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CHINA'S COMMUNIST PARTY: ATROPHY AND ADAPTATION

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Introduction and Moderator

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PROCEEDINGS

MR. BADER: Good afternoon everybody. I trust you can hear me in the back. If you can't, just raise your hands.

I am Jeffrey Bader. I'm Director of the John L. Thornton Center here at the Brookings Institution, and on behalf of my colleague, Dr. Richard Bush, who is the Director of the Center for Northeast Asian Policy Studies at Brookings -- Richard is currently traveling with his fellow Fellows, to be precise, his Visiting Fellows -- on behalf of his center, CNAPS, and the Thornton Center would like to welcome you to this special event.

It's a great pleasure for me to welcome you all to a presentation today by Professor David Shambaugh. David is a professor of political science and international affairs in the Elliott School of International Affairs at George Washington University. You all should have his bio or access to his bio, which lists an impressive series of accomplishments and affiliations. I would particularly note that David is a nonresident Senior Fellow in the Foreign Policy Studies here at Brookings. That is only one of a number of distinguished associations, such as teaching at the University of London School of Oriental and African Studies; Director of the Asia Program at the Wilson Center. But obviously to us here at Brookings, the Brookings affiliation is especially important. David has been a regular contributor to our

venture at Brookings as a speaker, as a panelist, and as a roundtable chairman. I personally have benefited greatly from David's special expertise on European perspectives toward China, a subject that is widely neglected if not unknown in the United States but where David has not only special knowledge but has shown special leadership. With China's balance of trade surplus with Europe set to exceed its surplus with the United States, I suspect we're going to hear a lot more about the Europe-China relationship before long.

In January 1990 I recall meeting a leading China scholar at a party. This gentleman shall remain nameless. He told me with confidence that China's Communist Party had six months to live. Eighteen years alter, the Party seems to have outlasted predictions. David's book tells us why. David brings a perspective well grounded in China, in political systems theory, and in reality.

After David's remarks, Brookings Senior Fellow Cheng Li, also on the stage here, will offer a commentary, and after we're done, please make a right turn going out and another right turn and you'll find the Brookings bookshop where you will find David's book on sale for 30 percent off. I'm not sure that's 30 percent off of what, but I'm sure it's a reasonable price to begin with.

Anyway, David, over to you.

PROF. SHAMBAUGH: Well, Jeff, thank you very much.

First of all, thank all of you for coming and coming inside on such a lovely afternoon.

But thank you very much, Jeff, for allowing me to launch my new book here at Brookings. Indeed, I wanted to start by saying that I've enjoyed the 12-year, I guess, association as a nonresident Senior Fellow with the Foreign Policy Studies Program here very much and the many events that I've participated in and attended. And I was thinking, walking over here just now, that I'd like to compliment you and the Thornton Center in particular, at the beginning today, for all that you contribute to the public and policy discourse in Washington concerning China.

I'm perhaps prejudiced a bit, but I think there's probably no greater challenge to the United States than China in many spheres, many various dimensions of which we are all quite familiar, particularly China's external relations in different parts of the world -- North Korean nuclear weapons; Iran; broadly speaking, U.S.-China relations -- all dimensions. But at the bottom of the U.S.-China relationship I think still lies the underlying issue of the Chinese political system. It's been there since 1949, the Chinese political system, but as an issue in the U.S. -China relationship, and even since the Nixon opening and the normalization of relations under the Carter Administration, it has continued to sort of fester as an issue in the relationship. So, it does

matter to the relationship, the U.S.-China relationship -- indeed, China's relations with the rest of the world -- the type of government it has, the type of regime it has, and the nature of the political system domestically inside of China. I feel that it's a dimension of the relationship that has not received adequate attention in Washington and in the policy discourse that we have in this city.

In fact, here again I'd like to compliment the Thornton Center and Cheng Li since he has arrived, particularly for bringing this dimension more into the center of our discussions in Washington, because most of the time we can sit -- we have these meetings and we talk about China's external behavior outside of its borders in the various dimensions. But I think we need to keep our eye also simultaneously on things going on inside of China's borders, and that includes first and foremost the nature of the Chinese ruling party and political system.

So that is what I'm here to talk about today and what this book, this new book, is all about. I'd like to do that in four general categories I guess. The first -- just to give you sort of a roadmap on where we're going in the next 40-45 minutes before we hear from my friend and colleague, Cheng Li, I want to start by telling you why I decided to write this book; second, I want to summarize the book's arguments and maybe tease you a little bit to go outside and turn right and buy a copy; third to summarize what I see the state of the CCP

being today; and then, finally, offer some observations about the Party's future, at least the variables that are going to affect the Party's future.

And Jeff was quite right to remind us that many -- we've heard the premature death of the Chinese Communist Party predicted many times over the last 50-odd years, and particularly in the wake of 1989, some very senior, well-respected sinologists in this country publicly made such a prediction. But here we are 18 years later, CCP - - can you please turn off your cell phones -- very much in power, and I argue in the book and I'll argue here today, is stronger rather than weaker.

But, as the subtitle of the book suggests, there are two simultaneous processes going on in the Chinese Communist Party, which I define as atrophy, which is a word that confuses a lot of people.

I got an email from somebody in Beijing today asking what does "atrophy" mean? In Chinese it's chui'se. It means "moribund". Synonym is "moribund." And adaptation. And these are the two -- the reason I chose that as the subtitle of the book is these are two simultaneous trends that are taking place within the Party, not mutually exclusive at all.

So, anyway, that's -- let me start then by telling you a little bit about why I decided to write the book. This is, first of all, a book more generally about Communist party-states, Leninist Parties, Leninist

party-states in general – in which the case study is China and Chinese Communist Party.

I very much approached this subject from a comparative perspective. I've had a longstanding interest ever since I was in graduate school across the street at -- well, not just across the street at SAIS, originally at George Washington and the Institute of Sino-Soviet Studies is where I first became interested in Leninist Parties and then across the street at SAIS and subsequently at the University of Michigan.

I've been interested in these parties as unique political systems and animals, and of course I've devoted my career to the study of China and the Chinese Communist Party. But in the wake of the collapse of the East European and Soviet Communist Parties and Mongolian Communist Party after 1989, '91, I began to be very interested in -- obviously, like many people -- what brought these systems down and whether factors that brought those systems down are or are not present in China today, meaning back into the '90s. This project began in the late '90s. And I should thank the Woodrow Wilson Center in particular but also the Smith Richardson Foundation for facilitating the write-up of this book.

So, I've been interested in the generic nature of Communist Parties and Leninist party-states for 25 years, and I thought that the fact

that the Chinese Communist Party did survive 1989 when these others did not offered an interesting question to explore, and so off I went trying to understand both why those other Parties collapsed and why the CCP has survived. So, this offered, or this made me in the first instance, read a lot of literature from the Slavic studies and Soviet studies field on what brought those systems down and then what became known as transitology literature -- the transitions from Communist party-states to Leninist Communist party-states. A fascinating literature, and I spent a couple of years reading into this literature, at the Wilson Center where Cheng and I were Fellows the same year, and it was, from all other reasons, interesting because it gave me a window into something else that I've been long interested in, the nature of certain academic fields of study. I've been very interested in the state of Chinese studies as a field and the sociology of the field, if you will, for a very long time. I have edited a couple books on the subject. But this gave me a chance to look into the Soviet and Slavic studies field in comparison, and it was a very interesting sort of window.

One is often told that, or one hears that, China specialists tend to love their country while Sovietologists hate theirs or hated, I guess, theirs. I don't know if that's true or not, but reading into the Soviet/Slavic literature revealed a number of debates and

disagreements in that field. In fact, I would observe that that field is just as animated as the Chinese studies field in terms of the spectrum of opinion about what brought down those systems as we are seeing now in the Chinese studies field about what the future of the CCP may hold.

One difference I found, however, was that the Soviet and Slavic studies field tended to be much more holistic and systemic in its approach to its subject. It tended to ask big questions, aggregate questions, about the nature of the ruling parties in those countries, whereas the Chinese studies field, I regret to say, I think has ceased to do those things. The Chinese studies field has become increasingly micro-oriented, knowing more and more about less and less.

Now -- yes, we have a great deal of detail now about China.

The Chinese help us. With that, there's a lot more data, information available, research opportunities available for us in the China field than there was for those in the Soviet and East European studies fields then.

But I think we in the China field need to begin to kind of re-aggregate and ask big questions again about the nature of China, the Chinese economy, the Chinese polity, Chinese society. And, yes, you know, there's a certain danger in doing that, danger of over simplification, but I think it's important especially to those of us who have to try and make China digestible to different constituencies and publics in Washington

and this country.

