, and it resulted in the end of the system altogether. And it seems to me that is perhaps the most significant scenario at least that I think about for political change, the split in the party that produces a Soviet-style outcome. There are serious differences, but I think that it seems to me to be the most realistic.

That's it. Thank you.

CHU SHULONG: Thank you, Professor Miller. We have covered people and also institutions. And now, Professor Naughton is going to tell us more about policies, economic policies now and the trends.

BARRY NAUGHTON: Thanks a lot. I promise to have fewer slides than Alice and probably less interesting ones too unfortunately.

My assignment here is to take some of these power transition questions and put them into the context of economic policy, primarily because of the tremendous salience of economic policy in the PRC these days.

Obviously, it's sort of at the center of everything, but also because I think there are ways to grab hold of some of the difficult economic policy issues that confront China that link up fairly closely with some of the political issues and I think give us a perspective on political change that could be useful.

Now, what we've seen in the overall package of economic policies is that the Hu Jintao Wen Jiabao administration has from the very first days of its administration tried to stake out a different approach to policy-making from his predecessor Jiang Zemin regime.

You know, a good example of this – it's five years ago now, but right after Hu Jintao came to power, he carried out this sort of flourish, right, where he brought the Secretariat to this little village outside of Beijing, Xibaipo, where the Party had paused just before entering Beijing and taking power in China in

1949. At this meeting, Mao Zedong had given a speech about the need for plain living and resisting corruption as they were about to go into the cities to take power. You know, all the revolutionary principles were reminded to the party by Mao.

And Hu Jintao, you know, created this almost perfect analogy. Basically, what he was saying is look, economic transition, the first phases of economic transition have succeeded. We are now moving into the middle class status, the so called *xiaokang shehui*. And at this point, we need to reemphasize these glorious revolutionary traditions.

So, you know, clearly, this was a case of pure rhetoric, right? It served a political function to differentiate the style of the Hu Jintao and Wen Jiabao administration from that of Jiang Zemin. There's certainly an implicit rebuke of Jiang Zemin and his sort of love of fame and luxury in this speech and in fact, in many aspects of the style of Hu Jintao.

But, let's be serious. Nobody took this very seriously, starting with me. You know, anybody can go give a speech about honest living and hard struggle, and it doesn't necessarily mean very much. But, what we've seen over the last five years has, I think, been quite surprising. When we track economic policy and many different arenas, we do see a very significant tilt toward the left in many, many different areas.

And increasingly – none of this has been sort of dramatic rapid qualitative change, but increasingly, we've seen policy arenas where resource

allocations have been made that gradually put a little bit more money, a little bit more resources, a little bit more policy bite behind some of the proclamations that started out being merely a rhetorical commitment to the Left.

Now, let me say just a word before we get going about the Left. I'm not arguing that "Left" is a rigorous definition of some kind – it's a mushy, basket term that brings together lots of different things that have, at most, some kind of sentimental connection. But that's exactly the way I want to use the word.

In other words, the point I'm going to make is that the Hu Jintao-Wen Jiabao administration has adopted a conglomerate of policies, the internal coherence and consistency of which is not yet clear and will have to be worked out over the next few years and in particular, will have to be worked out by the new leadership team after the 17th Party Congress. So "Left" is a unifying theme, but not a specific characteristic that any particular leader will have to necessarily defend.

And it's also clear that many of the initiatives I'm going to talk about are moderate and overdue in their efforts to address problems that have emerged in the course of 20 years of reform and very rapid economic growth.

What I'm going to do in the next 20 minutes is very quickly list some of these policies and then talk about what the implications are for the way politics is carried out in China. So this is really going to be a talk more about politics than economics.

But, let me start off by sketching the economics of it. Because, when you add together the economic implications of reach of the six areas I'm about to describe, it adds up to a major change in the role of government in the economy.

And just as background to this change, I just quickly want to put one graph up to remind people that the basic position of the government and in particular the government budget in China has undergone some very, very dramatic changes over the last 20 years. I think it's absolutely fundamental to notice that in the context of transition and growth in China, we've had these two very dramatically different periods. First, from 1978 to about 1994-1995, we had this prolonged period of eroding government budgets, eroding government capability, leading to a very real crisis of government effectiveness in the early 1990's. But, those days are over. That's gone. Forget about it. After about 1994 and 1995, we see tax reform. We see dramatic restructuring of state-owned enterprises, such that they stopped being a drain on the government budget.

And we see from 1995 to 2006, the share of the government budget in GDP went from 11% to 19%. So, there's a fundamental change in the relationship between the government and the economy. Part of that is a fundamental change in the role of state-owned enterprises from being dominant in size but a drain financially to being much smaller, but also much more profitable.

So, these are the big picture economic changes that lie behind some of the things that I'm going to talk about.

Of course, the one other thing to mention is of course the changing role of state-owned enterprises, which also meant laying off an enormous number of workers from state-owned enterprises. And just take a look at those numbers. The number of workers in state-owned enterprises went from a peak in the mid-1990s of 75 million all the way down to 25 million in 2006. Fifty million state-owned enterprise workers have been laid off in the last ten years. And that's part of the background for the social problems that Left-tilt policies are designed to deal with.

All right. So, let me run through very quickly. I think I can speak as quickly as Alice. I'm not sure, but I'll try.

Six policy areas. Number one, rural policy. We've seen tremendous differences here. The tax burden on farmers has been reduced to essentially zero. So, first, we eliminated fees and then we eliminated taxes. But, at the same time, we've seen a steady but cumulative rollout of a series of rural policies, basic education in rural areas without payment. Now it covers about 60% of the population. Within two or three years, it will come close to being universal coverage.

Cooperative medical insurance schemes, where the government contributes 10 Reminbi per capita to rebuilding some kind of very basic, very

simple medical insurance in the countryside and rural social security schemes, both for the poorest and for farmers who lose their land to urban development. That means a huge difference in what the government does in the countryside.

It takes out much less in the way of tax revenue, but it spends a lot more. Here are a bunch of numbers that would have much greater impact if we could bring them up rigorously to 2006. We can't quite do that yet. It just takes time to process the numbers. But what's very clear is rural governments are now fully dependent on the transfer of resources from higher levels. And for the first time in history, the flow of resources is from cities to the countryside through the government budget. That's never happened before. It's a very dramatic change.

This kind of redistributive policy is in evidence not just in terms of individual rural areas but also regionally. For a variety of reasons, all of these programs have been rolled out first in Western China. They're much more generous in Western China and also in Northeast China. The Eastern, relatively prosperous coastal provinces are expected to pay for these same kinds of programs out of their own resources. They don't get central government transfers to create these new social programs. So, the government budget is much more redistributive than it used to be.

Since the tax reform of the mid-1990s, the central government has nominally transferred large sums of money among provinces. But when people studied this, what they found was that in fact most of the money 10 years ago was

just going back to the wealthier provinces that handed the money over to the central government in the first place.

That's changed completely. Instead of tax rebates being the most important part of budgetary transfers, other forms of budgetary transfers, earmark grants, general purpose transfers and wage raise compensation transfers are now more important. And these are highly redistributive to poorer provinces. So, again, the budget's role is very different.

When we look at industrial policy, policy in the cities, now here the picture is more mixed admittedly. But still, we do see a clear emphasis on the role of government in holding on to certain stake firms and articulating an industrial policy that has an on-going role for public ownership.

I think the one part of this that I would flag is in September of last year, the state asset administration commission, SASAC, published a list of seven industrial sectors where they said the state had to maintain predominant ownership, absolute ownership control, which I think we can say means 51% ownership stake

Now, like any of these policies, it's ambivalent and we can interpret it in different ways. But clearly, it represents an effort to draw a line around the public owned sector of the industrial economy and give it some kind of long-term stability and coherence. And in many respects, we see somewhat more nationalist policy with respect to the urban economy in terms of technological standards, in terms of regulation, etc, etc.

And we clearly see a slow down in privatization, in management buyouts, and in susceptibility to restructuring by foreign buyout firms as well. So, a shift there, not a huge one, but a shift.

Urban land policy, a very important area where we see big changes in the last six months. A new government agency has been set up, the National Land Superintendency. It's not set up on a provincial basis. It has 9 regional bureaus. Its purpose is to bring the process of urban land conversion into a policy process characterized by much more regulated and transparent oversight.

It means that local governments must post the price of the land that they transact. They must sell it through open bidding. And they're also supposed to use it in a way which conforms with two national policies. One is overall industrial policy and the other is the policy to build affordable housing.

So, this means that the central government is attempting to implement a very, very different type of policy towards land and in particular, urban land. And we'll come back to talk about why this is so important.

Environment. The Chinese government in the last 24 months has made a rhetorical commitment to the importance of protecting the environment that is absolutely unprecedented, is not at all like any of the policy statements that China has made in the past. The 11th 5-year is completely different in terms of tone and content. And the policy proclamations, including the most recent work report of the Premier, stress that China has big problems, that it did not meet its goals for

energy conservation, that it has not met its goals for conversion from coal to other kinds of power, and that the government is willing to consider even dramatic changes in the incentive system that applies to local government cadres in search of a more effective environmental policy.

Finally, in one last non-economic dimension, we also see a kind of a shift to the Left. And that is in terms of speech and in ideology. Of course, it's very complicated. There's a lot to talk about today about where Chinese official ideology is at, and clearly there has been a certain amount of reinforcing ideological controls on independent media in particular and also on the sort of emerging people's advocates, who have run into a lot of trouble.

Now, what's the economic impact of all this? Let's be agnostic. This is a whole range of different policies. There are some things that are going to succeed and some things that will fail. A lot of this represents policies that are targeted at problems that have emerged in the last few years, unemployment, deteriorating social welfare services. But there is a fundamental tension between the direction of many of these policies and the direction of past market-oriented transition policies.

Traditionally, the weakness of Chinese policy-making has often been saved by the fact that pro-market policies have created groups that have very strong incentives to push through marketization and make things work. All right.

So, initial liberalizations often were taken very far by groups that wanted to take advantage of them.

These policies are different. They don't have clear beneficiary groups who have control over resources who can push to make them work. And in fact, a lot of these policies as currently formulated are going to fail. Green GDP is not going to work as a success indicator for local government politicians. A lot of the industrial policies are not going to work.

But current Chinese leaders have a lot more at stake with these policies than past leaders have. Wen Jiabao is very much associated with this whole complex of policy, and so is Hu Jintao through his harmonious society and other kinds of initiatives.

So we're going to see some very difficult questions in the future. And the post 17th Party Congress leadership is going to have to deal with these questions, namely, what do we do next? We committed to environmental policies, but they're not working. They're not good enough. What do we do now? What step forward do we take? We can find similar things with industrial policy, with urban land policy, where there are very strong interest groups at stake.

So, look for economic policy contentions down the road that will really bring into question how seriously the Chinese government wants to make this commitment to a more fair and equal society.

When we look at the way politics is carried out, look at how fundamentally different the political system is and the way in which interest groups are rewarded under this new complex of policies. Under Jiang Zemin, the most important forms of patronage were exactly those that took place in urban and coastal areas. They were the forms of patronage that came about from central government leaders saying to local leaders hey, you have our permission to form mutually beneficial companies, privatization schemes, and development schemes with private businesses, with developers, with other emerging business groups.

In a way, we can think of the Jiang Zemin political coalition as being a coalition of winners, a group of the marriage of politics and business in a way was beneficial to all of these people. And that meant that it was tainted by corruption.

This new politics that we're seeing emerging is quite different, right? It has a larger set of interest groups being brought into the picture. Rural people are beneficiaries. In-land provinces are beneficiaries. Interest groups are there, and they're being rewarded. But the kinds of patronage goods that are being used to reward people are going more through the budget. It's a little bit more transparent. It's more legitimate.

We can see a sort of emerging contention between two different styles of politics. Li Cheng sees them, and gave a version of this. What I'm talking about is a version similar to what Li Cheng is talking about but with two different

styles of patronage, two different types of resources that are available to reward clients.

Initially, we could see these two co-existing, but look at what's happening right now. The fall of Chen Liangyu from power represents the fall of somebody who epitomized the Jiang Zemin style of politics where the key patronage resource was the ability to make deals, the ability to link up with businesses, and develop urban land. And Chen Liangyu was very much out in front in supporting this as a way to conduct politics.

Now, it's not just that Chen Liangyu is under assault, it's also that land revenues are under assault, so that the very resources this type of politics used are also being put under different types of systemic constraints.

I'm running out time, so let me just put the last screen up, which is to say that what I suggest we're seeing is this tension between all these different strands of economic policy.

And what we see is the people who have actually been resolving these tensions in practice are primarily a group of very veteran economic policy-makers. These guys – and I pick out four of them; there's probably more of them, but there are at least four important ones – have been making policy in China first in junior roles for more than 15 years, and they've been in the top authoritative roles for 10 years now.

Zeng Peiyan, as Li Cheng mentioned, he'll have to retire. The others could still be around and play a role. But, what I'm saying is look ahead, the next couple of years. This large group of veteran policy-makers is going to start to break apart.

And we're going to have to see more resolution among these different groups, which could be compatible with many different types of political outcomes once we get a new leadership group after the 17th Party Congress.

Thank you.

(Applause)

CHU SHULONG: Thank you, Professor.

Now, I think we have very good start about the Party congress and its implications for personnel, institutional development, and policy change. We now have 30 minutes for comments, questions, and answers.

We have a lot of people today. We have a lot of issues to discuss, so please be brief in your questions and answers. One question per person is our rule.

SPEAKER: I've always been puzzled – I'm not a China hand, but I've attended a lot of conferences by you people — I'm always puzzled and I get a hint here or there... what is it that holds this system together? What is the fight really about? You get a very scholarly account of this or that leader coming up and this or that background and this or that policy, but what are the large stakes? What

are the ideologies? Communism is dead. Confucianism is dead. You've got a common ethnicity, but what really holds this thing together, what the fight is about, and what are the larger values and ideologies that are emerging, or is this thing in danger of breaking apart as Alice Miller suggested or hinted at?

ALICE MILLER: Well, I'm being picked on.

What holds the system together? That's a very good question, and part of the answer is obviously force. The People's Liberation Army remains a critical power base, and I think just as a footnote to my own presentation, that's reflected in its absence from the political leadership.

We've seen the growth of a bifurcated system of political and military leadership that seeks to create a system in which military power is subordinated to political leadership. That remains to be tested.

I agree that there are tremendous centrifugal tendencies. China is not homogeneous ethnically at all, and there are powerful regional tensions and ethnic tensions of all sorts. The basic question, though, is how to maintain this system and hold it together without having things fall apart. I think a big part of the answer is that it's fear of the disorder that would result – that really is the positive motivation to keep it together.

BARRY NAUGHTON: And could I just add, a fierce drive for respect, power, and well-being, material well-being. It just drives everything.

CHENG LI: Well, if I may, I'd just add one thing. Ideology in China has changed drastically since the founding of the PRC, first from the ideology of class struggle then to the ideology of economic construction during the reform era, and now to the third period of so-called harmonious society, which pays more attention to social cohesion. So, in a way, the glue that holds society together has been changing all the time. So, I think that we should look at that perspective as well.

ALICE MILLER: A lot of people have suggested that, with the dissolution of Marxism-Leninism as the unifying ideology, there's an ideological vacuum in China today. That's true in some sense, but I think what we see in China is the emergence of a garden of competing ideas; political ideas, ideals of all sorts. This is, I think, one of the most interesting periods politically in China for that reason. And it think it's one of the things that gives China great hope. So, it's not a vacuum at all. The problem is figuring out which one is the one that's going to work.

SUSAN SHIRK: I'm Susan Shirk, UC-San Diego.

It seems to me that what you've laid out here -- the three of you together -- is that the leadership competition which is underway now in the lead up to the 17th Party Congress, and especially the question of succession, is now more intertwined with actual policy issues and patronage than ever before. And keeping this leadership competition quiet, under wraps, so that nobody steps

outside the inner circle to mobilize support and upset the apple cart is very important to the group as a whole, but each individual has an interest in winning, obviously, however he can.

So, I guess my question is: if we see that they haven't been able to identify one successor, does it suggest that over the next five years we're going to see a kind of competition for succession that could destabilize the system? And what are the possibilities that information about that competition will get out to people more -- not just through the Hong Kong press, but maybe even through the new commercialized Chinese media and the internet?

CHENG LI: Barry just had a fascinating presentation in which he really told us that between the Jiang era and the Hu era, there's been a drastic policy change from the emphasis on the coastal region and rapid economic development representing the interests of the rich, the entrepreneurs, the middle class and the princelings, to a policy favoring the in-land regions, what I call China's "red states" rather than its "blue states", with a focus on farmers, migrant workers, and the elderly, etc.

Now, how could that happen within a single-party state, how could such policy change take place, completely without turning things upside down or inducing chaos? This suggests the tremendous ability to adjust to the new environment that exists within the current Chinese political system.

Yes they have different policies, they represent different interests.

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But they also realize they are really in the same boat. And also there's some aspiration for China to merge as a major power. So they'd rather cut deals than lose the game as a whole. But, of course, they're scared, too. They're scared that if there really were to be two candidates, then the lobbying would start. If lobbying starts, factional politics will get going, and that would be something really new to them if it were legitimated. Of course, factional politics not new for China, but this time it might lead to an open split in the Party, not necessarily immediately, but over time.

I think this will not happen in the near future largely because of the quality of this generation. They still will probably keep things hidden behind a veil of unity by cutting deals, negotiating, etc. But eventually this is the direction they have to go.

Eventually, people have to vote -- not by the general public, not the American way, but maybe some portion of the political establishment -- 300 people, or 40 people -- will get to vote.

Now, when the news about Xi Jinping released, some of us were interviewed by the media, but then the Chinese censorship immediately cut all these newspapers these kinds of interviews, like South China Morning Post.

So they're still very much nervous about this factional politics; that's why they basically still really cannot discuss this issue. But, again, society has already changed. People have high expectations. They don't like the idea

that top leaders alone should be allowed to pick the successor.

MR. NAUGHTON: Well, as always, I agree with everything Li Cheng says.

But I guess I take some issue, as I did in my talk, with the idea that we'll see a competition to be the designated successor. My presumption is we'll see a repetition of the kind of pattern to install on the Politburo Standing Committee somebody who will, over the next two or three years, acquire the Vice-Presidency as well as the Vice-Chairmanship of the military commissions. And the object of that is not only to prevent the kind of political lobbying and factionalism that I think a competition would automatically trigger, but also to give the person the visibility on the international stage, as well as the training, to manage the Party apparatus that Hu got -- perhaps on an attenuated basis -- to make him the *primus inter pares* when he becomes the General-Secretary.

You don't want that person to be overwhelmingly powerful and have in his hands the means to assert dictatorial power, but at the same time you need somebody who can manage the process and that everybody will at least respect. And so you need somebody with a distinct personality, somebody who's got center and provincial experience, who's going to be about 55 years old, and that will have a personality that manages well without appearing ambitious. I think Hu Jintao fits that description, and I suspect that the successor will, too.

JUDD HARRIET: My name is Judd Harriet. I'm a documentary film maker.

What fascinates me is the very rapid growth of the new bourgeois class in China. And my question is: how do the two, the Party and the bourgeoisie, talk to each other? How does the bourgeois class -- assuming that it's found its voice -- how do it communicate with the Communist Party? What's the linkage between the two?

MR. NAUGHTON: One of the linkages is that they're the same people.

But, seriously, I mean, the link -- when you go to the city level, the associations between people who have political influence and who have money are very, very close.

You know, the thing that I would add to the political perspective of my colleagues on the panel is that I think we'll see increasing struggles over control over land, struggles over control over public corporations. Who's going to end up with those kinds of economic resources in their pockets I think will determine a lot about how the political system evolves.

CHENG LI: I would like to add one thing. According to Chinese official sources, 34% percent of entrepreneurs -- the owners of private firms -- are already Party members. And a recent Chinese official study found that 35% of the richest people in China -- millionaires and billionaires -- are also party

members.

DOROTHY SOLINGER: Dorothy Solinger, University of California-Irvine.

Again, I want to congratulate all the paper writers. But I also want to suggest that some of these changes were well under way when the new Party Congress met in 2002. For example the programs for laid-off workers were put in place in 1998. And also in 1998, a program of welfare for indigent urban people was initiated, and there was a huge increase in that program in 2001. Indeed, there were all kinds of new welfare programs throughout the late 1990s: a special experimental welfare program in the Northeast region beginning in 2001, and the Go West campaign to benefit the West began in 1999, 2000.

So I'm wondering: is there really such a sharp break? And weren't the seeds of most of these programs underway well before the 2002 leadership came about?

MR. NAUGHTON: Sure. Absolutely.

So, is there a sharp break? No, there's no sharp break.

But, you know, I use the metaphor of a pendulum swing. If we were meeting here five years ago, and we said: is the Chinese government serious -- yeah, they talk about social problems and social programs and all these things, but are they serious about it? We'd say: no, it's just words.

But now, you can look at them and the money, and the money they

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were putting into it in 1999 and 2001 was peanuts. You know, you could sum all these programs up and you get less than half a percent of GDP. And it makes a big difference when you go from a half a percent of GDP to 6 percent of GDP.

TIM JIAN: Tim Jian from George Mason University School of Public Policy. A question for Professor Li Cheng.

I think, unlike the Taiwan leaders, most of the Chinese officials first became officials and then they realize that they need a diploma, so they go to university and they get a Master's or doctoral degree. And I heard they do not study very hard. I've even heard that some of them even send their secretary to the classroom instead of going themselves. So if that's true on any big-scale, how can their degrees in law science or social science have a strong impact on their policy-making?

CHENG LI: Well, good question. I'm glad you raised that question because actually in my paper I mentioned that about 30% of these advanced degrees were offered by Central Party school. And about 75% to 80% percent of these degrees are taken on job -- mid-career degrees.

So you're absolutely right. In Chinese we call this phenomenon "dujin," you know, just getting a degree to look good, rather than really undertaking a genuine approach to one's academic studies.

However, despite the downsides of this kind of education, it does not mean these people are not really qualified. Actually, most of their

undergraduate degrees are also in law schools. But at the same time you can also see that many of these officials received mid-career training in areas of law, politics, etc. So of course you can say that such training does not have much of an impact on them, but at least they have some identity. This identity is important.

CHU SHULONG: In point of fact, the Chinese education system puts the study of politics and law together -- called “zhengfa”—“zheng means “politics”; “fa” means “law”. So everyone who studied politics at a post-graduate level, as I did more than 25 years, got a law degree when they graduated! So in technical terms I hold a Master’s degree in Law, even though I never studied law!

CHENG LI: You’re right -- some of these degrees are somewhat misleading. But some of them are genuine. Some of them did go to law school. I think about half -- more than half -- actually went to law school and studied law. But some -- you’re right--some it’s a joint degree with politics and law. But at the same time, here in the States we earn a “doctorate of philosophy”, but I never really studied philosophy!

(Laughter)

RICHARD BAUM: Rick Baum, UCLA.

I think these were three extraordinarily informative, factually-rich, and analytically-sound presentations. They all tended to be rather upbeat

and optimistic -- except for a couple of little points.

We've heard about institutional routinization from Alice and Li Cheng. We heard about economic rationalization from Barry. And we heard about the harmonious society.

