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EVOLUTION OF CHINA'S GOVERNANCE:  
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**PARTICIPANTS:**

THE INTERNAL LOGIC OF CHINA'S POLITICAL DEVELOPMENT:

**Moderator:**

KENNETH LIEBERTHAL  
Senior Fellow and Director, John L. Thornton  
China Center  
The Brookings Institution

**Panelists:**

YU KEPING  
Director, The China Center for Comparative  
Politics and Economics  
Peking University

STAPLETON ROY  
Director  
Kissinger Institute on China and the United States

PANEL 1: CHINA'S POLITICAL DEVELOPMENT: TRENDS AND CHALLENGES:

**Moderators:**

MELANIE MANION  
Professor  
University of Wisconsin-Madison

KENNETH LIEBERTHAL  
Senior Fellow and Director, John L. Thornton  
China Center  
The Brookings Institution

**Panelists:**

WANG CHANGJIANG

Professor  
Central Party School

CHENG LI  
Senior Fellow and Director of Research, John L.  
Thornton China Center  
The Brookings Institution

PANEL 2: CHINA'S STATE-SOCIETY RELATIONS AND INTEREST GROUPS:

**Moderator:**

RICHARD BUSH, Moderator  
Senior Fellow and Director, Center for Northeast  
Asian Policy Studies  
The Brookings Institution

**Panelists:**

JING YUEJING  
Professor  
Tsinghua University

SHI HEXING  
Professor  
Chinese Academy of Governance

MARY GALLAGHER  
Associate Professor  
University of Michigan

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## P R O C E E D I N G S

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

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

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

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

For the speakers, let me mention that there is someone sitting right here with a cue-card set who will hold up a card saying, 3 minutes, and then 2 minutes, and then 1 minute. I'm not going to tell you what happens to you after you've exhausted your

one minute because I'm sure none of you will do so. But we really ask all speakers to keep strictly to their time limits, so that we have adequate time for discussion and to bring all of you in and address your concerns.

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

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

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

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

Let me get to the real heart of the matter and introduce our two initial

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

AMBASSADOR ROY: Five at any given time.

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

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

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

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

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

In the 1970s, China still had a totalitarian political system in which the government controlled literally every aspect of people's lives. Now, the Chinese have significant freedom of choice on such matters as where they can live, where they can travel, what they can wear, what they can read, where they can work, and where they can be educated.

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

The second change is in the age and educational characteristics of national leaders. China is alone among modern countries in having a system of

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

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

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

A fourth area of change is in the way Chinese think about political issues. This is the result of many factors, including the hundreds of thousands of students who have studied abroad, the millions who travel abroad on official trips for business or for tourism every year. The greater access to information and the greater freedom for discussion. Tens of millions of Chinese can compare conditions in China with conditions in other countries on the basis of personal experience and observation.

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

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

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

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

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



As China continues to develop economically, this omission will become even more glaringly obvious and over time it has the potential, if not addressed, to create systemic instability. At the same time, when considering the internal logic of political development in China, we should not underestimate the impact of generational change in the leadership over the next two decades.

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

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

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

It flies in the face of experience and common sense to assume that

leaders with such different formative experiences will respond to the problems of managing China using canned formulas inherited from their predecessors. This is where so many analysts went wrong in assessing Gorbachev in the Soviet Union. The analysts saw Gorbachev as an apparatchik, cut from the same cloth as his predecessors. That's true, but he was also the youngest Soviet leader since Stalin became general secretary of the Soviet Communist Party in 1922. It should not have been surprising that Gorbachev adopted an approach far different from the aged leaders who had preceded him, who were 20 to 25 years older than he was.

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

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

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

adaptations. That is likely to be the case in the future as well.

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

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

In essence, the party has been bold and imaginative in responding to the challenges it faced. It is too little appreciated in the United States that for the last 30 years China has been constantly adapting as its domestic and international circumstances have changed. This has included major government reorganizations every five years for three decades. Ministries have been created or abolished. State agencies have been turned into quasi-private corporations. This willingness on the part of China to change differs sharply from what one encounters in Washington, where there's such concern over our inability to correct the problems that are making our political system -- in the eyes of many Americans -- increasingly dysfunctional.

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

Conceivably, this same adaptability could eventually emerge in the political sphere. We should remember that within greater China there are already two alternative political systems. You have the multi-party Democratic system in Taiwan and

you have the mixed -- elected and non-elected -- systems in Hong Kong and Macao. How these political systems function over the next several decades will have an influence over political developments in the rest of China.

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

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

China has only moved 15 to 25 years along this path, depending on whether you start counting the period of rapid growth from 1979 or from 1993. I prefer the 1993 date because if you look at the charts, you see that that's when you really had the sharp rise in the growth in China's GDP. To the extent that these Asian models have any relevance for China, this means that it's premature to expect significant systemic political change to occur in China in the near future. Indeed, if we want positive political change to occur in China, this will more likely to be the result, not of outside pressure, but of continued rapid economic growth and generational changes within the Chinese leadership.

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

(Applause)

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

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

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

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

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

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

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

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

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

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

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

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

established by the end of last year.

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

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

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

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

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

We always say in China everything in China has these Chinese

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

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

So why so many great changes in the political fields? In China, I always told of senior officials for Chinese (inaudible) toward democracy or for Chinese democracy. The problem is not if you like or don't like. The point is you have a new choice. We have to push forward democratic reform. Why should (inaudible) allegiance?

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

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

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

And fourth, the impact of globalization.

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



reform must be followed.

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

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

Today public service by the government is far from enough; there is a lack of mechanism to legalize dynamic stability. Political transparency needs to be enhanced and administrative costs are still very high. Just in six days the central government has a movement to reduce the public expenses. We call it in Chinese three public expenses: public car, public reception, and also public consumption. So terribly high.