So, that's another thing that's sort of spurred me to do this study: What is the nature of the Chinese Communist Party, all 73.4 million members of it, the largest ruling party in the world and, I believe, the second longest ruling party in the world now after the Korean Workers Party, now that the PRI in Mexico collapsed. So, that was the second motivation for doing the book.

The third motivation for doing the book was that I assumed that there had to be a very intensive and elaborate discourse inside of China and inside the CCP about what brought down those other Communist Parties. After all, they weren't just going to say well, that was that and let's move on. You know, it's nice having them as neighbors and partners for a while, time to move on and establish relations with the post-Communist states, which they indeed did in Central Asia and Central Europe and post-Soviet Russia. But, you know, I knew that the Chinese had to be looking at a mirror and trying to understand the early warning indicators, if you will, for themselves to try and understand what produced those implosions and those collapses. There was no Berlin Wall running through the middle of Beijing. There's a Great Wall outside of Beijing. But I assumed that there was an intensive internal study going on. Little did I know how intensive or how extensive it was, and so you will find in this book a couple of

chapters, or one very long chapter I guess -- 60-plus pages -- that analyzes the internal Chinese analysis of the reasons of collapse for those other systems, and I hope that that is a contribution to the literature, but more importantly it's an interesting kind of mirror on how the Chinese see their own system -- the Chinese Communist Party that is.

And the fourth reason I wanted to write this book is to therefore see what lessons they had drawn from this analysis of these other failed systems and to see if those lessons were sort of an indication of the reforms that they needed to undertake and, I argue in the book, are undertaking in recent years, to try to keep themselves from collapsing too. They are aware -- and they were very aware in the early 1990s in the wake of Tiananmen and the collapse of these other systems that that was a possibility for them, too, and I would submit I don't know -- I'm not in Hu Jintao when he wakes up in the morning, but I would submit that when he wakes up in the morning or goes to bed at night that is still an element in the back of their minds that "we could go down and we need to avoid that," so what we have seen in the -- particularly since 2004 and the Fourth Plenum of the 16th Party Congress -- is a very systematic attempt to rebuild and re-institutionalize the Party as an institution and thereby to re-legitimize the party, strengthen it, and to extend its longevity, shall we say. So,

that was the fourth reason that I decided to undertake this study.

Now, the book itself -- but I should say once I started digging into the literature in China, in Chinese, I found that they were not only interested in the reasons of collapse of those former Communist Party states, they were just as interested in other types of political systems all over the globe literally, and this I had not quite appreciated. But just as in every other sphere in China, in reform in China, the Chinese are looking to other models, other countries' experiences, to borrow bits and pieces -- there's no wholesale model that they are trying to adapt in any sphere in China, but they are taking different bits and pieces from different models around the world and grafting them onto the indigenous root, if you will. And that's true for Chinese politics, too, and they are building what I argue in this book and a previous one an "eclectic state." This is a Leninist state. That's the root. But they are grafting on to that Leninist root a series of lessons derived from a very broad spectrum of systems: both "negative lessons," things from the Soviet/East European systems, that that they don't want to do, but what they might call "positive lessons" from authoritarian dynasties and monarchies from the Middle East, like Syria, Saddam Hussein's Iraq -- yes, they studied it very carefully before we invaded it -- post-revolutionary Iran, secular and democratic Turkey, in particular, corporatist Latin America, and, even more so West and Northern

European social democratic countries, and federalist systems in the United States -- yes, Canada and Australia and Germany -- and they have looked with some trepidation upon the "color revolutions" in Central Asia. So, not a part of the globe has escaped the Chinese Communist Party's scan for potential lessons, and it is the Chinese Communist Party's International Department, the *Zhong Lian Bu* that is, in particular, responsible for this. And you can learn a lot by reading the *Zhong Lian Bu's* publications on their exchanges with foreign countries.

This is an underappreciated institution. When's the last time we had a session in Washington, D.C., on the *Zhong Lian Bu*? Never. But it is an extremely important part of the Chinese apparatus.

So, what about the book? Well, the book itself you can buy and read for yourself, but basically I set out in the first chapter the argument about simultaneous atrophy and adaptation, then it moves into an analysis in the second chapter of the Western scholarly analysis and discourse about the evolution of Communist party-states and their collapse -- all the Slavic literature and others. Third, I then turn to the scholarship on China in the Chinese studies field in this country in particular and the Chinese Communist party-state. That's followed, then, by two parallel chapters on the Chinese analysis first of the Communist party-states and then chapter five on non-Communist party-

states. So the book is set up in these kind of parallel discourses intentionally, and I'll leave it to you to see if there is some actual conversation across these chapters, but I tried to create that.

And then the last part of the book -- chapters six and seven try to go from discourse to policy. What has the CCP actually been doing in recent years to absorb these lessons from these other systems and to try to re-institutionalize and re-legitimate itself, and I do that in two broad categories: chapter six, ideology -- ideologically, I should say, and how they rationalize and justify what they're doing in ideological terms; and then chapter seven, organizationally, what they are practically doing on the ground to the Party as an institution.

And then in the last chapter I do the Washington thing and ask the \$64,000 question: Can the Party survive? You know, a good scholarly analysis would have just left it there, but in this city you have to ask the sort of policy-relevant question. And I examine a number of predictions and analyses, hopefully fairly, by my colleagues in the field over the last 18 years. By the way, the time frame of this book is post-'89 after Tiananmen, and there is a whole spectrum of opinion amongst the China-watching community from predicting collapse to predicting democratic breakthrough at the other end of the spectrum, and there are many gradations in between those two ends of the American discourse.

While I'd like you to stay for the rest of the talk, let me tell you where I come out on the subject on whether the Party can survive. The answer is a qualified yes. I see, as I've been arguing, the Party as experiencing a lot of atrophy but doing quite well to adapt, is the terminology that Samuel Huntington is the first -- deserves intellectual property rights over -- and if you want to go back -- and there's a wonderful literature here, the Huntington/Brzezinski discussions of the late '60s, the Huntington book of '68, the Friedrich and Brzezinski articles of, gosh, '50-something, '58 I think. There's -- Richard Lowenthal's writings about the evolution of the Communist party-states. There's a tremendous literature here that I think we in the China field would do very well to re-read and to contextualize the evolution of today's CCP in that broader generic phenomenon of Leninist party-states.

So, that's the sort of outline of the book.

And then the argument of the book is that after a period of catharsis, after '89, both because of Tiananmen, but also because of the East European collapses, most particularly the execution of Ceausescu and his wife in Romania on Christmas Eve that year, but then the collapse of the mother of all Bolshevism, the Soviet Union. This produced a deep catharsis and hand-ringing. But after the hand-ringing ended the Chinese Communist leadership and Party began a

very systematic series of assessments that literally stretch up to this day. They are not done yet. But for all ostensible purposes, the official, if you will, conclusions to why those Party states imploded are embodied in the communiqué of the Fourth Plenum of the 16th Party Congress in 2004. Go back and read that that communiqué if you're interested in the official assessments, and even more so the interview given by Zeng Qinghong the day after the Plenum concluded, if I remember. Very lengthy interview, very interesting.

So, these internal assessments were not just sort of some idle academic exercise trying to figure that out. They had some real immediacy to them, because the Chinese Communist Party obviously did not want to follow their comrades into the dustbin of history. So, there was a kind of evolution of that debate over time and a series of conclusions that they arrived at. It was, I should say, sort of paralleled by their own introspection.

At the same time, they began to look abroad at the reasons for these collapses. They also began -- the Organization Department of the Party in particular -- began to look internally at the series of investigations that have been produced and published in *neibu* books -- but you can get them pretty easily in China -- about the state of atrophy in the CCP itself, and there has been -- you know, one can question when did the atrophy begin, you know? Some would say -- the Chinese

themselves would say it began with a Great Leap Forward, certainly with the Cultural Revolution. But more recently, after '89, the atrophy can be seen in a variety of spheres of the Party's relative loss of control.

How do I define atrophy? Atrophy is the CCP's, as an institution, progressive decline in terms of its control over various aspects of the intellectual, social, economic, and political life of the nation. That's a lot. But if you think back compared to what the control apparatus was certainly before the '80s but even after '89 and the early '90s, the CCP's control capabilities today are much lessened, I would argue, than they were then. They are by no means, however, blunt; and we are seeing presently, in the wake of the Tibet uprisings, just how capable -- if you want it put that way -- the propaganda apparatus and the security apparatus is in that country. So, atrophy is a progressive state of decline. It's not, however, inexorable. It does not lead inevitably to implosion, and the Chinese Communist Party has in fact been trying to undertake a number of corrective measures to avoid that, and that's why I use the term "adaptation" from Huntington in the study.