But we also heard a little bit -- just a little brief suggestion -- that there were flies in this ointment, one of which was Barry's very quickly adumbrated point about political tightening that's occurred alongside these other more optimistic trends.

And another that I'd like to ask about is the question of how the rationalization of leadership structure, and the implementation of harmonious society policies, conflicts in some very serious ways with the political economy of central-local relations in China. Because, as we know, the structure of central-local relations in the era of fiscal decentralization has created a series of built-in perverse incentives for local governments to engage in predatory rent-seeking behavior. And the central government has not -- as far I can tell -- done much to solve that yet.

Transfer payments are well and good, but there is a fundamental structural contradiction here that I'd like the panel to elaborate upon.

MR. NAUGHTON: It's a huge question, so I'm just trying to think of the best way to approach it.

When we think of a Left tilt that has local governments doing

much more to protect and provide social services to their citizenry, I think there's a very real question as to whether that can succeed without a local population that has democratic oversight and participation and can really watch what happens.

I mean, there is some very interesting empirical literature on the village committees, showing that when contested elections take place in village committees, that the local governments deliver more public goods and more social services because of that.

So I very much agree with you that I think the authoritarian practices of the government are in contradiction with the objectives of some of these social policies.

CHENG LI: Just very quickly. I think if Chinese democracy comes about, central-local relations will play a very important role, as we know that currently the leadership is divided largely based on the social, and political groups they represent, and the geographical regions they represent.

Sun Liping, a Tsinghua University professor of sociology, recently wrote a report. He gave details on the number of lobbies of the county level, city level, provincial level, and about lobby groups in Beijing -- you know, those who go to Beijing offices. They are quite dynamic groups. This is something really incredibly new.

So I think you're right that that relationship is quite dynamic. We

don't know which side with Central Committee will have sufficient reason to control, but again that itself will contribute to China's political process becoming more pluralistic, more representing local interests, etc.

MICHAEL COLLOPY: Michael Collopy, and I'm not from a California educational institution.

(Laughter)

A quick question, to follow-up the question from the producer about communication -- in many visits you often get the sense in some provinces that there are varying templates being tested for trying to understand how the public is perceiving all this; trying to tie these changes to some containment of the frequent occasions of conflict between peasants and local authorities and so on.

What can you tell us about the sensitivities that are being perceived, and how are they being perceived from the peasants and from many parts of the countryside that have not yet realized the benefits of the big changes?

BARRY NAUGHTON: I'm especially ill-suited to speak for the Chinese peasantry -- being neither Chinese nor a peasant, and not spending that much time down with the people.

(Laughter)

You know, my impression from what I hear from my Chinese

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colleagues who do work on agricultural issues is that there is some amelioration, but it's pretty preliminary. The only thing I can say is I think we will have other presentations in this conference that will feature people who can address that question in greater depth than I can.

CHENG LI: That's the reason why I mentioned the "sent-down youth" experiences of this fifth generation. Their experiences in rural China have become very relevant now. You know, a large percentage of people have such experience. It will not happen in the future. In the future it will be little-emperor generation. That will be quite different.

MASAHIRO MATSUMURA: Hiro Matsumura, Brookings. My question goes to Dr. Li Cheng.

You mentioned at the end of your presentation some people whose common characteristic is that they are all lawyers who are trained in the discipline of the law. And my question is simple -- who were their clients?

CHENG LI: I think in many senses they are not real lawyers, although Zhou Qiang did practice as a lawyer and work in the Ministry of Law for a while. But we should put this in perspective. Some actual lawyers are now working for human rights and are trying to protect vulnerable people, and the overall number of lawyers -- as well as law school students -- has increased dramatically in recent years. Professor Jerome Cohen at NYU just recently produced some data on this point. And Chinese official data is even more

interesting.

In the year 2004, the total number of law students that Beijing University graduated—including graduate students and part-time students—was higher than the total number of law school students Beijing University produced in the previous 50 years combined. This is rapid rise. And also, according to Professor Cohen, each year China has 620 law schools and departments, produce 100,000 new lawyers annually. I don't know whether that's good or bad. You can judge.

But the point is that if we look at China, there's a relevance between what kind of leaders rule, and what kind of value system people treasure. Look at the communist society, the ideologues, the soldiers and peasants, and the communist revolutionaries. They constantly had campaigns against intellectuals, etc. because they themselves were not well educated.

Now if you look at the period from 1980 up until right now, it's ruled by technocrats, individuals obsessed with economic development, etc., and technology development. But the change of occupational background for the top leadership will certainly have an impact on China's political system.

I'm a believer that there is relevance to this. So it's not so much about what clients they represent, but also a general trend that the leadership's occupational background will have an impact on China's political system.

But, of course, there are also some lawyers whose work is just

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completely different, who work against the regime, against the system.

JOSEPH FEWSMITH: Joe Fewsmith, Boston University.

I wanted to push Barry a little bit on his “tilt to the Left” analysis.

With what we’ve seen -- at least on a couple of occasions over the recent years -- is it really an opening to populist politics, particularly in the management buyout MBO case, which was preceded by Larry Long’s talking about the stripping of state assets, that was followed by some corruption cases. There was also a readjustment of the law to make it more difficult to have management buyouts. And your data suggests that, in fact, perhaps their actions have been even more cautious than the law; that there has been a real constraint, either from the government or from the input of populist politics.

And, of course, then we saw in the property rights law the same sort of thing: the populist campaign of Beijing University professor Gong Xiantian, who criticized a number of these laws as being against the constitution. Again, they made some adjustments. It’s not as far-reaching as the original draft was. But then they got it through.

So I really want to ask you: is the story that I should take away here that despite the populism, they have a sounder and better and possibly more serviceable MBO law, and maybe now a better, more serviceable property rights law? Or is it that populist politics has really begun to emerge in China in ways that could be quite unhealthy down the road?

BARRY NAUGHTON: Good question. And I guess that also sort of relates to Dorie's question, too. We see these responses -- clearly it's not just Hu and Wen -- we see this pattern of policy-makers responding to problems as they emerge -- certainly earlier than 2002, that's right.

So I would say on the one hand one of the secrets of the survival of this regime, which is so irrational in certain ways, is this tremendous drive to identify problems and reposition themselves so that they're less susceptible to problems. I think one take-away -- my way of looking at it is: yes, I think this leadership group has sort of inoculated themselves against one of the major potential sources of unhappiness and disquiet. I mean, people saw Jiang Zemin as corrupt and hypocritical -- in a way that they don't see Hu Jintao and Wen Jiabao. They're not corrupt and hypocritical. They're still authoritarian leaders, but they're much more responsive to genuine popular concerns about certain issues. So in that sense, there's a kind of a simulated democracy going on here -- right? They're very astute in repositioning themselves.

And I guess I would add to that: I'm not maybe as afraid of populism as some people are. Populism's not such a bad thing necessarily. But I do worry that the next stages of the evolution of this are not -- well, we just don't know what they are, that's all. And we can see them going in different ways. And I would hesitate to predict.

CHU SHULONG: We will have our last question.

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SPEAKER: My name is (inaudible). In his presentation, Barry mentioned China's Left-tilt policy. I just would like to know: how do you evaluate impact on American interests and the implications for the Sino-U.S. relations of these changes? In other words, does the United States prefer to see this change? Or do you think Jiang Zemin's policy is better for US interests?

MR. NAUGHTON: Well, having spoken for the Chinese peasantry —

(Laughter)

-- I can now speak for the United States.

I think in the short run it maybe is a little more difficult for American corporations. It used to be that if you were big enough, a Fortune 500 company for example, you could get an audience with Jiang Zemin and tell him what your problems were. That's probably not true anymore.

But if China is successful in reorienting government policies to become a more effective sort of social democratic country and potentially even a more democratic country, I think it's very good for the U.S. and for the world, personally.

CHU SHULONG: I think we had a good session. So let's wrap up with the panelists, and I thank you all for your participation.

We will return in 15 minutes.

(Applause)

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(Break)

Panel II: Agents of Change in Chinese Politics and Policy

XIAO GENG: Before we start, let me just make a few announcements. There will be lunch after this section outside in the Saul Room, and also Somers Room, and there will be people helping you for lunch. So after the section, they'll make sure you know that lunch is available. Also, before we start the section I would like to remind you to turn off your cell phones.

Good morning. I'm very honored to be here to moderate this section. Let me first introduce myself.

I'm Geng Xiao. I'm the Director of the new Brookings-Tsinghua Center in Beijing. I'm very happy to be here to see some old friends and my teachers also. But I'm also very happy to see a lot of new friends. And if some of you are visiting Beijing, I welcome you to visit our center in Tsinghua University.

There are introductions to our speakers in the folders handed out to you on your way in, so I will not take a long time to repeat information that you already have. We have three very distinguished speakers for this section.

First, we have Richard Baum. He was actually one of the professors on my dissertation committee.

(Laughter)

And then we have Jacques DeLisle from the University of

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Pennsylvania. And he's working in law. Actually I myself taught a course on the economics of law at the University of Hong Kong. So I'm so happy to have him in my section.

Then we have my colleague Erica Downs. She's working on Chinese energy issues, and she published some of very good papers on the topic. Today she will talk about big state-owned oil companies in China, which has some overlap with my own research. So I'm so happy to moderate this section.

Let's start with Richard.

RICHARD BAUM: This session is about agents of change, and agencies of change in domestic Chinese society and politics. Because I thought -- erroneously -- that my paper would be available to the audience, I have not included a lot of data slides in my presentation the way others have. However, I will compensate by showing you a rap video shortly.

(Laughter)

Before I begin talking about agents of change in China's media environment, I want to talk about agents of stasis; things that are not changing.

By most conventional measures, the much-heralded Chinese information revolution has not -- repeat, not -- exerted a profoundly liberalizing impact on the country's political life. Political censorship remains tight. Journalists who probe sensitive issues are harassed routinely. And those who push too hard are subject to coercive restraint. Reporters Without Borders last

year ranked China 163rd out of 168 nations on press and media freedom -- down four slots from the previous year. Not even the arrival of the internet has fundamentally altered the equation of the politically controlled media, as the heavy hand of the state remains omnipresent.

In this paper, I argue that such conventional indicators of stasis are rather misleading, and that beneath the surface continuity of tight media control a slow, but increasingly noisy, revolution is taking place.

In the first part of the paper, I survey recent developments in the mass media, focusing on four major agents of change. The first is a technological revolution which has accelerated dramatically the flow of information and communications in China.

The second is the general loosening of ideological restraints on media, propaganda and thought work, which has been part of the post-1979 “thought liberation” movement.

Third is the fiscal and administrative decentralization of media operations, which has made local media outlets and their managers editorially responsible for programming content, as well as financially responsible for their own success or failure.

And, finally, fourth: the commercialization of the media, which has served to shift attention toward the quest for increased market share and advertising revenue as the prime measures of media success; which has, in turn,

led to greater liveliness and richness in media content.

As a result of the confluence of these four forces, or agents of change, the mass media have undergone dramatic changes in the post-reform era. Since 1979 -- and this data is in the paper but not in my slides -- since 1979, there has been a 30-fold increase in the number of television and radio outlets, and a 50-fold increase in commercial magazine titles -- most of which are owned and operated at the sub-provincial level, and are increasingly privately-owned, at least in the magazine realm.

As newer and more dynamic newspaper, magazine and broadcast media have entered the marketplace, the old mainstream Party press has lost readership. Between 1990 and 2005, the *People's Daily* saw a decline in circulation of 40%. Meanwhile, the burgeoning tabloid press, including dynamic new regional and municipal papers, such the *Beijing Xinjingbao*, *Southern Metropolitan Daily*, *Southern Weekend*, *Beijing Evening News* and *Beijing Youth Daily* have begun to attract mass audiences with their vivid formats and lively reportage.

While the growing diversity and liveliness of these traditional media are obvious plusses, the downside impacts of China's media revolution are not hard to locate. Along with a tendency to cater to lowered standards of popular taste and culture, the media have, in their search for wider audiences and larger ad revenues, sharply increased their conveyance of soft news, or

infotainment. This Oprah-ization, if you will, of media content has not infrequently been accompanied by kitschy overtones of crass patriotic sentimentality, resulting in what one expert media analyst has called “bread and circuses journalism.” Think of a combination between the *National Enquirer* and Rush Limbaugh.

A second negative by-product of China’s changing media environment has been a growing tendency to blur the distinction between news and advertising. In recent years, encouraged by performance-based pay incentives and the profit-conscious behavior of their editors and publishers, many journalists have engaged in the questionable practice of paid news, accepting or even demanding cash payments from business firms in exchange for favorable press coverage. Worse yet has been the growing wave of journalistic blackmail, where reporters extort hush money to suppress unfavorable investigative reports.

Finally, since the mid-1990s, an increasing trend toward media conglomeration has served to concentrate media ownership. A wave of media mergers and acquisitions has increased the political vulnerability of the resulting corporate conglomerates, which must now answer to the don’t-make-waves mentality of their risk-averse stakeholders.

So these are some serious balancing elements we have to look at when we consider the nature of the information revolution.

Let's turn now to the electronic media.

As remarkable as the growth and diversification of the print and broadcast media has been, this pales before the explosion of the new electronic media -- principally the internet. As recently as 15 years ago, China had only six electronic mailbox systems, with a maximum capacity of 3,000 e-mail addresses each, and no on-line data services. Today there are over 137 million internet users -- and here I do have at least one data graph. There are 137 million internet users; 75 million individual Chinese IP addresses; 2.5 million registered internet domain names; and more than 700,000 China-hosted websites -- along with an estimated 17 million blog sites. On average, one new blog is posted in China every second of every day.

Internet users, by the way, tend to be younger, better educated, and more urban and middle class than non-users. Saturation is particularly heavy in urban areas along the Eastern seaboard, as one can imagine.

Next comes the revolution in cell phones and SMS -- short text messaging. Mobile phones now number in China about 450 million, and text messaging has exploded. It is estimated, according to industry sources, that mobile telephone subscribers last year sent 392 billion text messages, an average of 736,000 every minute.

Given the explosive nature of this on-going information revolution -- particularly in the electronic media -- the State's propaganda,

censorship and security organs have been hard-pressed to keep pace. But they have by no means given up the struggle.

Neither the traditional media nor the new electronic media are in any sense free and open today. On the contrary—in the State's continuing quest to shape and control the impact of the information revolution, the regime's media minders have sharpened their tools of censorship, surveillance and supervision. While enforcement of content restrictions is by no means universally effective or consistent, a substantial array of regulatory mechanisms and sanctions are available to State agents to restrain and, if restraint fails, to punish those who stray too far or too often from official guidelines.

In the paper I provide a number of detailed descriptions of how content-control and censorship operate within three major concentric circles of the mass media. The first is the core inner circle of centrally-controlled State media: *People's Daily*, CCTV, Xinhua, etc. That is subject to the tightest control.

An intermediate level are the burgeoning new local and municipal outlets, which are only indirectly and locally managed and operated. They are still, for the most part, state-owned, but these are agencies of the local state, which makes a difference, given the commercialization and fiscal decentralization that I talked about earlier. There is a more diffuse political content control at that level.

And third is an outer circle of fringe media, made up of local players in the media marketplace, including privately-owned magazines, local internet web hosts, and bloggers, among others. These latter, peripheral, fringe media are the least subject to effective political content control.

Now in the interest of time, I'm going to focus the remainder of my remarks on efforts to control internet content -- an undertaking which has proven particularly difficult and problematic.

Under the watchful eye of the Internet Affairs Bureau of the State Council Information Office, tens of thousands of cyber-police have been recruited and trained in recent years.

In this slide, you can see the icons of the new cyber-police, Jing Jing, and Cha Cha -- warm and fuzzy, to be sure, but they are policemen, nonetheless.

Collectively known as "Da Ma," or "Big Mama," the internet police have, among other things, cracked down heavily on on-line political dissent and unlicensed internet cafes. And they have recruited thousands of student monitors, or "little sisters," on college campuses to scrutinize postings in chatrooms, bulletin boards and blog sites, and to remind users to observe self-restraint, while promoting the regime's goal of a civilized web.

In this slide we see some internet cops in action.

When self-policing proves ineffective, little sisters are expected

to report offenders to the local police. Major commercial web hosts and internet portals also find themselves under strong pressure to self-censor their web content. When the head of China's largest blog host, Voci.com was asked why his country voluntarily screens out offensive subject matter, he responded: "We are a commercial company. We have a responsibility to our shareholders. If we allow anyone to publish sensitive content, the whole site will be blocked."

In similar fashion, major global internet companies like Yahoo, Google and Microsoft have voluntarily removed offensive content from their websites and search engines, in order to ensure continued access to China's fast-growing electronic market.

This slide shows a message that appeared on Microsoft's Spaces.

Periodically, Chinese authorities resort to heavy-handed tactics to punish, and thereby deter, web-savvy dissidents who challenge the regime's political strictures by devising evasive techniques, such as the use of proxy servers and coded messages, to circumvent the fabled "Great Firewall of China." Still, according to Amnesty International, at least 15 Chinese net-izens are currently under detention merely for discussing democracy online.

Even personal cell phone communications are subject to official intervention. Major mobile service providers, like China Mobile and Unicom routinely post governmental advisory messages to their subscriber base, warning them, for example, not to take part in upcoming demonstrations.

During the prolonged run-up to the 2008 Olympics in Beijing, Chinese authorities have introduced certain cosmetic reforms to create the semblance of a more open media environment. Since late last year, foreign journalists have been permitted to travel throughout the country and conduct interviews without securing prior official permission. And most recently, foreign news services were granted broader access to delegates attending the 2007 National People's Congress meeting.

But such cosmetic reforms can be misleading, for in the last two years there has also been a steady stream of far more sobering media developments which include the closure of the popular investigative journal, Bing Dian, "Freezing Point," and the firing of its editor; the tabling of draft legislation in the NPC that would impose fines of up to 100,000 RMB on those media publishing unauthorized reports on natural disasters or other large-scale emergencies and public disturbances; and the arrest and conviction of reporters from the Singapore *Straits Times* and the *New York Times* for alleged crimes of espionage, fraud and leaking official secrets.

Finally, in early February of this year, the State media regulators jointly announced a list of 20 restrictions on topics that could be openly discussed in the media. Prohibited subjects included: the 1957 Anti-Rightist campaign, the Cultural Revolution, and the 1937 Nanjing massacre. The stated reason for the ban was to ensure "a harmonious atmosphere" -- there's that term

again, “harmonious” -- in the run-up to next September’s National Party Congress.

Now, given this wide array of regulatory and coercive weapons available to the State, are there any grounds for optimism for a more open future?

The answer, in short, is: yes, there are. For one thing, the information revolution is proving increasingly difficult to contain and control. Three intertwined factors lie at the root of this control problem.

First is the sheer fragmentation, both vertical and horizontal, of administrative command and control, under the decentralization and commercialization reforms introduced in the 1980s and 1990s.

Second there are perverse incentives built into the very structure of principal-agent relations at every level in the media hierarchy. Evaluation and promotion of cadres at each level continues to be based principally on their ability to meet or exceed specific revenue targets. This bottom-line orientation, in turn, provides a palpable incentive for media managers and their local state minders to privilege market success over political and cultural correctness -- particularly at the intermediate and fringe, or peripheral, circles of media.

Third, and finally: the nature of the electronic media, in particular, renders effective, comprehensive, top-down command and control increasingly unattainable. Given the staggering volume of electronic messages flying into, out of and around China at any given moment, total censorship and

content control have become impractical, if not impossible.

Text messaging has proven particularly vulnerable to massive violations of political correctness. In the aftermath of the 2003 SARS epidemic, a wave of sarcasm and doggerel was propagated on hundreds of thousands of cell phones around China -- among other things, parodying the Party's inept handling of the SARS outbreak, and lampooning Jiang Zemin's Three Represents.

Not even the top tier of centrally-operated state media are invulnerable to irreverence and satire. This growing irreverence is illustrated by an extraordinary incident that was filmed at the 2002 Central Television Spring Festival celebration, where two well-known Chinese Central Television news anchors performed on stage a self-parodying rap on the lack of honesty and integrity in CCTV programming.

Modeled after China's rock star Cui Jian's hit song, "Bu Shi Wo Bu Ming Bai" -- "It's Not That I Don't Understand" -- this musical parody was a hit with the audience.

Still further complementing the government's task of regulating media content has been the emergence of a nascent, self-organizing civil society in China. Fueled by the growth of consumer awareness and personal freedom, there's been a substantial expansion in the public space available for addressing issues of civic concern.

In 2006, there were over 317,000 civil society associations in China -- non-governmentally organized. For the most part, these associations are small in size, narrowly focused on issues of substantive local concern -- pollution, poverty, rural education, HIV-AIDS awareness, etc., and they are mainly non-political. But their rising numbers and their heightened civic awareness have visibly enlarged the arena of public discourse, where the policies and actions of the state and its agents can be discussed, debated and, with increasing frequency, contested.

Again, in the paper I give lots of examples of this rising civic activism, such as the defense of homeowners' rights, resistance to predatory rural taxes, the environmental protection movement, and the movement to protect the rights of migrant workers. And I describe the emergence of an increasingly active *weiquan* -- or "rights defense movement" -- in China over the past few years.

In conjunction with such rising activism in civil society, and the growing assertiveness of the rights defense movement, Chinese media are now playing an increasingly important role in the exposure of official malfeasance.

Numerous second and third-tier newspapers and journals, such as *Southern Weekend*, *China Youth Daily*, *Southern Metropolis Daily*, and *Caijing* have published bold investigative reports of wrong-doing, often stimulated by revelations initially circulated on internet websites, bulletin boards and SMS

text messages.

One striking example -- and this will be the last case that I discuss today -- that illustrates the newfound efficacy of media-assisted civil society activism is provided by the recent saga of Chongqing's celebrated *dingzi hu* -- or "nail-house."

In this extraordinary case, which burst into public consciousness barely a month ago, a Chongqing home-owning couple held out against intense pressure applied by property developers and local government agencies to accept a token payment for their home under the government's right of eminent domain. Though all of their neighbors had capitulated and moved out to make way for a new real estate development, this one, single couple persisted and refused to vacate their home without adequate compensation.

Enlisting the support of urban homeowners, rights defense lawyers, and a small army of bloggers and text messagers, the couple parlayed growing public sympathy into a nationwide publicity blitz.

This slide shows a sign on the side of their home that says, "The State Supports and Defends Human Rights."

Hundreds of web forums, chat rooms and electronic bulletin boards all over China began providing daily updates on the nail-house saga, complete with photos of the endangered house, perched atop a tiny spit of land. After the *Southern Weekend* and a few other investigative journals picked up the

story at the end of March, the nail-house occupants received a generous financial settlement from embarrassed city officials. And on March 29th, the *China Youth Weekend*, an offshoot of Beijing's *China Youth Daily*, headlined the story of the "Awesome Nail-House Event," and proclaimed it to be "The Birth of Citizen Journalism," in China.

XIAO GENG: One second left.

RICHARD BAUM: Well, okay -- here's the conclusion.

While such media giddiness may be premature, we can nonetheless venture a few tentative conclusions about the political impact of China's on-going information revolution.

First, it is clear that increasing media pluralism and commercialism have not easily or automatically produced political liberalization in China.