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

So what to do? In my view, among major (inaudible) in the near future, including firmly pushing forward the rule of law, especially all political organizations in

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

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

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

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

Secondly, we on the American side really appreciate our Chinese colleagues agreeing to do this entire session, entire afternoon, in English. That is not necessarily easy for all of them, so we're having a translator to facilitate a bit. I ask, therefore, that you be sure to state your questions very clearly and concisely. It will save

us translation time and facilitate our having an effective discussion.

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

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

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

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

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

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

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

place that way. And where we look at the examples in Asia, we find that if the circumstances aren't right for stable transition to representative government, it doesn't work.

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

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

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

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

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

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

First, I think the starting point for incremental reform is actually the process itself. But the starting point for gradual reform is actually from the government perspective.

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

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

MR. BALZER: Thank you. I'm Harley Balzer from Georgetown University. And I have to confess, I spent 15 years running Georgetown's Russia-East Europe program, so I'm a little bit of an interloper. But I'm a little concerned about kind of unilarity in the projections that are being made. You know, does generational change always go in one direction? Gorbachev was indeed 25 years younger than the people he

replaced. Putin is younger than Gorbachev. He spent five years in Germany. (Laughter)  
Most of us wouldn't consider what's happening a positive change.

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

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

MR. ROY: I don't make straight line projections. I don't think there's anything inevitable about the process. But in a world where representative government is successful and before the financial crisis, you didn't have a single developed country in the world that didn't have a market economy and a representative form of governance. So to the extent that any country wanted to pursue a modernization process, all of the examples of modernization involved transformations both in the economic system and in the political system in one direction.

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

But the factors that come into play are leadership, our rate of economic development, degree of openness to the outside world, and the success of the various models that exist out of there. And my comments are based on what has happened over

the last 30 to 40 years when, in my judgment, the modernization models all had the characteristics that I've mentioned. Whether that will continue to be the case over the next 20 to 30 years, I think we'll have to wait and see whether the successful countries now continue to be the successful countries down the road.

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

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

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

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

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

You were saying that the economic growth is one of the key factors for

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

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

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

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

That brings a lot of new challenges and new problems. At the very beginning of our reform Deng Xiaoping said (inaudible) certain regions and certain individuals get rich first, so that was his slogan if you remember. But we look at our current situation and we see tremendous disparities between different regions and between city and rural areas and between individuals between the Eastern part of the country and the Western part of the country. And if we look at statistics from last year we see great numbers in terms of GDP and this is very encouraging signs. But when we look at the other disparities and other issues and we see they are very grave.

When Deng Xiaoping made his slogan 30 years ago to let certain regions



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

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

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

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

Yes, in back, the back row, standing.

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

Despite the obvious differences between --

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

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

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

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

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

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

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

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

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

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

When I served in the Soviet Union, the government was terrified of even raising the price of bread by a couple of kopeks or raising the price of vodka by a tiny bit because they had no way of knowing what people really thought because all feedback mechanisms were suppressed. And the result was while I was there, for example, to raise the price of vodka they withdrew the entire national brand of vodka and replaced it

with another brand of vodka slightly more expensive, which was the same vodka in new wine bottles. (Laughter) But to have to go through that process shows how really authoritarian regimes live in terror of what people really think because they can't measure it.

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

MR. YU: China has always been paying very close attention to Singapore, even since the Deng Xiaoping era, because Singapore is (inaudible) Chinese society and there is lots that China can learn from Singapore. When we look at the different aspects of Singapore society, for example, there's a relatively high level of livelihood in Singapore and also there's a social stability in Singapore. And the most interesting is the one-party rule in Singapore. So these are also issues, all issues that China is very interested in.

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

But we can still learn a lot from Singapore in terms of the party system. And we understand if a party's going to rule for long term, it has to meet the most basic

economic needs of its people. That's the first, the fundamental aspect of it. But on top of that, that's far from enough. In order to rule for long term, the party also needs to meet the political needs of the people, the cultural needs of the people.

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

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

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

And the second part of the question is in looking at those various models you've obviously looked at the United States. And I would be interested in knowing what your view is of the most significant flaws that you see in America's governance model and governance experience today.

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

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

As you see, China is a very unique country. It's a very unique people. And we say everything has Chinese characteristics. You are very familiar with such a

statement. But we have been learning from the Western countries. At the same time, we insist on we're not copying from the Western countries. But throughout the process of opening and reform, you can tell that we've been learning a lot of the good and beneficial sense from the Western institution without directly copying.

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

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

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

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

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

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

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

(Recess)

MS. MANION: So, I'd like to begin the second part of the part of the program, the panel on China's political development, trends and challenges.

And we have three speakers. I'm going to introduce the three speakers, and then I'm going to ask them to come up separately and make their presentations.

The first speaker is Ken Lieberthal, who you've already heard from. Ken is a Senior Fellow in foreign policy and global economy and development program at Brookings. He's also the Director of the Thornton China Center at the Brookings Institution. He's Professor Emeritus at the University of Michigan. Until 2009 he taught there in political science and the business school. He earlier taught at the Swarthmore College. And he served as Special Assistant to the President for National Security Affairs, and was Senior Director for Asia on the National Security Council from 1998 to 2000. His government responsibilities there encompassed American policy toward all issues involving the Northeast, East and Southeast Asia.

He's written and edited many books. He's published many articles. His most recent volume is *Managing the China Challenge: How to Achieve Corporate Success in the People's Republic*. It is published by Brookings in 2011 -- and I'm guessing it's available on that table out there.

So, secondly, I would like to ask Professor Wang -- yes, okay -- secondly, I'd like to ask Professor Wang to present.

Now, Professor Wang is professor and Director of Comparative Party Studies at the Central Party School of the Chinese Communist Party. For those of you who have conceptual priors about what a Communist Party "party school" is, hold on to your seats. Because the Chinese Community Party School is intellectually very lively, very open, and very interesting. And you will not find a bureaucratese spoken by Professor Wang. So this will be an interesting -- intellectually interesting -- and lively presentation, I guarantee you.