The adaptations are taking place in the series of aspects of the Party from the local Party branches all the way up to the Central Committee in the Politburo, as Cheng has written and we heard last

week at a very interesting session here at Brookings and he's going to say more about today, but the Chinese have learned a number of lessons, including the need to have a more regularized succession process to rebuild the Party apparatus at the local level, to reach out to a greater number of constituencies outside the Party, and to bring some of those constituencies inside the Party. This was the strategy of cooptation.

Bruce Dickson's new forthcoming book, in particular, emphasizes the attempt to bring the entrepreneurial class but, more broadly, what you might call the technocratic class of intellectuals and scientists and engineers inside the Party, and Dickson's work shows that that effort has been succeeding to some extent but not nearly to the extent that the Party had envisioned, because not all members of these new social strata, they call it, want to become Party members. Some do; many do not. But those that do see the Party in essence as a kind of protective device, you might say, for their entrepreneurial activities, and, Dickson argues, become embedded within the Party state therefore.

They've been trying to diversify their Party membership. They have redefined the working class. The three represents, the *san ge daibiao* launched in 2001 was an attempt to do that with respect to the intelligentsia. They have tried to crack down on inter-Party

corruption, not always successfully but indeed there seems to be a greater commitment to that now than there had been in the past, although both Jiang Zemin and Hu Jintao have warned that corruption is a matter of life and death for the Party. Indeed, it's a factor in China to a much greater extent than it was in the former Soviet Union or the East European states. So, that is one of the major elements of atrophy and challenges.

There have been -- there is -- sharpened social stratification in China. There are growing pressures to enfranchise civil society. There is, I think, a sort of widespread alienation, if you want to call it that, toward the Party's ideology, or just a sort of lack of awareness or support for the Party's ideology. One might even ask what is the Party's ideology? Many people in China today don't know, and if they know they don't care, so there is a kind of apathy -- political apathy -- in the society that many have written about. The coercive tools of the Party state, while not blunt, have, I think, declined in their capacity, and indeed China's ability to use coercion domestically is now exposed in the eyes of the world, as we've been seeing again in recent weeks with respect to Tibet. So globalization, if you will, has in fact affected the nature of the party-state as well.

They have obvious problems in certain sectors of society. We've seen it with respect to Tibet and the ethnic factor in recent weeks.

But they're not sitting on their hands awaiting inevitable implosion. They are trying to undertake a series of measures to improve what they call the "governance capacity." They want to improve the competence of cadres that staff the party-state. The Party is only as good as its members and its ruling officials. So, there has been a major effort undertaken in recent years to try and improve the education and the training -- the mid-career training -- of these officials. They're much more interested in efficiency and governing capability, as I say, than they are in the process of governance. So, it's more the end-result than the means, if you will, that is of importance to the CCP.

I think you can kind of boil these reforms -- these adaptive reforms -- down into five categories, so let me and summarize those for you briefly and then turn to the final question of the future of the Party.

The first category of reform had to do with the Party membership itself both to induct in these new social strata, but also to weed out the incompetent members and the corrupt members and those that for various reasons are not meeting the Party's new criteria for membership. That's one element to it.

The second element to it is to promote a new generation of leaders, and Cheng here is the country's leading expert on this I think. He's written very perceptively about the so-called fifth generation and their backgrounds. We'll leave it to him to elaborate on that, but that is an

important dimension of the Party's composition-- to regularize the retirement and the succession process. This is, of course, something that has afflicted all Communist party-states since their inception.

There used to be two exits from office in Communist Parties. You die in office or you were purged from office. Retirement as an exit strategy was introduced by the Chinese in fact. So, that's -- and that's a lesson they have drawn in fact from the Soviet Collapse. They looked at the Soviet Union and they saw a lot of problems, but an ossified gerontocratic leadership was amongst them. An economy that was not open to the world. Another key dimension is inefficient local Party branches that were not functioning, a hollow ideology that was not adaptive, they argue, to the times both internally in the former Soviet Union or externally in the world. Pervasive alcoholism and ethnic problems. I mean, they have a list. In fact, in chapter eight of the book I have a table of 60-plus factors that the Chinese say brought down the Soviet system. So, I'll let you read that for yourselves. They fall into several broad categories, but -- so there was no single reason for the Soviet collapse, in the Chinese view.

And that's actually an interesting contrast I noted in reading the Chinese analysis, vis-à-vis the Western Sovietologists. Western Sovietology literature generally pins the responsibility for the collapse of the Soviet Union on one factor: Mikhail Gorbachev. No Gorbachev, no

collapse. Chinese analysis was much more historical, much more holistic, much more systemic and they go back to the '50s and the post-Stalin -- in fact the Stalin period. The Chinese analysis of the collapse of the Soviet Union begins with the personality cult and the excessive totalitarian -- they use that term -- control of Stalin himself. And then they walk through history, and they now have turned history on its head. Khrushchev was the first great Communist reformer, they argue, and if he had not been overthrown by Brezhnev and had this long period of bureaucratic stagnation all the way up to Andropov, the Soviet Union could have reformed beginning in the late '50s. The irony of all this, for those of you who studied the Sino-Soviet Split and Mao's attacks on Khrushchev and the Polish situation and Hungary are not to be lost. But, nonetheless, the point here is the Chinese analyses are far more -- far deeper, I would argue, and far more holistic and systemic than are those from our colleagues in the Western Soviet studies community -- which is one reason I took a delegation to Beijing about five years ago of Western Sovietologists to meet with Chinese Sovietologists, and we had a wonderful three-day conference comparing the reasons of collapse of the Soviet Union, and I think our American colleagues were quite sobered by the depth of the analysis on the Chinese side. It was quite an interesting experience. Okay, so diversification of Party membership is the first big initiative.

Secondly, relatedly, is improving the training and the education of the Party cadres, this is done primarily through mid-career training. There is an enormous and extensive effort made in China today to retrain cadres. There are requirements that you have to do I think -- three weeks every year and three months every three years in a Party school. Now, China has, we all know, a Central Party School in Beijing. That's the one you read about, hear about, visit most often, and it's a very interesting institution. It is both a think tank to generate new policy initiatives for the Party but also a training institution. But in addition to the Central Party School, there are no fewer than 2,800 other Party schools in China. Every province has dozens of them, some more than others. There's a parallel system of Public Administration Schools, about 1800. Then there's about 800 so-called Socialism academies run by the United Front Department of the Party. There is an enormous mid-career training apparatus in this country, and they take it very seriously, and it would be interesting to see if, you know, we had such a system in our country where we would send our officials at local and state levels or even Congress -- Senator Sasser may have some views on this -- for three weeks of mid-career training every year.

Anyway, they have -- and what happens in this mid-career training? You might assume it's just ideological indoctrination. Yes, a bit, and you can get and look at the textbooks and you can interview the

people who've been through these programs, and you find in fact that there is an element of that, but it's about 10 percent at most, maybe 5 percent of the curriculum. The other 90 percent are skills of administration and governance -- how to run a city, how to run a municipality, how to run a county, how to run a province, auditing skills, budgeting skills, forecasting skills, so on and so forth. So, that -- as I say, they are much more interested in the efficiency of the state and governance than they are in democracy or the process of getting into office.

The third initiative is to crack down on corruption and intra-Party -- what they call intra-Party discipline, and, believe me, if a Leninist Party loses the discipline of its members, as was the case in fact, in the Soviet Union, and they argue even -- and certainly Czechoslovakia and, to a certain extent, the GDR, then they are finished. So, the organization responsible for policing, if you will, the Party in China is the Central Discipline Inspection Commission of the Party, and there's a long section in chapter seven on the CDIC and what they've been doing to try and crack down on corruption.

On average, over the last seven years the CDIC, according to their figures, they have punished an average of 110,000 cadres per year and expelled 25,000 cadres per year from the Party, and they have adopted a series of new measures to try and control the corruption

problem, including anonymous hotlines. You can call in and report cases of corruption. You can -- very interestingly they're now considering an asset declaration initiative whereby all cadres have to publicly declare, not necessarily publicly, but declare to the CDIC their personal assets on an annual basis. Whether that will go forward or not is left to be seen. They have set up what they call "masses accusation centers," and they have tried to embed the CDIC into all Party and government organs down to the very lowest level. I know the corruption problem is serious, but the response to it, I would submit, is always serious. They are not just letting it fester. Now, I know that's a view not shared by all analysts of Chinese politics, but I've had a number of very interesting meetings, in fact, with the CDIC and the so-called Ministry of Supervision -- very Orwellian sounding organization -- and I think they take their work very seriously.