Second, the state's strategy of combining greater economic permissiveness and personal freedom on the one hand, with continued tight regulation and control of media and content and flow of information on the other has generally succeeded in retarding the process of liberalization. This is in line with recent empirical findings published in *Foreign Affairs*, for example.

Third -- and notwithstanding the government's best efforts -- there has been a discernible growth in media-amplified civic- and rights-oriented activism. This trend toward an increasingly noisy public sphere will become

even more pronounced with the passage of time.

Fourth, the frequency with which the media disseminate unauthorized and politically incorrect content increases noticeably as one moves away from the central core media toward the periphery and fringe media.

The final verdict, then, is quite mixed. On the one hand there are the pressures welling up from inside -- deep inside -- civil society, amplified by the rights-defense movement, and an increasingly bold mass media.

On the other hand, there is a determination to continue to implement the traditional control and content censorship and direction. And so we have the classic case of an irresistible force and an immovable object.

My conclusion in the paper is that the irresistible force is going to move the unmovable object because, in the final analysis, the regime will face a choice between greater openness and progressive loss of legitimacy and public authority. And I think that's where the rubber meets the road; that's where the tendency toward the media promoting greater openness and liberalization will ultimately prove fruitful.

Thank you.

XIAO GENG: Thank you, Richard.

Next we have Jacques Delisle to talk about the legalization without democratization in Hu Jintao's China.

JACQUES DELISLE: Thank you.

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Well, as always, that's a tough act to follow. It's always tough following Rick Baum, but it's especially hard when he has video streaming to go with it. I'm tempted to pull the first two panels together and suggest that Li Cheng's four or five stars should have to compete in a Chinese version of American Idol to decide who succeeds Hu Jintao. But I suspect that will not get a lot of traction as an idea.

I've been asked to address the legal system issues here. The question, I think, is whether the law is, in fact, an agent for significant political change, or is part of a process of significant political change in China now or in the relatively near future.

I think the answer is: law has been part of an immense number of changes, but it's actually not been at all good for democracy. If anything, it's cut the wrong way. I'll give a quick tour through a lot of material that is probably familiar, but I think needs to be marshaled to this argument, and then there will be a few things that are somewhat less well known.

The reform era turn to law is a central feature of contemporary China. The growth of the law has been unprecedented in the PRC era and, indeed, in Chinese history I think it would be fair to say. One of the things that law has done in this period, and continues to do through the Hu Jintao years, is to be a powerful mechanism for the diffusion of international norms into China; to provide a framework for supporting a market economy, and one that is open

to an integrated with the outside world; and to ameliorate some of the worst excesses of authoritarian rule, but not to go all the way to democracy.

This process, through a sort of virtuous or vicious circle -- depending on how you look at it -- has created both a rising demand for and rising supply of law, sometimes outstripping leadership preferences.

Legalization, however, has occurred without, and even against, democratization. Constitutionalism as a legal development, in particular, has been quite limited. Law's functions on the political side include largely ones of substituting for or even cutting against democracy. And the populist and other sorts of turns in Hu-era politics, I think, have at best an ambivalent relationship with democracy -- and a somewhat more positive but complicated one with law, and certainly law's contributions to democracy, if any.

All right, let me unpack some of that rather dense summary.

First, as I said, law has been an important mechanism for international norms coming into China and for advancing China's reforms. Again, this is a fairly familiar story. Much of the idea was that law would provide the framework for establishing a market-based economy.

Now, partly, that meant creating, you know, market-friendly laws, and whatever the nature of diffusion per se, there was a sense that there were certain packages of laws that are necessary to promote a market-based economy: contract law, property law, eventually a variety of aspects of business law and

such.

And if you look at the developments of these laws on the books and these laws in practice over time, they start to look more like what you'd expect to find in a developed capitalist market economy. Some of this may just be convergence; some of it is obviously diffusion. The mechanisms are certainly there, in terms of foreign-funded legal assistance programs -- huge numbers of those Chinese lawyers who are now entering the leadership ranks have been coming to the US for legal educations and paying lots of tuition, increasingly -- we used to fund them, now they pay us -- to come to American law schools to pick up degrees of questionable intellectual utility, but of great professional advancement for those who hold them.

So that's been part of the story. And, of course, part of the idea was to draw in foreign investment. Whether this is an iron law of economics, or simply a fetish of foreign investors, they want to be able to see things that look like what you would see if you were investing somewhere else in the world. That was certainly the understanding of China's leadership. And so we saw this appropriation or adaptation of international norms starting in the foreign-invested and foreign-trade linked sectors of the economy. Those often became models for subsequent revisions to domestic law. And we've seen a long-term convergence of laws for the foreign-linked sectors of the economy and laws for the domestic economy, as well as a basic breakdown in that distinction,

which creates pressure for legal harmonization.

And I think this is a fairly deep political commitment, as well, in that if you have a regime that has based its legitimacy on performance, and linked that performance to external investment, then you really do need to sort of take that agenda seriously.

The World Trade Organization, which had all sorts of economic and political motivations that are familiar to people in this room, created another mechanism for the importation of foreign-style legal models in the economic sphere. Intellectual property rights is probably the area where it demanded the most formally, although that's certainly been a problem in practice. But, across the board, there are channels through WTO obligations and through China's specific commitments in joining the organization, to bring many Chinese laws more into conformity with outside legal norms.

And increasingly over time, from the reform area particularly, as we get this deep into it in the last several years, there are powerful business constituencies -- both foreign-invested businesses in China, and increasingly, Chinese businesses as well -- that press for some of this harmonization. And one of the interesting turns in this in recent years has been: now that China has had to phase in the WTO commitments, you're starting to hear pressure from Chinese companies, Chinese industry associations, saying, "We need to be better, and the Ministry of Commerce needs to be better, at figuring out how to

assert China's interests within the WTO to protect vulnerable industries, to make dumping charges, to defend against counter-vailing duty measures such as the U.S. is now taking." And that requires a lot of knowledge of these kinds of legal norms, and part of the way that China can cope is to have its own internal legal mechanisms that engage those international norms.

And there's a more diffuse notion too that having the right legal framework is part of the broader quest for international normalcy and acceptance; the idea that the pressure on issues like China not being a responsible stakeholder, the reaction that CNOOC's attempted acquisition of Unocal got -- that all is worsened, is exacerbated, by the sense that China somehow doesn't quite "get" the way the rules of the game are played in international economic law.

There are, of course, implementation issues in all of these economic reforms that have come in, partly through the open door. I don't have time to go into them in great detail, but I will flag one of them here.

I think an increasingly important but underappreciated aspect of the implementation gap now is the degree to which so many Chinese economic laws now very closely track foreign models. You look at the new Company Law, the new Securities Law, the now almost 10-year-old Contract Law -- compared to their predecessors, they are things that American lawyers could love. Now, that's partly because the reality has kind of caught up with the foundation for

having those laws in place, but there are a lot of terms that have been borrowed, without the institutional and legal and judicial infrastructure, that give them certain meanings in other economies that make them devilishly hard to implement effectively in China -- even assuming the best of will and substantial commitments which, of course, one can't always assume across the board.

So that's a piece of the implementation gap that one needs to pay some attention to.

That said, however, I think there's been a lot of areas of success in implementing these economic laws.

You can see it in a lot of fairly objective metrics. The scale of foreign direct investments is one example. If it is true that you need a decent legal system to attract foreign investment, the fact that \$60-70 billion per year continues to flow in -- and that it has morphed from the big turn-key projects, where you have enough of a stake and when having a big turn-key project was enough to get you an audience, perhaps -- into much more diffuse portfolio investments, smaller-scale areas where it is harder to protect your investment without some sort of legal means, that is, to protect it through a political and connection-type basis, this is one sign.

Litigation rates are pretty high -- certainly way higher than they used to be. They've plateaued recently, but they still came up from very low baselines. So you're seeing 4.4 million civil cases a year, many of them

economic.

You see surveys now that suggest a decent amount of litigation goes on, and certainly there's some satisfaction if you keep bringing these cases. Some improvements in the enforcement of judgments, rights and so on.

Judges and lawyers are doing very well -- people don't pay those kinds of fees unless they're getting something for the money, presumably -- as are big law firms. And if you look at the style of legal reasoning and the kind of work these people do day-to-day, it's starting to look a lot more similar to what lawyers do in other parts of the world.

In terms of business behavior -- and here I'm building on work by Doug Guthrie and others -- there is data that suggests a certain movement away from things that are traditionally *guanxi*-based, and so on.

All right. That's the sort of economic side of it.

On the political side, or the public law side, the story has been less happy, of course, in terms of convergence or borrowing -- if you consider that happy. But it's still there, too. In some sense, of course, the fascination with the East Asian model of development without democratization drove a lot of legal reform as it did so much other reform in China. And there is a sense that those were countries that managed to develop without democracy, of course, for a long time -- although eventually they democratized in most cases. But they managed to do it, or they did it in part, through relatively developed legal systems. And

so law would play a role in that agenda.

But liberal legality has been part of the story, as well. China has come some distance towards at least engaging international human rights norms, and undertaking to conform domestic revisions in the law to practices through criminal law and so on.

Also here is another phase, I think, in the quest for international normalcy and acceptance. Obviously there is a strong interest in having a legal regime contribute to the process of returning from the kind of pariah status that came post-Cultural Revolution and that came back a bit post-Tiananmen, and that has continued to dog the aftermath of crackdowns on Falun Gong, house churches, and so on and so forth.

(Slide)

On the political side, there has also been foreign influence and foreign advice programs that address public law; the Administrative Procedure Act, techniques of legislative drafting, the Village Election Law's implementation and so on. And there are a lot of internal proposals percolating out from influential Chinese intellectuals, some of them educated and experienced abroad, that clearly bear the imprint of foreign models -- and many of them will tell you they looked quite explicitly at foreign models.

Ideas like a freedom of information act; greater judicial independence; a circuit court structure, where there are appellate courts who are

not bound to provinces, but are multi-provincial, which clearly has an American parallel behind it; the idea of centralizing the budget for the judiciary; and talk of making constitutional rights directly operative, and providing constitutional review for human rights cases should be noted here. These ideas have many fathers, of course, but in the specific way they've come into the Chinese discourse, a lot of it is explicitly with reference to foreign models, or at least implicitly and actually with reference to foreign models.

All right -- another thing that has been part of the story of law in the reform era, and particularly in recent years, is this notion of using law to control the Party and state, and whether that does, indeed, lead to some degree of autonomous legality.

Law is a check on Party-state behavior. This is not a claim of some idealized or ideological commitment to the rule of law. Instrumentalism is good -- this is my Gordon Gekko impersonation. You know, many people who are romantic about the rule of law in China say the problem is that the commitment to law at the regime level is instrumental. Well, of course it is, and that's actually a pretty good thing. It has all the self-serving functions of reining in the worst excesses of local-level agents of the Party and state that can do bad things for a market-oriented economy, that can do bad things for legitimacy and social order -- and that familiar litany of issues that I don't need to repeat, certainly, for this audience.

But I think if you look at where this has gained some traction -- again, it's the story of whether you want to see the glass as half full or half empty. But there are some significant mechanisms that have been put in place.

There is the Administrative Litigation Law for challenging state behavior—concrete acts that violate underlying regulations and such. There are other aspects of administrative law, such as the Reconsideration Law and the State Compensation Law. There is, as we heard earlier, at least occasional use of criminal prosecution against corrupt or otherwise misbehaving officials.

And there are other mechanisms outside of public law. These include invoking formal, on-the-books, legal norms through informal means, including letters and visits, and less formal approaches to power. And, in China, a significant state and Party sort of public abuse of power occurs in the role of economic law. Western lawyers tend to think of this as a private law undertaking, but it's really not. If you look at the rural contract rights cases, they started out often as litigants bringing suit to stop local cadres from tearing up the household responsibility system contracts, but now they've become bound up with improper takings of rural land-use rights and the property law issues.

On the urban industrial side there are parallels. Some of the early cases had to do with enterprises not being able to fulfill their contracts because of interference by the state department in charge. Now when you talk about what are seemingly corporate law problems of majority shareholder abuse of

minorities, or of officers and directors not responding to owner preferences, that is deeply bound up with the problem of incumbent managers who were linked to the state, or it is bound up with state-owned majority actors or state-linked majority actors not looking out for the interests of minority shareholders, and numerous other examples I could go into but don't have time for.

On the supply side of legality, here again the evidence is somewhat mixed in terms of using law to constrain inappropriate or problematic state or Party behavior that seems to undermine broad regime goals. Here again there is fairly mixed evidence that can be read either way. But the glass is certainly not completely empty.

In administrative litigation plaintiffs prevail somewhere between 20-40% of the time. It's hard to know exactly what that means. You need to know base rates, meritoriousness, how much deterrence there is up front -- but it's a pretty good rate by international standards, at least superficially.

Corruption prosecutions are rare -- but the penalties can be pretty severe, and they are somewhat unpredictable, in terms of when the political winds might shift against you. So there might be deterrent ability there.

And, again, economic law may be working as something of a check on public misbehavior. If you think that a lot of the kind of behavior that gives rise to economic disputes has this state link to it, then the fact that people are willing to bring 4.4 million civil lawsuits, that the judgments issues are

generally getting enforced a lot better than they used do, that there is a shift from alternative dispute resolution toward litigation, may lead you to conclude that the law is playing something of a positive role in this arena as well.

And there are surveys indicating pretty decent litigant satisfaction that the system is fair and not based on improper political influence. That is cause for some comfort, especially since much of the behavior that leads to these kinds of economic disputes arguably is state-linked, but there is a strikingly statist quality to the critique of the shortcomings of Chinese economic justice. That is, it's not a complaint about "the system is fixed for the rich." It's not even all that often a complaint about outright bribery of judges. It's much more problems like local protectionism, or the government leaning on the courts, and that sort of thing.

So if you have relatively good information, really it's a relatively positive view of what's been going on in economic law. It tells you something about progress in checking some of the worst excesses of official misbehavior.

All right -- then there is the possibility the demand is growing and perhaps with it supply in ways that outstrip the initial regime agenda? Judges and lawyers are a pretty impressive interest group. They tend to talk a lot. They're quite articulate. They don't take no for an answer. And now they're even getting into the leadership. I don't know which is worse: to have your country ruled by Ph.D.s or by lawyers. China may face the problem of having its

country ruled by lawyers with Ph.D.s!

(Laughter)

A truly scary prospect. Taiwan may get there first, as it does in so many other things. It's already got Chen Shui-bian. Next year they may have two Harvard lawyers going against one another. That path surely leads to perdition.

(Laughter)

But that aside, there is this constituency which has a professional and ideological interest in making sure that the law matters. And it's a group with some clout, and it's gotten much more invested with that set of attitudes and ideas in recent years.

There exist social constituencies for a greater role of law and rule of law, or rule by law too. Rising rights-consciousness is a much remarked-upon phenomenon. Official rhetoric and the commitment to legality has created space for that kind of argument to grow. Business interests, as I mentioned earlier, in a variety of ways now amount to a constituency for greater legality rather than counting on being able to evade it.

Obviously these are all mixed pictures, but I think these are significant trend lines.

The *weiquan*, or "rights protection movement," is part of the picture, as well. And I think, perhaps coincidentally but importantly, many of

the most highly-charged political issues -- especially very recently -- have wound up getting entangled with this idea of law and legal rights. So you think of the Sun Zhigang case and treatment of rural to urban migrants and custody and repatriation. You think of the land seizure cases, which have been bound up with this notion of property rights and takings and compensation, you think of the nail-house -- all of these are areas where the hot-button political and social controversies have this legal component coming in, as well as the *weiquan*-type cases and, unfortunately, the unhappy fate that has met many of the lawyers who tried to bring them.

For the leadership itself, there are certain costs of commitment. Mass binding may work. That is, there has been a lot of energy invested in saying we take law seriously, law can be the way of ruling, and to make it hard to undo that to try to constrain it from going further than the leadership might want it to.

The logic of markets and deepening international economic engagement may indeed require an ever-steady forward march of law and legality, and indeed some spread beyond the favored sectors. Law, in other words, may be a lumpy good. Again, as lawyers enter the leadership, that's an internal constituency for expanding the role of law. And we have seen the use of law to address the new social problems that have started to come on the scene, some illiberally--think of the use of law in reaction to SARS and spreading information about disasters and other such things--but sometimes somewhat more liberally in

sharpening the impact of labor law to protect those who work in private and foreign firms.

Finally, the last point to get through is the claim that China in the Hu Jintao era has been continuing an agenda and indeed in some ways extending an agenda of legalization without or against democratization.

Legality and constitutionalism. Hu's early statements placed a great deal of emphasis on the constitution, although that is largely rhetorical. The constitution itself continues to have very little legal bite or traction. When the Sun Zhigang case came up there was hope that the NPC Standing Committee might use its interpretive power to deal with the issue; it didn't, and the problem was solved through less formal means. Judge Li Way Gen who struck down or would not enforce a state-level law or a provincial-level law because it did not conform to a higher-level national law, a perfectly good constitutional provision, kind of got away with it, but it was pretty clear you don't do that. The Ti Ling case is still a very rare example of saying a constitutional right, in this case in the education context with some identity theft type issues, is directly operative as a basis for a legal remedy. Those are small things.

Many leading intellectuals, Xiao Yang, the President of the Supreme People's Court, Cao Siyuan, the long-term gadfly, and I would add Yu Keping -- are people who talk about the importance of constitutionalism but express some regret that it has not gone further and indeed see some of the populist

agenda of the Hu era as perhaps being in some tension with that constitutionalist agenda.

Legality and not democracy. Again, the democratic provisions in the constitution are pretty thin. The public participatory and democracy elements in the law are also quite thin. I think the better way to read most of what I have reviewed in terms of the administration litigation law, the public participation rolls in the Administrative Procedure Act, village elections, letters and visits including the new restrictions on letters and visits in the last couple of years, the limits to *the weiquan* movement, and the tolerance of it up to some limited scope to bring these kinds of cases, and the way that the 80,000 or so incidents have been dealt with, reacting to them by giving some benefits but often treating quite harshly the people who lead them, is as a picture of steam valves and legitimization and control. That approach gives law a role in helping to get these ideas on the agenda, to get these problems dealt with, but in an atomizing way that doesn't translate into serious pressures or serious capacity for organized autonomous participation of a broadly democratic sort.

China can thus achieve a fair amount of rule by law without democratization. China is pretty high in the percentile rankings for rule of law; it's pretty low on most of the democratic ones. This is a sustainable arrangement for a period of time. The East Asian Model does it too.

Finally, in terms of ideology and legality under Hu Jintao, populism

is not about constitutionalism, it's about interests and preferences and not about a procedural right to participate. There is a real intellectual tension there by Hu La Thung and others who have made the critique that the *xinfang*, the sort of seeking of benevolence from the emperor is a traditional authoritarian and not a bounded constitutionalist approach.

Finally, the last point is that the turn against market fundamentalism, the Leftward mid-course correction, the partial rebellion against WTO openness and so on and the costs of that--some people would say these are at odds with legalization. I don't think so. I think there are plenty of domestic systems with which China has been converging and there are plenty of elements in the WTO and other aspects of international law that allow those kinds of illiberalism. But I think the issue is more this. The law on the books in China and the constitution on the books in China so much bears the Jiang Zemin imprint, marches down that path of the elitist coalition as Li Cheng would describe it, that as one pushes back against that substantive agenda, one winds up in some friction with the law on the books which is not that easily changed for a variety of reasons having to do with the doubt that would cast on the commitment to legality. The sheer ponderousness of the property law and the bankruptcy law have recently illustrated the difficulty of trying to redraft legislation when the issues are controversial. This strikes me as making sense, and what we may be learning from the Hu Jintao era on this front is that the question is no longer how fast, but rather

how much further to go and how one-sided to be in marching down that path of market fundamentalism and international openness.

Thank you.

XIAO GENG: Thanks, Jacques. Our last presenter, Erica Downs, will be presenting a paper on state-owned enterprises, an interesting group in Chinese politics, specifically the case of the national oil companies.

ERICA DOWNS: Good afternoon. In my remarks today I'm going to speak about the role of China's national oil companies and the Party-state. Those of you who are students of Chinese politics may be wondering why I'm discussing this topic at a conference on China's changing political landscape-- after all, there have always been factional groups in Chinese politics and China's oil industry has long served as a path to higher-level positions in the Party-state. So what's new and different today?

In my presentation I'm going to argue that a number of changes have occurred over the past decade in the Chinese political economy and within China's oil industry that have enabled China's national oil companies to emerge as more autonomous and powerful actors in the Party-state and that have also made the leaders of these companies attractive to the Party-state for higher-level positions in the Party and in the government.

Over the next 15 minutes or so I'm going to address four questions. The first one is: What is the relationship between the national oil companies or

NOCs and the party state? The second question is: What's new and different about the role of the national oil companies in the Party-state? Third, what impact do these companies have on national policies and projects? And fourth, what impact do the NOCs have on China's leadership?

At the very end of my presentation, I will explain why I chose the subtitle that I did for my paper and my remarks today.

To begin, I would like to say a few words about the relationship between China's oil companies and the Chinese Party-state. The big three oil companies in China are China National Petroleum Corporation, or CNPC; China National Petroleum and Chemical Corporation, or SINOPEC; and China National Offshore Oil Corporation, or CNOOC. Each one of these companies has a subsidiary that contains most of its best assets that is listed on the Hong Kong or New York stock exchange, and the parent company is the majority share owner of the listed company.

CNPC, SINOPEC, and CNOOC are nominally under the control of the State-owned Asset Supervision and Administration Commission, or SASAC. SASAC's mandate is to exercise the government's power of ownership. However, SASAC has been a fairly passive owner to date, and there are two reasons for this. The first is that it does not have the authority to appoint the managers of the state-owned enterprises beneath it; the second is that it has no control over national oil company profits since the companies do not pay dividends to SASAC. As a

result, the Party-state's influence over the companies comes from other sources. One is the nomenklatura system. The top positions at these oil companies are appointed by the Organization Department of the Party in conjunction with the Ministry of Personnel. Second, there are a variety of government policies that impact the activities of the companies. These include the investment approval system for both domestic and international projects, pricing policies, and a variety of tax policies.

Now I would like to turn to the second part of my presentation which looks at what's new and different in the Party-state and the role that China's oil companies play in it today. The first thing I would like to talk about is the increasing importance of energy. Energy now occupies a higher position on both China's domestic and foreign policy agendas. This is not to say that energy was not important in the past but, rather, that energy is important for different reasons today. One of those reasons is shown on the graph. In 1993, China shifted from a net oil exporter to a net oil importer and almost half of the oil the country consumes today comes from imports. In 2003, China surpassed Japan to become the world's second-largest oil consumer behind the United States, and a year later in 2004, China became the world's third-largest oil importer after the United States and Japan.

But oil is just one part of the story. Energy is also increasingly important because since 2002 China has experienced an unanticipated rapid growth

in its demand for energy, led primarily by investment in heavy industry. The challenge of managing rapid energy demand growth became apparent in 2003-2004 when China experienced the worst energy crisis it had seen in nearly 20 years.

Additionally, there is increased domestic and foreign pressure on China on energy and environmental issues. And at the very apex of the Chinese Party-state there is a recognition that energy-intensive growth at any cost cannot continue. I think that one symbol of the increasing attention that is being paid to energy by China's leadership was the creation of the National Energy Leading Group back in 2005.