Professor Wang received his master's degree in political science at Peking University in 1985. And before that, he worked at the county level in Qinghai Province for several years. He moved to the Central Party School in 1985, and he was a visiting scholar at Moscow University in 1989 and 1990. And he's long been engaged in comparative studies of political parties. And he's been known as an expert in the field of party politics and party-building in China.

He's got many books, and he's written many articles as well.

And then, finally, Dr. Li Cheng -- Cheng Li -- is Director of Research and a Senior Fellow at the Thornton Center at the Brookings Institution. He's also Director of the National Committee on U.S.-China Relations. He received his M.A. in Asian Studies from Berkeley, and his Ph.D. from Princeton.

Before joining Brookings, he was the William Kenan Professor of Government at Hamilton College, where he had taught since 1991. He's advised a wide range of government, business, non-profit organizations working on China. He's also published many books, many articles. And his most recent volume is *China's Emerging Middle*



*Class*, also published by Brookings in 2011. And it is also available on the table outside, there. (Laughter.)

So, without further ado, I'd like the speakers to come up one at a time to make their presentations. And then the three of us will assemble, and we'll take questions.

Thank you.

MR. LIEBERTHAL: Thank you very much, Melanie. Let me add -- since she did not introduce herself -- the moderator is Melanie Manion of the University of Wisconsin, professor of political science, who has written many books, but does not have a book on sale in the back. (Laughter.)

Let me lay out my basic theme first, and then provide details. Because the basic theme is quite straightforward.

It is that after many years of successfully fusing the political system with its economic growth model, we now have a trend in China toward an increasing set of contradictions between China's political mode of operations and its declared need to shift to a new growth model.

The greatest challenge now, I think, is to reform the political system to sufficiently reduce that contradiction -- the contradiction between the way the political system functions, and the effort to shift to a new model of growth, a more sustainable model of growth for the Chinese economy.

Now, let me detail that. And, as I mentioned before, you're going to hear some themes that just resonate throughout the afternoon, and I'll start with some of those.

We need to keep in mind that China has what I would term a "high capacity political system." And it's a very unusual system in what it puts together, from an American perspective -- even from the perspective of American political science. Because it is obviously authoritarian and one party, but it is decentralized -- Professor Yu

said it needs to be more decentralized. But it is already quite decentralized. There's a huge amount of decision-making authority at every single level of China's five-level political system.

It is therefore a very dynamic political system. It is focused, on the whole, on promoting very competent people. The person who has the national responsibility for this is Li Yuanchao. And he has been very creative and dynamic in developing programs to get the best and the brightest to rise to the highest levels of this system. And we see the results in terms of educational credentials and performance credentials.

There is enormous competition among different localities in China. A county will compete with a neighboring county to attract resources. Cities and provinces compete. This is not, by any means, a matter of everyone just saluting and following orders. This is people trying to get things done in their area first, and make this system work extremely effectively.

And these leaders at each level of the political system -- from national level to provincial, to city, to county, to township -- are very strongly incentivized to produce a combination of rapid economic growth and public order. And to sustain that, even as China undergoes massive social transformations -- transformations based on the most rapid, large-scale urbanization in the history of the human race, combined with very rapid globalization, combined with the unfolding of the information revolution and other such transitions all at the same time. This is just extraordinary. The attempt to do all of this at the same time is audacious.

This is not a system that is ideologically driven. It's a very pragmatic political system. And it is governing a country -- let's keep in mind -- that spans, within the country, everything from a very basic developing country's set of problems, to the problems of a fully middle-class international society. So if you think of the EU, with its

new members, the diversity within China is greater than the diversity between the original members of the EU and the new members of the EU by far. So this is a system that has a lot of challenges. They are not easy. But it's very dynamic and high capacity.

Now, China's political economy, the way its political system relates to its economy, has made economic growth, I would argue, a necessary outcome of the way the political system itself functions.

Why is that? The incentives that each territorial leader has -- the top party and government leaders at the provincial level, at municipal level, county level, township level -- are basically threefold. One, to avoid embarrassing leaders at a higher level -- through having major product scandals, or whatever it may be. Secondly, to achieve basic social stability -- don't have too many signs of social unrest. And if you have checked both of those boxes, the key thing is to make your GDP grow each and every year, in a visible, measurable way.

And leaders at each level are given the flexibility by their superiors at the next higher level to optimize their behaviors in order to realize these incentives. And they have enormous capacity at each level to intervene in the economy, both directly and through the legal and banking systems, so that the political leadership can be engaged in what I would term a "micro level" in the economy, enterprise by enterprise -- not only by sector or through monetary and fiscal policy, but enterprise by enterprise.

Now, this political system is highly geared to promoting the economic growth model that's produced China's rapid economic development to date. That is basically a capital and resource intensive model of growth. We can get into details in Q&A if you wish.

The 12<sup>th</sup> five-year plan has made clear, though, that China now aspires to change that growth model in significant ways. And it's a good thing they do. Because

the current growth model -- as Premier Wen has pointed out repeatedly -- is simply not sustainable.

Why isn't it sustainable? Because, among other things, it builds on core assumptions that have largely become exhausted. These include that China can develop now and clean up the environment later. They're finding the environmental degradation is so extraordinary that they can no longer afford to neglect environmental issues as they develop.

It includes the assumption that people will continue to accept increasing inequality and corruption as the inevitable cost of transitioning from a planning economy to a market economy. But all public opinion polls indicate that people are very upset about the level of wealth inequality and the level of corruption.

It includes the assumption that the international arena will continue to accept significantly increasing Chinese exports. Each of you may have your own views on that. I agree with China's leaders that the future is doubtful on that.

And, finally, it includes the assumption that China will have a growing supply of young, flexible, cheap labor -- yet China's demographic pyramid is such that those days are ending extraordinarily rapidly, and the price of labor is going to be going up very rapidly. And the quantity of labor in the young part of the labor force is going down, in absolute terms, starting about two years from now.