The fourth thing they've been trying to do is to, as I say, to rebuild the local Party apparatus. This is a Party with 73.4 million members now. There are 3.5 million local Party organizations across the country. It penetrates, or should penetrate they think, society from top to bottom. But when they looked at the Soviet Union and East European they found that one major cause of implosion was the erosion from bottom up, if you will, of local Party committees; and in China with the opportunities that the market economy offers, local Party members and local Party officials are spending more time making money in their various

business activities than they are in their Party activities, and there is, at the local level as Jane Duckett's research shows, a fusion of Party and business-- and Bruce Dickson's research shows this as well.

So, the effort here has been to try and rebuild local Party cells from the bottom-up, local Party branches across the nation. One element of that has been to subject the appointment of new local Party cadres to public scrutiny. There is now a regulation in place by the Organization Department that there should be a public notice system, the GUN-she-der-doo. Any appointment of a cadre must be publicly posted for comment a period of three weeks, I believe, during which both that appointee's colleagues can comment anonymously or the public, the constituency concerned, can comment to the Organization Department on the efficacy of that individual. That's a rather recent but quite popular new initiative. And then the last -- so, they're trying to build -- rebuild from the bottom up, less the cancer grow from the bottom up within the Party system.

And then the last sort of initiative is what I call the "three democracies." This is a term that one hears a lot in China. You heard it over 60 times in Hu Jintao's 17th Party Congress report last October. There are different types of democracies that the Chinese Communist Party discuss and say they are trying to implement. These are basically three. Intra-party democracy, *dangnei minzhu*; what I call extra-party

democracy, but they call multi-party cooperation; and, third, electoral democracy, *xuanzhu minzhu*, and the book in chapter 7 -- I'm not going to take much time to go into this here -- tries to elaborate these three different elements, including perhaps a fourth, called "consultative democracy," *xieshang minzhu*, which Li Junru at the Central Party School is most widely associated with.

But all three or all four of these are oriented to try and enlarge the discourse both vertically within the Party and horizontally between the Party and elements of society, again taking the lesson from the Soviet Union that this had become an ossified institution, that there was no feedback, people were intimidated or too apathetic to give their views within the Party, and there was no consultation outside the Party with the society or, in the case of China, the other so-called eight "democratic parties" under the Chinese People's Political Consultative Congress, the CPPCC, which is an institution that they are trying to strengthen. It is an institution that has been around for a very long time, has been a united front tool of the Party to try and mobilize these constituencies in China behind the Party's mission. Now, I would argue -- and Cheng and I visited them last summer -- they are trying to change the nature of the CPPCC to provide feedback and consultation into the decision-making process prior to the taking of policy decisions -- so, its moving from united front tool to more active player.

And I could see over time -- some time, probably 20 years of so -- the point where they could transition from that to empowering the eight so-called democratic parties to contest elections with the Chinese Communist Party in -- at first -- like everything else in China at the local level and then progressively up to provincial and perhaps national. So, these democracies about which Hu Jintao writes, speaks quite a lot are serious efforts to enlighten the discourse and thereby improve the governance. It is not based on -- well, I was going to say it's not based on competitive notions of democracy, but the last element, the electoral democracy, is precisely that. We now see 20 percent of village Party committees across the country holding multi-candidate elections, and 80 percent of village governments are now contested in this way, too -- multi-candidate elections, some in the party, some outside the party, and they have become quite popular.

So, those are the major emphases for adaptation. There are others. But for the sake of time, I just wanted to sort of highlight those, and I'd be happy to go into them in more detail if you like.

What about the Party's future? Let me close, if I can, with a couple of observations, maybe three, on that subject.

First, it's clear to me that the Party does have a number of vulnerabilities and liabilities that we would do well as analysts not to ignore or dismiss. Indeed, when you go back and you read the Sovietology

literature, there were -- there was only one Sovietologist that predicted the collapse of the Soviet Union and identified the reasons for it -- Zbigniew Brezinski -- and you can read it very clearly in his book published earlier that year and indeed over several previous years in articles that he had written. So, a lot of the sort of postmortem hand-ringing about the Soviet Communist Party was about why didn't we see it coming?

Well, I think we in the China field have got to, you know, be sober as best we can and to realize that this is a party-state that has atrophied Party cells, has a high level of corruption, lacks a persuasive ideology, lacks accountability and transparency in decision-making, lacks the rule of law, and a number of other problems. So, yes, it's got atrophy.

But there are important differences to the Soviet Union, first of all. The Chinese are quite aware of their weaknesses, and they're working to fix them. I don't think you could have said that about the Soviet Communist Party. They are building a much more meritocratic Party-state, "meritocratic technocracy" is the term I like.

I can't remember where I first heard it, but I like it. They are instituting a retirement norm and elite succession procedures, which is one of several new measures to institutionalize procedures in the Party. Their economic growth is certainly different than the Soviet case. They're integrated into the world economy; the Soviet Union was not. They are benefiting from globalization, unlike the Soviet Union. And they generally

have a respected and increasingly effective foreign policy, I would argue.

Yes, there are some dark spots on that foreign policy, some cancers, if you will, but overall much more successful than Soviet foreign policy was, and, I would argue, to the best that we can tell, they enjoy popular legitimacy at home.

So, going forward -- so, those are big differences. If you are trying to compare the CCP vis-à-vis these other Leninist states, they're not nearly as totalitarian as was the GDR. The administrative state security today in China is a far cry from the Stasi, one would argue, in the former GDR or the NKVD in the Soviet Union. I'm not trying to excuse it, but it's not the police state and the security state that those other Communist party-states were.

Third, going forward I think the real challenge is not simply for the CCP to absorb the lessons from the failed Communist Party states.

That's only going to get them so far. It may buy them a little bit extended life, but if they really want longevity, I think they need to see their Party and their country as a newly industrializing country. and that's where the study of other systems, non-Leninist systems, in Latin America and East Asia in particular are relevant. Why? Because the major challenges of a newly industrializing country are in the public goods domain, and we are seeing in the last few years increasing demands in China, just as we saw across the developing world, at least in Latin

America and East Asia, for better -- for delivery of improved quality of life and public goods to the population and the need to have channels for the population to articulate those demands. That process has begun, and it's only going to continue and is going to be, I argue in the book, the principal challenge to the CCP going forward. So the public goods challenge, if you will, is front and center.

And let me just close by saying the Hu Jintao and Wen Jiabao government seems to get it. At least they get it rhetorically. And if you read the 17th Party Congress report, and you read the Scientific Development Concept, and you read the Socialist Harmonious Society Concept, and you read any number of other speeches and documents put out by the government in China, the rhetoric is right. They are addressing public goods. They know about social stratification. They know about Latin American examples. But the question is, going forward, whether resources are going to follow the rhetoric, and in the first Hu Jintao administration the resources did not follow the rhetoric, and it's going to be interesting to see if now indeed the resources begin to flow to meet these public goods demands.

So, I will leave you with that. That's kind of an overview of the book and where I think the Party is headed and the challenges it's going to face, but I look forward to your questions and particularly to Cheng Li's commentary. So, thank you very much.

(Applause)

DR. LI: Well, first I want to congratulate David for another masterpiece on contemporary China. I believe that David's new book represents the best of the American scholarly tradition of a comprehensive empirical research, represents an enlightened pursuit of analyzing China's political system through a comparative lens, and represents a profound sense of foresight in American study on China.

Now, David has long been a role model for me. I'm always amazed by his exceptional ability to not only write very quickly, but also to maintain a very high standard of scholarship. When David began this book project a few years ago, both of us were at the Woodrow Wilson Center as residential Fellows, as David just mentioned, working on our respective book projects. His was on the Party, and mine was about the art community or artists community in Shanghai. Both of us, of course, were immensely interested in each other's work. Now David's book sits handsomely on the bookshelf of my office, while my book manuscript remains unfinished in an obscure folder on my computer. I have the utmost respect for David's work, including his really very careful and painstaking review of the literature. I remember the times when he escort me to the bookstore in Beijing -- I remember last year, last June. Not only did David know every bookstore in Beijing that carry books on the Chinese Communist Party, but the shop assistant in those books knew David very

well.

Now, the scope of David's research in this book is truly impressive. He studies everything about the Chinese Communist Party in the post-Tiananmen era -- its leadership, ideology, institutions, regulations and norms, the Chinese discourse about lessons learned from political party in foreign countries, and the dynamics of Party, state, and the societal interactions.