Another factor that is new and different today is that all of China's oil companies have subsidiaries that are listed on the New York and Hong Kong stock exchanges and this is a significant development because the listing of these companies abroad exposes them to the influence of many outside actors that have nothing to do with the Chinese party state. These include the rules and regulations of the New York and Hong Kong stock exchanges, the U.S. Securities and Exchange Commission, independent shareholders, boards of directors, international accounting firms such as PricewaterhouseCoopers that prepare many of the documents that these companies submit to the New York and Hong Kong stock exchanges and the SEC. There have been a number of cases in recent years, which I go into great detail about in the paper, in which shareholders or the

independent directors of CNOOC, Ltd. have constrained the behavior of that company. There have been a number of cases when CNOOC, Ltd. and its parent CNOOC have wanted to take certain actions and either directors or the minority shareholders have said no and the company has chosen to respect their wishes.

A third factor that is new and different is that the oil companies are increasingly profitable. They rank among the most-profitable state-owned enterprises in China especially CNPC and its subsidiary Petro China, and this is really a trend that has emerged since 2000. The 1990s were not a great decade for China's oil industry. In the beginning of the decade CNPC was hemorrhaging money because it cost more to produce a barrel of oil in China than the price they could sell it for under state-set price controls. Additionally, in the late 1990s, China's oil companies suffered the way everyone else did from the Asian financial crisis and the pronounced drop in world oil prices. But since 2000, profits have been up. A lot of this has to do with the sustained high oil prices we have seen since 2002. But I also think that efforts to improve management and cost controls have also played a role.

The more money the Chinese oil companies make, the more taxes they pay to Beijing, and a number of Chinese commentators in recent years have noted that money is a source of power and that because these companies are so profitable, that gives them political influence and enables them to successfully push back against policies that they don't like, and this issue has come up many times in

the debate that has been going on in recent years over whether China should reestablish a Ministry of Energy. There are a lot of Chinese commentaries out there by Chinese energy experts who say that the reason the Ministry of Energy has not been reestablished is because the national oil companies and other state-owned energy firms are opposed to such a body being set up, and they are very powerful because they have a lot of money.

A fourth new development is that the oil companies and other state-owned enterprises have been identified by scholars and the media as an interest group with impact on public policy. There has been a serious debate on the role of interest groups in China that has emerged since 2004, and the oil companies have been identified by those framing the debate as some of the most notable interest groups. I think this is a reflection of their growing economic and political power. But I think it is also worth noting that most of the discussion of the national oil companies as an interest group in China has been negative, and that in most cases you have journalists and scholars who are criticizing these companies for being too influential and for putting concern about maximizing profits above interests of the state such as the need for Chinese consumers to have adequate affordable and reliable energy supplies. This has put the oil companies on the defensive. Just last month the head of CNPC Jiang Jiemin gave an interview with the Chinese press in which the whole point of the interview was to explain why his company was not a monopolistic interest group.

The fifth change that has occurred over the past decade is the evolution of the composition of China's leadership which is something my colleague Cheng Li has written about extensively. One notable development that occurred during the elections for the 16th Central Committee was the emergence of managers from state-owned enterprises as a minority group. I believe that 17 out of a total of 387 full and alternate members were managers from state-owned enterprises. Obviously, this is very small group, only a little more than 4% of the total, but I think it is a trend to watch and I think it is important because it reflects both the value and the transferability of managerial skills from industry to government. I think a great example of that, which I wrote about in the paper, is the case of Wei Liucheng, who in 2003 moved from China National Offshore Oil Corporation to Hainan Province to become Governor and Deputy-Party Secretary, and in 2006 he became Party head. At the time of his promotion, an official from the CCP's Organization Department gave an interview with the Chinese media in which he talked about the reasons for Wei Liucheng's promotion. What was interesting is that he spent about one sentence talking about his loyalty to the Party and about two paragraphs talking about his managerial skills and all of the things that he had accomplished at the head of CNOOC, which included the successful listing of CNOOC, Ltd. on the Hong Kong and New York stock exchanges.

So that brings me to my final point on this issue which is that it seems to me that the managers from China's national oil companies and from other

state-owned enterprises are well-positioned to manage China's increasingly marketizing and internationalizing economy in part because they have experience operating in the global economy.

So this brings me to the third and second-to-last section of my presentation which is on the impact of China's national oil companies on national policies and projects. One thing that I have noticed in recent years, and it has actually gotten quite a bit of coverage in the Chinese media, is that the oil companies are increasingly having an impact on policies and projects both inside and outside of the energy sector. In the paper that I wrote I have about seven different examples listed, but in the interests of time I only put three on slides, and I will probably just touch on one of them now in an attempt to stay within my allotted time.

I'd like to focus on the foreign policy issue. In the paper I talk about the fact that foreign investments of China's national oil companies have created some diplomatic challenges for Beijing. On the one hand, the Ministry of Foreign Affairs does have a broad mandate to support Chinese companies abroad, but on the other hand, it does not have any direct authority over these companies and there is not always a high degree of coordination between the companies and the Ministry. The Ministry of Foreign Affairs doesn't always know what the companies are doing. I'll just cite two examples which you may be familiar with as ways in which the investments of the companies have posed challenges for China's

diplomacy.

One would be the case of China National Petroleum Corporation's investments in Sudan. In this case, there appears to be a growing recognition in Beijing that these are tarnishing China's reputation in parts of the international community. The second issue, which was touched on earlier, was CNOOC, Ltd.'s attempt to acquire Unocal in the summer of 2005. That was a bid for which the company appears to have had the acquiescence but not necessarily the strong support of Beijing. The furor that erupted on Capitol Hill strained relations between China and the United States at a time when Hu Jintao was preparing to depart for a planned visit to Washington in September 2005.

Some of the other examples that I have on the screen, include domestic oil prices, the West-East Pipeline, as well as some of the examples from the paper. These examples, I believe, show that the companies have been able to have an impact on policies and projects even in cases where they have been forced to do things that they don't want to do, which is what happened in the West-East Pipeline. PetroChina did not want to build that project; they were forced to do it anyway by Zhu Rongji. Nonetheless the company was able in a number of very specific ways to still advance its interests. I guess the bottom line here is that the companies don't always get what they want, but they do have considerable influence.

The next section of my presentation, deals with the impact of

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China's national oil companies on China's leadership. I put together this chart showing I think about ten or eleven individuals among the top leadership which I am roughly defining as anyone who is a full or alternate member of the 16th CCP Central Committee. As you can see I think there are eleven of them who spent portions of their careers, sometimes very long portions, in China's oil industry.

The fact that you have this group of individuals who have roots in the oil patch has led some China-watchers to occasionally make reference to a new "petroleum faction". The original "petroleum faction" of course refers to the group of leaders centered around Yu Qiuli who rose to power from the 1950s until the late 1970s and early 1980s, most of whose careers intersected either at the Daqing oil fields or later on in the Small State Planning Commission.

However, it seems to me that the reference to a new petroleum faction today is a little off the mark. First, if you go back and you look at the individuals on the previous slide, they don't have the strong shared experiences that the original petroleum faction had, and it is not apparent to me that they have any strong shared world views or policies that flow from those world views in the way that the original petroleum faction did.

Nonetheless, the oil industry continues to serve as a cradle for high-level officials. Their managerial skills as I mentioned before are valuable, and I think it is also important to note that some of the NOC executives who were elected as either full or alternate members to the 16th CCP Central Committee were

quite young, around 40 in a couple cases, which means they are well-positioned for advancement within the Party-state in the future. I believe this is a trend that is true not only for the NOC general-managers but also for general members from all the state-owned enterprises who were elected to the Central Committee at that time.

Finally, by way of conclusion, first, I would argue that the national oil companies are emerging as political actors in the Chinese Party-state. I think this role affects their growing autonomy and power, but as we know from the debate over interest groups in China, it is also exposing them to criticism and this criticism could serve as a constraint on their behavior. Second, the emergence of the NOCs is indicative of the trend of greater pluralization in the Chinese policy-making process that China-watchers have been talking about for some time. The oil companies have distinct interests, they are able to advance those interests, they can't be told what to do, so those interests need to be taken into consideration, which leads to negotiation and bargaining and sometimes policy delays, policy paralysis, so on and so forth.

Finally, looking toward the 17th Party Congress, one issue to keep an eye on is the role of entrepreneurs, and what I mean by that is managers from state-owned enterprises in China's leadership and that is what we saw at the 16th Party Congress as the start of a trend.

For my final slide, I have pictures of a couple of individuals from China's oil industry to keep an eye on, and these are all individuals who spent

substantial portions of their careers in the oil industry. They also have experience having served in high-level government and Party positions in the provinces, and in the case of Zhou Yongkang they also have ministerial experience. The first person, Zhou Yongkang, is actually an established star, but I put him on this chart because he is someone who might be promoted to the Politburo Standing Committee. Zhang Gaoli was just made Party Secretary in Tianjin . He is relatively young. Su Shulin just stepped down at the end of last year from PetroChina and is now head of the Organization Department in Liaoning Province. And Jiang Jiemin just took over the reins of CNPC late last year and over the years that I have been doing interviews on Chinese oils issues in Beijing, he is someone whose managerial skills are spoken quite highly of.

As I mentioned in the beginning, I was going to wrap up where I started with my subtitle, “Which is the Puppet and Which is the Puppet-Master?”, and I would just like to say a few words for why I chose this as my title. I guess my bottom line here is that the levers of control and the levers of influence between the Party-state and the oil companies flow both ways, and to refer to China’s national oil companies as puppets of the state is not accurate, but it is also not entirely correct to assume that the companies are pulling the stings either, and I will leave it at that.

Thank you.

XIAO GENG: Thank you. We still have 30 minutes for discussion,

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but before that let me just try to summarize and share some of my own perspectives.

I think the issues we have discussed basically focused on the role of the Communist Party in Chinese society. The way I see it is that the Communist Party was born during a crisis, during the civil war, during the Second World War, and then went through the Cultural Revolution. So the Party actually is very capable of dealing with crisis. In terms of dealing with daily life, for example, the press, the modern corporation, the state-owned enterprises, and also the independent judiciary, those are institutions which did not exist in China before. So all those institutions need time to develop. Then the Party probably can withdraw from the daily life and become something like an insurance policy, when you have a crisis, the Party comes in. That is what I see as the evolution of all these developments in China.

For example, without the market for executives to evaluate who are good and who are bad managers, the Party still relies on the organizational departments to select managers, and of course, the purpose is to prevent any crises from happening in China. So I think that what we are happy to know is that actually of course we all know that there are a lot of problems with the Party in terms of the press, in terms of the legal system, in terms of the corporations and interest groups, but we do know there are a lot of new developments emerging which actually give us hope that in the future those institutions we see here in the United States, in Hong Kong, will emerge in China. I lived in Hong Kong for

many, many years and from my experience, everything that China needs most is in Hong Kong. Well, except democracy.

Let's open the floor for discussion and questions.

JACOB CHEN: My name is Jacob Chen from KMT-PFP office. I want to ask Professor DeLisle about lawyers. I remember when I attended a class on the Chinese legal system back in the 1980s learning that there was an explosion of liberalization in China and I also remember that many of the Chinese laws were influenced by laws in Taiwan, especially the civil courts and the commercial courts. My question is about the new property law. Will this law have a big impact on the Chinese legal system as well as political system, or the nature of the Communist Party or communism or socialism in China? Thank you.

JACQUES DELISLE: If passing a law on its own were to have that big an impact, there would be a lot more demand for the services of people who do what I do and do what my students do! So I wouldn't place overly-high expectations on a given piece of legislation. That is going to be true in any system.

I think in China the significance of any major piece of legislation is probably even more complicated than in most systems. The moment that matters least in some ways is the moment legislation is passed. If you look at the major changes in Chinese policy that have had some relationship with law, with legislation, which has been a very large percentage now of the major changes in Chinese and practice in the last quarter century, sometimes law catches up.

Behavior emerges and then it gets ratified retroactively. An early example of that was the secondary market and land use contracts.

On the other hand, sometimes law is aspirational and it is very long process before it gets fully implemented. I would put a lot of the provisions in the new company law in that category.

The property law strikes me as somewhere in between. On the one hand, because it filled such a big vacuum, much of what it does simply recognizes a much-increased security of property rights that had been emerging in practice and through lower-level sources of law for quite some time, but as far as being some big ethical breakthrough or really putting in place what some people might see as the promise of a constitutional provision on raising private property rights to near equality, I don't think it is there yet, and indeed there was a fascinating, almost theological, debate in the long gestation of the property law which as you may recall was going to be Li Peng's final legislative accomplishment before he left office. It has been a while.

One of the debates was how far do you need to go to tackle what you're pointing to as essentially the ideologically-symbolic point of what's left of a notion of socialist property, that is, do you make that last underlying conception of property fully alienable? The answer is no, not in this legislation, although there are people who pushed and continue to push for it. But there was a debate among people who were fully committed to a marketized system for buying and selling

property rights about whether you needed to do that. There was the so-called pragmatic viewpoint which said as long as the use-rights are fully alienable and you've got a very long-term window—there was a debate about whether 70 years is long enough, in light of the fact that such a long-term window that worked for Hong Kong until 1997—then as long as there are long-term use-rights and they are fully tradable, everything is okay, you don't need to worry about that last ideological vestige. On the other side you had the people who said, no, as long as you do that, people are going to raise the question you raise, which is: isn't this just the thin edge of a wedge for the Chinese Communist Party coming back in not to stave off a disaster but to sort of say thus far and no further. Obviously, one side won that debate over the other, but it was not a debate about how important it was to have a legal framework for property.

Briefly on the first part of your question, yes, the Taiwanese influence has been huge in Chinese law drafting. Obviously there is the sense of the shared reception of civil law, there is obviously the accessibility of the language and of the people who do it. But I would say one of the things that has been going on, not in the 1980s wave as much, but certainly in the 2000s wave, is that the Anglo-American models have been much more front and center. The official position is that China is a civil law system, but if you look at what started to creep into the content of laws, there is a lot more Anglo-American style law coming in lately. I think if you look at what happened in the revision of the company law, it

looks less German and a lot more Delaware than it did before.

QUESTION: A question for you. It's about what is your assessment about the progress of rule of law in China today compared with 5 years ago or 27 years ago when China started to reform. I mean the relation between rule of law and the rule of the Party. Is China changing some words from the rule of the party and the rule of law? Because as a citizen living in Beijing, I do see an increasing number of cases of the people's use of law to protect themselves, even to check against the state and the Party. As you know, the Chinese constitution in the preface says that the Party is the leader of the country. So what is the progress through your observation? Thank you.

JACQUES DELISLE: One part of that question is easy. Compared to 27 years ago, wildly better. It's sort of a variation on the prior question. If your standard for the rule of law is whether or not there is a formal, deeply entrenched commitment to the Party/state authorities being restrained by the law, that principle clearly has not been accepted. There is still this thin edge of the wedge that reserves the authority for the Party to step back in and assert its prerogatives. The Party is given such a special position in the preamble of the Chinese constitution, and it's there in the retention of at least vestigial state ownership and underlying ownership as a side constraint on everything else. But if you want to talk about the day-to-day degree to which you see the discretionary exercise of official authority to upset private economic relationships, clearly that is way down and people

litigate to get those kinds of rights recognized. Is it always fair? Do they always win? By no means. But compared to a system that didn't have that years ago, it's a huge change. And the ability to bring administrative litigation against the state and sometimes win, sometimes, yes, suffer retaliation, it is a mixed bag, but again compared to baselines of the early reform era, no comparison. Again, I think there good self-interested reasons that they have chosen this approach to the law and now given the momentum built up in the system that many people in this room many pieces of better than I do, that it would be very costly to throw that overboard.

The more contested question now is what has happened in the last few years. A lot of the statistical metrics I gave you have plateaued. Administrative litigation actually peaked and came down some. The number of people bringing civil and economic suits has plateaued and even dipped a little bit. In the rule of law index that you see from the World Bank, China's percentile has been down a little bit. Those all suggest a kind of flattening out and Pei Mingxin will use those quite persuasively to argue for a transition argument. And I don't think that is obviously a wrong argument, I think it is too early to make that conclusion, and I think there are other explanations for why you see that plateauing.

In administrative cases, once you get a law in place you would expect more cases up front until the ambiguities are worked out. We do see more evidence apparently from some of the survey work I have seen of agencies fixing it up front. Some of the laws have gotten clearer so there is less ambiguity. As law

develops you don't bring the marginal cases because they've already been decided. That's the happy story. There is also an unhappy story which I'm sure we'll hear about in terms of the control of corruption and so on. Then there is the general sort of chill in the political discourse in some ways that we hear a lot about from especially pro-democracy or pro-constitutionalist intellectuals, but that again I think has only a complex connection to increasing legality.

XIAO GENG: Let's have another question.

BRUCE SMITH: Bruce Smith from George Mason. I have a question about who constitutes the political class in China and how do you identify them? In our case we know the press is part of the political class in a certain sense, but they are a little schizophrenic. Partly they are trying to interpret elites to the broader public, and in part they're trying to tear down all authority and align themselves with populists, except their authority, of course. Lawyers are political actors in our sense because they merge with lobbying and they merge with politics. All lawyers in D.C., maybe that's an overstatement, but at least a lot of them are political actors. There are some lawyers elsewhere who do law, but here we do politics in this town.

In China they're all technocrats. There are no politicians because there are no offices to run for. Yet it's not like General Motors where you're just promoting a manager to be director-general in this or that part of the country. Interest groups just fight each other most of the time. Who really constitutes the

political class, and do they kind of recruit them from below or do the people from below try to burrow their way in? What part of this total bureaucracy are technocrats-turned-politicians and how do they get recruited?

RICHARD BAUM: The first part of your question about who they are—I think Li Cheng has pretty much given the definitive answer of who they are. How they got there is another question. Recruitment and training. Ever since 1982 there has been in China a concerted effort to identify the best and the brightest young, up-and-coming administrators, Party officials, Youth League cadres. These individuals are then marked for observation and fast-track promotions in primarily state but also Party organizations ranging from the municipal, provincial, district, and central level. This started to be very visible in 1982 when a drive was underway to promote members of the third generation. And ever since, there is a pattern that I think Li Cheng has identified of collectively nurturing the most promising members of this cohort. They tend to be, as he showed, increasingly not just college-educated, but also sometimes graduate degree-holders, and the ones that are most promising are often sent to deal with the worst areas or most difficult constituencies. So the Aegean stables are given to the rising newcomers. Hu Jintao labored in Tibet and Gansu and some other very poor and very strife-torn provinces, and you acquit yourself nobly in these difficult slots before you're going to get your promotion.

So these people are watched for a very long time. One of the

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reasons for this of course is they don't want another Mao Zedong to emerge, another charismatic man on horseback who is going to come in and use populist mobilization techniques to become a dominant dictator or autocrat. This is a collectively-controlled process. They watch for talent. These are talented people that are emerging and they are being tested in the crucible of very difficult assignments.

AUDIENCE MEMBER: I'm from George Mason University. A question to Professor Baum. In recent years I have noticed increasing public discussion and debate in the Chinese media, mostly editorials written by the university professors and other intellectuals. Is this a sign of increasing freedom of speech in China? And how does public opinion factor in the government's decision-making process as they discuss all kinds of issues not only education policy but also foreign policy?

RICHARD BAUM: Certainly since the early 1980s there has been an increasing level of public discourse by intellectuals. One can argue either side of the question of whether they have been thoroughly and effectively co-opted by Party-state authority so that they don't raise their heads out of the foxhole too high, or that they're having an impact. Certainly there is a greater contentiousness to many aspects of the debates recently, but it does tend to stop short of the really vital political issues. Just a case in point, a former Beijing University professor of journalism Jiao Guobiao published a biting critique of the propaganda apparatus of

the Party on the internet and was pulled out of his classroom assignments and not allowed to teach again. So if you raise your head out of the foxhole too high and your message is a bit too discordant, there is a strong cold water enema waiting for you.

AUDIENCE MEMBER: There has been a recent attack by the media as well as sort of pseudo-legal attacks on foreign firms in China, and some examples of that are claims of procurement improprieties which were highlighted in the media by companies like MacKenzie and Company which was specifically attacked. There was a case of McDonald's and its supposed minimum wage violations, as well as a bunch of cosmetic and food companies that have been attacked for potentially having harmful ingredients in their products. I was wondering what this says about populism and nationalism in the media and whether these phenomena are state-promoted. What is the state's role in the media in that situation, and is this so significant that foreign firms should be wary of selective use of the legal system?

RICHARD BAUM: I'll just address the media part of that. I think what we're seeing is a case of fighting fire with fire. I think China has been on the receiving end of so much criticism about the way its economy operates, its enterprises operate, and the lack of any kind of labor rights or protections, that I think this is a kind of turn around is fair play. Now they are targeting foreign firms whose practices may not be exemplary within China and highlighting their lack of

protection. In recent weeks and months we have seen movements to unionize Wal-Mart's workers and now McDonald's workers in China, and I think this is a response similar to when the US State Department publishes its annual review of human rights in China, China then comes out and publishes its response, an annual review of human rights problems in the United States. I think this is a similar case of fighting fire with fire.

ERICA DOWNS: Also on that point, I think it's important to keep in mind that protectionist sentiments and economic nationalist sentiments rise and fall in countries around the world. I know we certainly saw that here in this country in 2005 with the reaction not just to the CNOOC bid for UNOCAL, but also in the case of Dubai Ports. So I think this is not necessarily something that is unique to China. Certainly there are some parallels in that after CNOOC and Dubai Ports there was a lot of talk about the need to revisit CFIUS. Following this, there was a debate about whether or not there needed to be greater scrutiny of and changes in the way we evaluate foreign investments in China. Again, I don't know to what extent one was a response to the other, but I think this is something that we see in countries around the world including here in the US.

JACQUES DELISLE: I would agree with both my colleagues on that and add that I think also that although there is this sense that it's the foreign face and it's going to be higher profile and it's going to be louder, something is going on domestically as well, and it's a nice illustration of the complex

relationship between populism and legality. For so long the story about building law in China was about making contracts work and protecting property rights and all this kind of bare-knuckled capitalism, dismantling the plan and all that sort of stuff. Now the other side is coming to the fore, labor protection, consumer rights protection, all these kinds of things are part of the mix too. It's bound up with the populist agenda and it's one of the many illustrations of just the peculiarity of the position China is in, which is in some ways like being in 19th century England and in some ways like being in 21st century America. Both sides of that whole dilemma are present and it is not surprising that they are working their way through the legal system and it's not surprising that the ambivalence about them gets loudest when dealing with the foreigners who have been preaching one side of the equation to China for a while.

XIAO GENG: Actually, I wanted to add one point, and that is that China has had preferential investment policies strongly biased towards foreign investment in the past. They are trying to correct that now, which is right, so there is a mixture of issues.

MASAHIRO MATSUMURA: Hiro Matsumura, Brookings-CNAPS. My question is for Professor Baum. I tend to differentiate the concept of popular sentiment and public opinion. You have pointed out that the explosion of the electronic media represents a growing avenue for people to express popular sentiment while taking advantage of technological innovations.