So, all these core assumptions are now -- it isn't that you -- on Tuesday they all cease to be valid, but they are increasingly costly to sustain. And the capacity to sustain them is increasingly uncertain.

Therefore, the leaders now seek to move to higher value-added, more efficient energy and manufacturing sectors, rapid growth in the service sector, and stimulation of domestic household consumption.

I would argue, though, that to get to this new economic growth model that really prioritizes things that the previous model basically neglected or played down, requires major changes in the incentive structure for local territorial officials -- provincial, city, county, township. Those changes, in many cases, if rigorously implemented, will have, among other effects, that they will take money out of the pockets of those officials.

They therefore, I believe, would require a very strong reformist national leadership, prepared to expend substantial political capital to push those changes through. The last major reforms in China -- political reforms in China -- I would argue occurred in the mid- and late-1990s. And it's worth noting the conditions that permitted major political reform at that time; I think they were basically threefold. One, you had a very decisive leader -- in this case, Zhu Rongji, who was backed fully by the party chairman Jiang Zemin.

Secondly, the country was under real economic strain. The state-owned enterprise sector was a mess. The banking sector was in serious trouble -- even after earlier reforms, it had major problems remaining. And all of that was exacerbated, thirdly, by a sense of crisis with the Asian financial crisis in 1997 and '98.

Currently, if you ask where will the impetus for reform come from, you, frankly, don't have any of those three conditions in contemporary China. The leadership now, I believe, is basically consensus-driven and, in any case, is very much tied up already in the issue of the succession. And therefore it's not a time when you would expect leaders to take bold moves that might alienate key territorial officials at every level up and down the hierarchy. Successions are not periods of time when you take big risks.

The state, moreover, has a lot of money -- a lot of it in U.S. dollars. But, anyway, the state has a lot of money to spend, and it is pretty freely spending that money to address problems.

And, internationally, China feels very empowered. Because in the wake of the global financial and economic crises, its relative role in the global system has taken a major jump forward. So there isn't this sense of being put-upon that China had in the late 1990s.

I think, therefore, that the serious political administrative reforms necessary to successfully change major parts of the economic strategy are not going to be -- I'm sorry, are not going to start to be put in place until 2014, if then. All right?

The new leadership won't be fully in place until 2013, through the NPC, in the spring of 2013. If history is any guide, it will take them a year or so to fully get into place and get comfortable and ready to take the initiative. So I think the earliest we will have it is 2014. And it's then that we will find out whether this new leadership really has fire in its belly to get these changes made.

This has consequences. This gap of three years has consequences. It raises the risks of continuing increases in social discontent -- even in the face of efforts to enhance the social safety net. And it allows an additional three years or more for current major vested interests to consolidate their positions, and perhaps for additional movement that we've begun to see from the recent system of bureaucratic capitalism, towards something that is beginning to look increasingly like crony capitalism.

Now, while the social discontent element will increase pressure, and possibly increase the political will to undertake necessary reforms, vested interests will make it more difficult to initiate and carry through sufficient reforms. And I think the bottom line is nobody knows how these competing forces will work out on balance.

Personally, I think there is some reason for concern.

Another way of looking at political trends and challenges is to look at it in terms of the classic issue of how governments motivate their populations. And basically there are three things any government has available in its tool kit.

You can -- there are basically values. You know, you get people to do things, what you want them to do, because they believe in you and in your aspirations.

Money -- you pay them more to do it.

And coercion, you whack them on the head if they don't. Right?

And those are the three basic tools. And every government uses a mix of those tools. But that mix can change in consequential ways over time.

China's leaders are stressing nationalism as their most successful values proposition, and material rewards -- increasing the standard of living through constant GDP growth -- as the key legitimizing element. They would like to add improved political administration to the value side of the equation, and they're proposing significant measures to shift income to lower-income earners. And they're taking measures to improve the quality of administration, especially within the CCP. -- as Professor Yu suggested in his earlier comments.

But the problem is that, to a significant extent, the system itself now channels wealth in increasing unequal directions. And phenomena such as corruption are sapping some of the effects at efforts to improve administrative quality.

The result is a serious need to undertake political reform that is deeper, in order to provide better distribution of material rewards, and the type of political administration that will enhance real popular commitment to the system. Otherwise, nationalism will remain the major fallback option.

But I personally am not terribly optimistic about such changes over the coming three years. And I hope -- but I'm not sure -- that the situation will improve in a significant

fashion shortly after that. To the extent that values and material rewards do not suffice, coercion obviously comes into play.

Let me sum up, therefore, as follows.

The Chinese system is very dynamic, and is building elements such as decentralization that make it very resilient. This is not a fragile political system. But it's promoting changes that are, themselves, tension inducing -- such as very rapid urbanization, et cetera -- and has embedded deeply within the system incentives that make it extremely difficult to shift significantly away from a development model that is not sustainable.

The conditions to initiate major reforms in these critical dimensions of the system, I believe, are not currently present. Beijing will allocate a lot of funds to its new priorities, but this massive political administrative system is likely to contour the actual use of those funds largely along existing priorities that we've seen to date.

The current system makes it very difficult to achieve the improvements in political administration and distribution of material rewards that can reduce the need for coercion in the system.

I just got the signal that I'm out of time. I'm going to make two more points anyway.

Despite the new five-year plan, and the current initiatives to improve the governance capabilities of the Party, we're likely to have to wait three years, at a minimum, for another -- I'm sorry, we're likely to have to wait at a minimum for another three years until the new leadership has been in place for about a year before there is significant chance of major changes in the above situation.

And this means, I believe, that social tensions which are already high are likely to grow dramatically in the coming few years. And the question is whether increasing social



pressure will stimulate sufficient political reform, or whether the consolidation of vested interests, as the center continues to make a lot of money available, will make such reform unachievable.

So, again, this is a high-quality system, a sincere leadership, a high-capacity system. But it is now at a point where the types of changes required are not changes the system can easily come to grips with. And therein lies the problem and the uncertainty about the future.