Now, for those readers who are perplexed by the longevity of the Chinese Communist Party, this book provides a well-grounded interpretation. For those who are interested in the future scenarios, the Chinese political and intellectual debates presented here are truly invaluable. For those who have doubts about the changing nature of the reform era of a PRC in general and the CCP in particular, a reading of David's description of reforms both within and outside the Party will put those doubts to rest. For those who always see China as a regime on the verge of collapse, the remarkable effort by the CCP leadership to respond to challenges and to strive for legitimacy will be eye-opening. Meanwhile, David's book offers the most comprehensive list ever compiled in the English literature or English language of the problems confronting the Chinese Communist Party. These problems include ideological incoherence, organizational decay, and the rampant official corruption. Yet, as David highlighted in his remarks, multi-faceted political

experiments initiated by the Chinese leadership may help the CCP survive as the ruling party of the country for the foreseeable future. In David's words, the most likely scenario for the future of China is neither the collapse of the Communist regime nor a democratic transition, but what David and Andrew Nathan call a one-party regime characterized by "authoritarian resilience."

As David just mentioned, he and I differ on our assessment of China's future trajectory somewhat. I have no problem with the use of concept of authoritarian resilience to describe present-day China and the China for the next 10 years also. But I doubt that the resilience of authoritarianism will continue beyond this time frame. My main assumption is that a truly resilient political system is not stagnant, and it will therefore inevitably lead to further political changes. As Andrew Nathan recognizes, resilience and incremental adaptations may actually change the nature of the regime.

Now, I believe that a one-party Communist system in China will always have to deal with the issue of legitimacy. The Chinese Communist Party will face three major challenges in the years to come. The first comes from the need to change its poor international image; the second challenge will result from the changes in Chinese society itself; and the third challenge will come from the new Chinese leadership.

Let me very briefly elaborate on these three challenges.

First, as evident in the recent crisis over the protests regarding Tibet and the Beijing Olympics, China's poor international image has become a major liability of the country's development and security. The Chinese leaders will soon realize, if they have not already done so, that China's rise to prominence in the world will ultimately depend on its strengths in various domains, including political pluralism and openness. A country that has military and economic might but is not seen, even by its own citizens, to have a responsible political system cannot claim to be a rising global power. The recent election in Taiwan and the immaturity of Taiwan's democratic system will exert further pressure on the Communist regime on the mainland.

Second, it has been widely agreed upon in the PRC today that China's political system has become increasingly inadequate for dealing with the complicated, sometimes contradictory, needs of the Chinese economy and society-- especially at a time when the government has to constantly address issues such as environment protection, resource scarcity, energy security, economic disparity, employment pressure, health care, and the tensions between local and the central governments. Now, other factors will also push for political change. These factors include -- I just want to name a few -- the rapid rise of the Chinese middle class. You know, 10 years ago asked a China expert whether there's a middle class, most asked would say there's no such a

thing called a middle class, but now most of us agree there's a middle class about the size of 80 million to about 200 million, and according to some, by year 2025 China will have a middle class of 520 million. Now, the ongoing migration from rural to urban areas, also about 300 million, will move from rural to urban areas in the next two or three decades. The unprecedented telecommunication and the information revolutions, the commercialization of the media, the emergence of NGOs and civil society, and the rapid expansion in the number of legal professionals in the country will all have a strong impact on Chinese politics.

And the third challenge comes within the Chinese leadership. I don't want to go into too many details about what I argue at last week's conference on the dynamic changes in the Chinese leadership, but I want to briefly mention two changes which will have profound implications for the transformation of China's political system.

First, the Chinese Communist Party is certainly not willing to give up its monopoly on political power, nor does it appear interested in moving toward a Western-style system based on division between the executive, legislative, and the traditional function of government. But this does not mean that the Chinese leadership is a monolithic elite group whose members all share the same values, outlooks, political backgrounds, and policy preferences. The political factions, currently competing of power, seem to represent the interests of different social

economic groups and different geographic regions, therefore, creating a mechanism of checks and balances in the government decision-making process.

Now, this new practice, in my view, is the most important political experiment in China, which may make political lobbying somewhat more transparent, factional politics more legitimate, and elections more genuine and acceptable at high levels of political power.

Now, the second major change is the -- it is interesting to note that almost none of the children of current top leaders are pursuing a career within the Chinese Communist Party. In fact, an overwhelming majority of them work in the business sector, including joint ventures and forming companies and especially investment banks. Now, this phenomenon, in my view, is the most revealing evidence that the Chinese Communist Party will not be the only game in town in the foreseeable future. The Communist leaders themselves seem to be well prepared for their children's future.

Now, to conclude, I want to say that David and I both believe that all these scenarios are not necessarily mutually exclusive. One political scenario can lead to another. Or these competing scenarios actually make the study of the Chinese Communist Party more interesting and important. David's book sets the stage for a much needed intellectual and policy debate about the complicated nature of the Chinese

political system and its likely future transformation. Anyone who wants to increase their understanding of this unfolding drama and its ramifications, whether they already know a great deal or only very little about China, will be richly rewarded by reading this book.

Thank you very much.

(Applause)

MR. BADER: It's not working.

MALE SPEAKER: Let's try it from here and see if it works.

MR. BADER: Again, if you all can't hear me, let me know.

Using this -- is this set up right here? Bear with us for a moment here.

We're not technocrats.

(Pause)

MR. BADER: Okay, thanks.

Just one general observation before we entertain questions.

David mentioned last week we had a program at Brookings and the keynote speaker was Tom Finger, and Tom talked about the importance of people studying China not merely understanding China and not merely thinking about the Chinese Communist Party and developments in China in terms of what did Mao do and what did Deng do, what did the Qing Dynasty do? Tom was speaking -- as he put it, I'd say lapsed China hands who has now moved onto other parts of the world.

But I thought that Tom's point there was especially telling, and I think that David's presentation perfectly embodies the point that Tom was trying to make, that we get our greatest insights about what's happening in China now not by merely diving within the Chinese system but by understanding the new challenges that China's facing both domestically and internationally for which Mao and Deng did not necessarily have the answers. And what's interesting in part about David's presentation is that it's clear that the Chinese understand that perfectly well, as David has surveyed the lessons that the Chinese have learned from abroad.

Thank you, Cheng Li, for your usual bravura performance and appreciated your pointing out where you and David were aligned and where you were not aligned. That's a much better discussion when we have some nonalignment.

If I could just take advantage of my position and ask the first question of David, and David, if sitting here works great and if you can hear in the back great, and if it doesn't, let us know and we'll move David to the podium again.

David, you talked about the lessons that the Chinese have learned from the experience of Eastern Europe. You allude at the end to the lessons they've learned from America, I wonder if you could say something about what kind of study they may or may not have done of the

parties of Western Europe and of the United States and what -- are there positive lessons that they see from that study, if they have done it, that might apply to China?

PROF. SHAMBAUGH: Thanks. It's a good question to begin on, and I would like to emphasize the point Jeff's just been making, that all of us who study China would do well to view China through comparative lenses, as well as historical lenses. I mean, the post-'49 Chinese government is in many ways very new, but it grows out of much richer soil that goes back several centuries. So, I think we not only have to consider Chinese history, but we really have to understand a series of comparative examples for understanding where China is going and the types of challenges that are going to confront the regime going forward, and they're not just Leninist challenges but indeed a variety of other systems around the world.

In terms of Western Europe, there is a discussion in chapter six, I think it is, about that. They have long been interested in the social welfare state but not the social democratic state, I think it's fair to say, in Western Europe. I remember when I lived in the U.K. for many years, I sat on the British Academy's exchange program with the Chinese Academy of Social Sciences, but we were getting all these requests for visits from the Chinese side of, first of all, groups that were not from CASS and, secondly, were interested in the way the national health system

worked or didn't work, the way that municipalities ran in the U.K., the nature of -- this was during the time the Tories were in power, Thatcher and John Major. They were interested in the party system. But that's true across the continent. They have paid particular attention to the Northern European/Scandinavian social welfare model, notably the Danish model and the Swedish model, you know, guaranteed health systems, pensions, and we know the problems of the Chinese pension reforms have encountered, or the lack of reforms, so that's been of great interest to them.

They've been very interested in the German so-called foundations, the *Stiftung*, that play a very important role between constituencies and the major parties in Germany, and they haven't yet adopted a *Stiftung* model, but the Chinese Communist Party's International Department has looked very carefully at how these different German foundations operate in Germany, and they have allowed, in fact, all of these foundations, save one or two, to set up offices in China.

