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CHANGES IN CHINA'S POLITICAL LANDSCAPE:

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Panel Four: Forces For and Against Democracy in China

Panelists:

JOSEPH FEWSMITH, Boston University

MINXIN PEI, Carnegie Endowment for International Peace

DOROTHY SOLINGER, University of California at Irvine

Moderator:

WING THYE WOO, The Brookings Institution

Panel Five: Changes in China's Party-State and Military: Similar to Taiwan?

Panelists:

CHU YUN-HAN, National Taiwan University
JING HUANG, The Brookings Institution
JAMES MULVENON, Center for Intelligence Research and Analysis

Moderator:
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P R O C E E D I N G S

WING THYE WOO: Good morning. Welcome to the second day of the conference on Changes in China's Political Landscape – not leadership. I would like to request that everybody switch his or her cell phone off, so that you can profit from the distinguished panel over here.

The session that will start shortly is entitled Social Economic Trends: Forces for and Against Democracy in China. For dialectical materialists, we take it for granted that the base determines the superstructure. The mode of production determines the social relationships and the master narrative of society.

To use modern terminology, it's the idea that when there are

technological advances, when you are able to plug in the DVD, when you are able to fax from your laptop, Microsoft will come up with the accommodating software to do it.

The question is would there be these steady improvements in improved software by the monopoly Microsoft or would this process of updating be a rather destructive event, where Microsoft is overtaken by Linux, an open source programming software that's provided by the people at large.

So, of course there's a third possibility which is that advances in software allow or promote development in technological directions in certain ways. In other words, we do have good cases of mind over matter.

So, today, the first speaker, Joseph Fewsmith, will tell us about the periodic maintenance of the software as in the cycles in the different Party cycles that we will see.

JOSEPH FEWSMITH: What I'm going to talk about has something to do with your introduction. When you were going into all the software issues, I wasn't sure I was going to be on the same page, but I guess I am because I really am talking about CCP have to do to stay in power. And it strikes me that all political parties like to stay in power. And certainly, the CCP has expressed on more than one occasion its interest in staying there for a while. And the question is what do they have to do to stay in power?

Yesterday, Yu Keping was talking about dynamic stability, which I take as expressing roughly the same idea that I'm trying to express this morning,

which is that if it's going to stay the same, it has to change, that stasis is not an option.

So, the first thing that the party has to do to stay in power is not going to come as a surprise to you. It's called keep the economy going, stupid. This actually is a survey done at the Central Party School asking teenage cadres what has to be done to maintain social stability. And you will notice that just under 70% say keep the economy going.

This should not come as a surprise to us, but it's the focus of almost everybody's answer. And they have been fortunate to be able to do that, and it works. If you look at what residents say throughout China, has your income increased greatly or somewhat over the last five years, and you're up over 64%. Throw in no change, you're up over 84%, something in that range.

You know, these are not bad numbers. Most people say yes, I've benefited personally from economic reform, and I expect to continue to benefit. Now, that can set up problems in terms of rising expectations. If those expectations are not met, then you have problems, so you have to go back to slide number 1 that says keep the economy going, stupid.

So, are people satisfied with their individual circumstances? You know we hear a great deal about protests, and I certainly don't want to suggest that there's not a lot of protests in various areas, but most people who are surveyed say that their personal situation is pretty good. They're reasonably satisfied with life in China. And, it's nice if you are Hu Jintao to see that people

are getting more satisfied, not less satisfied.

This is good news, assuming that these polls are accurate. These are not *neibu* polls. They may not have the accuracy and reliability of some other polls, but there are a lot of governments around the world that would like to have these statistics.

Are the social development problems that China is facing temporary? Well, those who respond "very much agree" or "relatively agree" gets you to about 80%. Yeah, the problems are temporary. Are the Party and state capable of managing the country well? Up over 90%. These are statistics that I think any government would like to have.

Now, again, I'm not sure. There may be some polling problems here in terms of what do you answer when somebody comes around and asks you these questions, but I'm going to take them as at least reflective of some sort of underlying confidence in the government.

Is China's current status in the world is something to be proud of? 89% of respondents say yes. The overall circumstances of China's socio-economic development are good, again, around 80%.

And the figure that really threw me, the question of what sorts of groups do you trust? The highest one happens to be the central government. And the lowest, unfortunately, has been my source of information for over 20 years, back alley news, *xiaodao xiaoxi*. I mean, what am I going to do if I can't trust back alley news? I mean – I'm going to have to start read Chinapol!.

Citizens trust in the government's management of social tasks, this gets you down in different levels, because in the cities, the government's ability to improve social order ranks pretty well actually, in all areas it does. And, the interesting one, though, is this red category of improving cadres' integrity. In the urban areas, not bad, not great, there's room for improvement. In the townships, things aren't quite so good. And you get down in the villages, and there are some problems.

This is a five point scale. You're given a choice of five points. I'm sorry. And if my PowerPoint skills were better, all five points would show, but I need some technological guidance.

This basically suggests in what I'm suggesting here that if – and I think this accords with other data that we have on China -- that if you go around and ask people if they trust the central government, large numbers of people say yes. If you ask them do you trust your own local government, they say no or not so much. There's a lot – as you get down to the grassroots, there's a lot more contention. And of course, that's where we see a lot of the problems are at the grassroots level.

And, if you look at government management, these figures are not quite so good because you see them actually going down over the last year. And particularly trust in management of social affairs, such things as healthcare and so forth. And that's lower than the others, and it's been going down. That's not good news if you live in *Zhongnanhai*.

Let's see. Oh, and the other thing that should be noticed is that how you perceive the system depends on where you are in the system. If you are at the bottom end of the stratum, do you see conflict between cadres and masses? Those numbers are a lot higher than if your income is higher. This is probably not a surprise, but it is a concern if you are trying to manage 1.3 billion people, not all of whom have benefited from the economic reforms.

So, what are you going to do about it? There are some people in Beijing that talk about government innovation, particularly, Professor Yu Keping. And I just thought I'd give three quick examples of the sorts of things that are going on in Chinese society that reflect some responses to these problems.

One is the growth of chambers of commerce, particularly in Wenzhou. Wenzhou is an interesting case study. I will get in a moment to democratic consultation and budget reform. And we touched briefly yesterday on the so-called public recommendation and public selection, gongti gongxuan system. Wenzhou, for those of you who are not familiar with it, is in the Southern part of Zhejiang province.

I think most people are aware that Wenzhou is a particularly unique area in that it is a poor area or was a poor area that exported talent. It developed its own entrepreneurial traditions. The Wenzhou dialect is particularly difficult to learn. In fact, I don't think that anybody has ever claimed to learn the Wenzhou dialect who was not born there.

In any case, it's a very special place, also special in its

revolutionary history, because Wenzhou was liberated by the Wenzhou guerilla movement so it wasn't conquered by armies coming in as much of South China was. And the local Wenzhou people were more sympathetic to development of a private economy. It does have a very long commercial tradition. It was a front line area--that is to say it was facing the Taiwan Strait. So, the state, being intelligent, decided not to invest any money in an area they might lose it.

And the result in the 1980's, I'm sure you all remember, was the Wenzhou model of the development of a private economy. They do, I believe, still occupy 90% of the world's market in buttons. So the next time, you put your shirt on, think of Wenzhou. It represented the development of a private economy based on individual and family businesses. And of course, something happened along the way. This makes economists happy. You keep the government out of the way, you rely on private enterprise, and you get wealthy.

And Wenzhou today, a city of about five and a half million looks very good. You can buy all your luxury goods from around the world in Wenzhou. And some of them are even not counterfeits!

In any case, for a guy who cut his teeth studying chambers of commerce in the 1920's and 1930's -- not that I was studying them in the 1920's and 1930's, but I was studying their development in that part of the century – to go and spend nights at the general chamber of commerce hotel in Wenzhou is just absolutely heartwarming.

This slide here shows the other side of the name plate of the

industrial commercial federation. It's the same organization, two name plates.

So, why have they developed chambers of commerce? Well, to maintain quality control. Wenzhou was producing more goods cheaper than anybody else in China. And if one Wenzhou merchant can outsell anybody in China, a second Wenzhou merchant can outsell the first Wenzhou merchant. And that means that your quality is beginning to decline to seriously.

And there was a wonderful incident in 1987, where people in Hangzhou burned some 5,000 shoes in protest of this declining quality. And that got the manufacturers' attention. They realized they were not going to be able to maintain market share if nobody trusted a good made in Wenzhou. So, they began to develop a chamber of commerce.

And it's a longer story than I can tell today, but the industrial commercial federation played a very critical role as sort of a repository of knowledge about Wenzhou's own commercial history and as a broker, being able to hook them into the present system. And as a result, you started to get chambers of commerce, including the Shoe and Leather Association, which was one of the first industrial associations in Wenzhou.

And, over the course of the year -- this is very different, by the way, if you're at all familiar with chambers of commerce in North China, which really are just agents of the government. In Wenzhou, they're entirely self-financed. In fact, the directors put out very considerable sums of money as investment in these industrial associations. They elect their own leaders.

In the apparel industry chamber of commerce, they've had some very vigorous, hotly contested elections. It almost sounds like civil society, but I assure you it's not. I'll try to get to that in a minute. And they no longer appoint officials as honorary directors of the associations.

Now, what's really extraordinary is that there are now over 130 Wenzhou chambers of commerce throughout China. They also have them in Paris, Milan, London, and Flushing, New York. Their geographical reach is amazing. Now if you're familiar with corporatist modes of organization, this is not corporatism, if that's what you were thinking.

Corporatist modes of organization are supposed to be nicely vertical, one industry, one association, one place. You're not supposed to have these horizontal ties, and yet, the Wenzhounese, being Wenzhounese, do this, and they have organizations. The first one was established in Kunming, and they are all over China. And they get together at least in biannual meetings to talk about common Wenzhou problems.

And the chambers of commerce of Wenzhou represent all the Wenzhou merchants in that particular area. So, they're not one industry, one association.

Democratic consultation meetings, or *minzhu kentanhui*, began in 1998 in Wenling. Wenling is a part of Taizhou. It's about an hour's drive north of Wenzhou. And it's something like a public hearing system held usually on a quarterly basis at both the village, but particularly the township level, where they

really haven't' been able to raise the elections from the village level up to the township level. But they can have meetings. They can post a sign saying next Tuesday night, we're going to have a meeting about building a new school building-- anybody that's interested can come. Most of the meetings are about capital construction problems because financial issues are the source of so much contention at the local level.

Now, the problem with democratic consultation meetings is that they are *tiwai*, or outside the CCP-controlled political system. There's no place for them in the constitutional structure of the government, so they're of very precarious legitimacy. There have been some efforts over the last year or so to try to combine them with the local people's congress system at the township level.

Now, in Xinhe Township, which is in Wenling, they opened up one of these public consultation meetings to discuss budget issues in the township. That meant revealing the budget in at least a fair amount of detail. And if you know anything about local government in China, you know the officials don't like the books to be opened. So, to have the budget subject to even some fairly good scrutiny is really quite unusual, really a breakthrough.

They actually formed separate committees on agriculture, industry, social affairs, and had those groups study the budget, come up with suggestions, report them to the meeting, get responses, and then put it to the congress for approval.

This is the people's congress meeting in Wenling just about a year

ago, in March of last year. And here's somebody asking a question along the lines of why hasn't the road been built to my village? What's the matter? Do you like other villages better than you like my village? What's going on? The response was something along the lines of we can't pave all the roads at the same time. We have to do it in order.

Afterwards, the presidium got together and discussed all the views and made adjustments in the budget, moved some funds from this area to that area and so forth. And the guy you seen in this slide is both the Party Secretary as well as the head of the local people's congress in Xinhe Township. I have some doubts about this non-division of Party and government, but that's the way it is. And you can see that they had some media there to take pictures and indeed, this was reported fairly extensively in the press the next day.

Just very, very quickly, this system *gongti gongxuan* has been implemented most widely in Sichuan and more recently in Jiangsu. And basically what it is doing is setting up something of an electoral college, expanding the number of people that vote on who the Party secretary in that township is.

In the old days, it would, of course, be a higher level of three or four people getting together and saying should we appoint Lao Zhang as township Party secretary. Now here, you're expanding the electorate to include, all told, maybe two to three hundred people. That's not exactly mass democracy, but it's better than two or three people deciding the issue.

Implications. First of all, I don't mean to repeat David Shambaugh, but the Party is not dead. It's still alive. It's evolving. It's doing some real thinking about the legitimacy issue. They do have these issues, and that's why they are doing things at all different levels, whether it's developing new interpretations of Marxism-Leninism at the top or new ways of gaining legitimacy, procedural or electoral, at the bottom of the system.

These innovations may or may not extend the life of the Party—I think they will. The CCP is likely to be around for a while. It may – and I would emphasize the may – improve local governance. We haven't seen enough of this for a long enough period to really know whether this provides for better governance at a local level. And the places where they're doing this may not be extensive enough geographically to deal with the problems that China faces at the local level.

And finally, of course, if it extends the life of the Party and if it improves governance, you might find that the United States is a bit frustrated by this because some of the predictions may not come out the way some people wanted them to come out.

So, on that hopeful note, I thank you and close there.

(Applause)

WING THYE WOO: Thank you, Professor Fewsmith. Your talk exemplified the theme of software upgrading that we started this session with because you have upgraded your paper beyond what the conference materials

have told me. It had told me that you're speaking on something different.

JOSEPH FEWSMITH: I think we call that innovation.

WING THYE WOO: I hope that the statistics you show us are more robust than the ones that Suharto saw in the middle of 1996, where over 80% of the Indonesian people expressed satisfaction with his rule and his next reappointment.

And now we come to the next paper by Pei Minxin. We talked about software upgrading of the political system. Pei Minxin is going to tell us whether despite the constant software upgrading of the monopoly Microsoft, it remains extremely vulnerable to attacks by viruses, which is the reason for the switch to Linux. So, he will now tell us about the virus of corruption in China.

MINXIN PEI: Thank you, Wing. I also want to thank the Brookings Institution and my good friend Li Cheng, in particular for inviting me to participate in this conference.

Yesterday, both during the day and also in the evening, we heard a lot of references to the issue of corruption. And I think there is a consensus on the seriousness of corruption and the potential risks it poses to China's future development.

In today's talk, I will focus on four sets of issues. The first one is the most difficult. How do we measure corruption in China? I will look at some timeseries data we have and try to focus on the issue of enforcement intensity.

The second point I will cover is to describe the key characteristics

of corruption in China today. What sectors are most heavily affected? And what are the top three characteristics of corruption?

The third point I will cover is what the party is doing about corruption. And finally, I will say a few things about what the consequences are.

In measure, I think corruption is both a fascinating and very frustrating issue because it's illicit, it's very difficult to develop a good methodology to measure the scope and magnitude and trends of corruption. There are basically four ways you can deal with this issue.

First one has to look at so-called enforcement data. How many people get caught? But that poses one huge problem. Does it mean more intensive enforcement effort or does it mean an increase in corruption? So, bear that in mind when I show you the numbers.

A second way is to use survey data, but that measures only perception. It does not deal with the issue of reality. On that issue, I will say that over the past 10 years or so, it's been quite consistent. Corruption is among the top three or five issues. It has not risen to be number one, number two, but it fluctuates between number three and number five.

Then the third one is to look at anecdotal evidence, stories. The problem with this approach is that these stories are not random. But when -- in my own case, I've been spending almost a decade reading corruption stories. When you read thousands and thousands, I think you get a pretty good handle on

the magnitude, the scope of corruption.