Thank you. (Applause.)

MR. WANG: Ladies and gentlemen, good afternoon.

Thank you for giving me so great opportunity to explain my views about the Chinese political development. Different from Mr. Yu, I will put my focus on the intra-Party democracy in the Communist Party of China.

The CPC is the core of Chinese political system. And understanding the CPC is the key to grasping the orientations of the political system, China's political system.

Over the past few years, the CPC constantly emphasizes the development of the intra-Party democracy. This had happened greatly interesting researchers, interesting researchers.

Next, I want to show you my opinions about that. It includes three parts. The first is the motivation for the development of intra-Party democracy. The second, the development of the CPC's intra-Party democracy. The third is prospect of the CPC's intra-Party democracy.

Let's go to the first, the motivation for the development of intra-Party democracy.

Essentially, "democracy" means to reduce power, to limit it, to decentralize it, so many analyses about where are the motivation of developing intra-Party democracy in CPC. Foreign political parties develop intra-Party democracy because there is an

internal...external pressure from other competing political parties. But as far as the CPC is concerned, this sort of pressure does not exist.

From this, the conclusion may be sort of the motivation in CPC. It sounds responsible, but I think it's a mistake to look at the CPC monolithic. At least there are three aspects can be observed.

The first, the desire to increase the Party's political legitimacy. The second, the pressure from the development of the market economy. The third, innovative impulses from the local and the primary-level organizations.

First, the desire to increase the Party's political legitimacy. Different from the Western parties, the legitimacy on the CPC has been built especially on the base of the violent revolution, which received the support from the masses. The Party set out a series of special goals and special principles for the identification of the people. One of them is democracy.

The CPC held high the banner of democracy, and opposed the Kuomintang, now in Taiwan. After taking power, despite the fact that it adopted the Communist Party of the Soviet Union's model of higher centralized power, the CPC still believed that it had a form of democracy that was superior to that of the West.

Democracy was even used as a pretext for the Cultural Revolution -- namely, the Great Democracy. Today, under the wave of democratization, propelled by the market economic, the CPC is even less inclined to give up its pursuit of democracy and harm the political legitimacy it has inherited.

In the transformation from a revolutionary party into a ruling party, the Party's legitimacy had been somewhat reduced. It is even more important to maintain the ideological continuity. This is influenced from the strongly ideology-oriented cultural in CPC.

Next, the pressure from the developments of the market economy. Similar to the development of other transition countries, Chinese people's enthusiasm for democracy and political participation has increased in the process of modernizing, and gathered pace in line with economic development -- which inevitably requires the political system to respond. As such, how to maintain economic development, promote the democratization process, and not let the political development affect the political stability is an important question for the CPC.

The CPC chose the approach of developing democracy in an orderly manner, the specific form being intra-Party democracy -- promoting and driving social democracy. This means that as social democracy develops in line with people's requests, accelerating the development of intra-Party democracy can provide a model that can be imitated and referred to for the development of social democracy. And it can play the role of leading the development of social democracy, which would make it unlikely to descend into chaos.

The third is innovative impulses from the local and primary-level organizations. We always say that the Party is facing risks and ordeals. In fact, the local and primary-level organizations are the first to deal with them, and then feel the pressure of social contradictions and social conflicts in the first instance.

Therefore, these organizations tried out many new practices during intra-Party reforms. They are relatively positive toward innovation. That's this first.

Next part, I will introduce the development of the CPC's intra-Party democracy.

In my opinion, democracy can be seen as a system, an organism. Many parts link up each other; make up democracy as a whole. For example, we can separate the intra-Party democracy into four parts. In every part can observe the reforms which have happened. In the election part, there are primary vote positions change, and they

changed the nomination system, publicly nominating and the direct election (inaudible 00:31:09).

In decision-making part, openly decision-making is conducted. And strengthening the role of plenary meeting can (inaudible 00:31:24).

In participation part, there are public hearings and consultation. This is a (inaudible 00:31:37) contrary with annual conference, they will challenge it.

In supervision part, there are intra-Party affairs alternate (inaudible 00:31:51), responsibility investigation (inaudible 00:31:55), et cetera.

From so many practices, I want to flesh out two cases. The first case is the change of the nomination system. In the past constitution, there is a provision saying all leaders of the Party organs are elected. But, in fact, there are always single-candidate election. The higher organization nominated, and then appointed.

So the key issue, turning the appointment system to election is to change the nomination system. A great attempt is (inaudible 00:32:44), in township level. The earliest is (inaudible 00:32:49), later in (inaudible). There are three counties perfectly carried that out. And now, in Jiangsu Province, it is widespread.

It has three fashions of nomination. These three nominations are self-nomination, joint nomination, organizational nomination. Nominees have equal rights in terms of the procedure of the multi-candidate election.

The case two is strengthening the role of the Party Congress. According to the Party Constitution, the Party Congress is the highest organ of power. Theoretically, the roles of the Party's representative is just the same as the representative of the People's Congress. But it is not true.

Now, besides the one-week conference, every five years the Party Congress itself has no activity. And the only thing the Party representative can do is, five-years,

applaud. So some will make fun when the person was elected to the Party representative, he demanded, "Can I exchange this title with the People's Representative?" (Laughs.)

So the major issue is to make them play substantial roles. The practice of the reform, next, for example, open the regular annual conference, promote the activity of delegates. That means representatives put forward proposals and interact with people, observe standing committee meetings, and examine, discuss reports of the standing committees, et cetera.

And there are some place establish permanent committees. For example, in Yunnan, there established three permanent committees. It means then, the supervision committee, policy making, consultive committee, representative affairs committee. And that's all.

Then we do a summary.

There are many cases of the reform of the intra-Party democracy. And we can say the development of the intra-Party democracy has covered every aspect. But we have not enough time to put them out.