The second thing to say is that when the so-called "third wave" took place in Britain under Tony Blair and then subsequently on the continent, the Chinese were a little behind the curve in their analysis is they didn't see it coming, and they, therefore, became quite interested in what Blair was trying to do and, to a certain extent, Schroeder in Germany. I think they had, you know, at least the writings that I read,

never quite never quite got to grips with what had produced this new “third wave,” the discontentment, the disenchantment with in fact the social democratic, social welfare state and how to improve it. Sort of like the way the Chinese looked at the South Korean *chaebols* as a model for reforming their own state-owned enterprises before the *chaebols* themselves ran into such trouble in South Korea and then all of a sudden the Chinese decide to not borrow that model exactly.

The same thing happened when they were looking at the social democratic, social welfare states in Western Europe. The West Europeans themselves began to criticize and vote them out of office. Now we have a new phenomenon in Western Europe with the “grand coalition” in Germany and Sarkozy in France, and again I find -- I spend a lot of time reading Chinese writings about Europe -- they're behind the curve again. They're not -- they don't really -- they're trying to get to grips with what has brought these new governments to power and obviously particularly what they mean for China. China's relations with Europe is a subject for a different session than today, but let us say that they are strained, and they are strained for, amongst other reasons, because of the nature of the leadership of these countries.

Angela Merkel grew up in the GDR, all right, and she has certain views about Communist parties and about human rights and about the Helsinki process, and she has infused into German-Chinese relations

those beliefs, and the Chinese did not see it coming. The Chinese Europe watchers didn't see it coming. So -- that was a long-winded answer to your question. Just because they scour the globe for lessons, I guess what I'm saying is, it doesn't mean they always get it right. In fact, they misunderstand and misdiagnose a number of these systems that they look at. I'm trying to look right now at the Chinese study of Latin American corporatism and I'm beginning to find the same pattern. But at least they're looking abroad. How many countries in the world actively scan the globe for models and examples that can be borrowed and grafted at home?

MR. BADER: Thank you, David.

Open to the floor for questions, and if you could wait for the microphone and then identify yourself and your institution, and we'll try to get as many of you as we can. We'll start with Peter.

MR. Bottelier: Thank you. I'm Peter Bottelier, Johns Hopkins-SAIS.

Thank you, David. Two short questions -- one technical administrative one and a legal system one.

Do you happen to know how the Party finances itself? Huge organization, thousands of schools, youth organizations. Is the Party -- is the budget for the CCP part of the state budget, or do they have a separate budget, and if that is the case how is it funded? What do we

know about it?

Second question, do you see any chance that the CCP might move to subject itself to the rule of law in China?

PROF. SHAMBAUGH: Gosh, two tough questions to start with, Peter. On the first, I don't have a very good sense of party finances.

There's not a lot written about it in the Chinese literature. It's called *dangfei*. Occasionally one comes across descriptions of how *dangfei* have to be managed within units, but it's even a more difficult subject to research than the Chinese military budget. There is more aggregate data, and we know more about the process of the Chinese military budgeting system than we do in fact about the Chinese Communist Party budget system.

Part of it is funded by dues, you know? I forget what the current -- like dues for our organizations, they go up year on year, and 73.4 million members have to pay, I don't know what the amount is today.

So, that's part of it. That's clearly not enough to keep the Party running, but it's not an insignificant sum. We know, too, they have a real problem with those who do not pay their dues, you know, laggard dues payers, and there is a phenomenon in the Party of sort of a party of -- inactive Party members. Yes, they have 73.4 million members, but does that mean that all 73.4 million are paying their dues and are active in party activities? Absolutely not. And so there's a kind of de facto -- I have a couple of

friends who are Party members but haven't paid their dues in 20 years, haven't been to a Party meeting in 20 years, yet they're still on the books, as it were. The Party also has their own sources of joint ventures with different private sector organizations. I suspect that the Party gets a percentage of tax, but I don't know how that works. So, it's a very good question. It needs to be investigation, and I will try and pay some more attention to it.

Rule of law? Maybe Cheng knows more to answer. There are those in the audience, in fact -- I know there are those in the audience -- who are with the Chinese Communist Party that might be able to enlighten us on this question. But will the Party ever subject itself to a rule of law -- or, rather, the rule by law? That's a hard guess. It's not a yes or a no. To a certain extent they are subjecting themselves to legal scrutiny. Take the case of Chen Liangyu. Take some of the examples about corruption monitoring that I gave.

Will they empower the National People's Congress, or the Provincial Congresses in other ways? I wouldn't expect it any time soon. Law is as an instrument in the hands of the party-state. It is not a check on the party-state. They have -- they're very critical in their domestic discourse about separation of powers. You know, they see it as a Western bourgeois concept. It's part of the competitive nature of Western systems. They claim they don't need that. So, I'm not entirely

enthusiastic about the Party subjecting itself to the rule of law.

PROF. SHAMBAUGH: Cheng Li?

DR. LI: The two questions just raised actually is also the ones that some Chinese scholars try to criticize, and the one example is how we found a professor in law at Beijing University. Very distinguished young scholar. He challenged the Communist Party on these two fronts. First he said the lack of transparency in financial resource, financial income, and he said it publicly; second, he said certainly the Party never, you know, reinforced the Constitution as a final say. Now, the Party leaders sometimes say the Constitution has final say one day; the next day they say the Party still should provide the leadership. The Party should, one, control law and the media, army, and what about the economy, you know, they would not, you know, surrender. But in the law and the media and the army and the press -- all these areas -- probably still would want to have, you know, final say. At the same time the constitutionalism is still quite weak. The voice is not as strong at the moment.

MR. Bader: Tim?

MR. STRATFORD: Thank you. Tim Stratford with USTR.

I have a question about the difference between the Party and the government. Often when foreign government officials meet with Chinese government officials, we get a sense that we're not always

dealing with the people who really make the policy decisions and set the parameters for negotiations and can make decisions, so there's a real asymmetry there in the discussion, and obviously this is less than ideal when you're trying to have discussions about policy directions or negotiations and so on. Do you have any suggestions about how to deal with the asymmetry in the way that we deal with China? Because we don't have a Party calling the shots behind the scenes here the way they do and what their Party does is far less transparent in terms of decision making compared with the way we make decisions in the U.S. Government.

PROF. SHAMBAUGH: Well, at the top of the system, it's still very much a black box even though they have, in the last year and a half, undertaken a series of initiatives to improve transparency. You know, now Politburo meetings agendas have to be published in the press - - who attended, what was discussed, what decisions were taken. So, there's some -- there's creeping transparency, but it's a far cry from what it needs to be.

But I think the real answer to your question is that many of these officials – at the ministerial and vice-ministerial level and above are “double-hatted.” It's what is called the nomenklatura system, which is a Soviet term. There are about 2800 -- 2,800 or so -- positions in the Chinese Party-government apparatus that have to be -- the people who hold the position have to be appointed by the Organization Department of

the Party and have to be of course -- well, they don't have to be Party members, because we now have the phenomenon of non-Party -- two ministers who are non-Communist Party members who are the Minister of Health and --

MR. BADER: Science and Technology.

PROF. SHAMBAUGH: Right. These are non-CCP members, but the Organization Department still had to approve those, too. So, you can assume if you're meeting anybody at a vice-minister level and above inside the government that they are Party members and that ultimately it's the Party Committee that can trump a government decision in that institution. But outside of government, you find that a whole number of posts -- chancellors or vice-chancellors, presidents of universities, academies of sciences, a series of non-governmental organizations -- are also headed by Party personnel that are appointed on this nomenclature list by the Organization Department.

At the end of the day, Leninist Parties are all about penetration. They burrow their way, like an organism, into every social strata in the society. That's what Lenin wrote about in 1917, and that is what the Chinese Communist Party has been very good at doing. So, it doesn't mean, though, that they control all the decisions, but they are institutionally embedded within the entire system, and now that includes the business sector increasingly. So, you have to be aware of the -- it's

not a transparent organization. You're quite right. It's a -- but it's within all of these institutions. But it doesn't mean the Party is making all the decisions. On senior -- on major issues, yes, but on day-to-day management issues, that official wearing his government hat is empowered to make that decision.

MR. BADER: Just one point to add on that that Tim has -- frequently, as you know, in the ministry there is one vice-minister who is in fact the Party secretary for that ministry, and similarly in academic institutions there is frequently, we have learned, a vice-president. We often don't know which, who is the Party secretary for the institution. I think it's always worthwhile to do a little digging and find out which vice-ministers, is in fact the Party secretary, because that particular Party secretary in the Chinese system has comparable rank, if not outranks the minister himself. So, that's often not a bad person to try to identify as a counterpart.