And finally, you can use economic estimates. That means you look at individual cases and see what kind of percentage kickbacks corrupt officials get and then extrapolate an estimate. Here, I will say that based on individual cases we've had, economic corruption lies somewhere between three and five percent of GDP. This is a pretty good estimate.

And let me give you how this was arrived at. As I will explain later on, the top five most corrupt sectors in China are, in the order of their degree of corruption: infrastructure, because China invests roughly 13-15% of its GDP in infrastructure construction, so apply a low percentage of 10% kickbacks up to 20%. Ten percent is international norm for corruption, so we get something between 1.5-2.3% of GDP right there.

Then public procurement in China by government is roughly about five percent. So, you again apply a 10-20% range and then you get about 0.5-1% of GDP. Loan approval kickbacks are next, because a lot of corruption takes place in the banking system. Studies show that bank officials tend to demand anywhere between 7-9% of the nominal interest rate as kickback. So, if you look at China's total outstanding loans and then just apply one percent, that's very conservative. In that case, we're looking at about 1.5% of GDP, because China has huge amounts of outstanding loans.

The private sector, or what I call privatized public spending, that gives you – because total spending in China is about four percent of GDP and

then take ten percent of that as privatized public consumption, then you arrive at half a percent. And finally, land acquisition amounts to about three percent of GDP every year and roughly a third of that goes to private pockets, then you arrive at a high end of about 4.5%. So, that gives you a rough range.

But let me now focus on the enforcement data, because there are basically two time series data you can look at when you study corruption. One is published by the Central Discipline Inspection Commission. The other is by the National Supreme Prosecutor's Office. The 1998 to 2001 data is missing, but otherwise we can squeeze an average of about five percentage points of GDP from this data series.

The first thing we see is an inverted U-shape, with more punished in the first half of the 1990's than in the latter half of the 1990's or the first half of this decade. And the problem here is that today the number actually is the lowest in history. But what does it tell us? Does it tell us that fewer people are committing crimes, committing corruption, so fewer are punished? I would dispute that because there is this really telling column in this slide, which shows you the so-called prosecution rate.

Of all the people punished, how many – what's the percentage of people who actually get prosecuted? You see a huge steady decline. First of all, the number is very low, about 6%, quite steady. But since then, there's this little spike, and there's a lot of politics behind this, because this is the year Hu Jintao consolidated power, 2005, so there must be some more intense efforts cracking

down. But then, soon, it has reverted to the mean, to the normal.

The second table shows that overall punishment is relatively light. Most people get off--almost two-thirds--got off with a warning or a serious warning. Then, the people who actually got expelled from the CCP amounted to only about 20%, which is quite consistent over the years, including when we're looking at 2005 and 2006 data.

The third thing to note is that the intensity of punishment has fallen to historically-low levels recently. And, I think the low prosecution rate actually may not be justified. Because when you dig down to what kind of infractions they actually committed, these are quite serious crimes.

The Central Discipline Inspection Commission provides a breakdown of the data for half of the infractions. Harming law and order, that's probably common criminal activity, and this is most likely to be financial corruption. So, we're talking about almost half, 47%, committing quite serious crimes. And of that, only a small fraction gets prosecuted.

Let's go back to the prosecution data. This is a separate data serious published by the National Supreme Procurator's Office. What is striking about this set is that you see again a huge drop off in the number – in two counts. The first count is the number of cases received, which has fallen by almost two-thirds, and then of course, the number of cases filed has also fallen by two-thirds. And of all the cases received by the prosecutors, only half actually got prosecuted. They describe cases in terms of two important indicators.

One is the amount of money involved. Anything over $50,000 classified as major. That gets the county and division level involved, and would be classified as key cases.

Again, what's striking is that they now account for almost half of the cases, in terms of victims. My interpretation is that even though the overall intensity may have declined, Chinese prosecutors are focusing more energy on the big fish. However, what is also interesting is that these numbers actually held quite steady over the years.

Let me now quickly move to the most seriously affected sectors. This study is based on 3,000 corruption cases compiled by a leading Chinese newspaper affiliated with the National Prosecutor's Office and a prosecutor's office in Hunan. You can see that in terms of the peak number of people caught, they were caught for corruption in the realm of infrastructure, both in terms of number of cases, and also in terms of the amount of money involved..

Infrastructure corruption was followed by corruption in procurement, land approval, and lease and loan approvals, and these three categories account for about half of all corruption cases. But before I go into the other sectors, I find two reasons for why certain sectors are more corrupt than others. The first is what I would call political and economic monopoly factors. When these sectors have heavy state influence and are practically monopolized by the state, then corruption tends to be more intense in these sectors.

The second one is what I call the Willie Sutton rule: they occur

where the money is. You get corrupt in sectors where there is money. And of course, land lease, land transactions, infrastructure investments, they just have huge amounts of money involved.

So, altogether I would say about the top five sectors are: first, infrastructure; second, the financial sector, especially involving bank loans; the city's land acquisitions; government procurement contracts; and finally privatization of SOE assets. But I would say that this last factor was probably more prevalent in the late 1990's and the early part of this century than it is now, because smaller SOEs have all been privatized.

In addition, there are three really disturbing characteristics about corruption. The first one is key state institutions at risk. I single out two: the judiciary and law enforcement. When corruption hits these two institutions, you see very large numbers of judges and police officers involved in cases involving local mafia.

The second disturbing feature is the practice of so-called *maiguan maiguan*, or the buying and selling of government appointments and positions. You find increasingly large numbers of officials colluding with each other. And in the worse cases, that leads to the formation of virtual mafia states at the local level.

I've looked at corruption cases in the 1980's, and I've looked at corruption cases in the 1990's, and it's just stunning. In the 1980's, I challenge you to find two such cases. Just you didn't see such collusion; you didn't see

maiguan maiguan. In the 1990's, it became prevalent. And why did that happen? Of course, there's not enough time to talk about this in great depth, but I have some hypotheses.

Finally, we should talk about government response. So far, the Chinese government has consistently favored top-down responses. It has issued something like 1,200 various anti-corruption rules and regulations, and it has launched periodic campaigns against corruption. But as I said, from enforcement data, there is evidence that there is a very fragile equilibrium. The government tolerates a certain level of corruption, because as Sid said yesterday, it's part of the system. Corruption is generated by the current crony capitalistic economic system, a half-reformed economy, and continuing authoritarian rule.

But the government does not favor or has not actually chosen to adopt any of the other five tools that international experience suggests are probably more effective in fighting corruption. The first one is a free media. Although the Chinese media is playing a more important role in curbing corruption, it is by no means free to engage in true muck-raking journalism.

The second is economic liberalization. As we know, most of the most corrupt sectors are those which have not been liberalized sufficiently. The third leg is an independent judiciary and legal reform. The fourth is an NGO watchdog role, and finally, democratic reform.

So, what will corruption lead to for China? I think there are five very serious consequences. The first one is that obviously every year when you

get four to five percent of GDP transferred to a very small group of elites, you contribute to rising inequality. The second consequence is huge economic distortions on infrastructure projects, and huge wastes on land acquisition. Third is systemic risks. Because we know that corruption now affects nearly all sectors from the pharmaceutical industry to environmental control to the financial sector. So, we are talking about an accumulation of systemic risks.

In ordinary times, such risks do not have any effects, but when there is a shock to the system, you are going to have effects generated by such risks. And the fourth one is de-legitimization, because as Joe's slide shows, one of the weak areas is government integrity and that shows up in all kinds of public opinion surveys.

There's a Chinese saying that if you shoot everybody in the government, you are going to kill some innocent people, but if you shoot half of them, you are going to miss a lot of corrupt people.

Corruption erodes the capacity and the authority of the state. The emergence of mafia states in various regions in China, the worst ones are Fuyang in Anhui province, a city with 9 million people, 3 successive party secretaries, mayors were all caught and sentenced, one of them to death. Heilongjiang's entire provincial government was practically speaking corrupt. So too was the leadership in Guizhou province.

And in a separate study I tried to construct an index of such exclusive mafia type local governments. I don't have the data right here because

it's an on-going study. And if this is not depressing enough for you today, well, all I can say is that let's just hope the new leadership will somehow hear about this presentation and ask me for better advice. Thank you.

WING THYE WOO: Thank you, Minxin. I cannot help but wonder when you pointed out that the prosecution rate has fallen from 13.1% to 3%, if you could not give the same spin that Joe Fewsmith just gave us from the burning of 5,000 pairs of thick shoes in Hangzhou. So, after trial by fire, in both cases, you would just end up with better soles, you know, s-o-l-e's in one case and s-o-u-l's, or better behavior, in the other.

MINXIN PEI: May I just add one more piece that I forgot? Because of all the people who were sentenced to jail terms, only half of them actually serve any jail time. Because if you go down the chain of enforcement, you find weakness at every juncture – half of them get suspended sentences.

WING THYE WOO: Thank you. Our next speaker is Professor Dorothy Solinger, professor of political science at University of California at Irvine and senior research scholar at the Weatherhead East Asian Institute at Columbia University. She will tell us about China's social future and political implications, and give us the truth that will set us free.

DOROTHY SOLINGER: Thank you. I wanted to thank Li Cheng for inviting me and the Brookings Institution for hosting this very excellent and informative set of papers. The title of my paper is "China's Social Future and the Political Implications: Complacency, Scorn, and the Forlorn".

Let me start with a vignette from the recently published book by John Pomfret called *Chinese Lessons*. "Big Bluffer Ye, who was a college classmate of the author's and currently the party boss of a district, didn't know how to drive. But he didn't need to. He was chauffeured everywhere, to business meetings, party confabs, his equestrian club, and the Party's exclusive tennis courts in his black Audi A6.

"I was at the gate" – that's I, being John Pomfret – "waiting when the Audi swerved up the street blaring its horn in the rush hour traffic. As the car sped up to me heading up to the bicycle lane, Ye reached over to open the door. The door smacked an old man on a bicycle, sending him face forward onto the asphalt. 'Don't worry about him,' Ye shouted from inside the car as it screeched to a halt. 'Get in. 'Hey!' the old man shouted, as he struggled to his feet. The click of the door silenced him in mid-sentence.

The motor purred. The air conditioner blasted. The bicyclist glared into the car." You can just imagine this scene. Not all the new, richer Party officials own Audis, but they do seem to favor the color black when it comes to their automobiles.

Another equally offensive vignette conveys a virtually identical scene. "A black Mercedes-Benz sedan stopped by the gleaming Plaza 66, a five-story chrome and glass emporium of high-end brands in downtown Shanghai. Michael Yin, 46, board chairman of a local real estate company, stepped out and strolled amid Gucci, Prada, and Versace inside the mall, hunting for valuable

items that match his position of an annual income of over one million yen.

Across the street from Plaza 66, Zhong Sumin was also hunting for valuable items, digging in a dustbin for discarded plastic bottles to sell for money. China has become home to luxury villas and migrant shacks." That's from Xinhua News Agency.

A set of poignant themes emerges from these two sources. The hauteur of the haves in the face of the poor and the old, those helpless in the grips of a hardscrabble existence, plus the surplus lucre for luxuries that lies in the hands of the well-heeled. Yet this is the China whose leaders hope to weld a harmonious society, despite that the poorest fifth of its citizenry possesses a mere 4.7% of total income, while its elite fifth is the owner of a full half of that intake.

That such information can now be assessed through the official media underscores the political leadership's awareness of the urgency of its meeting out of billions of yuan in order to pull up the income of the indigent and to expand the size of the middle class as it simultaneously grapples to wipe out illegitimate incomes and to clamp a lid down upon what it terms "excessively high salaries."

This disparate data, when conjoined with the present political elite's determination to stay atop and ahead of the tides of discontent such as they are, would seem to bedevil the analyst's ability for political prediction. But I'm willing to take a guess.

In the remainder of this paper, I will look briefly at five different

trends and the social categories to which they apply: one, aging and the aged; two, growing sex ratios and bachelors; three, urbanization and migrants; four, an increase in poverty and unemployment in the cities with a concomitant birth of an urban underclass; and five, growing incomes and the middle class and the expansion individual pockets of wealth, plus private entrepreneurs.

In each of case, the numbers in the category in question are getting larger. I plan to base my forecasting upon these trends, these shifts. My contention will be that as some gain in influence and others drop, a function of the government's evaluation of the particular group as we approach the year 2020, we will see a progressive advance of the advisory capacity and the clout of the better off, along with gestures, some substantive, others symbolic to the disadvantaged, whose members for the most part will become entrenched as the socially and politically excluded.

What we will witness, should we live so long, will be a politics of complacency, sometimes of scorn, and a persistence of their present fate for the forlorn. Five trends and their associated groups, first, aging and the aged. Recent research on the aging of the Chinese population shows that from the present until around 2015, its older portion, those over age 65, will increase from about 7-8% of the populace to 15%, a serious, but not terribly disturbing growth.

By 2025, however, the portion of the population over 65 could amount to a full fifth. That is people over 65 could be a fifth of the population in 2025. And it will steadily rise after that. At the same time, the proportion of

working age people, those age 15 to 64, now a bit over 70% of the population, will begin to shrink with the growth rate of the urban working age population, dropping from today's growth rate of 1.5% for this segment of the population. The growth rate will fall to zero.

More concretely, the number of persons over age 65 is expected to grow from around 100 million now to as many as 329 million in 2050 with their proportion of the total population rising from 7.6% to 23.6% over that period.

In part, this is a function of the one child policy, which has led to a smaller and smaller birthrate over time. In part, it is also an effect of the increase in life expectancy, which rose from 35 in 1950 to over 71.4 years by the time of the 2000 census 7 years ago. With a rise in the marriage age and greater numbers of young people extending their years in school, the birthrate is expected to decline even more, again ramping up the portion of seniors.

What will this ever larger section of the populace look like? What will become of this ever larger section of the populace? Available accounts do not present an optimistic outlook. One study separates older people into three groupings with just 8% of those from 60 to 69 unable to provide for themselves. For those aged 85 to 89, however, as many as half will require assistance in caring for themselves. Their offspring, who will be down to just one per generation within coming years, will be under severe strain, even as the baby boom generation itself starts to retire around 2015.

Moreover, aspects of the economic reform era will exacerbate the

problem further. First, the demise in the cities of widespread work unit welfare and the failure to date to replace it with an adequate social security or pension system, and second, in the countryside, the elimination of collective healthcare status.

Two additional aspects of old people's lives also give cause for worry. The 2000 census revealed a decline in household size such that, in urban China, the average household size was scarcely more than three. This is related to a growing tendency among the elderly to live by themselves. Recent research has discovered that people with lower socio-economic status age faster than those with higher incomes. And many of those advancing in age will be short on funds.

Given these several trends, it seems quite likely that many old people will become indigent, unhealthy, and living without sufficient support. While their level of satisfaction is already lower than that of other age groups, and I've looked at the same sorts of surveys that Joe did, one could speculate that beyond those who did protest in the late 1990's over unpaid pensions will probably retire at home with little to do. They're surely not about to demand political system change, nor will the Party be prone to request their advice.

Two, growing sex ratios and bachelors. These are members of another expanding demographic category who can even less be expected to agitate for democracy. The multiplying numbers of bachelors, young men unable to find wives, mainly because of the pronounced tendency of many since the institution of the one child policy to abort, abandon, and even murder female

fetuses and babies because of the age-old preference for male off-spring in China.

A recent book, as well as information from the official Chinese press, projects that in 2020, China should have between 29 and 33 million "surplus males" in the age group of 15 to 34, a figure more than double that 20 years earlier. Most of these men will be rural-born, poor, and of low status, making it more difficult for them to attract female partners. Migrating to the cities will not enhance their chances, since the women there will comprise a seller's market, most of them having their choice among young, unattached, urban-registered males.