Do you think is there any chance that this explosive popular sentiment can somehow be articulated or channeled to sustain articulate public opinion? Similarly, for Professor DeLisle, does the current increase in litigation leave any room for the possible evolution of public opinion? Thank you.

RICHARD BAUM: I think the absence of license for interest groups to articulate responsible public opinion is one of the big problems with the Chinese political system today. We are going to talk later today and tomorrow a lot about democracy. But in terms of institutions of public opinion, they are closely related I think to the organization and articulation of interests in society and there has been a lot of trouble in the Chinese political system legitimating conflicting interests particularly when, as in the case of some homeowners groups or peasant groups, these interests are trying to fight for reduction of taxes or property rights in rural areas. I think there has been a sense that this is a dangerous kind of tendency that if not controlled and channeled it could get easily out of hand. So I think public opinion has been treated less as a healthy thing, particularly the mobilization of specific interests and the articulation of specific interests, and has been treated less as a healthy thing and more as a potential danger. And I think that until that changes, some of the problems I identified in my paper are still going to be with us.

XIAO GENG: Actually I have a question, if I might take advantage of the moderator's position. When I moved from Hong Kong to Beijing, my son and daughter complained of one thing more than others, which was that they could

no longer access Wikipedia. So they asked me if I was advising the government, how can I convince the government to allow access to Wikipedia?

JACQUES DELISLE: Actually, I don't know the answer to that, but the last part of that question on whether increasing legalization creates room of interest group activity, I think the agenda is for it to do the opposite, but the effect may be for it to do what you suggest. That is, the idea of allowing people to bring very discrete lawsuits--I was denied my license, my house was taken--that is very atomizing. It is useful to the regime in that it means the complaint gets out there without swelling into some kind of massive social protest, but it is just me, it's not a whole bunch of people. And if you look at the Administrative Procedure Act or at the law on legislation, there are hearing processes, but it is not real interest group hearing. It is not anywhere near as regularized as what you would see in a system with strong interest group politics. And all those things have the use of getting good information in, of doing some steam valve control and preempting mass action.

That said, however, there are lots of places where you do see these legal rights and the regime's sense of the need to have legal rights to address some problems creating areas for more collective action and for more interest group assertion. One example is the rise of the collective-action or even class-action type lawsuits where the sense is that there has been a lot of bad behavior going on and that it there are an enormous number of individual plaintiffs. There has been this

gradual expansion of people bringing these multiple-plaintiff suits, and it has been really institutionalized now in the securities area where basically it is the only way you can get anybody to complain about securities fraud. So these kinds of windows are opening.

It is happening on the consumer side, too, and on the industrial side in terms of international trade type issues. That is, these laws don't work unless you allow groups to press them. The incentives just aren't right or the law is structured such that it's vague enough that you need some kind of collective behavior. If you say consumer rights are good, that means consumer rights groups are going to start saying we need legislation on these kinds of issues. If you say China needs to assert its rights under the World Trade Organization, then you are going to get lots of Chinese companies, even some fairly small ones, saying they are suffering from dumping or being accused of dumping and want to fight back, and demanding an industry association that can talk to the Ministry of Commerce and get it to do its job better.

XIAO GENG: Any more comments? I think time is right, at 1:00 we have lunch. Thank you to all the participants. And by the way, everyone in the room is invited for lunch, and the next session will start sharply at two o'clock.

(Recess)

JOHN THORNTON: If I can call this to order, please. I am going to be as brief as I possibly can be so that we can maximize the time with Sidney, both his comments and your questions. I am well aware that many of you know Sidney very well and know his story very well. I suspect some of you do not know him very well, and even if you do, I'm going to go through the story because it's so remarkable it needs to be retold and retold and retold.

I once heard Sidney introduce himself and he said the most remarkable thing about me is that I have been married to the same woman for 50 years. Just a minute ago I went over and asked Yulin who is sitting right here, I said, Yulin, when did you get married? She said 1956. So I said 51 years. And having been married 17 years myself, I consider that quite an accomplishment.

However, there are other remarkable things about Sidney as well. Sidney lived in China from 1945 to 1980. He was the first American member of the Chinese Communist Party. He developed a friendship with Madame Sun Yat-Sen which led to a relationship with Zhou Enlai which led to a relationship with Mao Zedong. For his efforts and his enthusiasm he spent a total of 16 years in solitary confinement on two different occasions in China. He finally left the country in 1980 and moved back to this country, and since then he and his wife have been consulting and are back and forth to China all the time.

I have made an unscientific attempt to get to know as many people

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in our country who know China, and although the word unique is very overused, I think Sidney is truly unique, and you're in for a real treat this afternoon. He is going to talk on two things. One is historical perspective as to what's going on in China today, and the second will be some thoughts on the 17th Party Congress.

For those of you in the audience who are filmmakers, I always felt that this story ought to put to film, so you can consider that while this is going on. So without further ado, I'll get out of the way. He is going to talk I think for about 30 minutes, and then we have a lot of time for questions and discussion. Sidney?

SIDNEY RITTENBERG: Anyone is welcome to take pictures, but I am not responsible for what happens to your camera.

(Laughter)

SIDNEY RITTENBERG: First of all I want to thank John Thornton for telling me what I'm going to talk about because I have been wondering for the last few days. I have to tell you about John, I've said this before, it's a special pleasure and honor to be here at Brookings. Why? Because when I was 13 years old in Charleston, South Carolina, the first inkling that I got about economic/political issues was in a series of pamphlets by Stuart Chase published by the Brookings Institution, and that is what really started it all. Not that I'm holding Brookings responsible for all of the places I've been... I know it's not exactly my alma mater, but it's still a special kind of feeling to be here.

Also it's special to be here with John because I think that John Thornton, he's not much to look at, he's not particularly nice looking, he's not very bright, and he hasn't been very successful in life, but he has started a path in China or rather he's built a bridge between China and the United States that I think will be emblazoned in history. That is really unique. And why? Because he went over there and worked very hard finding the brightest, best-informed people that he could and sitting at their feet as a little pupil, as a little student and asking questions and listening in order to find out exactly where that particular area of China is today, where are they, and what is their next step forward, what is their really practical next need, and then working to help them to find ways of meeting that need.

For example, one of the things that the Chinese economy lacks most grievously is corporate governance. They have these huge conglomerates, huge companies, very successful making a lot of money, very, very few brands on the world market and big gaps in their whole panoply of operations. And John positioned himself with one of the powerful Chinese conglomerates in a position where he was invited to guide the board of directors in learning how to be a genuine board of directors. This is something that has never happened in Chinese history and something that is of critical importance. It all goes on very quietly, very few people even know about it, but it makes a difference, and this man is about making

a difference. He is not about talk. And so my hat it really off to John Thornton.

JOHN THORNTON: Sidney, you're off script. Get back on script, please.

SIDNEY RITTENBERG: Last autumn we were in Beijing and I got a call from a New York Times correspondent in New York who wanted to get some information on something. So I talked to him and at the end I said I have to tell you I really appreciate you guys. It's great to be vastly overrated by The New York Times. People think you know just about everything, and that's pleasant. I don't want to disturb those illusions.

I would like to first just pick up on some of the things. I'm sure that you, like me, have found the two panels that we had absolutely fascinating. Every single panelist's presentation was chock full of nuts. It had facts, it had viewpoints, and it had analysis, evaluations. It was really very, very worthwhile, and I think we all owe something to the John L. Thornton China Center for enabling us to be here.

There was discussion of the lady in Chongqing who pulled the famous incident of the *dingzi hu*, the household that stood out like a nail until the authorities finally made good on their policy promise that when people are forced to move they are supposed to be fairly compensated and given a new residence which they are taken to see and agree to accept before they can be moved. You are

not supposed to just come in with bulldozers like the “Grapes of Wrath” and say you’re out of here, and this woman took a stand and finally won her point.

We have seen enormous changes in China over the last three to four generations, but the point I want to make is that throughout all of these changes, there is a persistent continuity in all of it, so in that sense there is nothing new under the sun. But of course there’s a lot that’s new, and in another sense, everything is new under the sun. In 1959 I remember distinctly that Chang’an Boulevard, the main East-West boulevard of Beijing, once you got to the Xidan Crossing it whittled down to two little alleyways both of which were one-way streets and a city bus had to go very, very slowly in order not to hit the houses on either side. And then all of a sudden for the tenth anniversary of the PRC, they decided they were going to take all of this down and build a great big beautiful boulevard to celebrate. So they took it all down until they got up to where we lived at Fuxingmen where the old city moat was, and lo and behold, there was one old lady that lived in a little shack, a little mud brick shack there, who would not move. And they tried to persuade her and they tried to bribe her and they tried to get her to go look at the nice brick homes they’d built for the people who were being moved, but she said no way. She was in her eighties. She said, her ancestors had lived there for generations. She pointed out that she was not going to live very much longer. She said she’d be dead soon. She told the authorities that when she died, they could

have the house, but she would not move before her death.

And I remember it was almost up to National Day, it was like a month or 6 weeks before the great day when all these new projects were supposed to be done and she still hadn't moved. So Mayor Peng Zhen, who was a member of the Politburo of the Party and one of the old revolutionary heroes went down and had tea with her. He brought his own tea one evening. They were just one block from where we lived, and he talked to her about the importance of building the new Beijing for the whole world to see with beautiful broad avenues, still choked with cars today, but beautiful broad avenues, and the old lady was persuaded and she agreed to move. So that was back in 1959. This sort of thing, this spirit, is very, very Chinese, and you see it flourish more at some times and less at other times, but it's there.

On the press, I thought Rick Baum did a great presentation giving all sides of the issue of the press in China, and an example of the inability to really exercise complete control over this burgeoning multitude of new press organs. Just for an example, there used to be two big daily papers in Shanghai, both of them of course run by the Shanghai Communist Party. Those two papers are still there, but there are now over 200 newspapers in Shanghai of all shapes and sizes, of all kinds. Given all of the press and TV stations, not to mention the millions of blog sites, websites and so on, given the ability of people to use proxy servers and to go all

over the map, how could anybody possibly really exercise control?

But even in what Rick mentioned as the top circle of most tightly controlled publications, among which one is the China Daily, the English-language publication of the central authority, China Daily about 10 days ago had a long article that started on the front page, many of you may have seen it, and then occupied a full page inside, on Chinese beginning to turn to faith to make up for a lack of meaning in their lives. It is about religion, it's about the growth of Christianity, of Islam, Buddhism, and so on in China. In this article, maybe it was buried so deep in the full page part that the censors didn't see it, but in this article it stated right out in front of God and everybody that the Religious Affairs Bureau of the central government claims that there are about 100 million believers in China, but actually there are more than 300 million.

That's a pretty bold assertion on a pretty important topic, but there it was. It got out. And if you guys don't go back and tell, probably nobody will ever know it. So things like that happen. It's very tight, and yet it's very loose. And I think again that's typical of China, as a symbol of continuity.

The era of Mao Zedong was an era of centralized command planned economy. Everybody knows that. At least people thought it was a completely centralized command economy. How well the commands actually worked when you got down to the bottom was another story, but that was the general system, the

general perception. Whereas Deng Xiaoping knocked the whole thing into a cocked hat. He began an era of essentially market economy and the Chinese economy today is essentially a market economy. Almost all prices are determined by market forces today.

So these two things are directly opposite. One was a cancellation of the other. Not quite true. I just read the other day an article by a professor from Hong Kong University, Professor Gan Yang, who is quite well known among Beijing academics, in which he points out that the adventures of Mao in the Great Leap Forward and the Cultural Revolution, while they led to disaster in the Great Leap Forward, they laid down the groundwork for the rapid success of the Deng Xiaoping reforms. Why? Because Mao had the idea in 1958 that we are going to industrialize not from the cities back to the villages, but from the village up. Mao began in 1956 to rebel, first quietly in private against following the Soviet model of 5-year plan, 5-year plan, 5-year plan, where they were building socialism or building something just brick upon brick upon brick with very strict discipline and with the experts in charge of everything and ordinary people just doing as they were told. He thought that was not right—that was not the way we won the war. We won the war by mobilizing people to fight the people's war to take the initiative into their own hands, to be creative, to be innovative, not to just do as they were told.

So in the Great Leap Forward you had this huge campaign. Every village was going to smelt steel, every village had a communal dining room, and every village was going to make everything they needed insofar as it was possible. So you had all these little village businesses, these little industrial enterprises maybe making tofu, making woks, to sell in the city, or making bamboo chairs or whatever, all over the place, and you had local cadre, village and district and county cadre, who were dedicated to growing the economic in their locality. Of course, most of these were failures, most of them failed and went out of business, but they left behind this concept in local government of building the local economy from the ground up, not waiting to be supplied from the cities, generating income and employment by developing your local industry. So when Deng Xiaoping opened the way for that to happen by opening the market for the farmers to sell their crops at whatever was the best price they could get, these village cadre were ready to go. They had been there, they had done that, only now it was in a different way and in a different framework, and this time it worked because it was not taken to extremes.

I think this professor was quite right in arguing that the reason that the reforms worked so well in China, there was such an enormous growth in productivity with relatively very little disruption, whereas it did not work anything like as well in the Soviet Union or in any of the Eastern Central European communist countries. The reason for that was largely that the groundwork had

been laid in Mao's day by embodying in reality this concept of having people innovate, having people grow their own enterprises, their own economy.

I have been studying China and trying to learn from China for 64 years now, and I figure after about another year or two I'll be ready to graduate from grammar school. But I think we all know people who are in China studies, and we certainly have some of the cream of American China studies in this room, we all know that the more we know, the more we realize that we don't know, or that while we have the information, we don't really know what it means, we don't really know exactly where it's going.

Take the issue of liberalization. We see the ebb and flow of liberalization in the case of the press and media and so on, but do we know exactly what kind of liberalization will work best for a country like China? Do we know how rapidly it should go, how it should be modulated and so on? Maybe somebody knows, but I certainly don't know, and this is something that I have paid major attention to.

I grew up in what was called in those days the Civil Rights Movement in the South. Born and grew up in Charleston, went to school at Chapel Hill and Georgetown. It if hadn't been for Georgetown, we would have won the final four, too. I almost cancelled a trip to Washington because of that. As kids we were in the Civil Rights Movement, we were working against the poll tax that kept

black people and poor whites from voting, and it really did keep them from voting; against the horrors of the sharecropping system in Mississippi; and so on. We were dealing with the Klan and with the police. My first incarceration was not in China, it was in Bull Connor's jail in Birmingham, Alabama, for shenanigans of that sort.

Then here I go to China and I end up wrongfully imprisoned on two occasions in solitary confinement, not nice, not nice, for a total of 16 years, and I really thought it was too long. I did. I'm sorry. No use pretending.

(Laughter)

SIDNEY RITTENBERG: So I have a strong personal feeling about human rights, individual rights, and one of the strong reasons that impelled me to move back to the States in 1980 and to work on this side of the bridge between China and the United States, the same bridge that John works on, one of the strong reasons was a speech that Deng Xiaoping made internally in January 1980 which made it very clear that the media was again going to be completely controlled, that the Democracy Wall was going to be completely shut down, and that just killed me. And also that there were going to be major compromises in dealing with official corruption.

In hindsight after all these years, he probably was forced to make compromises in order not to have his entire leadership collapse again and go back into the chaos of the Cultural Revolution. He probably was a lot smarter than I was.

Surprise. But at any rate, I was very angry about these things, so we start on this end.

But there is great concern in my mind also for a country that we just heard where 50 million workers, supposedly the leading class, have been laid off in the course of transforming the SOEs where there between 150 and 200 million migrant workers leaving the villages and wandering around finding mainly temporary employment in the cities or working to build new rural population centers. This is a very volatile political and social situation and a return to turmoil obviously would be the worst thing for the Chinese, and it would be very bad for us as well. Even the Bush administration, if you will pardon me the “even”, understands that turmoil in China would not be in our interests. So I think that when people in this country criticize human rights violations in China, it is a very positive thing because I think it helps to put pressure in China against the retrograde people, the old guard so to speak, and it encourages the more vigorous reformers to fight for a more enlightened position because they cannot fight every battle, obviously, they can only take up the cudgels on issues that are core issues and that they think they can win on. So this plays a good role.

On the other hand, if it is government pressure or if it is one in a very one-sided way, it can do harm in my opinion. What harm? It poisons the image of China in the eyes of the average American. How many American tourists and

scholarly delegations, not China scholars, have we heard of who go to China and end up being really surprised to find animation and the upbeat character of the people there that you can see just walking along the street, because they expected China look like Nazi Germany or to look like North Korea from some of the one-sided reports that we see in the press here where they only talk about the seamy side, the backward side, the difficult side. It is like reports in the Chinese press that only talk about drug abuse, the divorce rate, mental disease and other treasured items of culture here. Not fair. That gives the Chinese a false impression of America and a one-sided approach. I just read an article by Andy Nathan who is an outstanding advocate of human rights in China consistently for a long time which gave a very measured view of both the progress made and the problems that still exist. But if it's not like that, if it just spreads hatred and contempt among the American public, the problem is these are the people who can influence the politicians and the politicians who make a profession out of China bashing are not good for the relationship, not good for progress in China or in our country, and it's enlightened public opinion that can change that situation, and that is one reason of course why the John L. Thornton China Center is so important.

Let me drop that and go way, way back to talk about a couple more points. The 17th Congress. My personal feeling about the 17th Congress is that it is not so important in terms of personalities, because I think that's a situation where

it will not be too difficult to handle. In the last 4 years gradually the consensus in the leadership has moved from, to oversimplify it, what I would call a trickle-down economic policy, Reaganomics, to the good-old welfare state position, what I learned from Stuart Chase from Brookings when I was 13 years old. That was very simple. If the consumers do not get a larger share of the GDP, there is no way that they can buy the products that industry makes and, therefore, there is no way that industry can prosper long-term. Very simple.

So I think this generation of Chinese leaders has decided on and gradually implemented this decision that they must give a larger share of the new product to the poor of China who still are the overwhelming majority. You've got 900 million people in China still living in villages and small towns who are basically not yet part of the modern marketplace either as consumers or as producers. Bringing those 900 million into the marketplace, changing their existence from rural poor to comfortably well-off people is essential not just for the continued growth of the Chinese economy, but for political and social stability also, and I think these guys understand that very well. That's why Hu Jintao said we can't just have growth at the expense of public welfare, we can't have growth at the expense of the environment, and we can't have growth at the expense of spiritual values. Spiritual in Chinese doesn't mean like spiritualism, it means moral, ideological, intellectual, etc., and a lot has been done as speakers have already said,

a lot has been done in real life to start changing the imbalance between city and town, between coastal areas and the interior, and so on.

Hu Jintao said to really make a fundamental change will take how long? Twenty years. So they are not pretending that it is something that can be done easily or quickly, and how well it can be done at all of course still remains to be seen, but that is in motion.

What I think the 17th Congress will do, it will codify and confirm this shift from just supporting the big guys to get bigger and then hoping that it will trickle down to the majority, changing over to a policy of deliberately redistributing part of the income so that the people who have less will get more. I think the outline of policy goes something like this, to guarantee a minimum to everyone, city and country, an annual minimum. Not a lot of income, just a little, but enough to live on. And it's a big fight to even make that happen because the central authority has to make sure that the money that goes down for this minimum income guarantee doesn't get siphoned off by corrupt officials, and all this takes time and hard work.

Second, they are seeking to expand the ranks of the middle-income earners, and third, they're looking to reduce the income of people like the heads of big conglomerates, SOEs, oil companies, telecom, so on and so forth, to cut their income. And I have good friends who are heads of some of these conglomerates

who are privately complaining like mad about the fact that their income has already been seriously cut, partly by raising taxes, but partly by just cutting. So this is a determination to go over to a welfare state scenario but again being very careful not to do it by extreme measures.

Yulin and I were just talking yesterday. We have seen a lot of things change very quickly in China, overnight tremendous changes. None of them have been good. Sorry, none of them has been good. My Chapel Hill English teacher might be listening. They always look wonderful and then they turn out not to be real or they turn out to have a big negative side that you hadn't counted on. It's gradual, step-by-step change through trial and error that really works in the long-run.

I think China is probably one of the few countries in the world where globalization is almost never used as a derogative term, as a bad word. Globalization is always looked at as part of "we're joining the world now, we're part of the world." This is something new in Chinese history. China has never been part of the world as a whole, and is becoming so now.

Zhu Rongji, who in my opinion will be recorded in history as a real national hero, a man that knew how to speak his mind without notes and really got things done--like everyone who gets things done, not everything he did turned out very well, but most things did, and that's about all you can expect. But Zhu Rongji,

one of his last statements before leaving the Premiership, went like this. He said, Chairman Mao used to say that things with us get better and better every day. Things with them, meaning the other guys, the opponents, get worse and worse every day. Zhu Rongji said it's a different world today. When it gets worse for them, it gets worse for us, too. So they are not averse to Bob Zoellick's idea of China as a responsible stakeholder which is one of the hopeful things.

Let me go back to thinking about the changes in Chinese leaders, the changes in leadership. When I first got to China as a GI in 1945 and then went into the U.N. relief over there, I didn't meet Chiang Kai-shek, but I did know some members of his cabinet and it was quite remarkable. The ones that I knew lived in homes like the movies of Henry VIII. The only time in my life I have ever been at dinner where literally the servants were bringing in a platter of chicken and they would take a few cuts off of the bone and throw it on the floor for the servants to pick up, just like the Charles Laughton movie. Nobody else here is old enough to remember that.

The reason I met the gentleman was that he was on a mountain road outside of Kunming, I was coming in my little Army jeep and I saw this limo that was parked there and a uniformed chauffeur was standing outside looking hopelessly at the rear tire. So I stopped and got out and it was a flat tire and the chauffeur didn't know how to change the tire. So, being that I was a well-trained

GI, I changed the tire for him, and to thank me the minister took me home for dinner. These were people who had in their heads just one thing and that is that we will win because we and people like us have always ruled in China and always will rule, and this riffraff, these peasants, this ragtag and bobtail excuse for an army, how can they possibly ever win? Actually, I couldn't see practically how they could win, but ideologically I totally sympathized with the Communists so I thought somehow or other one day they could win, but probably way, way off in the future.

Anyway, then when I went on a relief mission to one of the revolutionary guerrilla areas, and it was just a different China, and I understood why, because the China that the Nationalists inherited after the war with Japan was a destroyed, wrecked, hopelessly disunited and corrupt country. That's what they had to work with. Even their own ranks of the Nationalist Party were in name one unified party, but in fact Chiang Kai-shek could not control the local warlords that ran most of the provinces. They each had their own army and all he could do was engage in horse-trading and bargaining, and the system went from bad to worse.

Why was Mao able to win when they were outnumbered? In sheer numbers of men under arms they were outnumbered 3 or 4 to 1. They had no tanks, no big guns, no trucks, no heavy machine guns, and no planes. The Nationalists had all of these. They occupied all of the country except Harbin way up in the

Northeast. Harbin was the only city the Communists received control of from the Russians; other than that they controlled no cities of any size. They were in the worst wilderness areas of China. How could they possibly win?