Charlie?

CHARLIE: Yeah. Well, in contrast to the Party in about 10 years ago, they used to talk about separation between Party and the government. Now, the new leadership has not moved in that direction. They want to consolidate the Chinese Communist Party, diluting capacity of the Party, and use the young leaders work in the government sector to legitimize their, you know, leadership. And -- now, there's four areas of

personnel. The Party wants to control legal system and the media and army and the personnel. The nomenklatura system. They're not going to surrender this system. But at the same time, you do see, you know, the examples of those two ministers, you know, not Party, not CCP members, very competent and very capable, well educated, have broad experience in the West. If these kinds of people increase their numbers, real experts, and not necessarily now with pressure of the Chinese Communist Party or to challenge the Party but now to (inaudible) so that of course in the early stage for this development.

MR. BADER: Down front.

MALCOLM: Thank you. I'm Malcolm from George Washington University School of Business.

I've been fascinated by what you all have said, and I'm certainly quite supportive of it, and I've always been impressed -- the fact that this Communist regime has brought over 400 million out of poverty in the last 20 years and probably will bring another 400 million out over the next 20. But my question is I've also been a great believer that China and the United States need to be *hao pengyou* -- good friends -- and if they were to form that kind of bond, which I think could come very naturally, because Chinese and Americans are very similar, you'd have peace in Asia for a thousand years, maybe more broadly than that. Do you think the Chinese government today would accept the concept of being a good

friend with the United States?

PROF. SHAMBAUGH: I think Jeff should answer that.

It raises one question in my mind about the Chinese Communist Party's relations with other parties around the world, including in this country. As I mentioned earlier, the International Department of the Party has extensive relations with parties out of office, as well as ruling parties all over the world -- except in one country. You know what country that is? The United States. Why? Because our two ruling parties, if you want to call it that, alternatively ruling parties -- Republican/Democratic Party -- refuse, and have steadfastly refused over a number of years, to have contacts with the CCP's International Department. That is, I think, a mistake on our part. We cannot, you know, pretend that the Chinese Communist Party doesn't exist. We should try to learn more about it at a party-to-party level and then the CCP would love to learn how we manage things for better or for worse in this country at the local, state, and federal levels, and we have a lot to learn through this channel in China, too, but we -- our two major parties have denied ourselves that opportunity over the years. So, any of you who have influence on Howard Dean or whomever the RNC Chairman is, suggest that we commence such contacts.

DR. LI: Jeff, can I?

MR. BADER: Please.

DR. LI: I grew up in China. At that time in the 1960s or the '70s we were always drawing a line. Now, I'm afraid that now China probably increasingly, you know, uses the Olympics opening ceremony as drawing a line. So, come, will be friends; those that not come we will not be friends. Of course this is unfortunate. But also besides that I think we need to be very cautious. I personally oppose boycotting Olympics. I think that would really give us some leverage on other issue areas and now the Chinese were not to see us a good intention. So, how could you say that to your friends -- you treated us like this. You know, if you want to be friends, behave like friends. This is what they often said. So, I think now it's really a critical moment in U.S.-China relations. But a lot of young people in China become so nationalistic. They look at that -- it's just outrageous and nationalistic but, you know, using very strong words. It's worrisome.

MR. BADER: Let's go toward the back, along the aisle.

MR. LILLEY: Hi, Jim Lilley, independent. I was going to ask you a question, David and Li Cheng, about the public goods, and, David, you pointed out that this is a critical area where the Chinese have to work. But I think Nick Lardy talks about consumption-led growth, and it happened in 2004 when Wen Jiabao took this forward and wanted to see consumption-led growth, and he wanted to see money move from buying foreign exchange to being used in warfare, in pension, in medical care,

things like this. Nick comes to the conclusion this did not happen. The money went into manufacturing, into export, and it seems to me that this is an area where they've taken a position, it hasn't worked. I think your -- as I think you expressed some optimism about they could turn this thing around, I think they will run into a lot of provincial problems and factional problems in trying to turn this around. The Labor Law that we read about in the *Post* yesterday may be just a little indicator that they're beginning to tackle this thing. But I'd like your comments on do you think that the leadership, enlightened as they may be, could really turn this around, because when we went to China in 2004, they were just shaking their head over provincial resistance to programs that they were trying to push.

PROF. SHAMBAUGH: I'm not an economist, and I defer to Nick Lardy and Peter Bottelier and others who study this more carefully, but indeed I've learned from Nick that the resources have not followed the rhetoric on consumption-drive growth at all. In fact, Nick can provide statistic after statistic on the declining percentage of GDP growth coming from domestic consumption over the last few years. I'm not sure I'm optimistic about it. I tried simply to flag it as the big issue. These are -- you know, the rhetoric are like unfunded mandates in this country that come out of our Congress. But I was interested to be reading just two nights ago the Premier's Work Report to the last National People's

Congress, a lengthy document, and it really takes a little bit of concentration to wade through it. But there is a lot of data on investment in what you might call "public goods" and so-called transfer payments between the center and the provinces.

I'm interested in what you say about provincial resistance. If anything, the provinces and localities feel that they are handed the unfunded mandate, don't have the resources to invest to meet public goods at the local level, they are looking to the center saying you know, you are collecting 18, 20 percent of GDP now in taxes; you have this -- you're sitting on \$1.5 trillion in foreign exchange. Where is it? So, it's -- my impression is it's really a bottleneck at the center and Beijing's problem. But I was kind of struck, in reading the Work Report, in a number of specific areas -- environment, health, education, primary education -- and I encourage you to actually read this document if you haven't. It's not just hollow rhetoric. There are figures attached to the initiatives. So, next year, you know, the National People's Congress can convene and they'll say okay, under "health," where would the 7.9 million (inaudible) be that you promised us? You know, but there -- that's a big step. There are now figures attached to the initiatives in this year's report that I didn't see in previous years' reports.

DR. LI: Well, I don't want to speak for Nick, but I -- we attended meeting a few weeks ago. He was actually encouraged by the

National People's Congress report. He saw this time it's real, because the numbers change drastically into allocated resources to rural areas, to education, health care, and also with a goal to stimulate domestic spending and consumption in rural area. So, he actually become less pessimistic this time.

Now, the difficulty is that, you know, Wen Jiabao wants to have macro-economic control, wants to stimulate rural spending, and really put the rural in that rural development, but that kind of a policy move could have resolved during the past few years. Why? Because of factional tensions, because certain leaders don't like that policy move. So, they reach, kind of pause at that end. But now that Wen Jiabao is in charge. They really want to push for this change, and, again, the report is certainly very encouraging but we still have yet to see.

MR. BADER: Well, I just proved that my eyes aren't what they used to be. If I couldn't recognize my mentor and one of my heroes, Jim Lilley in back, so forgive me -- Jim, then Ann. The rest of you forgive me if I'm not seeing your hands coming up, but, please, let's keep going here.

Eric.

MR. McVADON: Eric McVadon, the Institute for Foreign Policy Analysis.

David, I hope you didn't address this before I got here. If

you did, elaborate if you will. To what degree do you think the Chinese Communist Party relies on or needs or simply wants to continue the existence of the parties in neighboring countries -- North Korea, Vietnam -- and how important is it to them? Would they go to extraordinary lengths to support them and keep them there?

PROF. SHAMBAUGH: No, I didn't address that before you came in, and it's an excellent question. I think in the case of North Korea they would go to extraordinary lengths to keep it there and to keep it from imploding. It's already fair to say that it's a failed state, a failed party-state. But that's not to say the Chinese like that fact. I've argued for a few years -- I wrote something a few years ago about the fact that the Chinese have been working to try and reform the Korean Workers Party and the Korean party-state. They are not happy with the nature of that regime or that country or the basket-case that it is. They see in North Korea much of their past: sycophantic leadership, you know, ideology, broken economy, closed to the world, so and so forth. So, to say that they don't want the Korean Party state to collapse is one thing, but that's not their goal. Their goal is in fact to reform it along Chinese lines, and they are quite frustrated in my sense, from reading their internal literature, that the Koreans have refused to follow the Chinese path. So, like the Americans, they're also expressing a lot of frustration but from a different kind of perspective.