As for the impact of these bachelors on China's polity and society, Valerie Hudson and Andrea M. den Boer, the authors of the book on these outcastes, foresee that men living in these conditions may well resemble their predecessors in history who are often transient and without steady work, under-educated, and easily stirred to conflict, violence, crime, and even rebellion. If the authors are correct, this sub-group will be active, capable possibly of causing mayhem well beyond their numbers, but not in politically positive ways. And as I told my undergraduates, men like this are not thinking about democracy. They've got other things on their minds.

China's urban populace has increased from 1978's 18% of the total population to 42% in 2004, 26 years later. Though the redefinition of some townships as "urban" and the expansion into the countryside of some urban

jurisdictions can account for some of the metamorphosis, two geographers who have studied this problem state that massive rural to urban migration was the most important force for urbanization, accounting for 60% of all urban population growth during the 1990's.

In major Eastern coastal cities, where the largest concentrations of sojourners are located, as much as a third or even more of the populace is composed of these outsiders, and in one major city, the number may be as high as 90%. Migrants take part in labor protests, especially in the Pearl River delta. But these people are not politically relevant in any democratic sense, since they are not permitted to take part in elections, nor can they receive such urban benefits as unemployment insurance, pensions, or medical insurance, and their children's education is far more costly than is urban children's if they enroll in urban schools.

The rigid barrier that the household registration system poses to migrants remaining in the urban areas afflicts others besides the migrants themselves. It also continues to create a sorry situation for many of the children and wives of the migrants who are left behind. In one survey, in Anhui, 74% of school children in the countryside are living with one parent; 31% had neither parent at home. That damages their schoolwork and entices many into hooliganism. Reportedly as many as 47 million women are temporarily abandoned in the countryside to take care of the land, the young, and the old, becoming targets for thieves, robbers, and rapists.

Not only has the migrant presence shot up over a short period, but it's forecast to continue to do so. As many as 30 million people are expected to leave the countryside in the next 20 years and move to urban places. Even two and a half decades of geographical mobility off the farms has not kept one researcher from concluding that "changes in migrant occupational structure have been insignificant and that migration has not brought significant social transformation to millions of rural migrants, who've hardly become an integrated part of the city."

None of these trends appears to augur well for China's future or for democracy. The emptying out of the countryside into the cities of an underclass of young males, who remain an unwelcome, unentitled, undervalued, and socially excluded presence spells trouble. No one should think that the rise of crime, both against women and among children, and the decline in educational levels among rural youth, presage positive developments for democracy.

Urban poverty and unemployment and the new underclass. Just how much poverty is there in the cities today? This is a matter for much calculation and speculation, and it is complicated by a lot of factors. But, the human development report of 2005, prepared under UN auspices records, 300 to 400 million living on the margins in rural areas. A World Bank development report cited in the 2006 official China Bluebook, gave the figure of 200 million poor. The ADB estimated 37 million poor living in the cities. But using data in the Chinese Statistical Yearbook, based on farmer's net income and urbanites'

disposable income, the author of a chapter in the 2006 Bluebook of China's Social Development figured a total of 91 million poor people living in China in 2004, 64 million in rural areas, and 27 million in cities.

What about unemployment? It's hard to say, of course. The official target figure was 4.6% in 2005. But the government's goal was to keep it below five percent for the years 2006-2010, which suggests they knew it was going up. A researcher at Peking University's China Center for Economic Research assesses the true rate to be 10-15% and rising as of last November. And a scholar in the Central Party School said the true figure was 16.36% last September. It's also a rising trend among college graduates, going up to about 20-40%.

These difficulties have, it seems, affected neither the political process, nor the people's demands for political change. Protests by baccalaureates have not included any demands for democracy, nor are the poor or the unemployed known to have gone to the streets on behalf of democracy.

As for the Party's efforts to bring the excluded into the political process, the outlook is not encouraging. Bruce Dixon has provided data that demonstrates the drop in representation within the Party, even of workers and farmers who do have work to do. In 1994, these groups still made up almost two-thirds the membership in the Communist Party; by the end of 2003, they accounted for under half.

Similarly, Cheng Li cites figures for workers and farmers in the

National People's Congress having gone down to just 11% and 8%, respectively, by the late 1990's, after being 27% and 21% respectively in the early 1980's. Migrant laborers were not represented at all.

A final trend is the rising incomes among private entrepreneurs, and again, there's really a lot of disputes in the statistics. The National Bureau of Statistics defines as "middle class" people with annual incomes between US$7,500 and US$75,000, which is quite a range. And the expectation in this report was that such a class would expand from 5% of the population, or about 65 million people in 2005, to 45% by 2030, which would be about 750 million.

Another source says that right now, the percentage of the population that fits this definition is 20%, but it's only going to go up to 38% by 2030, thus offering a present calculation that is higher but a future projection that is lower. There are all kinds of figures out there. All the numbers are impressive, but most of them pale beside the 100 million aged, the 150 million migrants going up to 300 million, and somewhere between 90 and 440 million people living in poverty at the present.

Other Chinese scholars count 3.65 million entrepreneurs and 10 million investors. Each year, private entrepreneurs were judged to be increasing at the rate of about a little under one million every year since 1995. According to the state statistical bureau, at the end of 2002, some 34 million people were participating in the then 2.5 million privately operated firms; six million were investors; and altogether, this made up 4.6% of the total employed population.

These are the entrepreneurs, 4.6%.

Another 6.5% of the working population were members of the middle class. That includes small entrepreneurs, small traders, and individual operators. These last numbers are obviously trifling. It's difficult to make any general sense of this set of disparate data, except to note everyone agrees this number is quickly expanding and is attracting much attention, perhaps out of proportion to its numbers.

The kinds of things these rich people can do include adult ballet, social etiquette class, and image designing classes. They are willing to pay about $2,000 a year for primary school student education in private schools and another $100 a month for dancing, music, and English classes. There are courses to prepare young women to attract rich bachelors, and women will pay the equivalent of US $2500-6500 for each course. And as to the prospective mates, owing to the gender imbalance, they are willing to fork over up to $12,5000 for a course on how to find a suitable mate.

Politically, all indications are that the middle classes and those even better off are wedded to the status quo. These people are sometimes willing to engage in resistance in defense of their homes, as in the case of the *dingzi hu*.

For the most part, these people are the props of the system. To judge from official intentions expressed in the state media, for instance, the Party has been making much of what it calls the "new social classes," a category comprised of these private business people and self-employed intellectuals. As of

2006, it counted 20 million people in these categories, which is not that many out of a population of 1.3 billion.

Such leaders are lionized as offering tremendous contributions to both the economic and social progress of the country. It's evident that the Party-state is keen to coopt persons of this type, deeming them "the future backbone of Chinese society." Quite unlike the lower sections of society, who as we've seen increasingly outside the pale of political society, many of these people have been incorporated in various ways.

The 6th Plenum of the 16th Party Congress even required that the provinces pick a certain number of Party members from this segment of society to serve as deputies to the 17th Party Congress. Again, the official New China News Agency is the source for this information.

In the Party's late 2005 statement celebrating its building of democracy, the section on "the system of multi-party cooperation and political consultation under the leadership of the Party" comes before the section on "grassroots democracy." It makes much of the "democratic non-political parties" that represent wealthy business people and with which the Communist Party allegedly "collaborates".

In that document, we learn that this cooperation and consultation is of increasing importance, and is being institutionalized and standardized as it's embodied in these parties' members playing important roles in the people's congresses, holding leading positions in government and judicial organs, and

exercising democratic supervision over the Chinese Communist Party and the state.

It's these personages in particular who are often approached for advice in the Party's construction of its vision of a harmonious society. I took seriously the nature of the political participation we know about or can make surmises about of the population sections emerging from these five major trends and most critically, given what I take to be the likely direction from which change will come, I asked about the regime's stance toward each of these segments.

My bottom line is that the harmonious society, such as it is, will probably be furthered through the Party's alliance with the upper stratums of the population, even as a portion of the state coffers will be used to quiet those at the base, to keep them minimally satisfied but politically excluded. Thus, not democratization, in which numbers count, but elitism is the future of the Chinese polity in the coming years. This is what I call a politics of complacency and of scorn among those who matter and a politics of the forlorn for those who do not.

(Applause)

WING THYE WOO: Dorothy, I'm sorry that I had to stop you. We are now open for discussion. The rules of engagement are that you are limited to asking only one question.

JEFFREY BADER: Jeff Bader, Brookings. I have a question for Joe Fewsmith. Joe, you referred to the Wenzhou chambers of commerce as not quite civil society, I believe. I wonder if you could expand on that comment a

little bit. What would make organizations like that meet the standard of civil society? You've described the uniqueness of Wenzhou. Are there other organizations, other chambers of commerce around the country, that look like Wenzhou? Are there channels of communication or lobbying between the chamber of commerce in Wenzhou and others that would resemble what we think of as civil society in other countries?

JOSEPH FEWSMITH: In Chinese, it's a good example of *minjian shehui*, which I don't think there's a good translation of, perhaps just society. In social science, anthropologists, you call this development of social capital. And I think that there's a difference. The edge is sometimes rather fuzzy, but there is a difference at least in the ideal-typical sense between social capital and civil society.

And I really think that the difference is law and, if you will, third party enforcement. The chambers of commerce in Wenzhou or other places, their legitimacy is fuzzy. Among other things, there is no chamber of commerce law yet. Their legitimacy and their ability to operate depends very much on the tolerance and benevolence of the government. And what the government giveth, the government can taketh away.

There isn't a sense, at least at the present time, and I don't see it on the horizon, that these organizations could defend their rights against the government if it were determined in the other direction. To me, I guess that's the difference--you can do a lot as long as you're nice to the government, but not if

you're not, which means these do not qualify as civil society under the rule of law. As one of these people told me, I said what happens when you run into a problem with the local government--can you protest? And he said "Whoa! We never protest! If we have a problem, we just talk to them!" And that you can do.

Their lobbying – they do lobbying all the time. That's what they do. And, that is, you know, this is not necessarily a good feature of government because chambers of commerce have the ability to lobby and labor unions and others do not. This is not an equal development of society.

They lobby at all levels. They lobby in Wenzhou. There's an office in Wenzhou that goes out and lobbies with other governments around China to set up chambers of commerce there. I don't know of any other place that does that. I'd like to find out more about it.

Are there others like it? There are others that are moving slowly in that direction but they are light years behind. Wenzhou is way out front. And so it's not a typical example. It's sort of the extreme example where one can see the limits on civil society.

MALCOLM LOVELL: Thank you. I'm Malcolm Lovell, George Washington University. I'm really curious as to the economic progress that China has made over the last 30 years with an average growth rate of what, 10-12% a year?--and I'm sure the number of people brought from poverty in that time was extremely high. So, the long term progress has been tremendously impressive.

And the data we were listening to is short term progress, which I'm sure has ups and downs. But when you look at the magnitude of the challenge, no previous generation has been able to equal anything like it. I think it's one of the most remarkable achievements in human history. And I would just hope that the panelists would give some recognition to that.

DOROTHY SOLINGER: What you're suggesting is that there's always upward mobility. And we hope there will be, but up to now, the government is only devoting 2% of its budget to education. And a lot of the most vulnerable people come from households where there hasn't been much of an opportunity for education and they're not getting good educations. So, they don't have an easy road up.

Also, even among the elite college graduates, the economy isn't producing enough jobs to absorb them. So, there are people whose incomes have gone down that aren't reported. So, it's not necessarily up and down. It's a question of whether we're seeing the production of an underclass that may not see upward social mobility.

MASAHIRO MATSUMURA: Masahiro Matsumura, Brookings. My question goes to Dr. Minxin Pei. Thank you for the very illuminating data. My question is whether corruption in China is not only endemic but also systemic. You pointed out that there have been a number of anti-corruption campaigns. My question is how much these anti-corruption campaigns can be explained by the factional struggles in the top leadership. How many can be

directly attributed to efforts by aspiring leaders to secure a minimum level of legitimacy? And how much of the ongoing anti-corruption campaign is caused by a genuine sort of correcting mechanism within existing regime?

MINXIN PEI: Methodologically, it's very hard to differentiate the causes of the anti-corruption drives. That would be very hard to do because we need really good data to weigh these various factors in a robust way. I've observed two interesting things about factionalism and corruption.

If the Party congress is a continuity congress, that is the leader who presides over the congress is going to continue in that office, I would surmise that the number of corruption cases prosecuted would drop. 1998 was a very interesting year. Not only did the number drop by a huge margin in terms of major cases and key cases, but also the leadership had a major incentive to reduce the level of enforcement intensity in order to have a much more benign environment overall, to produce greater stability among the psychology of the leaders.

But if we are in what I call a succession year, that is, the new leader comes in with his own agenda and is much less beholden to the power base of the previous leadership, then the leaders have more incentives to increase temporarily the pace of anti-corruption campaigns. That's what we saw in 2005.

So, again, only two data points, but it would be interesting to see a year from now what happens in 2007. Because this would be a continuity succession year – a continuity year and according to this – my assumption, this

ought to be the year where the overall level declines. And as to self-correcting mechanisms within the regime – so far, of all the stories I've heard is that the Central Discipline Inspection Commission is a quite capable body. When this body gets involved, lower level obstruction does not succeed all the time. And then, I think within the system, the top down monitoring only performs a very limited role. Of all the leads generated on corruption, 80% are by anonymous tippers. In other words, only 20% of all the leads are generated by government investigators.

RICHARD BAUM: There's a certain amount of discontinuity between the story that Joe tells and the story that Dorie tells. Joe talks of people who are generally satisfied with the changes in their lives, and Dori is showing how some people are still getting screwed. I think that one has to ask the question of any data that is being thrown out is "compared to what?" And particularly, Dorie, some of the data you threw out there is pretty grim until you start thinking about well, what's it like in India or what's it like in Brazil, let alone, what's it like in the United States.

In one example, you mentioned data that said that the highest 20% of the population gets about 50% of the pie and the lowest 20% percent of the population gets about 3-4% of the pie. That's a little over 10 to 1 ratio. Guess what? In the United States, it's higher. It's 11 to 1.

So you have to ask the question: compared to what? And I really think that otherwise, we're going to be endlessly arguing about is this a high

statistic, a low statistic, what does the satisfaction percentage really mean.

MS. SOLINGER: That's useful information. I still think that these are things about China that most people don't know. I think the general picture we usually get is the rising middle class. We read quite a bit about it, and I don't think it's necessary to extol the virtues of reform in this forum.

It's good to know these other comparative things. That doesn't mean that I'm drawing a black picture of China necessarily, I'm just showing there are these things going on in China, too, whatever they are. And I'm also saying, yes, the wealthy people are rising, too, but I don't think by the same margins as the other groups.

JOSEPH FEWSMITH: I just wanted to comment that it's a lot grimmer, Rick, than you pointed out. The White Book says the ratio is about 15 to 1 or something like that. It has exceeded the inequality in the United States, and that's income inequality, not wealth inequality, and in wealth inequality, China is way more unequal than the United States, something like a 73 to 1 ratio. It's in the China Leadership Monitor. A little plug there.

MINXIN PEI: How about state assets? Are state assets counted as being divided by the whole population?

JOSEPH FEWSMITH: I don't know about how state assets are counted.

MINXIN PEI: State assets would be over 50% percent of total assets.

TIEN FOO: Ten Foo from AARP. My question is directed to all the panelists. I would like to see some comments on the welfare policies, on the new initiatives from the education policy, the environmental policy, or rural health care policy initiatives that the Chinese government has implemented recently. My question is why have they not produced the expected results and what are the policy recommendations that you can offer? Thank you.