I think the decisive force was the difference between the two different levels of thinking, and two different kinds of policy that the Nationalists and the Communists represented. Mao didn't think in those days, when he was still in possession of his wits, that he had any kind of a right to rule. He thought of the fact that China was poor and weak essentially because 70% of the peasants had no land or not enough land to live on, and he believed that until the land issue was solved China would never be able to grow a modern industry and get out of the kind of deep famine and poverty that they were in.

His way of thinking and the way of thinking that he trained his cadre in was entirely different from that of the Nationalists. Mao's way of approaching the issues of the day was very simple, and focused on philosophical tenets like seeking truth from facts, investigating your local reality, and urging cadres to see what's going on in their community, what needs to be done and basing one's policy on that. The most striking example I know of was in 1947 when they were still in the mountains and the Central Committee of the Party--incidentally, in case you're wondering, I was dropped for non-payment of dues long ago--the Central Committee of the Party drew up a list of 40 articles as guidelines for the teams that

went to the villages to lead the land reform. Articles 1 through 39 were all about how to organize it, how to survey, etc. Article 40 was written by Mao personally with his big writing brush--which meant that I couldn't read some of the characters, I had to go get help--and what it said was that if some of you comrades down at the county or the village level disagree with these articles of the Central Committee and want to sabotage them, the best way of sabotaging it is to carry it out in your village exactly the way it is written here. Don't change a thing. Don't bother investigating. Don't bother making a reality check. Just do it the way we say. Typical. I could give a million examples in those days of the kind of leadership and the kind of training that they had.

Also, partly they won because they did not depend on outside aid. They got nothing from the Russians except access to the captured Japanese weapons in Manchuria and two doctors who were supposed to take care of Mao. Chiang Kai-shek had to depend on materiel, financing, and training from us, from the United States, and that led to real absurdities. The one that I remember best was in 1947 when the Communist troops encircled and laid siege to the city of Luoyang, which was an ancient capital of several dynasties and therefore a famous city, and the siege of Luoyang was in the papers in this country. Chiang had no reinforcements close to there, but he sent a big army to relieve the siege of Luoyang from way off in Shandong and Jiangsu along the Longhai railroad line. So Mao let

the troops advance until they went into the perfect ambush, a place with ravines on both sides where they could destroy the troops just by rolling boulders down on them. And then they struck, and as always, they never fought unless they outnumbered that particular unit 4 or 5 to 1 at least. Then they fell on these troops, and so then Chiang moved. The troops who were resisting the siege of Luoyang came out from the city to relieve their brethren who were now encircled and left the city empty. So the Communist troops entered Luoyang, took the city and then turned around and finished off the troops who were in the encirclement.

Sorry for all the detail, but if you look in Sun Tzu's writings, written over 2000 years ago, you find that one of his favorite tricks was to lay siege to the city in order to hit the reinforcements. Your real aim is not the city. Did Chiang Kai-shek not know that? Of course he knew it. He was trained in both Western military thought and in Sun Tzu's *Art of War*. So then why did he fall into Mao's trap? Because the fall of Luoyang would create a bad impression in the American press just at the time when he desperately needed to get more money from Congress. That was the story of one side of the whole war. Many stupid mistakes were made because they were perceived as crucial in the effort to get more foreign support, but they proved disastrous from a military viewpoint.

I have way overstepped my time so I'm just going to be quiet and welcome you to ask questions. Please do not hesitate to ask awkward, sensitive,

challenging, or difficult questions, and I will try to offer some answers.

(Applause)

AUDIENCE MEMBER: I'm a Visiting Fellow here. Sidney, thank you for your insights about China. From your experience and understanding of China and I wonder if you can go further to tell us how we can better understand China because if I understand your speech correctly, you seem to suggest that our understandings about China may not be good enough, even despite the insights we have gained from the wonderful presentations of papers this morning.

I have a similar feeling because as a Chinese person trying to understand the US, I see a that the US has failed a lot of times in trying to understand other countries, including the Philippines, Japan, and South Korea, and now even Iraq. So my question is, from your rich experience and deep understanding about both countries, both cultures, the US and China, can you suggest some more clear concept or idea where we can understand the changes we're seeing in China? Thank you.

SIDNEY RITTENBERG: I think the key to this is that we really need to try to understand China from China's own paradigm, and not to take our own formulas and try to apply them to China, and not look at China from our own paradigm. As an example, for decades we have had great people here talking about the Chinese banking system. The biggest crisis in China they have been saying is

that the banking system is way overdrawn, it's overburdened, it's on the verge of collapse. A number of Yulin and my friends are Chinese bankers in Beijing, and they have said to us "As long as we own the banks and we also own the printing presses, how can they collapse?" These people are very sophisticated financial analysts, but they were looking at the Chinese credit system as though it were our own, or as if it were Japanese or German or something like that.

This is also true in terms of political demands. In my opinion just talking to people all over China, the political demands that we think the Chinese ought to have are not the demands that they actually have. They're not. You go talk to a member of the majority, the farmers, in Sichuan or Jiangsu or anywhere and you say wouldn't it be great if you could all elect your own president? And they say, huh? Yeah, I guess it would be nice, but I have to get back to my plowing. It doesn't have anything to do with them. If you were to say "Wouldn't it be great if the local government would listen to your needs and protect you from being bullied by the local bullies? Wouldn't that be great? The farmer would say, "Yeah, that's what we need!"

So starting to build the democratic system at the village level was pretty smart and they're gradually starting to build up. But we tend to think if only they could declare tomorrow they're going to have universal suffrage, votes for the president and so on, great day in the morning, that would be the great thing ever.

It's not really what they need most.

Free expression, a free media, which means a great deal especially to intellectuals in China. It means a great deal. Whether they're Party members or not, free discussion in the Party and in society in general means a great deal. But I think my own feeling is the old Chinese saying, "Don't worry about being slow, just worry about not moving." That about sums it up. As long as they can move forward and aren't so terrified of instability that they don't dare move an inch, as long as they can move forward, I think they will work out their own system of democracy eventually and I hope to goodness it will be better than ours. I hope they don't end up where they are only allowed to have two candidates for president and the final decision has to be made by the Supreme Court.

(Laughter)

SIDNEY RITTENBERG: And that's 2500 years after Athens and 800 years after the Magna Carta! I think they'll do it. One thing about China, when I got out of prison the second time and they wanted to do everything they could to make restitution--Can we give you back 10 years?--I said here is what I would like, if you would let me spend one week in the Museum of Chinese History talking to all of the experts, different schools of thought on the answer to one question, and that is, Why is it that of all the great ancient empires only the Chinese have survived for 5000 years as mainly the same ethnic stock in the same geographical area with

many tenets of the same ideology, even some of the same clothing styles and the same language for all of these millennia? Why?

So I spent a week there every day and it was like the Rubaiyat of Omar Khayyam--I went out as ignorant as when I went in. Really. Nobody really had the answer, so that's a question. But there is a kind of durability, and I believe, and this like an article of faith, I guess, that there is a self-correcting mechanism among the Chinese that when they drive the car too far over and there are two wheels in the ditch, they start figuring out what's wrong and find a way to get it out of the ditch and on the road again, and I think that's a kind of graphic description of what's been going on in that country since ancient times.

SUSAN PLISKA: Susan Pliska, Defense Group. I wonder if you could give us your perspective on corruption and the role of princelings. I have had Chinese friends tell me that the corruption now is even worse than under the Guomindang which may be an exaggeration, but I'd like your perspective. Thank you.

SIDNEY RITTENBERG: Yes, we know young people that get angry and say it's worse than the days of the Guomindang, and I think what do you know?

(Laughter)

SIDNEY RITTENBERG: You ask any GI that was in Shanghai in

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1945-1946, you couldn't walk down the sidewalk any day without seeing corpses lying on the street. They just froze to death during the night or whatever and nobody paid any attention, but we know all that. I think the thing about corruption is it's systemic. It's built into the system now. It's built into the system. Now, it's not a matter of a few bad guys. You have a burgeoning new economy, a capitalist economy, and so we say socialism with Chinese characteristics. We say capitalism with Deng Xiaoping characteristics, and you don't have a system of distribution or of regulation or of inspection that can deal with this growth of the economy.

I'll give you an example. There was a provincial governor that we went to a few years ago to complain about one of his bureau chiefs who was trying to extort bribes from our client. So we met with him and we talked to him. We had dinner, and we told him these terrible things, and he said, yeah. He said, I know a lot more than you know, a lot more cases. He said, let me ask you a question.

This governor was a good man. He said, I have 36 factories in my capital city that are down, that are out of work because we have no coal.

His province doesn't produce any coal. He said, now a man comes down to me from Shaanxi Province in the North where most of the coal is produced, and he says, Governor, I hear you need coal. If you sign a contract under which I get 4 percent of the take, I will supply all the coal that you need starting next month.

He said, now what do I do to be a good governor? Do I call my chief of

security and say, come and arrest this man; he's trying to bribe me? I can do that, and then the workers in my 36 plants are still out of work and the plants are not running. Or do I call my chief of coal energy, whatever, and I tell him I'm sending a man around to talk to you about coal supply and let him make the deal? Which do I do?

I don't know the answer.

Arthur Kroeber, an American economist in Beijing who's the publisher of China Economic Quarterly, and who I think has very good insights on the Chinese economy, recently wrote a piece in which he argued that much of the corruption that goes on is part of the process of growing the economy and is not destructive. Other kinds of production like phony medicine that poisons people or poor quality food or just stealing and bribing and so on to no good end is destructive.

I think that what the Hu Jintao/Wen Jiabao leadership are doing now, which started last summer, I believe, what they're doing is trying to get rid of some of the most destructive centers of corruption like the one in Shanghai where the workers' wage funds and social security funds were being used to speculate. Also, to clean up corruption among the top levels of leadership, I think that's another change that hopefully may come from the 17th Party Congress. We may see some of the more corrupt people in the top leadership weeded out, but to think about ending corruption in the next three to five years, I don't think that's going to happen.

STEPHANIE HILL: Hi, I'm Stephanie Hill with Voice of America. Mr. Rittenberg, I wanted to ask you a question about spirituality and social stability in China. This morning, Professor Miller mentioned an ideological vacuum in China. You mentioned that the number of believers in China is higher than official statistics would support. Also, I was curious. The Chinese Government recently has been still cracking down on Falun Gong which is very popular in China. I just wondered. It seems that the leadership is aware of the problem. They talk about building a harmonious society and this and that, but I wondered if you thought that it was effective enough if they realized. How big of a problem is it and does the leadership realize that it's a problem?

Thank you.

SIDNEY RITTENBERG: Well, I think there's no doubt that the leaders know that they're not getting their message through. I think Joshua Ramos, in a cover story published in Newsweek, made, I think, a very cogent point. In world affairs, the biggest problem that China has is that their image is not projected positively enough. They have not been able to show China as China is to the outside world, and there are very deep-seated reasons for that.

But I would add that the same thing is true and even more serious within China. One of the great talents that Mao had was that he was a very talented publicist. He was a poet, and he knew how to take complicated political issues and

put them into little rhyming jingles that any child could learn to recite, and many children did. Everybody knows the 16-character formula for fighting guerilla war: Enemy advances, we retreat; enemy camps, we harass; enemy tires, we attack; enemy retreats, we pursue.

That was the whole thing. All you had to do was learn that and you had some guidelines. Now nobody in China in official position seems capable of talking like that. The speeches are deadly monotonous. You have to be an expert and get out a little a shovel and dig, really, to find out if the guy is actually saying something new, and most of the time it sure doesn't look like it. You know it takes a certain amount of expertise to be able to figure out what he's really saying.

Why is that? I think maybe there are two reasons. I'm just speculating. One is that there are more people in the leadership than Hu and Wen, and I think everybody watches everybody else very carefully to see that they don't get off base or say something that's not considered kosher. Therefore, I think they frame their language very, very carefully so that there's nothing that is ever going to be wrong. But, of course, when you do it like that, nothing is really ever right either because nobody really gets it.

I think the other reason possibly is that there is no real vision that unifies Chinese from top to bottom anymore. So you have this disconnect between the center and local governments. If you want to enforce a minimum income guarantee

to villagers and keep it safe from corrupt local officials, the only way you can do it really in the long run is to appeal for oversight and support from the people. That means you have to have some appeal. You have to have that kind of trust.

Well, I think they are pretty well trusted as far as that goes. I think the comparison with Jiang Zemin, that point was very well taken, but there's no dream except everybody wants to get rich and they want China to be rich. They want respect. That point is very important. But there's no dream anymore. Obviously, you can't go back to the old Maoist dream, and nobody would want to.

But some spiritual appeal, some moral appeal on the part of the leaders is going to be necessary, and the only way to make that happen, I think, is for them to take the lead in being the kind of people in the public eye that will inspire. During the SARS epidemic, Hu Jintao and Wen Jiabao both were shown on TV, going down into the contagious disease wards and talking and holding hands with the SARS patients and going to universities where they had cases and having lunch with the students without wearing face masks. That was a very telling thing. You know you heard people in China saying, wow, we haven't seen things like this since Zhou Enlai. But there needs to be a lot more done.

MR. THORNTON: I'm going to have to, unfortunately, bring this to a close because we're over time. We need to stay on time. But I hope you all will join me in giving Sidney a great deal of applause.

(Applause)

PANEL III: CHINESE DISCOURSE ABOUT DEMOCRACY

MODERATOR:

JEFFREY A. BADER
The Brookings Institution

PANELISTS:

ANDREW NATHAN
Columbia University

DAVID SHAMBAUGH
The George Washington University

YU KEPING
Translation Bureau of CCP Central Committee

P R O C E E D I N G S

MR. BADER: If everyone could take your seats, we can get reasonably close to being on time and start in a few seconds.

Okay, welcome everybody for our third panel of the day. I appreciate your patience and trust you have enjoyed and benefited from the presentations as much as I have.

This panel will be on Chinese discourse about democracy. We have three superb and renowned panelists. I will not give you their bios because I think you have them in your kits.

I would just say of the three speakers that two of them are old friends and one is, as the Chinese would say, a new friend about to become an old friend. David Shambaugh, every time I've read anything by David or listened to David, whether it's on domestic policy or security policy or foreign policy, I have learned greatly. I consider David as one of the stars of China-watching in Washington.

Andy Nathan is a friend and guide for 20 years on subjects of Chinese human rights, democracy, and rule of law issues. I can remember going up to Columbia for an event hosted by Andy back in 1989 about a month or two after June 4th, doing a presentation. I remember before I started, Andy told me how much he disagreed with the policy that I was advocating, and then after I was done, Andy got up in front of the group and said, that was great, you convinced me.

I mention this not because I was so persuasive. I don't think I was that persuasive. I think what it illustrates is that Andy is, in addition to being extremely knowledgeable, is also unfailingly courteous. He listens. He is the most civil interlocutor one can imagine, something that I hope that my Chinese official friends here will begin to appreciate more, as I have appreciated for several decades.

I cannot say that I have learned as much from Yu Keping down through the years as I have from Andy and David, although I've certainly learned a lot from reading his writings in the last few days. I think it's less important that he is a mentor and a teacher to me as David and Andy are. He is a mentor and a teacher to people like Hu Jintao which is more important in the long run.

Anyway, I think we're going to have a terrific panel. Let me turn it over in the following order: We'll first hear from Andy Nathan. Then we'll hear from David Shambaugh. Then we'll hear from Yu Keping.

ANDREW NATHAN: Just remember that Hu Jintao has to retire, and David and I don't.

David and I have made a compact that if I don't do PowerPoint, he won't do PowerPoint, but we didn't manage to reach Yu Keping in time to deter him, so he's going to do a PowerPoint.

We have been debating and discussing this issue of China's trajectory just

endlessly. I was down here for a thing by the Carnegie Endowment, and next week I'm going out to LA to discuss at USC.

As I see this just roughly, there are three big pieces that we have to get our heads around in order to discuss China's trajectory, one of which I've written several things about which is the regime itself, the top-down view which we also heard some things this morning, how the regime manages succession, how it promotes people, things that Li Cheng was talking about, and it's a very complicated and interesting subject. How it does policy, adaptation, which Barry was talking about, that big hunk of the regime, is it in good health or in bad health? There's no simple answer to that, but I mean that's a chunk.

Another big chunk is kind of the bottom-up perspective of social change, civil society, NGOs, public opinion, the peasants and other things that have been put on the table this morning, which I haven't written that much about, but I want to say that Chu Yun-han over there in the corner runs a project called the Asian Barometer Surveys that I'm a participant in, in which we have done survey research in a number of countries around Asia including China. Public opinion is only one part of those dynamics of bottom-up.

There's a third piece that I want to bring into the discussion today that I think is very, very little talked about, and that is the question of what Chinese people think, which Sidney introduced in the Q and A. What do they think? Now, you

might say, I don't care what they think because I'm a Western social scientist and I'm looking at some objective processes that will unfold. Rick Baum's objective process is about the spread of the Internet and information or social processes having to do with the middle class and so forth.

I don't want to get into that discussion of those social processes today, but what I want to say is there is some value, I think, in looking at what Chinese people think because they are there. Maybe they know something we don't know and have insights or maybe they will be actors in a situation and will act in a purposive manner seeking to achieve goals that they want. Their action may fail, but I think it's informative to us for two reasons: one, that they might know something we don't know and, two, because they will be actors for us to ask ourselves where are they heading.

Now, as we ask about what they think, we enter into a sort of terminological morass where it's very easy to get confused as it is with actually the other two hunks of this subject as well. Like if you use the term, civil society, what does that mean? Or middle class? Or information? Rick Baum said the media is more free which is doubtless true, but what exactly does that mean? How is it more free? How much?

If you go into this piece of it that I want to look at, which is what do Chinese people think, you run into words like democracy and freedom and rule of law. Like

Jacques DeLisle was talking about, that seemed to mean -- Professor Yu is in the field of translation -- you run into this problem of what do they mean by democracy?

I want to really stomp on the point here that they all use the word, democracy, right. Hu Jintao uses it. Wen Jiabao uses it. Mao used it. Everybody uses it. I'm not going to see to deny that they use that word. They use it, and they always say, I want this great thing called democracy. Everybody says so, not only in China but virtually everywhere around the world. So, clearly, that's not what we're constantly holding meetings in Washington to discuss--whether or not people use that word. We need to sort of define our terms just in order to begin to take a swing at the ball and start to head off for first base.

Now, I don't care how you define democracy. You can define it your way, and I'm perfectly comfortable with that as long as we have a working definition so that we can begin to hack into this subject, but I'm going to give you a definition that I didn't make up, that is, all the poli-sci people in the room will easily confirm that what I'm telling you is true. This is the accepted benchmark meaning of this word by political scientists in the United States today. That's the only reason I'm using it, not to advocate for anything. That is competitive elections for the top posts in the political system -- the procedural definition of democracy.

Some people will say that's not the same as substantive democracy. That's

kind of what Sid was saying there, that the peasants would say, I don't care about that; I'm interested in justice.

Yes, because there are many, many desirable things that we classify as good things -- justice, fairness, law, procedural regularity, competent rulers, honesty and all that thing -- but if you call all of those things democracy, you'll never be able to begin to discuss the subject. So just as a convenience, I will describe democracy as competitive elections for the top posts in the political system.

I see everybody is thinking about this. Should I allow Nathan to get away with this definition? Well, we have to have some definition. I think when we have these debates, where is China going and will engagement cause China to democratize and stuff like that, usually we don't worry a lot about the definition, but this is probably pretty much what we mean and we are the ones that are here in this room, talking about it. So give me that little piece of rope that that's a definition against which we can have this conversation.

Then the question becomes whether there are influential important Chinese people out there in the Chinese scene who are actually aiming in that direction.

Okay, so I've gotten over two big hunks. One is to say there are these three chunks and this is only one chunk and it's not going to be all three chunks. I'm only looking at the ideational piece. Then I've sold you a definition of democracy, and now I'm about to tell you what Chinese people think, but you stop me again. You

say, how the hell do you know what Chinese people think?

And so, here's where I enter into a long list of caveats and methodological things about interpretation and everything. Here, again, I'll call on Sid's authority that he said that, I forget how you put it, but there has been a discipline. Pekingology, we used to call it. Oh, yes, you said you take out your little shovel. That's what you said. That's our methodology. We have to take out our little shovel, and we have to go through all these long speeches and documents that they issue to try to figure out what they're saying.

And it can be done. Don Zagoria did it with the Sino-Soviet conflict in the 1950s, and Rod MacFarquhar did it with the Origins of the Cultural Revolution. It's a discipline called Pekingology. In the humanities, it's called Hermeneutics. It's called interpretive methodology.

So there is a methodology which I will try to employ, maybe badly. You may decide Nathan didn't get it. Joe Fewsmith does it all the time. So we should at least try which basically boils down to the methodology of listen carefully to what they say.

Now, you might say, they don't mean what they say. They have secret thoughts. I agree that that's probably true. Here, I really have to just say all we can do is look at what they say. If you deem, after hearing me talk for 15 minutes, that talking about what Chinese people say is completely uninformative, then you don't

have to read my chapter in the book when Li Cheng edits the book. But I think we might try and look at what they talk about when they talk about democracy because they all say they want to have democracy.

I've decided to look at four categories of people: the current leaders; the fifth generation leaders; the most influential groups of intelligentsia within the establishment, whom I label as neoconservatives; and then the liberals in the establishment. I'm leaving out anybody who doesn't fall into those four groups for the purposes of this particular paper. So if you say, well, hey, you left out the dissidents. Nathan, how can you leave out the dissidents? They're your friends.

And I say, yes, I agree. They are my friends, and they have ideas, and if you want another paper on that, you hold another conference and we'll have that. But I don't believe -- I'm sorry to have to say so -- that the dissidents in exile are really the ones right now who are most influential on the trajectory of China. Although I think their ideas are interesting and important, and I endorse all of their ideas, whatever they are, I didn't include them in this paper.

So let's talk about what the current leaders think. Here, I told John. I said, you're footnoted in my paper. I don't know if you had a chance to look at it. But John met with a delegation, including Premier Wen, and issued a memo that I saw some place. I need to come back to you to get the full footnote because I can't remember where I saw it. This is one of the bad things about the Internet.

He said that Wen Jiabao told the delegation, “We have to move toward democracy. We have many problems, but we know the direction in which we are going.”

I interpreted John’s total write-up of this thing as saying this is quite exciting. Wen Jiabao wants to go to democracy. We’ve got an idea that he’s going in that direction.

What I’ve done in one of the paragraphs of my little paper is to look a little more in detail, what exactly did Wen say when he talked about democracy, and I come up with the finding that he didn’t say anything new. We want elections, but they’re going to be at the local level and we’re going to control them. I’m reading it. This is called interpretation. This is not quotation, but I’m telling you what I think he really meant or what I think he was really saying in these quotations that John has in his memo.

We want judicial independence. Well, where is Jacques? Is he still here?

Judicial independence is an old concept in the Chinese Communist Party and constitution, nothing new about that, and it means that the courts will do their jobs under the supervision of the Party. They’ll do their job, and the Party’s job is to supervise the courts, and then the courts do their job. It isn’t the same thing that we mean by judicial independence. The Party’s vision of judicial independence is still not completely realized. So it’s perfectly legit for Wen to say we have to do

more work on that, but what he has in mind is not the kind of thing that we mean by that.

Then the third thing he mentioned was supervision based on checks and balances. It sounds like an American concept, three legs of power, but again it's an old concept in the Chinese Communist Party. You have discipline inspection commissions. The media are supposed to investigate wrongdoing by local levels and so forth.