Here, I want to give you a diagram. In this diagram, you can certainly have an overview of the development of the intra-Party democracy. On the high level, there are intra-Party affairs reporting, and declaring income. In the middle, there are plenary meetings, with voting system, publicly nominated and direct vote for leadership -- opening important decision-making responsibility, investigating. And on the lower level, two-vote election system, intra-Party hearings, and the consultation regular annual conference, and three-vote assessment system, et cetera.

Now, let's enter the third part, the prospect of the CPC's intra-Party democracy.

How about you think about the intra-Party democracy of the CPC? Many some optimistic, hold positive attitudes. Some pessimistic, they hold negative attitudes. And some are puzzled -- (laughter) -- with uncertainty.

As to me, I am an optimist -- but cautiously optimistic.

Intra-Party democracy in CPC is hopeful, but it needs clear, direct and firm courage. Let's go back to the diagram.

If we, according to the different color, draw a dotted line, we will find the lower level of the Party organizations, the more comprehensive fields there are reform attempts referred to, and the more fundamental issues they deal with. On the contrary, the higher the level of the Party organizations, the less reform.

From that, I think where the direction of the intra-Party reform is, and where the intra-Party democracy is going forward is very clear. Lengthwise, we need to push forward the higher-level reforms. Horizontally, the more important and the crucial are the areas of election and decision-making.

Specially speaking, I have three suggestions.

Firstly, putting forward the intra-Party competitive elections. No competition, no election, and no democracy.

But it seems there is a confliction between the competition and the principle the Party controls the *dang guan gan*. What does "*dang guan gan*" mean? Why this complication?

The reason for this is way acceptable, the Soviet Bolsheviks model regarded control as a point. That makes election be formative.

In my opinion, Party control is normal activity in politics, but it can't cross the line of democracy.

In China, competition among the parties doesn't exist, so we can call it the "noncompetitive party system." But I'll advocate intra-Party competition. It is improper to describe the Chinese politics as non-competition politicians. This is my position.

A second -- okay, the second is top-level planning about the intra-Party democracy. Top-level planning is an urgent need.

Today, as the reform is standing in the deep-water area, and it cannot continue to solve problems from limited vantage point. Rather, it needs overall planning.

Now we have a risk to fall into a dilemma. On one hand, reforms and innovations blossom everywhere. On the other hand, we do not have an urgency for drawing up all our plans.

In this way, if we could do nothing, this dilemma would lead to two consequences. First, we would have to face the ceiling, face the ceiling in intra-Party reforms and innovations, which will cause a lack of connection between all the links at the same level, and also a lack of cooperation and support between upper and lower levels. This bottleneck would make reform difficult, and even return to the states there were prior to reform.

Secondly, we set up many agencies in an ad hoc manner to solve particular problems, or carry out a particular action. And such agencies always lack professionalism, a sense of mission and comprehensive outlook. So it is difficult for them to consider reform in a detached manner from the perspective of the Part and the government's overall interests.

In addition, since the people in these agencies come from other departments, they invariably redirect such agencies to serve the interests of their own departments. In this context, the reform inevitably results in departmentalist and fragmentary.

The second, more space -- no.

(Pause.)

Okay. That's all. (Laughter.)

Thank you for your attention. (Applause.) Thank you.

DR. LI: Well, early in the afternoon the chair of the conference, Ken Lieberthal, specified that a Chinese speaker will have 25 minutes, and American speaker will have 15 minutes. As a Chinese-American speaker, how about 20 minutes? (Laughter.) Okay.

Well, I want to join Ken in expressing our profound appreciation to every participant -- especially to the PRC scholars -- for collaborating with us on this multi-year project, and for sharing your insights and prospects this afternoon.

Now, over the past decade, I have learned a great deal from, first, your writings, more recently, through our direct scholarly exchanges. We may have very different views regarding the current status and the future direction of Chinese political reforms. And you may also have serious reservations about what I'm going to say in my presentation.

But this open dialogue is the healthiest way to advance our knowledge of China's political trajectory. As someone said, "When the door is open, minds will not be closed."

Now, the focus of my presentation is the evolution change in Chinese political leadership, or leadership politics -- a timely and essential topic, due to China's upcoming political succession at the 18<sup>th</sup> Party Congress next fall.

I want to address a simple but essential question in China studies today. Is China's collective leadership a source of strength or weakness?

There is surprisingly strong agreement among China studies communities, both in China and also abroad, that China today is led by a collective leadership. Hu Jintao is simply first among equals -- as will be Xi Jinping, his designated successor. The controversy, however, is in its assessment: Is collective leadership a source of weakness or strength in terms of China's governance?



In answering this question, I will make three observations. First, explain the large scale turnover in the upcoming succession. Second, talk about the rules in the collective leadership, and the new challenges. And, finally, crisis in the making, or democracy on the way?

Now, the first large-scale turnover in 2012 -- about 70 percent of the top Party, government and military leadership will be replaced -- as Ambassador Stapleton Roy earlier mentioned. I will give you some specific information.

Second, the principal figures represent -- are responsible for China's political affairs, ideological affairs, economic administration, foreign policy, military operation, public security will consist of newcomers. And this is not only happening in the highest level, but also all five levels of leadership -- from town, county, city, province and central government. And thousands of them will be replaced.

Now, first look at the expected change of the Politburo Standing Committee. This is the most important leadership body in the Party. Some of them will retire. Only two of them will stay. We probably know four of them highly likely -- 95 percent can get a Standing Committee ticket. There are three seats available. But probably there are about nine to 12 people fighting -- you know, I can give you the list if you want, the names.

The State Council, the government, we know that there's a premier, four vice-premiers, and five state councillors. These are the 10 most powerful figures. Only two of them probably will stay. Most of them will retire; some will transfer to other leadership bodies. Even these two may not stay in the State Council. So it's a question mark. We have no idea, really, who will be these other eight seats.

Military -- look at the military members of the CMC, also some of them will retire. Three of them will remain. No ideas about the other seven leaders.