MINXIN PEI: I wish Nick Lardy was here today because Nick wrote a fascinating policy brief on China's social spending and what he found is that despite all the talk about social harmony, actual spending on issues such as education and the environment is minimal.

DOROTHY SOLINGER: Another point is that a lot of these initiatives were just begun. The offer to spend money on rural students' textbooks and to make primary education free in the countryside have only just been announced so they couldn't have made any real progress yet. But the major reason for gaps between intentions and implementation is the corruption along the way, and a lot of funds allocated don't reach their expected end-users.

AUDIENCE MEMBER: A question for Joseph Fewsmith. In your presentation you quoted to us as a research survey, so could you tell a little bit more about the background of the surveys, like when and where they were done?

JOSEPH FEWSMITH: I wish I could give a good and complete answer to that. Most of these statistics come from the Bluebook that is published

annually, most of these from the most recent 2007 volume, from the Chinese Academy of Social Sciences. They give you the number from the surveys, which tend to be very large. Unfortunately, they really don't talk about how they do their sampling techniques. I don't know the methodology and they don't describe it very well, so that is a problem.

I think questions about are you reasonably satisfied with your job and life circumstances, and there's more data than I put up there, I suspect those answers are probably not bad. You can look at this as the famous water glass half full and so forth. As Wang Shaoguang and others have pointed out, when you look at the people that Dorie does, those that are left behind are discontented. Even 5% of the Chinese population is a big group of people and this is a social problem that you need to deal with.

So I don't mean to say that that's not a problem. In fact, I think the government is very much aware of these sorts of problems and is addressing them-- maybe not adequately, but it is addressing them.

DOROTHY SOLINGER: Just adding on to what he just said, 5% are very discontent, but about 25% are at least somewhat discontented.

DAVID SHAMBAUGH: David Shambaugh, George Washington University. Joe, when you were talking about democratic consultation meetings, the *minzhu kentanhui,* if I heard you correctly, you described them as *tizhi wai,* outside the system meetings, but then in your slides, I'm not trying to put you on the spot, I'm just confused, because the slides looked like they were held in

government offices and if the government and the Party officials are at these meetings and they're evaluating government budgets, aren't they within the system? And sort of a secondary question, how frequently are these meetings able to unearth government budgets and scrutinize them? That's an important indicator of transparency.

JOSEPH FEWSMITH: There is no legal constitutional framework to have public "speak bitterness" meetings. There is not an effort underway in one township in all of China to bring this *tizhiwai* system into the system, to give it a legal framework. My understanding is that that experiment is actually going to be expanded this year. But what are there, 30,000 townships in China? So we've got a ways to go before this gets there.

AUDIENCE MEMBER: When asked why China cannot have direct elections at this moment, Chinese leaders often say that China is still a poor country and that the Chinese people are not well educated. You can see this as an excuse, but maybe there is some truth behind it. Fareed Zakaria argued in his book *The Future of Freedom*, that poor countries with GDP under $3,000 per capita have a far better chance to become illiberal democracies or return to dictatorship. So should we be more patient with China's democratization?

MINXIN PEI: I think the scholarship on income level and democratization finds that countries can go democratic at any level of income. The problem is that the longevity of democracy at the lower level of income tends to be lower, a lot lower, than at higher levels of income. And given that China's

per capita GDP now is US$2000 at the official exchange rate and around US$4000-$5000 measured by purchasing power parity, if you look at the range there are many countries within that range that have gone democratic, not all of them failing states and not all of them illiberal democracies.

No matter what happens, I think within the next 10 to 15 years at the current rate of growth, China is going to enter a range in which despite the leaders' concerns, democratic pressures will build up. Whether we are going to give China more patience or not is not for us to decide today. I think at the end of the day, democracy happens on its own because most democratic transitions take place under crisis conditions. In other words, they are not anticipated, but when they come, they just come.

AUDIENCE MEMBER: My question has to do with demobilized military people in the countryside. I've seen studies by Yu Jianrong that suggest that the leaders for change or in protests are these demobilized military people, and I wonder if that is a source of change or demand for democratic control locally. That's a question for Dorie and anybody else who is interested in that.

MINXIN PEI: I'm friends with Yu Jianrong and he told me that this is an area in which social science actually helped the government after it uncovered the link between rural protests and demobilized military officers and soldiers. The government increased pension spending on demobilized soldiers by a huge margin so now they are not a problem anymore.

JOSEPH FEWSMITH: I was just going to add that I think that it

applies to any part of the country. Some of the areas in Zhejiang where I have been spending time, you have people who have been sojourner merchants in other places and those are people who are obviously more ambitious, that have seen the outside world, and they play a role that is at least something analogous to these demobilized soldiers.

AUDIENCE MEMBER: So my question is what do you think lubricates the Wenzhou businessmen's lobbying activities? Corruption? Or how do they lobby?

JOSEPH FEWSMITH: What lubricates it? Wenzhou has a really unique history and I need to do much more work on this. Wenzhou in 1949 was liberated by the underground Wenzhou guerrilla movement. It's interesting to compare it to a place like Wuxi, which is also economically developed but the government in Wuxi is very strong and that was a place where the Northern army came in and conquered Wuxi, it wasn't liberated by a Wuxi army, and that difference in their revolutionary experience is at least one of the major factors that has affected their trajectory to this day. Relatively speaking, in Wenzhou and I think throughout Zhejiang, you have weaker government. You also have this model of private economic development which means that the government has had to negotiate more with a powerful private sector.

So what lubricates this? This is a complicated history of course, but Wenzhou officials have always been more sympathetic to this sort of private economic development. The Wenzhounese were out doing business during the

Cultural Revolution! They were putting the tails on that other people were cutting off. A great history, I love it, even if it's sometimes corrupt. You get good stories out of that too.

There seems to be much more of a mingling there-- they sit down with government officials and hammer out regulations. I don't know of any other place in China where that happens, so it's a very unique history, but it's a model that I think maybe other places should pay attention to.

MINDY LARMORE: My name is Mindy Larmore and I'm with the US Commission on International Religious Freedom. I was listening to the presentation by Dr. Solinger and I was interested in what you think about the role that other marginalized sectors, specifically religious groups and ethnic minorities, play in comparison with the other groups that you talked about. I'm also interested in their political impact and how they fit with the larger picture that you explained.

DOROTHY SOLINGER: Those are two groups I really haven't done any reading about apart from what everybody else reads, but it looks like so far the government has been able to keep those groups under check. Of course there is a lot of discontent there and protests sometimes, but you constantly read about the government shutting it down. When a real crisis comes these people will join in the protests, but I think in normal times they don't by themselves have enough strength to turn anything over. That's my impression. Maybe you know more about it.

AUDIENCE MEMBER: Dr. Pei touched on the issue of demobilized soldiers to a certain extent, but my question is specifically for Dr. Solinger. With regard to migrant workers and the problem of migration in China,a number of Chinese and Western scholars have said this is a problem for some time but the government has managed to control the problem. Could you talk to that?

DOROTHY SOLINGER: You might not know that I wrote a major book about this. The government's stance toward internal migration and the migrant workers has been to steadily advance a set of reforms, in other words, eliminating the procedure of detention and custody where they can be put away just at will or dismissed from their work because they don't have the right papers, where they can be locked up or sent home. There have been reforms saying that if people from the countryside have stable work and make a financial contributions to the city then they can get rights of urban citizens.

But I haven't done research on this in 10 years. The latest research I've seen says that despite the reforms, there really haven't been fundamental changes in the inclusion of these people in urban society. They still don't have the right to a lot of welfare benefits. Likewise, even if there are educational costs for everybody now, it still costs a lot more for them. And just last year alone, 16 migrant schools were shut down in Shanghai and this is something going on all over the country. There is still quite a bit of discrimination against them despite the fact that the government is passing different kinds of reforms.

AUDIENCE MEMBER: My question is directed to Dr. Pei. In your presentation you mentioned the largest portion of corruption is in the infrastructure area. However, when we read the ordinary newspapers, we always see those cases involving high-level government officials, provincial governors, and provincial party secretaries. Is there a correlation between these categories? Are high officials more susceptible to infrastructure corruption? Thank you.

MINXIN PEI: There were some who were involved, but I've noticed that most major infrastructure corruption cases involve the heads of the transportation departments because these are the people who are in charge of building highways. In China, this post is called a hazardous occupation because in half of the provinces, successive heads of the transportation department have been caught for collecting huge sums of bribes. Some of them went to jail, some of them were shot. But there is just no systemic link between a provincial governor or provincial party secretary and infrastructure corruption. They tend to be diverse in their corrupt activities.

WING THYE WOO: I hope you will join me in thanking our panel for giving us such an enlightening time.

(Applause.)

JEFFREY BADER: Good morning, everyone, and welcome to the last in our five panels in this program on the 17th Party Congress and beyond.

Before we get into this last panel, I want to acknowledge and ask you all to acknowledge the people who have made this conference work, the people who have made the trains run on time under the guidance and inspiration of Cheng Li, who conceived of this conference who has produced it, directed it and was the first speaker. I also want to acknowledge the members of the China Center who have done all the heavy lifting here. I don't know if they're in the room, but D.L. McNeil, Pavneet Singh, Jonathan Liu, Scott Harold, and Li Xiaoting. I really appreciate everything you all have done, and now they come in on cue. Thank you.

This last panel--Changes in China's Party-State and Military: Similar to Taiwan?--is a bit of a deception. Don't take the title seriously. Actually it's three separate subjects. It's: Similar to Taiwan?; it's: Changes in China's Party-State?; and it's: Changes in the PLA? So sorry if we lured you in here on false pretences. They are all subjects of particular interest to me. The issue of the Taiwan model is something that got a lot of attention before the year 2000, i.e., before the current Chen Shui-bian government came in, when lots of people thought that developments in Taiwan prefigured things that would happen in the mainland. I think that subject has gotten less attention in the last few years because of obvious reasons, but I don't regard the current interlude as something that is permanent in terms of the lack of attention to the Taiwan model. So I'm delighted that we will have an opportunity to revive interest in discussion of this topic.

Similarly, when I first entered into the China field in the early 1980s, the issue of the role of the PLA in Chinese politics was something that anyone who was dealing with Chinese domestic politics could not avoid since the PLA had such a huge presence on the Central Committee and in the Politburo. But in the last few years, much of the attention to the PLA has not been on politics or professionalization but, rather, on the PLA as a threat. So I'm very glad that we will be able to discuss other dimensions of the PLA today.

We will hear in succession from Chu Yun-han of National Taiwan University, from Jing Huang from the Brookings Institution, and from James Mulvenon from the Center for Intelligence Research and Analysis. I am particularly appreciative for Professor Chu for coming 8,000 miles for this conference, and we are very glad to see you, and please take it away.

CHU YUN-HAN: First of all, I am indeed very pleased to be part of this very important conference. I want to register my heartfelt thanks to Li Cheng for the decision to invite me all the way from Taipei, and in particular for inclusion on a panel which, while probably not exclusively composed of folks from Taiwan, at least touches on the relevance of Taiwan for China.

I think there are three reasons why Taiwan is and remains an important factor in shaping China's democratic future. They are the following: number one, Taiwan is important for it's what I call the objective relevance, which means that there is a high degree of comparability between the two cases. Secondly, Taiwan is important for its subjective relevance, that is through

people's perception that it is important. Taiwan matters as long as a great majority of people in China think it matters, and certainly I think Taiwan matters because of a lot of Taiwan-based social, economic, and political actors have played roles as agents of change, and I will elaborate a little bit on each of those three points.

I think for its objective relevance, I am specifically referring to its risk value in projecting China's political future especially on two scores. Number one, Taiwan's democratic experience constitutes a crucial experiment. It is the first and the only democracy ever installed and practiced in a culturally Chinese society. Secondly, although whether or not Taiwanese culture is a part of Chinese society is now under dispute, as you well know, Taiwan's unique model of democratic transition is very important and illustrates a viable exit strategy for a hegemonic Leninist party seeking to engineer a peaceful and gradual transition away from one party rule on the basis of its successful record of economic modernization. I think for that alone Taiwan does provide a very important framework for comparison.

Additionally, I would argue that Taiwan is important for its demonstration effect in the eyes of political actors on the Chinese mainland. To many mainlanders, political developments in Taiwan feel closer to home and more readily comprehensible than political developments elsewhere. The way democracy works in Taiwan is always closely watched and extensively talked about by ordinary citizens, by the political elite, and by intellectuals in China,

sometimes not always for the right reasons, but nevertheless it is being closely watched and studied.

And also I think that my own perception is that at the bottom of their hearts among Chinese citizens and elite there is a widely-held perception about a strong affinity between the fate of the KMT and that of the CCP. That means that what happened to the KMT conceivably might also happen to the CCP in the future. At least this is a conceptual possibility.

Lastly, I will provide in my paper anecdotal evidence to suggest that many of Taiwan's social actors, such as academic writers, the mass media, pop culture stars, and NGOs have been conducive to China's political liberalization through the transmission and dissemination of information, ideas and practical knowledge.

On the other hand, one might also argue that Taiwan, through its actors' actions, can complicate China's democratic future in the most disruptive way conceivable, i.e., that Taiwan's political elite possesses the potential to upset the strategic applecart of East Asia and reconfigure China's domestic priorities and external environment in a fundamental way. This is the general framework that I will pursue with my analysis. Specifically I will try to accomplish three things in my presentation. First, I will try to compare the trajectory of political values change across the Strait, and I ask the question to what extent Chinese citizens have undergone a similar pattern of value shift that people in Taiwan have experienced as a consequence of the far-reaching and rapid social and

economic change.

Secondly, I want to compare the trajectory of political evolution, and specifically I want to question to what extent the political predicament that CCP leadership faces today resembles what the KMT ruling elite experienced around the 1970's and early-1980's.

Finally, in my conclusion I will try to elaborate a little bit more about the role that Taipei's social actors and political actors have played in shaping China's political future.

I base my analysis on the following survey data. It's often the case that survey data it is very hard to get. My colleagues and I worked together over the last 12 years to carry out a survey across many Asian societies including mainland China and Taiwan. And for the case of Taiwan, actually we have collected data stretching over more than 2 decades covering the entire era of the transition from the early-1980's until very recently.

In China we have been able to administer a nationwide public sampling base survey twice, in 1993 and 2002, and there are also a small number of surveys which have been consistently implemented across the Strait over time. I will just draw on just a very tiny fraction of those indicators that have been made available through those longitudinal comparisons.

Let me start with this question about whether the people still are beholden to the traditional concept of a father-like figure, a political leader, whether their views remain generally favorable to such paternalism, and if they

are so inclined to be obedient and support it. If people register an objection to the notion of paternalistic rule, that might indicate that they are starting to acquire a more liberal-democratic orientation. This slide shows a chart of attitudes towards paternalism and it pretty much speaks for itself. We compare the trend line in China with what has happened in Taiwan in 1983. In Taiwan in 1983, the majority, close to 54 percent, agreed with the statement that the national leader is like a father-figure, but that number has come down to less 30% about 20 years later. So this is gradual, but nevertheless it is a very significant transformation over time. And people who disagree with that statement have risen to more than 60 percent over the past two decades in Taiwan.