In fact, I wanted to comment on Rick's paper. Sorry to keep picking on you, Rick. When you talked about the media, you had two processes, the boiling up process and the control process. But there's a third process that you didn't talk about in your paper, which is how the things that the media does are actually, many of them, some of percentage of all of those things that the media does are oxygen to the rule of the Party. They are things that the Party wants them to do that actually strengthen the regime. When you publish a thing and say the citizen journalists have emerged, this strengthens the regime.

I don't know about that video that you showed, how that strengthens the regime, because I couldn't understand anything they said, but I'm sure it does. I'm open-minded but sure in advance.

So then I quote in this part of the paper other things that other leaders have said, what Hu has said, what the Party said in its document called Decision of the

CCP Center on Strengthening Construction of the Party's Capacity to Govern.

They always use the word, democracy.

But I think the most interesting document that I quote here is a speech give by Luo Gan. Luo Gan is the Security Chief. I personally view Luo Gan as a very sincere and important reformer who has done a lot of things that I don't like but also a lot of things that I actually think are smart and that I like.

The fifth generation leaders don't say much about democracy, and we cannot expect people who are bucking for promotion to say anything original. If you search, as I had one of my researchers do, to look for what did any of these top people -- Li Keqiang, Xi Jinping, Li Yuanchao -- that are being looked at, what do they say, you find that some of them say things, but they are formulaic things.

Now the third group I'm looking at, which is the most important group for the purposes of my paper, is the so-called neoconservatives whom Joe Fewsmith has also written about. A student of mine, Wang Juntao -- he's also a famous dissident, as you know, but he got his Ph.D. at Columbia -- wrote a dissertation on the rise of political neoconservatism in China. So he uses this word, neoconservative, to cover five or six or seven different schools of thought that are there. Neoleftism and neoauthoritarianism, they have all these different names.

What he traces, and Joe has done it, and I summarize a couple things here, is that most of the most influential thinkers -- I would cite Wang Shaoguang, Wang

Hui, Tianjian Shi, Pan Wei, but there are many, many others -- are writing things critiquing liberalism. Liberalism was the mainstream of Chinese intellectual thought before 1989, but starting in the 1990s those intellectuals with the loudest voices and the most publications, who were most popular, were those who were saying liberalism would be a mistake for China. We have to have to forge own way to find and create our own modernity -- again, something like what Sid was saying, a Chinese model that isn't based on anything from the West.

Why? Because they think that the Western system (a) it doesn't fit China, (b) it's not suitable for a great civilization to model itself on somebody else, and (c), perhaps mostly importantly, it isn't really very good.

And so, this group of people, like Sid said, they say to themselves "I wouldn't like to have a system that picks top leaders that works the way the American system does. I wouldn't like to have a system like the Taiwan system. I'd like to have a system which works well, which protects the interests of the people, which is fair, which is equitable, which draws everybody together, which doesn't cultivate the worst in human nature and set everybody against everybody else." This is a very real, sincere, I believe, and honest -- and very, very long, scholarly articles quoting Foucault and everybody -- it's a serious line of thinking by Chinese who are living in China and who have an audience in China.

That doesn't mean that they are rubberstamp supporters of the current

regime. In fact, what they are saying constitutes a pretty stringent critique of the current regime, but it's a critique not from what we call the democratic side that says we can solve all these problems by having Bush versus Gore, decided by hanging chads. It's a critique that says we can solve our problems – like Pan Wei, whom I mentioned earlier -- by having rule of law, by having honest, moral leaders and so forth.

Now, I think their thoughts are very flawed, and this is not the place to say why, but I just want to say that I believe they're quite serious about these views.

The fourth group that I look at in the paper is the liberals. The liberals, the old liberals, the guys that were around Zhao Ziyang, some of the professors now in Chinese universities – Qin Hui, He Weifang, Tianjian Shi, people like that. They're a group. They're still a bunch of liberals, and they, of course, are not as free as the neoconservatives to say what they want.

But in the paper, I analyze what I believe they think. I think they think that some kind of Western style freedom and democracy is really better, but they also think that now is not the time and the time is some place off in the future. Maybe they say that because they don't want to get into trouble. On the other hand, a lot of these guys are retired, and they really have quite a bit of freedom. Maybe they say it because they think it's more tactical to suggest things that are more realistic.

This, I do not really know, but as an effort to test or probe what the liberals

may really, really think, I took a look at this very fascinating book that just came out called Zhao Ziyang: Captive Conversations.

Zhao Ziyang was under house arrest from 1989 onwards, and this old comrade of his named Zong Fengming went and saw him many, many, many times, telling the guards that he was going to be a qigong instructor. He went in, and they had long talks, and Zong Fengming wrote it all down and then after Zhao's death, published this book. The reason that what's his name, Cheng Chung (ph), was arrested and is now in prison, the Straits Times journalist, was that he was accused of -- I don't know if this is true -- trying to get the manuscript for this book. Well, he got thrown in jail, but the book has been published in Hong Kong by Kaifang Magazine, the Open Magazine.

So I think that Zhao, in these talks, he probably speaks his mind and says what he really thinks. On the other hand, however, unfortunately, it's not a systematic political treatise. It's these conversations. So it's not that easy to know what Zhao is saying. At one point, he says that the American political system is the best in the world and for China to truly modernize, it would have to adopt Western values of freedom, democracy and human rights.

But then in another long passage, he says, we really can't do that in the foreseeable future. If one tries a multiparty system and does it poorly, it could upset the apple cart and plunge China into chaos. For now, one should implement

freedom of speech -- whatever he means by that; he would have his concept of that which is not our First Amendment -- and relax the ban on private newspapers under the framework of Party leadership.

Zhao emphasized that freedom is more important than democracy. Hong Kong, under British colonial rule, did not have democracy, but they had freedom. So his thinking, at least on that day, was going in the direction of: we'll keep Party rule. We won't upset the apple cart. We will liberalize, which after all is what, in a sect sort of long term trend, the regime has done.

So my conclusion is that the influential actors in China today don't think that the Western style democratic system is that good of a thing for China to steer toward under the present conditions which will last as long as they may last and that to the extent that persons in influence in China today are going to influence China's future trajectory -- which again I revert to my opening remarks -- that is by no means the whole picture, but to the extent that they do, that they will not steer that trajectory in the direction of competitive elections for top party posts.

(Applause.)

DAVID SHAMBAUGH: Good afternoon. Andy is a hard act to follow, and I think maybe the best way for me to do so is to pick up on some of the elements of his paper which you haven't seen but I have seen and read with great interest last week.

In it, and you heard some of it, obviously, just now, he says on page one that ideas matter. That's why he went into this internal discourse. He says ideas matter in the way that actors act as they do so with intentions and their acts are shaped by their intentions.

I'd go one step further and say that those intentions are, in turn, based on perceptions which are, in turn, a product of a series of socializing experiences and information.

In the field of Chinese foreign policy, we have several decades, in fact, of trying to get into the black box of Chinese foreign policy decision-making by studying discourse and studying ideas in the so-called expert community and amongst leaders. I think it's equally important to do so with a study of Chinese domestic politics. Ideas also matter in Chinese domestic politics. I would only add that organizations also matter a great deal. If we want to understand this Leninist aparat, we have to study the way that aparat functions.

So that's the first thing I fully agree with, and my paper takes ideas seriously too. He looked at one cohort, the subset of discourse in China about the political future. My paper looks at a different cohort.

But before I get into that, the other element of this presentation in which I find myself in complete concurrence with Andy is his resilient authoritarianism thesis which he put forward in Journal of Democracy a couple of years ago, and my

own work -- I have just finished writing a book about the Chinese Communist Party -- basically come out in the same place. I see the CCP as a resilient authoritarian, and not a stagnating or declining entity.

We have to understand how they are trying to reinvent themselves. There are a number of reasons for that attempt at reinvention, relegitimization, if you want to put it that way. Some of that, some of the reasons can be found in discourse, some of the discourse that he's just given you in his paper and a different body of discourse that I look at in my paper.

In this paper, which is drawn from a larger book that I've done, looks at the Chinese domestic and particularly inner-Party analysis of foreign political systems over the last 18 years. Why 18? Because it really intensified after 1989. To be sure, they studied foreign political systems prior to 1989, but it's a convenient starting place.

The foreign political systems that I look at and want to try and summarize for you in my limited time this afternoon are: first, the Chinese analysis of the reasons for the collapse of the Soviet and East European Party-states; second, the continuing Party-states in Cuba, Vietnam and North Korea -- they don't write much about Laos; third, the color revolutions in Central Asia; fourth, authoritarian, non-Communist regimes in East Asia and Latin America; and finally, West European social/democratic systems.

In this paper, I try to distill the broader study, in which I look at a pretty lengthy period of time of their internal writings about these foreign systems, some of which are simply descriptive and don't draw conclusions for China and the CCP, others of which are explicit and do draw conclusions. They say, we've got to take this bit from that system and that bit from that system and this bit from that system. I will end up at the end of my 20 minutes with some of these kinds of takeaway conclusions that they've drawn.

But I think that if you're going to look at Party reform in recent years, particularly since the 16th Congress and even more particularly from the 4th Plenum of the 16th Congress of 2004, when they adopted the key document, Decision on the Enhancement of the Party's Ruling Capacity, that you see the embodiment in that document. If you're going to read one document about Chinese Communist Party reform, read that one. That's really an important document, I think, and you find in that decision the kind of culmination of a lot of this study of foreign political systems. So that's just by way of where I'm going.

Let me start with giving you a kind of taste for their explanations, first, of East European implosions and collapses. Here, to be sure, there's a spectrum of views in each of these cases, but I'm going to try and present you mainstream conclusions.

With respect to Eastern Europe, the first main conclusion was that their

implosions were due to poor standard of living, poorly developed economies that were cut off from the international marketplace and international technology, and the fact that these states had significant levels of debt.

Secondly, the ruling parties in each case were divorced from their populaces, over-concentrated in their political power and had personal dictatorships in many cases and lacked local level party-building at the grassroots level.

The third reason they say they collapsed was the role of the church, the Catholic Church and unions to be sure in the Polish case in particular.

The fourth main reason was attributed to the existence of a policy of encouraging peaceful evolution by the United States and the United Kingdom and, in the case of the former GDR, the *Ostpolitik* of Willy Brandt and Helmut Kohl. So external subversion, in other words.

The fifth reason they attributed was the failure to maintain tight control over the security services, and indeed we know what that produced in East Germany and Romania and Czechoslovakia in particular and, finally, overly repressive policies towards intellectuals, too much control of intellectuals.

Those are the main takeaways of their assessments of why the East European Party-states went down.

Turning to the mother of all Communist Party-states, the Soviet Union, I don't think in my 30 years or whatever in this China business I have read of any

subject more intensively studied for a longer period of time by more people and more institutions than the reasons for the collapse of the Soviet Union. It is absolutely central in this discourse, and a number of institutions become involved in it, inside the Party and outside the Party. There is indeed a spectrum of views voiced.

One preliminary observation about it, though, if you read the Chinese discourse as opposed to Western analyses of why the Soviet Union collapsed, you immediately find one big difference. Most of the Western analysis -- and I spent a long time a couple of years ago, reading through Sovietology journals, post-mortems -- they attribute the main causes to one central factor, Gorbachev.

Not so in the Chinese case. The Chinese are much more systematic and historical in their analyses of why the Soviet Union collapsed, and they go back to the Stalinist and the Brezhnev eras in particular. They divide their critiques, if you will, into four broad categories. As I run through these, keep China in your mind. What is China doing today in contrast with the reasons for the Soviet collapse?

The first category is the Soviet Union's over-centralized economy, which was cut off from the international economy and distorted by an over-emphasis on the military-industrial complex and a low standard of living.

Second, the Soviet Union had an overly-centralized polity, that is to say an over-concentration of power in the single top leader, no routinized retirement

succession procedures, no intra-Party democracy, a totalitarian -- and they use that term frequently -- political culture with a dogmatic, ossified, rigid ideology, overly large bureaucracy and yet bureaucratic inefficiency, ineffective lower level Party organizations, Party corruption and other political maladies. That's in the political category.

In the socio-cultural sphere, they attribute the Soviet collapse to a low standard of living, cut off from the world, alienation from the workplace, low levels of worker efficiency, workplace unrest, ethnic repression, public cynicism and a moral vacuum, the persecution of intellectuals, and the dissolution of youth. So not a very lively society, shall we say.

Then the fourth category, international factors: a peaceful evolution campaign by the West, economic stresses caused by Cold War embargoes on the economic system, over-emphasis on the military and the military industrial complex, expansionist and hegemonic foreign policies, chauvinistic policies towards other parties and domination of client states.

So these are sort of the bottom lines. There is, as I say, a much broader spectrum of views about the Soviet Union, but if you boil it down to the essence, it falls into those four categories. Instead of seeing a perfect storm accumulate under Gorbachev, they look back in history much further, and they look more systematically at the flaws in the Soviet system which I've just run over.

But they also look at the Communist Parties that have survived, as I say, North Korea, Cuba, Vietnam, not so much Laos. North Korea, there's not a lot to admire there, and even the Chinese are quick to say so. It's interesting. If you read through these restricted, inner-Party circulation only journals, these *neibu* journals, you do not find much analysis of the North Korean system. It is clearly a *verboten* topic -- forbidden, I would imagine, by the propaganda authorities and not permitted to be written about or we would have come across it.

If you talk to North Korea analysts or Party intellectuals about North Korea, you get a pretty clear idea of what they think, and it's pretty dismissive. They see in North Korea some of their own past, first of all, and they're explicit about contrasting the Maoist past with the North Korean present. They see a sycophantic cult of personality. They see a Stalinist security state. They see a command economy. They see impoverishment of the population, mass mobilization techniques used by the regime, an autarkic paranoia about the world outside and so on. It's a broken system, and they're the first to say so, and they would like to see, I think, North Korea follow the Chinese model.

With respect to Vietnam, they're a lot more positive, needless to say, because Vietnam in their view has followed the Chinese model beginning back with *doi moi* in December, 1986, which began the economic reforms, trade liberalization, and the dismantling of the planned economy and so on in Vietnam.

But when it comes to politics, they have also studied pretty carefully what the Vietnamese Communist Party has been doing internally, and they are quite positive about the following features: strengthening ideological education, improving the moral quality and efficiency of Party cadres, combating corruption and bureaucratism, promoting self-criticism and democratic centralism within the Party, streamlining and consolidating basic level Party organs. So they have a good view of their neighbor to the South.

When it comes to Cuba, they also have a very positive view, and it's amazing how much is written about Cuba inside these journals that I've looked at, and they're quite admiring, as I say. The Central Organization Department, for example, did a long study of the Cuban Communist Party's longevity and attributed it to three factors: fusing Party-building with anti-American nationalism, keeping close ties to the people and promoting social equality.

Another study by the International Department of the Chinese Communist Party points to Cuban promotion of younger officials and cadres, new Party recruitment campaigns, the down-sizing of the government to increase efficiency, frequent inspection trips to the countryside by its leaders, encouraging inner-Party democracy, strong monitoring of Party members and enforcement of anti-corruption measures and establishment of Party branches in all schools.

They are interested not just in the fact that the Cuban Communist Party has

survived as a Party but really how they've done it, and they see a lot of Leninist-democratic, horizontal and vertical mechanisms within the Cuban system that they seem to admire.

Then turning to Central Asia and the so-called color revolutions, one sees deep alarm, and there is not really a great spectrum of reasons that the Chinese think these regimes imploded. They attribute them, the implosions, to one central feature -- American peaceful evolution and NGOs, American NGOs. The Ford Foundation, Eurasia Foundation, Soros Foundation, Carnegie Endowment and others, they claim, really fomented these so-called revolutions which they are dismissive of. They don't think they are real revolutions, but that is the bottom line for Central Asia.

Turning then briefly to give you a sense of some of the other types of Party systems they've looked at, of course, Asian parties have been long of interest. At the top of the list, one must recognize Singapore, and we all know that since the early 1980s at least the Chinese Communist Party has sent delegation after delegation after delegation to Singapore to understand how the PAP has been able to maintain, in one person's words, its low key but total control. They admire a number of things about Singapore and the Party system and the society there.

On the Party side, they admire the Party recruitment procedures, the mid-career training procedures. They note these as particular strengths. I would

just, as an aside, say that one of the key features of their own reform policies in recent years has been to really strengthen mid-career training and the Party school training system. We all know about the Central Party School in Beijing, but there are also 2,600 other Party schools around the country as well as a number of new cadre academies. I visited recently the new Pudong Cadre Academy in Shanghai. It's an extraordinary place, both architecturally and intellectually -- so a lot of attention is being paid to mid-career retraining, part of which they have taken from what they call the administrative state in Singapore.

I think, given time, I'm going to skip over some of these other countries, but they have also studied Malaysia and Japan.

In the case of Japan, you might be interested--they note in particular the LDP's longevity and they are interested in the reasons for longevity. They cite the LDP's strong rural base, its close ties with the government bureaucracy and the so-called Iron Triangle with the business sector, but they are not at all interested by the factionalism they see within the LDP, and they see the LDP as an elite, not a so-called people's party.

Taiwan, of course, has been of great interest to them for various reasons, but the major interest was in the KMT implosion and why did the KMT implode. Their answer to this attributes the KMT's collapse to money politics and corruption, as well as factional splits within the Party's leadership, ineffectual leadership and the

rise of nativist *bentuhua* Taiwanese identity and the machinations of Lee Teng-hui.

They studied Indonesia, India, and Latin America as well. Mexico, of course, is of great interest to them, given the fact that the PRI ruled for 71 years. They were curious about why that rule ended, and they basically attributed the undoing to mistakes in economic policy, the pursuit of social democracy -- and they're very critical of other East European states that also tried to make that transition to social democracy -- an overly rigid Party organization that could not undergo self-reform, corruption within the PRI, the impact of globalization and external pressures from the United States and subversion. They claim to see 'peaceful evolution' at work in Mexico, of all places, by the United States.

Finally, Europe, let me say a few words about what they've learned from the European social welfare state. Interestingly, when they began to focus on and interact with West European parties, these parties were themselves in a real state of crisis and redefinition in the 1980s, out of which came, amongst other things, New Labor and the Third Wave and changes in Germany and particularly in the Scandinavian states which were heavily state-centric but have not decentralized in a number of ways.

So they watched the last 15 years evolution in West European liberal party reform. They're not terribly interested in the conservative parties in Western Europe, but they're very interested in the liberal social democratic parties. They

see a number of things worth borrowing to improve their own governance and public goods provision: ties to localities, worker-state relations and other things, public health and public utilities, privatization and other things.

So what? So what does all this mean? Well, I think when we look at the reforms of the last four or five years since the 16th Congress, indeed, they predate the 16th Congress, but I really think the big ones post-date the 16th Congress.

What does one see? At least I see an eclectic state. I've used that term elsewhere. I see, as in every other domain in China, external study and external borrowing and hybridization, if you want to call it that, to graft whatever they find to be useful from this external study onto the indigenous root. In this case, the indigenous root has two roots, a Leninist root and a Confucius root. I think it Lucian Pye who coined the term 'Confucius-Leninist', was absolutely right. So they have taken from all these systems.

I'll just close with these key conclusions that they have borrowed eclectically and what they're trying to put together into this new hybrid version of the Party. What are they going to call this? Guess what? Democracy with Chinese characteristics.

First, grow the economy and improve the standard of living--absolutely crucial.

Second, link the economy and society to the outside world. Autarky is a path

to nowhere.

Third, don't be constrained by rigid ideology--be flexible.

Fourth, don't allow the Party apparatus to ossify at any level from top to bottom. Put in place new retirement regulations at the top, orderly succession at the top, mid-career training—that's crucial--and restrengthen the Party committees at the local level.

Fifth, create what they call -- and Andy was speaking of it and Hu Jintao speaks of it constantly -- a democratic party within the Party which basically means to broaden the discourse but not threaten the system, as well as extra-Party cooperation through the CPPCC mechanism. That is, we always thought, a rubber stamp, but I would argue that they are trying to make it more than a rubber stamp. And don't repress the intelligentsia.

Sixth, as Rick Baum has pointed to today, control the flow of information within limits.

Seventh, improve cadre competence and efficiency through retraining, stricter promotion criteria and recruitment.

Eight, co-opt political opposition. Bruce Dickson has written a lot very well about this with the entrepreneurial class, but there are other examples. Co-optation, bring potential opposition groups, as they have studied evolved in Eastern Europe, under the Party's umbrella in order to control them.

Ninth, beware of Western peaceful evolution and NGOs.

Finally -- these are my top 10 -- maintain tight control over the security services.

Those are some minimal takeaways. Indeed, there is more to it than that, but as you're listening to these presentations today and tomorrow and studying what the Party has been doing, be sure that it has come, in part at least, from this study of foreign models, I would suggest.

Thank you.

(Applause.)

YU KEPING: Good afternoon, everyone. It is my great pleasure to be here to discuss with you the future of China. My topic is "Ideological Innovations and the Development of Incremental Democracy in China".

Professor Andrew Nathan just talked of his view of democracy and China's development. Now it's my turn to talk of my view of democracy and China's model of democracy.

As you may well know, ideology has played a particular role in the process of China's political development. This is why Deng Xiaoping put emancipation of mind, *sixiang jiefang*, as a top priority of the reform.

Here, I would like to focus on the political innovations or changes of political ideology since the reform and how it pushed forward democratic governance in

China. Such political ideas include human rights, rule of law, private property, civil society, harmonious society, and the political civilization as well as globalization. The human-based principle or people-centered, as we say in Chinese, *yi ren wei ben*, is regarded as a basic component of Western humanitarianism or humanism.

The human-based principle has often been fiercely criticized since 1949. Some Chinese intellectuals began to espouse the universality of humanism in the 1980s, but received political pressure to desist. Since the mid-1990s, humanism has enjoyed a resurgence among Chinese intellectuals. At the beginning of the 21st Century, the humanism was finally integrated into the mainstream ideology of the CPP and became the theoretical basis of reform strategy in China. Now it is regarded as the starting point of the scientific outlook for the government of President Hu Jintao.

Rule of law. China is a country with over 2,000 years of history of rule of man. Since the 1980s, some intellectuals took the initiative to advocate the rule of law. In China, since the 1990s, the concept of the rule of law began to appear in official documents. The 15th Congress of the CCP held in 1997 put forward as its objective the establishing of a socialist country under the rule of law. Thereafter, it was written into the constitution. The current administration put forward the objective of establishing a government under rule of law.

Private property. Under the traditional socialist system of China, private property was discriminated against by laws and policies. Some intellectuals attempted to give private ownership of property the same legal status as public ownership and property. Since the mid-1990s, the CCP started to encourage the development of the private economy. In 2003, the CCP proposed its suggestions on modifying the constitution to the NPC. In 2004, the proposal was formally written into the constitution. The property law of China, which was finally approved last month, precisely stipulated that the legal private properties of citizens would get equal protection from the state.