Now, earlier I mentioned about this top leadership, Hu Jintao and Wu Bangguo in charge of People's Congress will step down. Hu Jintao and his designated person in charge of foreign affairs, Dai Bingguo will retire. He is in town, actually, by the way. Economic affairs, Wen Jiabao will retire. Two military vice-chairmen of CMC, and the ideological czar, and also security czar, both will retire.

Now, let's look at the rules of the collective leadership, and new challenges. This is very much in line with Professor Wang's presentation -- excellent presentation. When you talk about "intra-Party democracy," it's real. These are the rules already, you know, very much implemented, including term limits. Each leader has two terms, each term five years. And age requirement for retirement, you reach a certain age, you should retire.

This election, with multi-candidate election, not all just a single candidate. Within the Central Committee, for example, they want to select 350 people, they will give 370, you know, people on the list. You can eliminate 20 candidates.

And even distribution of membership in the Central Committee -- I did an extensive study for the past three congresses. Almost each province has two full members in the Central Committee, and also with the ministers and et cetera.

And the law of avoidance -- the police chief and the party chief should now be -- should not come from the same region. And also, there is secret vote for the selection of the lower level of the appointees. For example, the provincial government, the Standing Committee members will vote to decide the mayors and the municipal party secretary et cetera.

Now, this is also -- you can look at this chart, this is the turnover rate of the CCP Central Committee from 1982 to 2007. The turnover rate is very, very high -- certainly much higher than our Congress. I probably should respect our Congress. But certainly, abolish of lifetime tenure, it's very significant.

Now, but there are some problems. Actually more and more, I found that there's a serious problem start to emerge. Actually, the past solutions become new problems.

For example, the intensity of factional politics -- this is what I call "one party, two coalitions." And our speaker is always mentioning that it's no longer a monolithic party, or monolithic leadership, it's absolutely true. It's divided by factions -- and I would say by coalitions. When its elitist coalition, confirms, you know, Jiang Zemin's princelings, and Shanghai mafia -- you know, maybe (inaudible 00:51:52), and entrepreneurs and et cetera. And the populist coalition found Hu Jintao's Chinese Communist Youth League.

So the core group for elitist coalition core group is princelings. Therefore populist coalition, the core group is Chinese Communist Youth League, known as *tuanpai*.

Now, there is also intensity of black-box manipulation. And, in my view, no solid progress, in terms of political reforms since 2009 -- you know, David Shambaugh is also in the audience -- you know, this I share with you, that really since the fourth plenum of the 17<sup>th</sup> Central Committee, there's no progress whatsoever in that front. There are a lot of changes, earlier I mentioned, but started much earlier in the later '80s and also in the '90s.

There's also a phenomenon called the "age 59 phenomenon." This is by Chinese government. There's so many people, leaders, you know, arrested on the charge of corruption when they were 59. Or, you know, they started to do crime when they were 59. Because 59 is the year they're supposed to retire as vice-minister, vice-governor. So they shall seize last opportunity, you know. And this is called "59 phenomenon."

But also, that 59, it's really very young. But there's a growing resentment of retired leaders -- you know, Li Rongrong, the former SASAC chairman, he was very angry when he surrendered his position. Recently, you can see -- for those of you who

follow Chinese politics -- Zhu Rongji also a little bit angry. So that's certainly, it's a new phenomenon start to emerge.

And also the prevalence of the guanxi ties that lead to promotion. And also the slow upward social mobility. For example, since last December China has civil service examinations to select civil servants, or local or minister-level leaders, or low-level leaders.

The admission rate is 1.5 percent -- 1.5 percent. In some jobs, like in the energy bureau, state energy bureau, 8,000 applied for one position -- 8,000. This is not the case 10 years ago. The private sector, really difficult to make a big fortune. So they moved to civil service as a service. But now only 1.6 percent of the people can get admitted. So it's a serious problem that was a flaw of the system. Some of yesterday's solutions become today's problems.

Now, also the leadership, I talk about the populists versus elitist coalitions. It's really evenly divided. The number one leader is Hu Jintao. Number two is not Wen Jiabao, but Wu Bangguo. Wen Jiabao is number three, and Jia Qinglin is number four. Two from each.

The State Council, vice-premiers, four of them, two from each coalition. The councillors -- we have five councillors -- one is military. Military is supposed to be neutral -- so, also two from each.

And the heavyweight in the fifth generation, only six of them in the Politburo, three from each, including two Standing Committee members. And also in the Secretariat, six people, and two are the fourth generation -- I mean the fifth generation leaders, four of them, two from each.

And the rising stars in the sixth generation, there are four of them -- are currently four ministers with the Central Committee membership, or alternate membership -- two of

each, including Su Shulin, recently promoted to Fujian Governor, from Sinopec. These are the rising stars of the sixth generation -- also evenly divided.

In my view, it's not a coincidence. It tells you how intensity of the factional politics in Chinese Party is. It's very difficult for non-factional leaders to enter the very top leadership. I think -- I hope things will change in the future.

Now, let me look at the last one, the crisis in making, or democracy on the way.

This, again, China is really a paradox of fear and hope, you know, in everything -- whether the economy, politics and the leadership change.

Now, let's start with fear. The fear that is emerging, political lobbying starts to emerge in, particularly in some provinces or some cities. I will show you a photo later on. And also, there's signs of vicious factional power struggles. And since 1989 Tiananmen, Chinese leadership did an excellent job -- as Ken mentioned -- they tried to, you know, not make this too public. But there's a tendency now to go to the public, some of the conflict, in terms of policies, or in terms of -- or positions.

And also, the tremendous economic problems in today's China -- and talk about property bubble, talk about inflation, talk about the shrinking of the private sector. And also, there's other challenges in different areas that could be contributing factors.