Vietnam is a very interesting case, and I have a discussion in chapter seven, I think, about the CCP's study of the Vietnamese Communist Party, and they have extensive exchanges with the DCP, and they have been very interested about the Vietnamese Communist Party's competitive local Party elections in the last few years that are apparently taking place inside Vietnam. So, they've sent observers down to study these. These are multi-candidates within the Vietnamese Communist Party. It's not multi-party-contested elections. So, they've studied that. They've been very interested in the economic reforms. They're very interested in the Party-army relationship in Vietnam, which is not as tight of one -- you would be interested in this -- as is the case in China. The ruling party gives more space, corporate space, if you will, to the Vietnamese military than does the Chinese Communist Party to the PLA, so that as debates take place at various subterranean levels inside China about the Party-army relationship, national armies, you know, how much corporate autonomy to give to the PLA, they're studying how this works in other countries, too. What they don't want to do is, of course, what Gorbachev did. So, they're trying to see if there's some intermediate space there, and the Vietnamese case suggests to them that there is. In Cuba, they spent an awful lot of time studying Cuba, and I won't take the time now to go into that, but there's a whole chapter in the book, so I hope you go out and get a copy and read about it.

MR. BADER: Scott.

MR. HAROLD: Dr. Shambaugh, thank you very much.

Scott Harold at Brookings.

I have two questions, one in a study on China's Communist Party survival, one would think at some point you must have surely come across Singapore, which is a model that's often discussed, and yet today we haven't heard anything about that, so I wondered if you could say something about that as well as the Taiwan models -- since Bruce Dickson's work, whom you mentioned several times, has looked at this very closely.

And a second question that I didn't come here with but that you spurred in your discussion of Western Europe, which, as you said in essence, the Chinese Communist leadership wants the outcomes, the economic outcomes that Western Europe has, but they don't seem in any point to discuss wanting long-term, the normative, social, political values that Western European civilization has embodied traditionally. Is that because they don't believe that that is a successful end goal that they want, or is it because they don't believe that that's a means to getting to development? In other words, is the end goal for China to be rich, developed, powerful, and authoritarian or rich, developed, powerful, and eventually democratic but that they don't believe they can get there without first going through development?

PROF. SHAMBAUGH: Complicated and perceptive questions. The second one, which maybe I'll try and answer while it's fresh in the mind, then Singapore and Taiwan -- that was your first question.

Okay, well, the end goal is to be rich and powerful, deliver public goods, and remain an authoritarian one-party state, in short. What they are not interested in is the democracy part of social democracy. But neither was Lenin. If you remember, his critiques of Rosa Luxemburg, and this has been a longstanding issue for Leninist Parties worldwide for a very long time. They don't support the enfranchisement of democracy outside the Party and the competitive elements of multi-party states. But they do like the Socialist dimension, right, if you will, and that's what they're trying to borrow from Northern European and British and German examples.

On Singapore and Taiwan, absolutely. There is discussion of this in one of the chapters at some length. We know they've been interested in Singapore as a positive model for a long time. The PAP there has been in office -- how long, Jeff? -- since Singapore became an autonomous republic.

MR. BADER: 1965.

PROF. SHAMBAUGH: Right, 1965, exactly. And the CCP has sent delegation after delegation after delegation to Singapore to study

the ways in which the PAP maintains its power, and I've had some very interesting discussions with Singaporean officials, some of them quite senior shall we say, about these Chinese delegations coming down to study everything from the internet, how the state controls the internet, police, to universities, to NGOs in civil society. So, we know they see this neo-authoritarianism as a model. I have in the book a very interesting long article -- quotation from a long article on how they more recently see the PAP subjecting itself to competitive elections, and in the last two elections, the PAPs won, I think, 70 or 75 percent of the vote, but that's not 20 or 25 percent. In the most recent election, the margin of victory, shall we say, declined by about 10 percent. So, there's this long discussion in this article about how the CCP should subject itself to multi-Party contestation, and over time if the CCP's policies are correct then it will of course, like the PAP in Singapore, win forever. This all depends on correct policies. But it's very perceptive of this analyst to go beyond the neo-authoritarian model to see if Singapore now for something else, empowered in franchised civil society and contested multi-Party elections.

Taiwan -- their major interest is -- has been up to this time the "black gold" phenomenon, how the corruption brought the Kuomintang down. I have not seen any real analysis of their interest -- and this is very recent of course -- in what brought the Kuomintang back in recent weeks,

but much less a serious analysis of the DPP as a party, with one exception -- the environment -- and the role that green activists played in the early years of the DPP around the Lukang nuclear power plant, right? Taiwan's not the only example of parties getting organized around environmental activism, and the Chinese or the Communist Party I think is acutely aware of this problem inside of China. So, they're trying to control the green movement, they're trying to co-opt the green movement in China, just like they do everything else, and bring it under the Party's tent, become the protector of the green movement, if you will, because once you empower a group outside the Party, as was the case down island in Taiwan, then you find competitive parties arising. It's a long answer to your question, but.

MR. BADER: Cheng Li, I want you to comment particularly on the first question, but I want to ask a follow-up related -- and I want you both to comment if I could.

MR. BADER: You mentioned Taiwan, and I wonder if both David and Cheng Li could comment on whether they see any possible osmosis from Ma Ying-jeou's victory? Since -- yeah, we had a very good speaker here at a program that Cheng Li organized, who was asked about the impact of Taiwan on the POC made the comment that the tail can't wag the dog if the tail isn't attached to the dog. Right, it was a great comment. Now we have the tail again attached to the dog. It's

been easy for the Chinese to ignore or to just cast dispersions on the Taiwan "model" for the last 10 or 15 years, because the tail has seemingly been somewhere else. And combined with that you have this talk of Civil Aviation Leagues, tourist agreements, a million PRC visitors per year at the outset going from China to Taiwan. Do you see this seeping into the consciousness of the CCP and making Taiwan a more relevant model? And then, Cheng Li, also please, if you could, comment on it -- last question.

MR. LI: Sure, that it's really going to have a strong impact to both intellectuals in China and policymakers. Previously they thought Taiwan democracy is a joke. They made all kinds of fun about Taiwan democracy. But this election will really change the mindset of Chinese leaders. Also, what happened in Tibet and China lost a lot of, you know, credibility and was a target of criticism by the international community. So, therefore they want to do something good. So, the recent meeting with Hu Jintao and vice-president-elect in Taiwan certainly is in line with change. But, again, different leaders have different views about Taiwan, the Taiwan model, but certainly it has a positive impact to China.

Now, also I want to mention that briefly that there's actually two or three discourses going on in China. Throughout the 1990s they talk about the crime, talk about, you know how to survive, how to avoid collapse. But the recent years have changed -- changed to a "rise of

China.” It's become a great power, so it's a different discourse, and if David's book, particularly the first debate and second debate, is still going on. But now there's a non-emergent literature. It's about the fifth democracy. It's still quite weak in China.

MR. BADER: Okay.

PROF. SHAMBAUGH: The only thing I'd add to that is Hong Kong. The Chinese -- when one considers potential evolution of the Chinese political system, one has to consider these cases you've just mentioned, one colleague at Stanford University, Andrew Walder, reminds us very effectively that we should not lose sight of the Hong Kong model. What is the Hong Kong model? Well, if you look at the Hong Kong Legislature, it's one-half appointed functional constituencies, and one-third elected from multi-party contestation. And Walder argues -- and I'm quite persuaded by it -- in fact, that is a more likely model for, say, the NPC over time than Taiwan or Singapore even. And obviously the CCP, where the Hong Kong executive has control, if you want to use that word, perhaps too strong as an adjective, can remain in power with that kind of system. So, I would just, you know -- as we're thinking about different alternatives for the future, you know, some people talk about a Japanese model. Cheng, I think, is somewhat in favor of the Japanese factional model for the China, where the factions in the party could morph into more empowered groupings. I'd let him spell it out for himself. But I, myself,

don't think that that's very likely in running this party state. I think much more likely is the Hong Kong Walder approach combined perhaps with a Singaporean element and a little bit of Northern European social welfare and Latin American corporatism. As I say, this is a very hybrid eclectic organism, the Chinese Communist Party that is taking shape, and it's a work in progress.

MR. BADER: I'll just add to the complexity of this problem and the Hong Kong model of course is that the PRC leadership is now somewhat directly elected. By 2017, they will in fact move to a fully directly elected -- let's go and its directly elected chief executive. Well, we'll see if they in fact do. But if they in fact do, does that become some sort of like a special administrative -- like the special economic zones. Does that become some sort of a model at least in part? I think it's worth thinking about.

I think we have time for one more question if there is one more question. Otherwise, it's time to go buy the book.

Okay, well, thank you all very much for coming. Thank you for the time.

PROF. SHAMBAUGH: Thank you very much.

MR. BADER: There were some good questions. Good job.

PROF. SHAMBAUGH: Thank you.

Excellent questions.

(Applause)

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