Political civilization, or *zhengzhi wenming*. In the 1980s, the CCP and the government put forward two basic objectives, i.e., to construct a socialist material and spiritual civilization, which is the same as saying to advance economic and cultural development. In the 1980s, some scholars suggested that socialist political civilization should become the third basic objective of China. By the end of the 1990s, the core strategy had been enlarged, i.e., the socialist and material civilization, spiritual civilization and political civilization. So political civilization in the Chinese context, meaning mainly democracy and the rule of law, was finally identified as a basic objective of the CCP and the Chinese Government.

Civil society. Civil society in China has long been equated with democratic society. With the implementation of the reform and the opening policies, more and

more independent civic organizations grew up. A huge discussion about civil society occurred among Chinese intellectuals in the 1990s. As a result, the Department of Social Associations under the Ministry of Civil Affairs was renamed as Bureau of Civil Organization in June, 1998, which means that civil organizations have been recognized and legalized officially. In recent years, the CCP has been encouraging all kinds of social organizations to play more and more roles in China's economic and political development, particularly in constructing a harmonious society.

Harmonious society, or *hexie shehui*, contrasts sharply with the core of traditional political ideology in China, which assumes the primacy of class struggle. At the beginning of the 21st Century, a few scholars began to advocate social harmony, and it quickly became a basic objective of the CCP. Once the idea of harmonious society emerged, the 16th National Congress of the CCP put forth the objective to make the society a harmonious atmosphere in 2003. In 2004, the CCP formally put forward a strategic objective to construct a socialist harmonious society. In 2006, the CCP passed the resolution on constructing a socialist harmonious society.

Globalization, or *quanqiuhua*. In the early 1990s, globalization was just another name for global capitalism in China for the most part. By the end of the 20th Century, not only had globalization become a dominant discourse in Chinese

intellectuals but it also became a theoretical basis of important decision-making processes for the Chinese government. In fact, China's entry into WTO indicates that China is more actively keen to engage in the process of globalization.

I have mentioned ideas that exerted deep influence on the Chinese Communist Party. There are also other ideas under discussion by Chinese intellectuals that will become the dominant discourse in China and affect deeply the decision-making of the Chinese government as well as political innovation in China. As far as my research field is concerned, such ideas include the good governance, good government, global governance, legitimacy, transparency, accountability, government services, and efficiency.

A substantial change of political ideology directly contributes to the political reform in China. From the perspective of democratic governments, substantial reforms in China during recent years can be generalized as follows: separation of the Party and the state. The functions of the Party are being separated from those of the state, and the constitution and the law define the actions of the Party since the reform. The CCP formally announced that the Party shouldn't override the law and the constitution, and the laws must define its activities.

Secondly, the CCP no longer took the place of government to directly implement administration and economic management functions.

Emerging civil society is exerting more and more influence with

implementation of reform and the opening up of policies. Independent civil society is increasingly emerging. By 2006, there were about 320,000 civil organizations at the county and local level across China. This is just the number of officially registered civil organizations. A much bigger proportion of civil organizations, however, are officially unregistered while exerting influence below the county level. No authoritative estimates are present. One general estimation is around three million.

Administering the country according to the rule of law is one objective of political development. Constructing a state and a government under the rule of law was defined as a long-term objective of political development in China. From 1979 to 2005, the NPC, the State Council, and the local People's Congresses together have passed over 650 administration regulations and over 7,500 local regulations.

At the very beginning of the reform, top Chinese leaders put forth democracy as of part of political development. Since the 1980s, representatives of the People's Congress at the county level and below levels began to be directly elected by citizens. Since the end of the 1990s, some provinces made experiments to publicly comment on elected leaders of the Party and the government.

Finally, as far as democracy is concerned, the most striking development is nationwide implementation of village autonomy. Government openness and the transparency enhance government affairs. Since the middle of the 1990s, the

Chinese government began to promise government affairs and openness which includes public notification before a policy is implemented, public affairs openness like justice affairs and public notification and something like that.

Building a more citizen services-oriented government implies greater emphasis on equality of public service. In recent years, the Chinese government has initiated lots of moves toward constructing service-focused government like simplifying administrative examinations or implementing a one-stop shop services pattern.

Democratization of decision-making, implementing public hearings and deliberations in order to democratize decision-makings; with the implementation of public hearings, public consultations as well public deliberations in recent years, governments at all levels have made great progress in democratization of decision-making.

These new ideas are partly found in traditional Chinese culture, such as the concept of a harmonious society. Also, part and maybe most of it is from Western culture. Those are the new political ideas and innovations in China. Understanding correctly the political model that is under formation in China, which is labeled socialist democratic with Chinese characteristics by the CCP officially, is essential. In my view, most of the future of such a political model lies in enlarging the political rights of citizens, advancing incremental reforms. So I call it incremental

democracy.

I think there are some features of so-called incremental democracy that deserve comment. First, there must be enough deposits when specific political reform is kicked off. In other words, a certain level of economic and political foundation, a certain level of economic development, particularly the existence of progressive political force must exist for any further political reform. Moreover, political reform must be in accord with established political and legal frameworks.

Secondly, based on established political and legal frameworks, political reform must engender and create new increments. The new increments increase the deposits but in a sense these are not only justified by laws and regulations but also finally justified by most citizens. That means it's not only tied up with legality but also with legitimacy.

Thirdly, supporting reform must be carried out gradually and steadily. It is not a kind of revolution but an evolution. Such incremental democracy will fall into past patterns, i.e., it cannot divert greatly from historical check and it is an expansion of proceeding steadily.

Fourthly, the essence of incremental democracy lies in increasing the political interests of citizens without imperiling the existing interest of citizens.

Fifth, according to the logic of incremental democracy, inner-Party democracy and grassroots democracy should be the focus of on-going political

reform in China.

Sixth, incremental democracy encourages dynamic stability. It argues that any political reform should be oriented to keep social and political order. However, the end of incremental democracy is not to maintain the traditional static stability but is a modern dynamic stability. In other words, it aims at maintaining a new balance of slow and consistent adjustments.

Seventh, incremental democracy needs orderly democracy. So-called orderly democracy means that the political participation of citizens should be politically encouraged, but it must be legalized, organized as well as orderly.

Eighth, incremental democracy cannot simply perform rule of law. There is no democracy without rule of law. In China, implementing the principle of the rule of law and pushing forward democratization poses two faces of the same coin.

To sum up, the CCP has transformed a revolutionary party into a ruling party. The CCP publicly recognized that the ruling position of the CCP is neither a natural right nor permanent. Only by satisfying the increasing political, economic and cultural demands of citizens can the CCP get support from the biggest majority of the masses. In this sense, it's in the long-term interest and the basic values of the CCP to advance incremental democracy, or Chinese socialist democracy, which is also the unchangeable tradition of China's political reforms.

Thank you.

(Applause.)

JEFFREY BADER: I would like to thank the presenters for three very different, very incisive and very provocative presentations. Andy Nathan's presentation talked about things that have not changed; Yu Keping's presentation talked about things and concepts that have changed, and one could say have changed in a liberalizing direction; and David Shambaugh talked about things that have changed in I guess what you might call an eclectic or adaptive direction.

I would like to abuse my privilege as Chairman of this panel to ask the first question, if I could. I'll ask it of Andy.

Andy, I very reluctantly accepted your definition of democracy because you said it wasn't your definition. It was a political science definition. I found it a painful definition to accept because by my understanding, it would mean that Russia and Venezuela are democracies and arguably Iran is a democracy. But, as you say, it was not your definition.

Could we move beyond that definition for a minute to what might be called a more non-political science definition of democracy or a layman's definition of democracy, perhaps encompassing notions like pluralism or participation. If you were looking at China in the last 10 years, would you say that it has been static and unchanging, if you use that kind of definition of democracy, both in concepts of theory and leaders, and in practice as your characterization of their attitude toward

democracy in a political science sense that you have explained?

ANDREW NATHAN: No. My theory of resilient authoritarianism that David referenced and which I also presented at the Carnegie Endowment a couple of months ago has never been a theory about things being static on the part of the regime. I totally agree with the idea of dynamic stability. That's my theory. I think David described it as such.

RICHARD BAUM: Rick Baum, UCLA. I want to push a little farther, Andy. I think you got away easily on that one. Elections at the top are problematic as a sufficient definition for reasons that Jeff Bader mentioned, but even more important is that elections are just a mechanism. The real question is what do they do and how do they do it?

Elections provide, optimally, for horizontal accountability. We already have vertical accountability in China from the top, that is, the people on top hold the people below them, the officials, accountable. What we don't have is horizontal accountability meaning responsibility of officials to their constituents at the same level, whatever level that is, from the bottom-up, whether it's village, township, county, whatever.

In order to have real accountability, there must be several other things present, one of which is information because if you don't have information, you can't hold leaders accountable. You need transparency in addition to government

policies, government rules, regulations. What are the policies? What are the rules? What are the apparatuses? If you don't know that, you can't hold leaders accountable.

If you don't have a modicum of pluralism meaning the available alternatives -- elites, policies, programs -- again, accountability cannot be implemented.

So elections are just the sort of name we give to something that's got a lot more to it, and it's the tip of the iceberg. The real iceberg, the block of ice, are these processes below the surface. I think those are part of any working definition of democracy because otherwise you get the situation where Iran and even Mugabe is a democratic politician.

ANDREW NATHAN: Well, that's a common critique of this procedural definition. What is the name of this conference? I'm looking for my program. China's Changing Political Landscape.

I think one of the reasons this is a very difficult subject to discuss is that we're not here to have a political theory discussion about the definition of democracy. We're not here to argue whether sunshine laws are good or bad or whether the electoral college is good or bad. We're all here because we're trying to figure out where China is heading. I am addressing a belief that I think is out there that some actors in China have an idea of subjecting the rule of the Chinese Communist Party to a challenge, making the Party survive by competing against

somebody else for power, as happened in Taiwan, as happened in Korea, as happened in the third wave of democratization.

Now if there's nobody in this room who entertains that theory about the trajectory of China as a serious theory worth discussing, then my paper won't be very relevant to you. If you entertain that theory, that's the question I'm addressing, whither China.

Professor Yu presented a lot of changes in ideology that I accept have, in fact, happened. He then presented a number of changes in practices that I accept have happened. Was Professor Yu secretly hinting that he wants to subject the Chinese Communist Party to a competition against some other political counter elite in an electoral arena?

Was that what he was hinting at, but he didn't want to say so or was he saying what he thinks which is that by adopting these various measures, the Chinese Communist regime will create dynamic stability? It will stay in power.

How will it stay in power? By doing a bunch of things better than it did before. If that's obvious to all of you, like I said, don't buy the book, but I think there's a bunch of people out there and a debate out there which is not carefully thought through where there's a view that China is moving not toward dynamic stability but toward a real system break. It has happened in other countries. It's not something that doesn't happen.

That's how I construct the debate that I'm discussing. So all you guys who say that I only think it's static or that I don't believe that these various reforms that are taking place are any good because they're not fitting some poli-sci definition, those are not the discussions that I'm trying to contribute to at all. We shouldn't waste our time with those kind of things, I think.

AUDIENCE MEMBER: My name is Masahiro Matsumura, visiting CNAPS Fellow at Brookings.

I found it extremely interesting that Professor Nathan's statement said somehow ideas matter and the semantics plays a crucial role in discourse on democracy. Being from Japan, your statement poses a question because most of the Chinese social science terms as well as natural science terms are Japanese-created terms which were first imported from the study of management of Japan.

So there are two sets of biases. When the Japanese translate the Western language into Japanese-created vocabulary, there is a bias, and also there is another set of bias when the Chinese absorb the Japanese-created bias terms into their vocabulary. Even the issue of comfort women is, in part, attributed to this translation problem. Let me say the Chinese word for "democracy" is also a borrow word from a Japanese-created term. Even the basic ones like freedom, state, history, communism, these are all Japanese-created terms.

So my question is you pointed out the confusing nature of communication

and discourse. How much of the problem can be attributed to Japanese translations and how much to the possible confusion arising when the Chinese absorb the Japanese-created vocabulary into their discourse?

ANDREW NATHAN: The Japanese didn't create these terms. They borrowed them from the Chinese classics and then gave them contemporary meanings. But I would think that it's neither of the things that you said.

I think that Professor Yu's presentation again is very interesting because what he's telling us is that these terms, these are not just static, again to use the term, static, or just passive terms that are lying there into which the Japanese or anybody else has infused a fixed meaning which is then right or wrong. The terms are used by Chinese intellectuals, writers and politicians, and their meanings are constantly massaged and altered. So this debate that he mentioned about taking human beings as the basis, *yi ren wei ben*, that kind of a thing is far more important.

What does that mean? It means a lot of different things.

There was a slide on human rights, *renquan*, in Professor Yu's speech that he passed over so quickly that I didn't get a chance to read it. What did it say? But the term, *renquan*, or human rights--everybody wants to put their meaning into that word to define that word, and then the government, as he said, is very smart. Oh, that's a nice word. I'm going to take that word, and I'm going to write a long document that Sid has to read with a shovel and put my own meanings into it.

So the meanings of the words are constantly evolving. If we think that because we're social scientists or something, that we can fix these words like a butterfly and stick a pin in it and it's going to mean exactly that forever, it doesn't work like that.

AUDIENCE MEMBER: I have one question for Professor Yu Keping. I read a lot about the things that you wrote. I really admire these. I hope that really you wrote it under your name. So, anyway, you talked about this dynamic stability. What is different from the one that the government promotes? If there's a difference, can you explain that?

YU KEPING (through an interpreter): The idea of dynamic equilibrium is actually an idea that I've been exploring for quite some time. In China, of course, we have constantly been stressing on the idea of stability, but there are many ways to achieve stability.

Basically, I'm going to give you two examples. The first way is the harsh way meaning that you can ban people from speaking their minds or doing whatever they want, and then basically you can stop them from doing that. But the second method would be to let them say whatever they want. Let them speak their mind, and then we as the government, we can agree or not agree with them.

I will give you a very good example of why dynamic is better than static. For example, in Beijing Chinese people like to play with fireworks during the Chinese

New Year, and we consider it as being a pollutant and it also creates a lot of noise. So the government banned people from lighting fireworks off during the Chinese New Year. That was a very straightforward way for us to stop them from what they're doing.

However, the people became very displeased and their complaints became louder and louder, and finally we allowed them to have public hearings and to hear the complaints. We realized that more than 70% of the people wanted to be allowed to play with fireworks during the Chinese New Year. So we decided to let them do so during the Chinese New Year, but we limited the specific number of days during the Chinese New Year when they could do so.

We have also solved another problem because in the past when they were doing so illegally, they used all these counterfeit fireworks, and a lot of them got injured in the eyes. And so, now this problem has been greatly reduced. That's another advantage of having this kind of dynamic stability that I was talking about.

JACOB CHANG: I'm Jacob Chang from the KMT-PFP. Being an alumnus from George Washington University, I would like to ask Professor David Shambaugh a question. Maybe Professor Yu can also chime in.

The last sentence Professor Yu said was CCP has become a ruling party instead of a revolutionary party. The same experience happened to the KMT. Under Lee Teng-hui, the KMT recognized that it was no longer a revolutionary

party; it had become a ruling party, and if it wanted to survive it would have to become a democratic ruling party. However, we lost power.

Being a ruling party, you have to be prepared to an opposition party. Is CCP prepared to be the opposition party?

DAVID SHAMBAUGH: That's very easy. No. That's why they're studying all these other systems including the KMT so carefully.

I did uncover one writing about Singapore by a Party intellectual that was quite interesting to read in which he advocated competitive elections in which the CCP would stand against other parties in competitive national elections but only after 20 years time when it has so relegitimated itself and is so sure of winning, as the PAP is in Singapore, that they could enter into such elections confidently.

But prepared to be an opposition party, I don't think so.

AUDIENCE MEMBER: I am at Brookings here. My question is also to Professor David Shambaugh. Your presentation was very impressive as always.

My question is that when CCP studied all those parties' countries, it was for only one purpose, to keep themselves in power. So my question is that to what extent do you think that the CCP has been successful in doing your top 10 list?

If they have achieved certain success, do you think it is because they changed their way of working, just like Professor Yu Keping said, changed their minds and developed another kind of way of working, or do you think they consciously or

subconsciously changed and what do you think are the major reasons for this?

DAVID SHAMBAUGH: Well, I don't know what grade I would give them because in my mind they have only really started to undertake these reforms in the last four years. If you go down that list of ten, I'd give them an A-minus, B-plus at the moment. Doing pretty well. It's the dynamic part that they are trying to adapt to -- classic Huntington stuff.

Static rule is what they perceive to be the failure of the Soviet Union. Ossification in all spheres. So, they are really, you know, trying to become more adaptable, dynamic. While going back to basics on some Leninist fundamentals, they realize that their local party branches have indeed atrophied. There are some very interesting *neibu* studies of local party branch atrophy in various provinces. They've gone back to the Party school system. They've tried to reinforce the Leninist aparat at the same time they're trying to create greater inner-Party democracy. But, after all, that's a 1937 Yan'an era concept – *dangnei minzhu*. Through the last 60 years, it too ossified, but they're trying to get back to that basic approach, and they're trying to get back to the basic of horizontal consultation. Instead of just viewing other groups and other parties and groups in society and the eight so-called democratic parties as united front tools, they're trying to take them more seriously and get them involved in the political process in a consultative way.

Now, some of them speak about incremental democracy. If you

read Li Junru's writings at the Party school, it's all about consultative democracy. He's very big on this horizontal business.

So they're only, in my view, four years into this adaptation in a serious way, but so far I think they're doing quite well. I really don't see this as a stagnant party or a declining party. I see this as a party that has looked themselves in the mirror, studied other systems, is getting to grips with their problems.

JOE FEWSMITH: Now you've really confused me because I had a whole bunch of questions for Andy, but I thought I'd ask Yu Keping a question too, so maybe I'll ask my question of Yu Keping because he doesn't come to Washington very often.

I've enjoyed reading your writings on incremental democracy for many years. I certainly have enjoyed your recent book *Democracy is a Good Thing* and hope that you will continue to write in that vein and that Andy will read it. You've got to include Yu Keping in your survey, Andy.

But any case, one of the tensions that I see in recent local level elections is that a lot of local conflict is about conflicts over finances, and in order to reduce these conflicts, they've been taking the finances to higher levels. So, you have the village finances being done by the township level, *cunti xiangguan*, and the township finances being done at the county level, *xiangti xianguan*. And it seems to me that there's a huge contradiction between this sort of centralizing tendency on the one hand and your efforts to expand democracy at the local level.

Perhaps people at the village level have the vote. Maybe they're doing consultative democracy at the township level. But if they don't have any money to talk about, there's no point in it. Thank you.

YU KEPING (through interpreter): Yes, we do have a lot of problems with financial management or monetary management in the local level, and that is why the accounts for the villages are being administered by the township level and so forth for many years because of this. The problems with local level accounting corruption have accumulated a lot of debts at the village level, and so in order to better administer the administrative finance of the local level, we decided to centralize the administration altogether to stop the local cadres from embezzling the money, basically.

So because the financial management of a certain level has to be administered by the level above them, therefore, it is contradictory to the idea of freedom and democracy and also self-management. It also creates a lot of corruption as a result, and therefore we are now exploring a newer method which we call the participatory management. In other words, we would like the villages to come and participate in the budgeting of the village budget, basically finance, and if you go visit some of the provinces, you will find that they are beginning to experiment on this.

DOROTHY SOLINGER: I want to ask David Shambaugh about the conclusion of the paper, because I really admire the broad research, the depth

of the research, and I see that you're giving the Party a fairly high score on achievements, but I don't quite get this idea that you had at the very end about sort of a *mélange* of disparate parts being melded together. I don't think that fits, and I don't quite see why you reach that conclusion. Maybe you can give an example or two, because to me it seems all of a piece, more or less. I mean, there aren't discrepancies that seem out of place.

DAVID SHAMBAUGH: You'll have to wait for the book, Dorie! That's what -- I mean, this is just a slice out of a bigger pie, and there's a whole -- I tried to link this internal discourse to what they're trying to do in Party reconstruction and in the book. In the book there's a big, long chapter on it.

But, you know, take what Professor Yu just mentioned about horizontal consultation within the village. That's something that they've certainly noticed in the Cuban system that works. Take the attempts to redefine and strengthen public goods provisions, something that they have taken, I think, from the West European social democratic tradition. Now, they've got a long way to go on that one, to be sure, and that's, I think, the big challenge -- funding these public goods.

They've taken a lot of what you might call negative lessons, things that the East European and Soviet states either had as attributes or Gorbachev tried to do those states that they have learned an opposite example of. You know, you don't want to go down the path of empowering NGOs or enfranchising civil

society. That's something they don't want to do, so they're studying all these systems. Some, they say okay, country X did that and look where it got them so we're not going to go that path. But they will take some of these others and, you know -- off the top of my head, those are the two that come to mind -- the Cuban and West European examples -- but there are others in the longer manuscript which I can share with you.

MAYLING BIRNEY: Mayling Birney, Brookings. I wanted to ask Professor Yu and any of the other panelists who want to answer the question about how village democracy, especially village committee elections, have been viewed. Is there agreement among leaders that they're viewed as a success and, if so, what else is needed before elections might be introduced at other levels, like the township level, or perhaps people's congress elections at the local level, which could be made more competitive? And if they're not viewed as a success, what aspects would need to develop before they would be?

YU KEPING (through interpreter): Before I answer your question, I would like to respond to what Mr. Andrew Nathan has said about the definition of democracy.

Actually, the word did exist in China many years ago, however, the concept that we are having now about the word "democracy" in China right there is basically something we borrowed the West, basically from Greece, and we know that they had this idea about 1500 years B.C., and basically it's about government

by the people. However, to implement a government by the people, there are many ways to do it, and elections, to me, though important, are only one component of democracy, and I do not agree with Mr. Nathan saying that the example of a presidential election can be seen as an indicator or an index for a democracy, because I consider that there are other components of democracy, including supervision of power and participation of the ordinary citizens, and therefore we have many countries in the world. Everyone has their own definitions of democracy..

And now in response to your question, I would like to elaborate a little on what I understand as the roadmap for democracy in China. Basically, I see it in three categories, and the first one is to go from the local level to higher levels, and there we started, as you said, with village elections. And then, the second category would be moving from the inner-Party democracy outwards to society as a whole, to the entire country. And the third category would be going from less competition to more competition.

As I said earlier, grassroots democracy is a very important part of this entire roadmap as we progress towards democracy, and as an example I can tell you that now more than 70% of our villages are participating in their own elections. For example, in the past candidates were nominated or appointed by the Party, but now the villages pick their own nominees or candidates. In many provinces not only the village chiefs are up for election but also for the Party secretaries -- they

are also being elected by the villages themselves. We also talk about nomination of candidates in two rounds -- first you vote for the candidate and then you send the candidate to the committee to run for election.

We don't have a lot of time, but basically I can tell you that grassroots democracy is very important. We are only going to improve it and not to get rid of it. Also, because of this kind of free election, a lot of problems crop up, for example, ballot-rigging, vote buying, and nepotism, and as those kinds of problems begin to surface, we have sent out a lot of questionnaires and the majority of the villages are very happy with the system right now and we will only do our best to improve it.

MR. BADER: Okay, that's it for today. Would you all please join me in showing your appreciation for these three terrific presentations?

(Applause)

MR. BADER: We'll be back tomorrow at 9 a.m. Hope to see you all then.

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