Let's see what happened in China with the same indicators. For China's data we have actually have been able to disaggregate it into two domains, urban residents and rural residents. The samples are big enough that it's more than 34,000 covering the whole Chinese population except Tibet. For the urban population we found a very similar trend, declining levels of support for this old traditional authoritarian concept and an increase in the ratio of people rejecting the idea. A similar thing is happening in the rural areas, except that it still reveals a very strong authoritarian propensity with the majority of people embracing the notion that strong leaders are father-like figures. Also, this supports my argument that urban China in 2002 was approaching the level that Taiwan achieved around the early-1980's. This will be a relevant timeframe for comparison, not Taiwan today and China today but, rather, Taiwan around the late-1970's to early-1980's

in comparison with coastal, urban China today. Rural China is still very much dominated by the old authoritarian notion. I don't have time to go into other figures, which are not quite as clear-cut as this one, but believe me, a very similar pattern on questions like when judge decides important cases they should accept the view of the executive branch and rejection to this statement which registers a gradual embracing of the concept of judicial independence. A very similar pattern you can identify here.

Again, the level of rejection of that concept in Taiwan around 1983 is comparable to the urban population in China over the last 10 decades. So gradually you can pretty much extrapolate from those trends that the political culture in China has been susceptible to a very similar kind of transformation that Taiwan's populace experienced earlier on.

Let me finally break down the Chinese data in three age cohorts to identify the impact of generational turnover. You can do it in many different ways, but assuming this is the right way to do it, I break the whole sample into three cohorts, people who were born before 1949, those born between 1949 and 1968, and those born after 1968. People who were born after 1968 had very little exposure to the Cultural Revolution. They pretty much grew up exclusively during the reform era.

There is a very important departure between the youngest generation and the two older generations. For the younger generation, in this group there are more people who embrace liberal-democratic values than people

who reject such values. I think this is a very important shift over time over the last 10 years.

I tried to make a very succinct statement arguing that the popular orientation towards political authority held by the citizens of China today really have followed a very similar pattern of shifts and changes that we witnessed 20 years ago in Taiwan, and my conclusion in this area is that a democratic culture is emerging. It's not fully consolidated yet, but it is emerging among China's younger generation. So this really gives us a ray of hope that over time, rapid social and economic transformation and modernization will give rise to a political culture which could arguably be more conducive to a democratic transition.

However, we can always argue that culture will only provide necessary condition but that the process of political liberalization and democratization has to be actualized through changes in the political structure of institutions. So that's why I want to compare the strategic situation that the CCP leaders and the KMT leaders found themselves in around different time points. I will argue that actually the challenge they face is strikingly similar and the coping strategies that they have come up with are also, in many ways, not entirely, but in many ways, strikingly similar. Let me elaborate a little bit. I don't have time to go into too much detail.

Basically, there were the following five challenges confronting the second-generation KMT leadership of Chiang Ching-kuo since the early 1970's: how to replace the depleted guiding ideology and discredited revolutionary

mandate with a new foundation of legitimacy; how to refurbish the party's social foundation as new social forces were popping up outside its traditional organizational scope; how to safeguard its monopoly on organized social life from the encroachment of autonomous social movements and bottom-up civil society organizations; how to contain and harness the rise of market-driven mass media, which Rick Baum elaborated on yesterday, and how to compete with alternative sources of information and ideas; and lastly, how to deal with contending economic interests and rising public demand for political representation and participation that comes with modernization.

In most of the areas that I just identified, I found striking similarities between the coping strategies of the KMT's second generation elite and what Hu Jintao and his colleagues have tried to come up with. Let me give you some impressions. For instance, under Chiang Ching-kuo, KMT leaders dropped the discredited mission of recovering mainland China, and replaced it with something that really touched the core interests of the ordinary people, the building of Taiwan and the vision of shared effort. If you compare that with Jiang Zemin's *xiaokang shehui* call to develop a well-off society, or Hu Jintao's vision of a harmonious society, the differences aren't too great. And not only that, during the 1970's and 1980's, the CCP tried to reinforce the regime's legitimacy with an emphasis on a Chinese style of populism, compassionate, approachable, industrial public leaders that would visit the villages, visit the factories all the time, and exemplify a way of life that illustrates the virtues of selflessness,

frugality and so on.

I still remember when I saw on TV that Wen Jiabao always wore the same blue jacket for about 10 years-- it looked strikingly similar to the jacket that the Chiang Ching-kuo always wore when he visited a factory or a village. This is what I call a Chinese style of populism.

I will give you another example of how the second generation of the KMT tried to remake the party from a vanguard party to a governing party and from a revolutionary to a ruling party. I will even argue that it had practiced its own version of the three represents early on except without the label, trying to bring emerging social forces, entrepreneurs, professionals, and intellectuals, into the party elite. I don't want to go into depth on this because of the restrictions on time, and at any rate the similarities have to stop somewhere. You cannot find two totally identical cases even if they share with one cultural legacy, but given that the genesis of the KMT and CCP in many ways are of the same origin, nevertheless, they are not truly identical.

In the case of Taiwan I will argue that for all the institutional and structural adjustments implemented, nothing was more consequential than the opening of the national representative body for limited electoral competition. It really set in motion a process of democratic opening from early on. Even though usually we look at the dramatic shift around the late-1980's and early-1990's, I would argue that the seeds of democratization were actually planted early on and triggered a process that became virtually self-sustaining and irreversible.

The KMT elite believed that the move towards democracy at that point was harmless and not very risky, and would prove to be a formula for a controlled, limited popular electoral process at the local level. Actually, they envisioned using controlled elections to enhance their legitimacy not just at the village level, but also at the town, the county, and all the way up to the provincial assembly levels. The KMT expected that collaboration with local factions would give them long-term control over more than a two-thirds of the popular vote and three-quarters of the seats in election after election.

Lastly, I will argue that the structural constraints that the KMT confronted were in some ways different and dissimilar to what the CCP is confronted with today. Unlike today's CCP, the KMT was constrained by three sets of vulnerabilities. First, it was vulnerable to the influence of pressure by foreign actors, especially the United States. Second, the legitimacy of post-war authoritarianism was anchored on a very precarious claim to sovereignty which was totally shattered with the disappearance of international recognition in the 1970s. Finally, the KMT was constrained by its own illogical and institutional commitments. The ROC Constitution in principle recognized public consultation. It recognized all the basic liberal democratic principles. They never privileged the KMT as the only power holder, in contrast to the PRC constitution, the preamble of which gives pride of place to the CCP.

You can argue that the KMT was constrained, but on the other hand it was also in power as a result of its cumulative capacity in engineering

electoral dominance and on the strength of the cohesion of the coalition behind its development strategy, which happened to deal with growth and equity with a high degree of effectiveness. So there is an option for peaceful extrication from authoritarian rule which was available to KMT at that time. I don't know whether it's entirely available to the CCP at this point. But nevertheless, I will argue that, generally speaking, the structural conditions that Hu Jintao's generation inherited in many aspects are less stringent than what the KMT faced, due to sheer size. Also, I think that Chinese nationalism remains the CCP's most valuable political asset. I would argue that the CCP never had the kind of ideological commitment to democracy that the KMT made early on, although it has committed itself to building up socialist democracy. At the same time, however, the PRC's constitution still recognizes the CCP monopoly on power and does not recognize the legitimacy of public consultation. So on this score, I would argue that it is not inconceivable that the CCP can still muddle through for quite a while.

I think that if the CCP can avoid an eruption or irreparable intra-Party split, if it can sustain momentum for economic growth, and if it actually arrests the trends of growing regional disparity and economic polarization—these are not small if's—if it manages to do all these things, it will probably do so with something like the following recipe. The recipe contains the right mix of coercion and material payoffs, a blend of populist leadership and nationalist symbols, the rebuilding of state capacity, adapting the existing representative institutions and consultative mechanisms, co-opting important actors on social

and economic issues, selective co-optation of emerging social forces, and reinvigoration of its existing organization. After all, with by and large that recipe, the second generation of KMT leaders were able to stretch the process of gradual political liberalization and the weakening of authoritarian rule on Taiwan out over almost two decades.

Thank you.

(Applause.)

JEFFREY BADER: Thank you, Professor Chu. Our second speaker will be my dear friend and colleague from Brookings, Professor Jing Huang. Jing will speak about the institutionalization of the Party as demonstrated and exemplified by the leadership transition. Actually, in my experience with Jing, Jing could have talked about any of the three subjects that we're talking about today, but he has chosen this one. Jing?

JING HUANG: Thank you, and I have to say that I was very much intimidated yesterday when I heard my good friend Alice Miller make such a good and comprehensive presentation on the institutionalization of norms within the Party. I said to myself, my God, what am I going to say because I agree with everything she said yesterday. But there is an old saying in China that says that great heroes have similar visions, and while I'm not a hero, I am nonetheless honored to have a similar vision as Alice Miller.

When I realized this panel was going to be about China and Taiwan, I felt I needed to make a serious announcement at the outset, which is

that Taiwan is independent--of my presentation!

(Laughter.)

JING HUANG: Or rather I should say that my presentation is independent of Taiwan—it doesn't touch on Taiwan at all, really. First, I'm going to go briefly into the leadership transitions of the Mao Zedong and the Deng Xiaoping periods, and after that I'm going to look into the transition from Jiang Zemin to Hu Jintao. After reviewing these transitions, I'm going to talk about how and why the transition from the fourth to the fifth generation is going to be different from the previous ones. Then I'm going to go further into the bigger picture to explore the transformation from informality--that is, factionalism and informal politics--to formality in Chinese elite politics, which results from the institutionalization of the political process that, and here I am in full agreement with Alice Miller, is one of the most substantial and progressive achievements in Chinese politics over the past 20 years. Finally, I'll briefly speculate on the upcoming leadership transitions from the fourth generation to the fifth generation leaders.

First, leadership transition from Mao Zedong to Hua Guofeng and from Deng Xiaoping to Jiang Zemin. We know that ever since 1949 when the People's Republic of China was established all the way until 2002 there were two leadership transitions in China and although there were enormous differences between Mao Zedong and Deng Xiaoping in terms of personality, style, vision and so on, the two transitions were nonetheless very much similar to each other.

First and foremost, all the successors were handpicked by the supreme leader, with Liu Shaoqi, Lin Biao, and Hua Guofeng in the Mao era, and Hu Yaobang, Zhao Ziyang and eventually Jiang Zemin in the Deng era. Secondly, both transitions, I mean from Mao Zedong to Hua Guofeng and from Deng Xiaoping to Jiang Zemin, were preceded by fierce factionalism and intra-Party power struggles that ended up in very brutal purges. Third, both transitions were rushed through in a hurry. Hua Guofeng was picked up by Mao Zedong in the last month of his life, and Jiang Zemin was chosen by Deng Xiaoping in the days immediately following the 1989 crackdown on the Tiananmen Square demonstrators.

The fact that these decisions were rushed through means that the top leaders were not entirely in control of the situation; on the contrary, in some sense, the situation controlled the leaders because the previously designated successors, Liu Shaoqi and Lin Biao, were toppled in a very brutal way, as were Hu Yaobang and Zhao Ziyang.

And last but not least, both transitions caused considerable inconsistencies in policy-making. We know that after Mao Zedong gave way to Hua Guofeng, Hua was toppled and Deng Xiaoping took over, and as a result we see a really radical departure from Mao's legacy. We have reform and opening. Deng Xiaoping muscled Hua Guofeng out in about 2 years. And also we know that when Jiang Zemin took the top posts in 1989 we also saw the reverse of many of the reform policies pursued by his predecessors Hu and Zhao, and from

1989 to roughly about 1992 there was a freeze on new reform efforts. So we see some policy inconsistency there as well.

So what we tend to see is a bigger picture of Chinese politics from 1949 to 1989, a politics characterized by unstable leadership relations, in which we never quite know what's going to happen among the leaders, which has led to inconsistent policy outcomes, and a very brutal style of elite politics. That's what this leadership transition tells us about political life before the Jiang Zemin-Hu Jintao transition. Of course, the question is why.

I think the question ultimately is factional politics or factionalism. I wrote a book about it, and so I will brag a little bit about it. As a political scientist, I always argue, and I think you will agree with me, that the political system makes a difference, so that's why I think these outcomes are system-induced. In a political system where authoritiy is highly personalized, power goes with individual leaders instead of staying with institutions, the best example of which was Deng Xiaoping, who "retired" from all his official positions in 1989, but still remained the most powerful person in China until the last day of his life, despite the fact that he held absolutely no formal government or Party position of leadership. He was an ordinary citizen. Of course, Mao Zedong is another example. So in a system where authority is highly personalized, we know that political outcomes are not very predictable.

Why is this so? Because personal ties and personal relations, instead of procedures, decide the political outcomes. In other words, personal ties

override procedures and rules in decision-making. That's why we have informal politics. For example, Hu Yaobang and Zhao Ziyang were both toppled. Why? Because Deng Xiaoping assembled a private meeting at his own residence with six or seven elderly people instead of going through the Central Committee. Mao Zedong toppled Liu Shaoqi, he sent his wife to Shanghai and single-handedly launched the Cultural Revolution, and so on and so forth. Procedures, rules, processes were never followed in those incidents. It was all just personal authority. And certainly the result of this was that achieving and maintaining personal power became the overriding goal of those participating in the policy-making process. Policy is used as a means for the end of political power. Policy outcomes reflect the vision of those who prevail in the power struggle. It is not necessarily a rational policy, and that's why we have policy inconsistency and irrationality and the inevitable confrontations between the leader and his successor. When you follow someone, you can hide yourself behind his shadow; when you do something when you're in charge, your true colors begin to show. That's the danger for the successor-designate. When Mao put Liu Shaoqi in charge as President of China, when Mao put Lin Biao in charge, when Deng Xiaoping put Hu Yaobang in charge, their true policy preferences and political ambitions began to show.

The problem is that the successor-designate's policy differences from those of the top leader cannot be tolerated by the leader because he feels that they threaten his power. The successor has to expand his power base so that his

succession will be guaranteed and the successor has to show some kind of independence of mind because he has to get this done. All of this causes the current leader to grow wary and eventually this suspicion expands into hatred, into fights, and then the successor gets killed or toppled, which is why both leaders, Mao Zedong and Deng Xiaoping, chose their eventual successors in the final minutes of their lives—because then they didn't have time to kill them or have a falling out with them because as soon as they chose them they died or grew so weak that they retired. This is a true sign of leadership instability.

And more importantly, in a system like this, ideology becomes extremely important because ideology can be used to justify or legitimize a purge and also is useful for legitimating your policy preferences. That's why taking the ideological high ground to legitimate a purge becomes very, very important. That explains why we see so much policy irrationality. When policy is made according to ideology instead of interests, it's crazy. I am not talking about the current US foreign policy; I'm talking about policy in the Mao Zedong and Deng Xiaoping periods.

Now let's look at the transition from Jiang Zemin to Hu Jintao in the years from 2002 through 2005, that is, between when Jiang Zemin stepped down as the Party's General–Secretary in 2002 until Hu Jintao assumed the Chairmanship of the Central Military Commission in 2005. First, it was not Jiang Zemin but Deng Xiaoping who chose Hu Jintao as the leader of the fourth generation. In other words, this transition marks the first time a sitting leader did

not choose his own successor. Second, Hu survived for over 10 years as Jiang's successor, which in and of itself is rather amazing. For example, when he was put in charge of carrying out the order that the military should relinquish its commercial activities in 1998, quite a few of us said "Uh-oh, looks like Hu Jintao is in trouble." But no, he survived. When he was put in charge of handling the bombing of the Chinese embassy in Belgrade, we thought he would be in danger, but he survived. He was given a number of very, very challenging jobs, but he came through all of these without a scratch.

Third, we know that very smooth and orderly transitions are the exception in Chinese politics, and they are also an exception in the history of international communist politics. Surprisingly, the Jiang-Hu transition brought with it no real interruption or radical changes in the policy-making process. Here I want to emphasize in particular the policy-making process, not the political outcomes, as it was the process that was unchanged by the transition. Another major development has been the rapid erosion of Jiang Zemin's influence on policy-making since he retired. We all remember that many of us talked about how Jiang Zemin was going to be the shadow leader, looking over Hu Jintao's shoulder, and so on and so forth, but in the past couple of years, some of Hu Jintao's new policies have resulted in radical departures from Jiang's vision, and Hu Jintao has been able to push these through with very little influence from Jiang Zemin. That's a really amazing development by comparison to Deng Xiaoping's persistent involvement in policy-making at Hu Yaobang, Zhao

Ziyang, and Jiang Zemin's expenses.

What we have here is a totally different picture. It's a very stable leadership transition, a consistent set of policy-making processes, and the rise of a more collegial form of elite politics. The question is why. Is it because the Chinese ruling elite all of a sudden became nicer, gentler and kinder, and as a result they don't hate each other anymore? No way! That might be somebody's answer, but that's not my answer. Again, as a political scientist I'd have to say that it's because of changes that have taken place in the system. What has been changed in the Chinese political system that would account for these new developments? I have seen a number of really significant changes, especially since the 14th Party Congress in 1992.

First and foremost, after the departure of all of the revolutionary veterans, there is no longer any individual figure who possesses absolute authority in decision-making. In this respect, the 1992 14th Party Congress was a milestone because all of the revolutionary veterans were politically incapable of doing business in politics and followed Deng Xiaoping's example and retired. As a result, Jiang Zemin and Hu Jintao became first among equals instead of absolute rulers, as my good friend Cheng Li said yesterday. In other words, they could not rule by fiat anymore. The post-Deng rulers have to cut deals.

Secondly, there are alliances among the new leaders unlike their predecessors, who came through a very brutal life-and-death war that lasted for almost 20 years, who were leaders of the revolutionary war, and who forged tight

bonds of personal allegiance, and hence were very emotionally-invested in their relationships with other top leaders. In contrast, the new leaders barely knew each other before they were promoted to the center. Hu Jintao probably had very little idea who Jia Qinglin was, and probably did not know who Wu Bangguo was, before arriving at the center. They came to know each other because they were in Beijing. The same is true of Jiang Zemin--Jiang Zemin did not know what Hu Jintao was all about until he moved to the center. So therefore, their relationships are based on shared interests and policy preferences, not on personal ties or loyalties. There is no loyalty to each other, only interests that bind them together or set them apart.

Last but not least, I think that one of the biggest consequences of the reform and opening up policy is that Chinese society has become increasingly diverse, not like when I was in the countryside in the 1970's, where you only had four groups of people: soldiers, workers, peasants and cadres. Nowadays we have many different kinds of people in China, and this diversification of society leads to diverse interest groups inside the Party. As a result, leaders all of a sudden tend to be from different constituencies and their views on different issues tend to depend a lot on where they're from. It is no longer like the Mao Zedong and Deng Xiaoping eras when the leaders were usually divided into two or three major factions--nowadays there are many of them. They represent the interests of the places where they come from. They represent the interests of the people who support them.

This has led to two fundamental changes. One is what I call structural change. That is, in the policy-making structure and process, compromise has replaced factional hierarchy. People have to get into each other's business to cut deals and to shake hands. In the realm of behavioral changes we see an even more fundamental shift. Ruling elites no longer engage in life-and-death struggles and the reason is very simple: if I cannot kill you, I had better cut a deal with you. Mao Zedong and Deng Xiaoping had absolute power--if you disagreed with them, that was suicidal. They were not going to compromise with you because they were the dominant powers in each of their eras in Chinese politics. By contrast, Jiang Zemin and Hu Jintao could not and cannot dominate, so if you cannot make sure you can win, what do you do? You join your enemy and cut deals. As a result, another important factor is that none of the secondary elite leaders feel that they absolutely have to line up with the top leader on all issues.

In the Jiang Zemin period and in the Hu Jintao period we know that second-tier leaders can afford to drive a hard bargains in the policy-making process on the issues such as taxes, investment, migration, and almost every other issue. If you look at China today, the most difficult job is for Beijing to convince local leaders to implement the policies the center decides on, because the local leaders right now often are opposed to these policies or seek to bargain with the center All of this has resulted in institutionalization and formalization of the CCP's political processes.

I would argue is that this process was initiated by Deng Xiaoping. After the Cultural Revolution, Deng Xiaoping realized that the most important lesson that Chinese leaders had to learn was, in Deng Xiaoping's words, that power was overconcentrated in the hands of Chairman Mao. That's why in August 1980 he made a very important speech we all remember about reforming the Party and the state's leading institutions. In this speech he made a very simple argument, that is, we have to prevent the overconcentration of power in the hands of individual leaders. One of the most important elements in Deng Xiaoping's political legacy that has been overlooked is that Deng Xiaoping initiated the process of institutionalization.

Jiang Zemin reinforced it and carried it out so as to consolidate his power because Jiang Zemin didn't have much of a power base in the Party, let alone in the military. So Jiang Zemin had to take full advantage of the leading position given to him by Deng Xiaoping so as to reinforce or consolidate his leadership. By doing so, he reinforced the authority of Chinese Party-state institutions.

Hu Jintao, ironically, carried this process even further. Why? Number one, to diminish Jiang Zemin's influence and to make his new deal, that is, his new policy of pursuing a 'harmonious society'. What Deng Xiaoping initiated, and what Jiang Zemin carried out, was a process designed to institutionalize leadership relations. What Deng Xiaoping realized is that Jiang Zemin could not survive without his support. Remember Hua Guofeng?

Everybody said Jiang Zemin would be Hua Guofeng all over again, but Deng Xiaoping made sure that did not happen. He insisted that Jiang Zemin take all the top three leading positions, Party General-Secretary, State President and Chairman of the Central Military Commission. He knew that would put Jiang Zemin in overall charge and would give him a chance to concentrate power, so therefore Deng Xiaoping reinforced the view that after he stepped down from leadership China would have a collective leadership with Jiang Zemin as its core.

What is collective leadership all about? Alice Miller mentioned it, but she did not have time to talk about it in much depth. I will supplement her argument. First, collective leadership means that major decisions have to be made after thorough discussion, debate, and sometimes even a vote. The best example, I could give you several of them, but the most recent one is Xi Jinping's appointment. The top leaders took about six months, and eventually it took the entire Politburo to vote to resolve that issue. Among the four candidates, Xi Jinping got 16 yes votes, Jia Qinglin and He Guoqiang voted no, and four decided to abstain. Second, there's a clearly defined division of labor among the leaders. And last but not least, due procedures and abiding rules must be followed in policy-making. It is not like the Mao and Deng periods. If Mao had an idea, the next day it would become the policy.

The holding of regular conventions of the Party and People's Congress at all levels of authority has served to broaden participation and to give you more chances to cut deals. And all of this results in greater leadership

stability, policy consistency, and more moderate elite political life despite serious policy disputes among the leaders during a period of rapid changes in the political and economic situations. The next aspect of that is institutionalization of Party's command of the gun.

I think the two most important ones are to cut off all the connections between military and civilian affairs which started in 1982-1984, and then the building up of the People's Armed Police to take over all the civilian duties from the PLA and the professionalization of the armed forces especially the officer's corps. As a result, even though Jiang Zemin and Hu Jintao are no match in terms of the personal authority of Mao Zedong and Deng Xiaoping, still the Party's command of the gun has been stronger and more effective than ever before. And then there has been the institutionalization of leading cadre recruitment and promotion, term limits, age limits all of which are very strictly followed. There are now objective requirements in promotion. And regular mid-career training programs now go down to the county level. Another aspect is to institutionalize the central and local government relations, although this has not been very successful to date, it still sets up very important precedents for the next administration to follow.

As a result, we have a very objective and predictable turnover of leading positions not just at the center but also at the provincial level and even county level. People now know when the next cadre is coming up. Of course, they don't know exactly who will be there but just among two or three people.

The fact that leadership turnover is predictable is very important because that is a very important factor for political stability, and also bargaining power for the localities. After you have all those rotations of leaders, tightening fiscal control, separation of central-local taxation systems, regular cadre advancement, the Center has more control over the localities. Meanwhile, the leadership also realized all of a sudden that the localities have more power to drive a bargain with them. Because now, whatever the Center asks the localities to do in the way of further tasks, the localities will return and say "No way, let's compromise." That's why when the Party Secretary of Shanghai was asked "Do you support revenue transfers to Gansu?" his answer would of course be "No, of course not. I've given you everything I have already."

And one of the consequences of this is that we can say that personal authority of the leaders is less and less as we move from Mao Zedong to Deng Xiaoping to Jiang Zemin and finally to Hu Jintao. A strong institution and weak individual leaders, to borrow Professor Yu Keping's words, "is a good thing." Ex-leaders, including Jiang Zemin himself, are powerless once they leave office. In this sense I think Jiang Zemin is a victim of his own success. He made the institutions strong, with the result that power resides within the institutions, and therefore as soon as he stepped out of his office, his own power was gone. As a result of the institutionalization of power, compromise-making, stable and predictable leadership relations, and policy consistency have become the norm of political life in China today, and abiding rules and compliance with procedures

have effectively in my view contained factionalism based on personal ties.

Now I am going to take a risk and make some predictions for the next leadership transition. The first prediction I want to make is that, as Li Junru, the Vice-President of the CCP Central Party School, has implied, the appointment of a successor by the current leader is no longer possible given the rise of the mechanism of intra-Party democracy. This means that the next leadership will be selected by a long process of consensus-building and compromise among the current, fourth-generation leaders.

Second, I will argue that the current leader's personal preference and patronage will have an insignificant role in the selection of the next leader. I think they are going through a long process of bargaining, consultation, communication, and compromise–making, and in this process personal qualities and professional competency are the most important factors. If I were a candidate for the next leadership, I would keep an equal distance from all the current leaders. Look at Jiang Zemin, look at Hu Jintao. Why were they chosen? Because they maintained a relatively equidistant posture from all the leaders at that time, so therefore they were acceptable to everyone.

And last, the three-in-one arrangement will probably be abolished in my view. Two leaders may assume the three top positions. One will become the Party General-Secretary and the CMC Chairman, and another will assume the post of President of China, which brings us back to the Mao period before 1969. And last but not least, we are likely to see the further diminution of the military's

role in the next leadership transition. Meanwhile, there will be broader participation in the process of leadership transition which will indeed promote inter-Party democracy in the process of leadership transition.

In conclusion, will China become a democracy? I don't think so in the near future if we define democracy as multi-party competition, in which most officials' positions are produced by public and open elections; in which people enjoy freedom of expression, participation and assembly. I don't think China anywhere near that. But if we look at all the major democracies, and if we define democracy as a political process, as a process of public policy-making, all of them share a very important and critical feature. That is, all the major democracies have fully institutionalized their political processes. Number one is institutionalization of power, which means all the power resides in the office, with clearly defined distribution of power. Second, institutionalization of the policy-making process, which embodies a system of checks and balances. And finally, the institutionalization of political participation. If we look at this list, and if we consider where China is by these standards, China has come a long way on all these measures. But I have to say that all the changes in regards to institutionalization in China are evolutionary and functional and not revolutionary and fundamental. We know that a revolution can bring a fundamental change through violent destruction, but evolution may also be able to reach the same goal through gradual and irrevocable development, and that's what has been happening in China. So my conclusion is that China has been making a

revolution through evolution. Thank you.

(Applause.)

JEFFREY BADER: Thank you, Jing. James, you may wonder if you have drawn the short straw here being the last speaker at the end of a 12-hour conference. I assure you that seems like bad news, but we picked you for last because we knew you could retain everyone's attention at the end of 12 hours, so, over to you, James.

JAMES MULVENON: Thank you, Jeff. In the spirit of the meeting, first I will submit myself to Party discipline, which in this case is time discipline. If you give enough briefings in Washington, you realize you always have to have three versions of your presentation at the ready: first, the three-hour, analyst's version; second, the one-hour executive version; and lastly, the five-minute version as you're escorting the general to his car in the parking lot. What you're going to get is probably closest to this last version.

Before I get started, I have to make clear that my views, as expressed here, do not represent the views of any of my wise and generous US government sponsors, not because I disagree with them but because I wouldn't last a day in prison.

Finally, some self-criticism. The argument I'm going to be making is my current view about a puzzle that I think we have to sort through, and by definition there is not a smoking gun, there is not solid evidence, it's more impressionistic. I am going to explain the way I think it is, but I offer it for your

consideration as an unfinished and uncertain proposition.

What I want to talk about today is Chinese civil and military relations and where we are right now, and in the spirit of Party unity, I will say that I agree fully with Huang Jing's view of the current state of civil-military relations, but I think there is a new variable in civil–military affairs that has cropped up in the last 5 or 6 years that doesn't have anything to do with traditional tensions in civil and military relations but is nonetheless something that the Party and the state are struggling with, and that is why I call my presentation "Straining at the Yoke."

My argument is that the Chinese military is still fundamentally is fundamentally under the firm control of the civilians in the Chinese Communist Party. There are periodic debates about a national army; there are periodic tensions in the system, as we saw with the people protesting outside General Political Department headquarters in Beijing about the fact that they got screwed out of their medical benefits. But nonetheless, the system that is in place puts the Party firmly in control of the gun.

The tensions I believe that we see are not caused by the traditional things that lead to the rise of banana republic juntas in South America or in Thailand or other places. It is not dissatisfaction with the civilians, although of course occasionally there is dissatisfaction in certain cases, but the PLA is not divided as a military and we are not seeing a breakdown of civilian authority. There is nothing like an upswing in perceived loss of national prestige or purity.

If anything, the situation in Beijing and China right now is quite the opposite. For those of you who have been there, there is a swagger, there is a cockiness, and this stems from things like the manned space program, the 2008 Olympics, etc. There is certainly not a feeling in China that there is diminished national prestige or purity. If anything, there is a giddiness fostered by China's rise and the things that go along with that.

Is what I'm about to describe fueled by a lack of adequate resources for defense? There is, of course, some complaining, but there is always complaining that there is never enough money. Even now in the US there is complaining about the defense budget not being large enough. There are people at the National People's Congress who want to pass a law that says that a certain percentage of GDP has to be devoted to defense. There will always be complaining like that. Bureaucracies are insatiable, they are voracious, they always want more resources, and they could always do more. That, to me, is not by itself an indicator of civil-military tension.

Instead, what I'm arguing is that the civil-military tensions or the Party-military tensions that we are seeing are caused by the success of the Chinese military's modernization efforts. The Chinese military's capabilities are growing both geographically in scope as well as in functional capacities to the outer edges of Chinese security policy and thus chafing up against the interests of neighboring countries, such as Japan and others. Some of those capabilities are even shaping security arrangements even beyond the stratosphere, and here I am

referring to the ASAT test. What the Chinese military might increasingly define as normal military operations that do not necessarily need a "Mother, may I?" from their civilian overlords, such as submarine patrols that goes out farther and farther out, are increasingly having an impact on Chinese foreign and security policies in ways that highlight the lack of coordination between the civilian and military bureaucracies and create problems for the civilian and political leadership that they then have to clean up. I will go through some case studies here.

Principally what I would highlight is the extent to which new military capabilities challenge the traditional command-and-control mechanisms that the Party and even the top-level military leadership rely upon, and also the conflicts that these capabilities are engendering as they begin to spill over into issues within the purview of the civilian foreign policy apparatus.

Just to set the theoretical baseline--this would be chapter two of the dissertation--I am just going to stand on the shoulders of giants such as Ellie Joffe and Michael Swaine, who is at least 6 inches taller than I am, and to adopt their view of what Ellie has called "conditional compliance". Basically it is very similar to what Huang Jing was saying about bargaining within the system. Again, this is a tacit bargain, this isn't written down anywhere, no one would cop to this in Beijing, but I think this describes the basic outline of the bargain that we see between the Party and military.

On the one hand, the military accepts the legitimacy of CCP's single-party rule and the collective leadership at the top of the Party and has

willingly withdrawn from many of the non-security policy arenas that it had formerly been involved with in the past. And let say as a corollary to this that I firmly ascribe to the view that we do not see any history of praetorianism in the Chinese military, and in fact if you look at the incidents in which the Chinese military was forced, because of social and political chaos, to take control of the situation, these have been remarkable for how the Chinese military has always sought to get rid of the powers it has been forced to assume as quickly as it possibly can for a whole variety of complicated reasons that we can discuss.

But in exchange for withdrawing from large areas of policy-making and from giving up positions on the Standing Committee of the Politburo, as well as giving up more important positions at lower levels that provided actual institutionalized channels for articulation of the military's policy preferences, what did they get in return? They got relative autonomy in defense affairs. What do I mean by that? No civilian in the Party is defining what the amphibious landing doctrine of the Chinese military is going to be. They wouldn't know what they were talking about. If you go back into the Mao area, certainly there are cases where Mao's ideology, particularly in his conflict with Luo Ruiqing and others, was defining for the operational activities of how the Chinese military did its business. In exchange for withdrawing from policy, the Party has ceded areas of professional and corporate core competency to the military.

Similarly, they allow the military--and this is a very squishy area because I don't ascribe to the view of generals striding into Politburo meetings

with a petition in their hands stating that they can no longer stand for Chen Shui-bian's separatist activities, that kind of Hong Kong media version of civil and military relations--certain channels in Beijing, whether through the Chinese Institute of International and Strategic Studies or CFIS or other military-related think-tanks or military research offices in the Central Military Commission, by which PLA preferences on foreign policy issues can be articulated. This is true whether the issue is Sino-Japan relations, Sino-US relations, other critical security relationships, and it may simply be to constrain the policy-making choices of the civilians. Rather than a model in which the military is dictating behavior, I would offer you a model in which a civilian leader might feel that they had five policy options, but because of good bureaucratic blocking and tackling, they knew that the military perhaps was fairly implacably opposed to numbers one and two, but OK with options three through five. The civilian leadership still gets to exercise free agency in terms of choosing between three, four, and five, but their preferences or their choices may have been constrained by the known preferences of the military.

I wrote my dissertation on the Chinese military's business activities that Huang Jing was discussing, and at that time there was a feeling that the winter after they divested themselves of their business activities they were going to get this huge windfall in the defense budget, and Willy Lam and other people were suggesting this might amount to 50 billion, 75 billion, or even 100 billion Renminbi. And what happened in the end? How much did they get?

Nothing. They got their normal budgetary increase. And there was actually a groundswell of great agitation and frustration and resentment about that, which was solved by one and one thing alone, and that was a five well-targeted JDAMs entering the electronic intelligence station of the Chinese embassy in Yugoslavia. This fundamentally changed the view in Beijing of the international security environment and created a motivational environment for the sustained level of resources that we see being given to the Chinese military.

So in conclusion, and this is a quote either from Ellis Joffe or Michael Swaine, I can't remember, the legitimacy of any civilian senior leader requires a mix of authority and patronage and bargaining in the relationship with the military.

What are the dilemmas that I highlighted? First, the command-and-control challenge. The Chinese military in the last 10 years has transformed in a revolutionary way its command-and-control apparatus on the ground, whether it is by laying thousands of kilometers of land line fiber-optic cables or what-not. The interesting thing is, when you deploy a system of this sophistication, it offers you the potential to push greater initiative and flexibility down to lower and lower levels. The problem is this clashes very strongly with a traditional command-and-control culture in China that could frankly be described politely as what a control freak would want. China has traditionally had a system where at the military region level a military region commander has the authority to move only maybe a platoon- or a company-level group of troops without receiving permission from

Beijing. What has this resulted in? It has resulted in the same perversion that we see in the US military, which instead of pushing flexibility and initiative to lower levels, is now increasingly asking higher and higher echelons of command to exercise tactical-level control of the battlefield through weapons platforms such as Predator drones armed with Hellfire missiles. So now you have Tommy Franks in Tampa with his thumb on the pickle button firing Hell Fire missiles in Afghanistan rather than local commanders exercising autonomy.

Similarly, you have a problem with operational capability and closed control. This system really allows you to exercise much broader control over an area. The problem is that the units that the Chinese are deploying are challenging the other edges of this command-and-control world. Here I would highlight the imminent deployment of road-mobile Chinese ICBMs and its increasingly capable diesel-electric submarines. If you want those road-mobile ICBMs to truly push forward the notion of a real survivable second-strike deterrent, there is a temptation to give targeting data to those units which, by the way, are commanded by lieutenants. And those diesel-electric submarines operating east of Taiwan, in a crisis, you have to give them some form of rules of engagement for what they can do if they actually do run across a carrier strike group out there. They can't come up to periscope depth and say "Mother, may I?" to Beijing about whether they can do something, even though the entire global political situation may have changed while they were underwater for the last five days. They may change the whole global situation through their actions, but if

they come up and say “Mother, may I?” they will have exposed themselves to the threat of US antisubmarine warfare capabilities. So these units that are operating out at the edge with this new capability are providing a fundamental challenge to the traditional command-and-control mechanisms that the Party has exercised over the military.

Secondly, frankly, you have this tension between the nice-nice of China’s peaceful rise or peaceful development, and China’s clearly more capable developments in the realm of military modernization. The four cases that I’m going to go through briefly--and you will know this is a Washington briefing because there are more pictures than words--are the four cases in which I think there is at least some evidence suggesting a lack of civil-military coordination. That is perhaps the nicest way of putting it. The incidents I’m going to discuss are the EP3 crisis, the Han-class submarine incursion into Japanese waters in 2004, the recent unpleasantness with the Song-class submarine that popped up five nautical miles from the *USS Kitty Hawk* last October, and China’s recent ASAT test in January.

This is the chronology of the ASAT test and I don’t need to go through it in detail, because we’re all so familiar with it, but what was most interesting to me and what I puzzled through in my latest *China Leadership Monitor* piece on this was the twelve days of silence between the US disclosure of the test and China’s official acknowledgement of it. It’s useful to compare this test with 1964, when China detonated its first automatic weapon. In 1964, they

knew that the atomic test was going to send a very strong, even revolutionary-transformational, signal to the world about China's place in the international order. But in preparation for that test they also prepared the statement that went along with it that described right from the outset why they were doing it, what it meant, that they would never use nuclear weapons first, and offered up a number of negative security assurances. Everything was laid out. Instead, on January 18th when the administration finally gave up on getting some sort of a coherent response from Beijing, the Foreign Ministry spokesman looked like a deer in the headlights when he was asked about the test by reporters. ASAT test? What ASAT test? What are you talking about? Even if it wasn't true that the Foreign Ministry didn't know about the test, even if they did know about the ASAT test and they were just still sort of puzzling through it, it created an external perception that is absolutely antithetical to what China wanted to project to the outside world. It suggested that there was, at the highest levels of the Chinese government, a lack of coordination, a high degree of ambiguity, and a great degree of uncertainty about who ordered it and why. This reinforces a view in some quarters, a fairly nefarious view, that this was all well-planned ahead of time and that China was seeking to upset the apple cart. The way in which this incident was handled allowed all the conspiracy theorists to just run with it, and reinforced the threatening image of the faceless man stroking the white Persian cat on his lap in his floating volcano headquarters, the sort of Fu Manchu version of China. And frankly, the Foreign Ministry's responses since then have not been

helpful either.

It is my personal view, from impressionistic evidence, that Hu Jintao probably knew about the program but probably was not briefed about the specific date of the test and certainly was not prepared to deal with the problems with space debris and other sorts of unintended consequences that the test raised. I imagine that the 12 days between the disclosure of the test by Washington and the Chinese official acknowledgement of it must have been filled with some very interesting and no doubt tension-filled sessions in meeting halls West of Beijing with everybody screaming at one another about "How could you do this to us?!" and "Don't you understand how this makes us look?!" But from a military perspective, conducting an ASAT test makes all the sense in the world because it reinforces deterrence against the Americans for a Taiwan contingency, it displays capability, etc., etc. The problem is, in our system, there would have been a senior director for defense affairs on the National Security Council who would have had to review such a test and who would have asked about the foreign policy implications of such a test, and whether or not it needed to be kicked up the chain of command for approval by the President. It's the lack of a comparable crisis-management system in peacetime, the lack of a national security council system in my view, that creates the kinds of external perceptions of lack of coordination.

As for the EP3, a number of the interviews I've done suggest that the PLA account of what happened down there, which I don't necessarily agree with, was transmitted to the leadership at such a high level that it created face

problems for the civilians to be able to push back. Certainly you run into a lot of Foreign Ministry officials who will complain that the way that this was handled by the PLA and the military version of events as communicated to the top leadership tied their hands, that it extended the crisis because the view that it was all the US's fault got out before there was an effort to understand how best to manage the crisis. I would just highlight the extent to which reckless military behavior at lower, tactical levels has a significant cascade effect of consequences for upper levels. The photo on the slide behind me is the famous photo of Wang Wei in a previous, reckless encounter with the EP3. He is shown putting a piece of paper against the cockpit glass with his e-mail address on it hoping that the pilot of the American aircraft would e-mail him and maybe they could form some sort of a penpal relationship along the lines of "Sorry I buzzed you so closely the last time! By the way, if you ever come to China, I'm happy to host you for a dinner!"

There's another example, which I don't talk about in my paper, but which I think is important, and that is the November 2004 Han-class incident in which a Chinese submarine got a much ruder and more aggressive reception by the Japanese Maritime Self-Defense Forces than I think they expected. Similarly, I would list as another example of how expanding military capabilities are presenting the leadership with possible foreign policy crises the Song-class submarine incident in 2006, in which a Song-class submarine breached within five nautical miles of the *USS Kitty Hawk*. In both cases, there was this drumbeat

of Foreign Ministry complaints about a lack of notification and a military response along the lines of "this is just normal patrolling behavior… we don't have to check with you guys about this." These tensions are going to continue to be exacerbated as Chinese military capabilities grow, as the geographic limits of the areas in which they conduct what they regard as normal patrolling behavior moves farther and farther away from China and brings the PLA Navy more and more into contact with other regional navies like the Japanese and the US. I will talk more about the implications of that in a minute.

To just make a small homage to the actual purpose of the conference, to just sort of glance by it like Haley's Comet, one encounter that I found particularly interesting was the differing responses of Jiang Zemin and Hu Jintao when they went to talk to the grieving families of the Ming 361 accident, a submarine that sank at sea. The Ming 361 suffered this catastrophic accident that killed all of the crew. So Jiang and Hu show up. In this slide, you can see they are both in green Mao-style suits, appropriately dressed, and they've got some family members behind them. But the difference in their comments to the families was very telling. Jiang, all he wanted to talk about was martyrdom and the joys of martyrdom, and he congratulated the sailors and he thanked their families for the fact that their sons died on duty and sacrificed themselves for the country. Hu Jintao got up and said, in essence, "You know what? We need to turn this disaster into strength by actually modernizing the navy so this doesn't ever happen again, so that we don't create any more martyrs."

Now if you're in the military leadership, who do you want to work for--the guy who is extolling the virtues of martyrdom or the guy who says let's fix the navy so there aren't any more martyrs from accidents? I think that was a very telling example of leadership style.

Conclusions. I think that these tensions are unlikely to change the bottom line, which is the CCP's dominance, but I think that we should watch because I think that these tensions are going to continue and perhaps even worsen as the PLA's capabilities expand, both in terms of the actual functional capabilities it possesses as well as the geographic scope of the activities it undertakes.

In terms of my handicapping for military people and the 17th Party Congress, there is basically no one left in the pool who doesn't have the proper professional qualifications. We are no longer talking about unqualified but politically reliable people versus real professional officers. But within that pool of professional people, if you're going to make choices, I am wondering the extent to which you might make choices based on a greater willingness within those structures of finding people who actually would cooperate with their civilian counterparts so that you could mitigate the kinds of bad externals that are caused by these kinds of situations. I don't know how to measure this; I don't think we can know it from their bios, but at least it's a working hypothesis that I am using as a criteria for advancement that may not have been as important one year ago, three years ago, or five years ago.

Finally, I think particularly the Song-class encounter with the *USS Kitty Hawk* again highlights the importance of this issue. I'm going to just make a quick point here about the need for deeper strategic dialogue between the US and Chinese militaries. Let me say that I am frankly quite dubious about the value of a hot-line in operational terms, but I really think in strategic terms it does reflect the maturation of a relationship. I still don't think that the person on the other end in China who answers the phone is going to have any authority or any ability to actually do anything other than say "We'll get back to you", but it does represent real progress in what has been a very frustrating and stalled set of encounters in the two militaries and the construction of a maritime consultative agreement process. You would think after what happened in 2001 with the EP3 that we would see the value in working out protocols for incidents at sea so as to avoid these kinds of situations, at least encounters between Chinese fighter aircraft and US aircraft, but in fact, we have made very little progress in this area because the Chinese have used this as a platform to complain about sovereignty violations stemming from US strategic reconnaissance operations. As a result, we have tried to create track-two dialogues and other things so that we could actually have these discussions, but this has not gone very far. More than anything, I think the *Kitty Hawk* incident with the Song, the EP3 incident, and others create an obvious empirical baseline for actually making real progress in this area and I think that this is something we are going to have to deal with because my greatest concern is not that the Chinese are going to wake up one morning and decide now

is the time to take Taiwan, but that I can certainly imagine scenarios in which an accidental collision between Taiwanese and Chinese forces that leads to escalation problems and the involvement of the US. God forbid, another collision between US and Chinese forces should lead to an escalation crisis because the lack of crisis management mechanisms in China means that something that no side wants could nonetheless be initiated and become something that we find it very difficult to get ourselves out of. Thank you very much.

(Applause.)

MR. BADER: Thank you, James. I think we did good to save you for last. The floor is now open for questions to any of our three presenters.

ALAN ROMBERG: Alan Romberg of the Stimson Center. Yun-han, I have a question about your projections. You make a very compelling case about the 20-year parallels between China today and Taiwan in the early 1980's, and you're very cautious in saying that it's going to keep going this way for a while on the mainland but there will be evolution. But on your charts you also show that the countryside has a very different attitude towards political authority, and as some of us heard last night from Stape Roy, scale makes a difference and scale obviously weighs toward the countryside. The movers and shakers are presumably all going to be in the cities and so on, but I wonder if you would comment a little bit about how that discrepancy and the weight of the countryside in all of this affects your projections.

CHU YUN-HAN: I think you partially answered your own

question--the movers and shakers are located in the urban areas, especially the capitals and metropolitan areas. But more importantly, I think given the rate of urbanization, remember that we already have 200 million people in the floating population. They probably haven't permanently settled in urban areas -- but they are exposed to the urban setting and there are millions more to come. By a lot of projections by demographers, in 30 years more than 65-70% of China's population will move into or live in urban settings, which would magnify the transformative power of modernization.

AUDIENCE MEMBER: This question is for Professor Chu. Thank you for pointing out that the construction of democracy is essentially an elite enterprise. If all the panelists previously were correct, there is no credible force now in China that's pushing for democracy, then why are the authorities, as suggested by Professor Nathan's presentation, appropriating the language of democracy? Why is this conference focused so much on democracy if democracy is no longer a credible form of development in China?

CHU YUN-HAN: On the one hand, it's right to argue that we don't have anything in China that comes close to an organized opposition or legitimate dissent that might offer a viable alternative to Communist Party rule. But on the other hand, I think you see so many institutional adjustments and adaptations across the board which I would argue by and large will contribute to the weakening of authoritarian control. This weakening will create new opportunities for social forces to push for and aspire to greater opening. So I

think that we are right if we see this political system as a glacier, but even glaciers can see significant changes over time, in this case with the rise of more vocal influence from those emerging social forces that try to want a voice in the policy-making process. They will eventually seek to represent themselves, to congregate, to organize. And also the market-driven mass media from time to time transgress on other red lines, weakening central control so as to gain wider circulation and to become more profitable. So you have all those burgeoning signs for greater liberalization if not democracy per se.

SCOTT HAROLD: Scott Harold, Brookings. I have a question for Chu Yun-han and Jing Huang. I would like to tie back to the first panel yesterday and also bring in some comments that Andy Nathan made. Andy suggested that we should pay attention to what people in China think, and that's surely important, but it is also pretty clear that sometimes democratic transitions come about because of breakdowns that people don't anticipate or have any real planned response to ahead of time. Transitions sometimes come about in ways that elites haven't thought through. In particular here I'm thinking of Alice Miller's presentation--she noted Hu Yaobang's downfall, which at the time was publicly explained as owing to his inability to handle the demands of student protestors, but really was partly because a result of his pursuit of a number of corruption cases a little bit too strongly, which was threatening the children of some top Party leaders. And I want to recall Li Cheng's comments that we're seeing the emergence of an elitist faction and a Chinese Community Youth

League *tuanpai* faction that is more focused on clean government, green government, concerns in the countryside and what-not. So the question then is: is there a chance that we may see in the future a crusading anti-corruption mentality emerge within one of the two factions in the top Party elite that could then precipitate a break that no one really anticipates? I'm not trying to say that Andy's points are irrelevant, but that simply some people are not looking in that direction because the problem hasn't come up yet, but if the problem does come up it could actually lead to a significant break that would be an opening for democracy through elite fragmentation, if you will.

CHU YUN-HAN: Obviously, we have to entertain these two possible scenarios. One is a sudden breakdown which might happen without people's intentions, and we have played with that scenario over the last 12 hours, people talking about what would happen in the event of a sudden collapse of the world financial system that might trigger a catastrophe everywhere including China and create disruption, social and economic disruption with severe consequences for the stability of the system. But on the other hand, I think what the case of Taiwan, and to some extent I would argue South Korea as well, shows is that an entrenched authoritarian regime surviving on the basis of its successful management of the economy through an effective development strategy can engineer gradual change over time and eventually carve out a safe exit strategy for itself.

I think that option is still available to the Chinese regime today,

especially if it can address the growing social and economic disparities. If it fails to do so, society will potentially become more explosive than that in Taiwan and South Korea.

JING HUANG: I agree absolutely with what Yun-han has just said. I just want to make two points. The first point is that I don't think corruption will be a trigger point for revolution for a simple reason and that is right now the Chinese understand there are two kinds of corruption. One is what we call functional corruption which reflects a supply and demand mechanism in a premature market economy under a non-democratic system. For example, if there is a shortage of doctors, patients would have to give red envelopes in order to receive sufficient treatment. In China, another example is that there are no lobbyists, so some officials in power function as lobbyists for others. If you look at the United States, 40 or 50 years ago we had this kind of corruption in cities such as Chicago and New York. The process of democratization legalized or justified this kind of corruption. That's why all of a sudden in the past 50 years lawyers, lobbyists, consultants and others emerged into such prominent roles in public. The function of corruption can be changed in the kind of process from the under-table dealings into more overt competition. Li Cheng said when lawyers come to power it's great because a lawyer knows how to turn functional corruption into market competition, and that's what some businesses are doing right now—if its in the open, it's "consulting", and if it's under the table it's "corruption".

But another kind of corruption is absolute corruption and that kind of corruption is very bad, and by this I mean the abuse of political power. I think that Chinese leaders, in my view, understand how to control that. That's why if you look at Hu Jintao's efforts, he is trying to control the abuse of power, while attempting to deal with functional corruption. The political system handicaps efforts by top leaders to deal with functional corruption. They have some measures, but they're not very effective in stopping this kind of functional corruption, even though they would like to transition this kind of corruption into more regulated, above-board legal activities with a mechanism of competition.

Another point that I wanted to make is that yesterday David Shambaugh made a very good presentation on how the Chinese Communist Party studies other countries. They study countries and one conclusion they get is that democratization become an uncontrollable process if the political institutions have not been built up enough to be to handle the on-going changes. That's the lesson in the Soviet Union. Other good lessons include Taiwan and South Korea. Through development they gradually developed some kind of political institutions that could cope with changes, could keep changes at a controllable level and that's why you saw peaceful evolution.

JACQUES DELISLE: Jacques DeLisle, University of Pennsylvania. A question for James Mulvenon. You have spoken about the role of the military in sort of defining boundaries in core security areas and foreign policy and about the military kind of messing things up for the civilians on

occasion. What about the sort of indirect effect? That is, what do you see in the way of the PLA weighing in on foreign policy issues that are not immediately security-related but that have implications for PLA missions, such as oil access in Africa or something of that ilk?

Then if I could just add one thing to what Chu Yun-han has said, in terms of the external context of which you have spoken, there are two pieces that I wonder if you would address. One is the argument that Larry Diamond made at a conference I think we were both at about the Third Wave of democracy kind of cresting and retreating. Has that changed the context? And secondly, with respect to the discourse about incorporating Taiwan as a special administrative region that would have democracy within the PRC, how does that effect the kind of discussion you're talking about?

JAMES MULVENON: On the first question, and I don't know if Erica is still here, but if she is then the real expert on PLA attitudes about energy is in the room. Oh, I see she's left. Well, then I will simply quote her. It's interesting, there are a number of non-traditional security areas where the Chinese military senses that they have an important corporate role to play where there are not obvious institutional channels for them to articulate those preferences, but nonetheless their views are known and they're part of the debate, and I would just highlight energy security as an example.

On the one hand, you have to contextualize it by understanding that like all other countries, the Chinese still benefit from the global public good

provided by the US Navy in terms of freedom of navigation. And despite the tensions that we see in terms of pushing out the blue water navy and other things, I still don't see a fulcrum point for a long time frankly where the Chinese would make a decision that they no longer regard that global public good as neutral, that they would conclude that they have to replace it by providing for their own freedom of navigation. We are a long way away from that.

I would argue, however, that in terms of the big sort of movement of tectonic plates, if and when the Chinese ever get to that point, that is going to be a strategic tipping point, that is going to be a transformational moment because the amount of resources you have to dedicate to actually carrying out that mission is significant and in most cases prohibitive.

But within the energy security debate the military's views have obviously had to evolve a bit because it was precisely their unfettered oil smuggling in 1998 that was one of the main causes of the divestment of the Chinese military from business activities to begin with. The picture one should bear in mind here is that of Chinese military-owned tankers backed up for miles at Xiamen and other naval ports ready to off-load petroleum onto PLA trucks to be sent out to military region gas stations to be sold below the price fixed by the two state oil monopolies. This was literally bringing the system to its knees. For them to now turn around and talk about energy security is somewhat ironic, but nonetheless I think they understand the clear relationship between China's strategic relationships abroad, the transport of those petroleum products back to

China, and their expanding role in terms of providing maritime security.

CHU YUN-HAN: I really want to thank Jacques for giving us the opportunity to bring back two points even though I didn't have time to go into them during my presentation. I argued that the structural condition that Hu Jintao and the fourth generation of Chinese leaders are facing today is somewhat less stringent than what KMT leaders confronted during the 1970's and 1980's. An important reason is the one you just mentioned. Actually, they now operate or navigate in a different time. The tidal wave of global movement toward democracy has receded, and as Larry Diamond pointed out, we are now entering into a period of you might call a democratic recession. Thailand just demonstrated that it is possible for democratic backsliding, and there are many other cases.

Not only that, I think that in a lot of emerging democracies, including Taiwan, there are signs of governance crises and in many aspects in terms of quality of democracy, we don't see as many advances as we would like to. Actually, you might even argue that setbacks might even outnumber advances. So in order for Taiwan's model to be more convincing and appealing, you have to improve constantly the quality of its democracy and also to generate more genuine support among its citizenry. Right now a growing number of people in Taiwan they see a widening gap between the promises and the reality of democracy.

Secondly, I also argue in my paper that Taiwan can magnify its

appeal to people in China if the island is still somewhat culturally or politically attached to China. The tail can wag the dog only if the tail is still attached to the dog. Unfortunately, I think the anti-China nature of Taiwanese nationalism and also the ongoing de-Sinicization program alienate a lot of intellectuals in China who would otherwise have been more receptive to Taiwan's democratic experience.

JEFFREY BADER: I just wonder if there is a Chinese *chengyu* for "the tail can wag the dog only if the tail is still attached to the dog?"

JAMES MULVENON: I nominate Chu Yun-han for the quote of the conference.

JEFFREY BADER: That is terrific. James, I have a question for you, if I could. When I was in the US government our mechanisms for civil-military coordination for incidents with potential international implications was, I would argue, pretty good, and when it didn't work as well as we wanted it to we would have a 'lessons learned' session afterwards and come up with a procedure to make it work better. I can remember the Taiwan Strait crisis back in January 1996 which caught some people by surprise. We had a lot of consultation afterwards and thought about how to deal with the situation in the future. Every time there was a navy challenge in a disputed area or approaching someone's territorial waters, we had a pretty good mechanism for coordination.

The incidents you described, the Song incident, the ASAT incident, the EP3, do you have a sense that aside from them screaming at each

other afterwards, there was a serious review on the Chinese side of what they did wrong, and that adjustments were made in how to deal with such situations in the future? Is there any sense of a trend line toward a more institutionalized mechanism for civilian and military consultations in such matters? Because as you said in describing the ASAT test, the consequences of continuing to handle that the way they did in that case I think are quite dire.

JAMES MULVENON: I think that's a great question. First of all, let me commend to all of you the Swaine-Johnston book on managing crises which I think is the fruition of an excellent process between the two sides of real practitioners sitting down and working through real case studies and talking about what went wrong. From all we know, there are three or four organizations in Beijing that are actively working on ways to fix the crisis-management system there. The problem is that they confront a fundamental structural issue which is that there is no logical place to put the box on the organizational chart that doesn't gore someone's ox, a very important person's ox. In that respect, I'm actually quite disappointed with the lack of progress that I see from the EP3 incident to the present, and I will give you somewhat of a counterfactual example.

Let's take the ASAT test. It's not that the Foreign Ministry didn't know what was going on. At the time I thought to myself Alan Romberg should have been there with Liu Jianqiao to tell him "You don't go around saying 'We don't know what you're talking about,' you say 'I need to take this upstairs, I need to go talk to the seventh floor', but you don't tell everyone at the press

conference ‘we don’t believe that this happened’, you don’t have MND spokesmen coming out and calling the test hearsay, you don’t put that out on the street. All that does is cause confusion.

The problem I have with the way they handled the ASAT test is it’s fine that the Foreign Ministry didn’t know they were going to do this, that’s regrettable, but if we’re going to look forward, but why did it take so long to sort it out? If a similar happened in the US, I can imagine a very contentious principals meeting, I can imagine a lot of yelling and screaming, but after a couple of hours of that there would be a remediation strategy, there would be a public communications strategy, and something would be out on the street that at least was plausible and made sense in short order. But it took them 12 days to actually to come to some sort of inter-agency consensus. To me, that fundamentally signifies that the crisis-management system they have internally is broken, that we only see the national security leading working group being trotted out after the fit has hit the shan, so to speak. They’re not actually de-conflicting these issues ahead of time, which is what they should be doing. And until they get to the point where they’re not reacting in a knee-jerk fashion to these sorts of things but instead actually have mechanisms in place that allow them to have civilian review and to have real expertise, even if General Chen Bingde had briefed Hu Jintao about this program along with 10 other programs, I doubt very much that there was someone on Hu Jintao’s staff who with enough expertise to speak up and say “Well, yes, that’s fine, but what are you proposing to do about

the space debris problem?" I doubt very much that Hu Jintao heard that kind of advice, and until the system is able to pull that kind of expertise from different places, I think we are going to continue to see these kinds of problems.

JEFFREY BADER: James, your answer was what I feared it would be.

HARRY HARDING: Thank you. I'm Harry Harding, presently with the Eurasia Group and the Asia Society in New York. Yun-han, I have a question for you. You said that the process of democratization organized by the KMT elite bought them 15 or 20 years. If you were sitting in Beijing as a strategist for the CCP, you might say it bought them *only* 15 or 20 years, and then they lost control of the presidency in Taiwan. And a similar pattern happened in South Korea as well, and in fact, the two previous presidents ended up being arrested and convicted, which is even a worse model for leaders in mainland China to contemplate.

My question is basically whether you think the leaders of the KMT were surprised at how little time they bought themselves or whether they actually expected to become a permanent party in power a la the LDP in Japan, especially given the fact that they had a very similar electoral system which privileged a party with the degree of organization and vote-buying power that the KMT had.

CHU YUN-HAN: I always say the most difficult questions come from Harry. Actually, I want to acknowledge that more than 18 years ago, I don't know if Harry still remembers it, but while he was still a Senior Fellow at

Brookings, we got a chance to co-sponsor a conference right here. That was the first joint conference between a Taiwan-based independent think-tank and the most prominent think-tank in Washington. So Harry, thank you for that.

Getting back to your question, I remember about 4 years ago, maybe five, I was invited by Minxin Pei to visit Carnegie. Carnegie has a series of programs with the Central Party School's China Reform Program with Zheng Bijian at its helm. I was asked to deliver a 45-minute presentation analyzing the case of Taiwan, why the KMT eventually lost power after many years of delivering economic success and maintaining electoral dominance for quite a while. I tried to convince them not to draw the wrong lesson. I did that with some prejudice and bias intentionally, noting that the KMT could have extended its political dominance much longer had it not been the eruption of a very severe cleavage over national identity which is pretty much unique and specific to Taiwan. This is a counterfactual analysis, but nevertheless I would still argue that the KMT had every possibility to model itself after the LDP in Japan given its hegemonic dominance and it's organizational space in a key sector of society. It had a very successful development strategy and so many stakeholders around that strategy that served as an important constituency for continuity, but obviously we know what happened in reality.

So I would argue that the KMT bought itself at least 15 years, and actually you might say 25 years, between the late-1980's until the late-1990's. In another society that democratic breakthrough would have taken place within a

much shorter time span, but in Taiwan it was stretched into a decade-long incremental democratic opening. In other societies there is only founding election. In Taiwan you can credibly argue there have been a number of founding elections, each time with a higher significance and implication. So it depends on how you want to interpret Taiwan's political experience.

But I guess you can definitely draw a more constructive lesson from that by convincing and illuminating leaders that you have to plan ahead of time before the push comes to shove to gradually make available a peaceful and gradual exit strategy in order to avoid a sudden collapse in the end.

JEFFREY BADER: As any entertainer knows, it's best to quit while people still want more rather than after they're all exhausted, and we've gone five minutes over our limit already and I know people have to go places. I really thank you all for coming to our five sessions. You can look forward to seeing the essays published as a book edited by Cheng Li this fall. I hope you all buy it. And thanks to all the participants and all the attendees.

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