And it could be out of control. That's a fear among the leaders and among the public. And this is further intensified by the growing role of the party elderlies -- there are lot of them now -- and they want to have a say. And also the military, also increasingly articulate. And the local leaders, also sometimes they want to revolt. For a long time there's an argument in China -- you know, national leaders are good, local leaders are bad, you know, corrupted, and ineffective or incompetent. This is what someone called, "Think nationally, blame locally." I used that as the title of my article. But this has come

to an end. The local leaders also challenge, because they think it's unfair, from their perspective. They really do not have much resources for their own localities.

And, finally, there could be policy deadlock. You know, China is no democracy, but already has all of the problems of democracy -- except a lack of legitimacy.

Now that's a fear. Let me talk about hope. Oh, before that, this is a campaign, the famous Bo Xilai's campaign, Chongqing, singing the Red songs, Communist songs. And it's fascinating, this is Bo Xilai, very charming leader. And you see that all the things, you know, the revolutionary songs.

This campaign, I think he learned the first lesson from the West, is how to get campaign financing, I think. This is not cheap. Involves a lot of money, you know. But he's doing that remarkably well.

Now, talk about hope. Actually, like Professor Wang Changjiang, I'm optimistic about the future. Because there's hope from this kind of seeming crisis.

The two party -- the one party -- I'm sorry, one party, two coalitions -- borrowing Deng Xiaoping's "one country, two systems" -- can be a major step towards a true Chinese-style democracy. Because the Chinese politics no longer a zero-sum game. They can, you know, share power. And these two factions or coalitions are equally powerful. There's no way to completely defeat the other. So that's a good thing.

And the crisis can provide incentive. Early on, Professor Lieberthal mentioned that the lack of, you know, incentive or consensus for change. Sometimes crisis may solve that consensus for further change, and lead to a new consensus on fundamental political reform.

And China has a rapidly growing middle class, and emerging civil society. This differs profoundly from 1989, you know, during Tiananmen years. This is a very healthy development.

And also, the interest groups can be a stabilizing force -- whether it be business interest groups, NGOs, many other things. Localities, it can be also. And foreign companies could be an interested group -- and et cetera.

And also, finally -- and I think the most important thing -- is the Chinese public sees a vision of China's rise can contribute to a non-violent transition.

Now, in conclusion, I would argue that whether the Chinese collective leadership is a source of strength or weaknesses depends on whether the country can make an evolutionary transition to a real Chinese democracy which will consist of genuine election, rule of law, media freedom and government accountability.

You know, people probably immediately will ask whether what the Chinese scholars talk about democracy is also the democracy is also the democracy we talk about. My answer is yes -- although the transitional period could be quite different. But we all talk about elections, media freedom, rule of law, accountability. So, ultimately it has shared characteristics. But at the same time, Chinese democracy should, and will be, unique.

The collective leadership is a source of weakness if it becomes marred by nepotism, favoritism and other sorts of a patron-client network -- and becomes insulated from the rapidly changing society.

But the collective leadership can be a source of strength if it institutionalizes checks and balances, and becomes more representative in the eyes of the public.

In my view, this political transition, though painful, can be largely peaceful. It will be able to correspond to the increasingly complicated, sometimes contradictory, need of the Chinese economy and society. In a sense, a fundamental change in the Chinese political system is not a choice but a necessity.

I want to end with a quote from Winston Churchill. I said, I quote, "An optimist sees an opportunity in every calamity. And a pessimist sees a calamity in every opportunity."

Well, time will tell whether China's next generation of leaders -- especially Xi and Li, Xi as the President of the Central Party School -- will be optimists or pessimists. I sincerely hope that they will be optimists.

Thank you very much. (Applause.)

MS. MANION: Well, thank you. We've had three excellent talks.

I'm going to take advantage of my position as moderator to pose a question to each of them, which they can ignore. I'll pose it, and then I'll let the questions go into the audience. And if they find you too tricky, maybe they can answer the one that I've posed.

Let me start with you, Li Cheng. And it really does relate to Professor Wang's issues.

So you're talking about a Party -- both you and Professor Wang are talking about a non-monolithic Party. But in your formulation, the factions in the Party -- even though you do talk about elitists versus populists, you talk about "princelings" versus *tuanpai*, these are biographically based. These are not policy based. They're biographically based, or they're private-interests based. So this is a very different view of the Party -- divisions within the Party.

And you talk about a linkage to society. I just don't understand how you can see anything optimistic -- how you can see anything optimistic out of these particular divisions.

And so it's the use of "factions," rather than what I would call policy divisions.

When I look at what Professor Wang is talking about, it seems to me that it is quite different. And my question for Professor Wang -- and I promised you something



interesting. And the notion of intra-Party competitive elections, I think he delivered something very interesting to us which, as he assures us is his own view. And it's a very radical view that *dang guan ganbu* is not about appointments. That is a very radical view.

So my question for you is if we go back up to the beginning of your presentation, you talk about the Party -- a path of orderly democracy. And that path of orderly democracy means the role of the -- the leading role of the Party, it can play a leading role for social democracy.

Well, if I listen to what you're saying about the intra-Party competitive elections, or the Party -- different groups, opinion groups within the Party, will those be known to society? Those are not factions in the same sense that Li Cheng is talking about. But for that to play a leading role for social democracy, it seems to me that those groups -- while they don't have to be different "parties," have to be recognized within society as different. That is to say, the people in society have to recognize the Party as having different voices, different aggregations.

And then my question for Ken is sort of simpler. And Ken, you're arguing that we need a new incentive structure for local officials. You talk about a serious political administrative reform to change the strategy.

And what I'm not clear about there is whether you're talking about new incentives, or a new structure. Just a different content for the incentives, or something different altogether? And that wasn't quite clear to me.

And so rather than letting them answer these questions, I'd like to sort of leave those as rhetorical -- or you could come back to them.

But I'd like to open it up to the audience. And same ground rules apply. There's a roving microphone. And introduce yourself.

MS. CURRIE: Hello. Kelley Currie, from the Project 2049 Institute.

My question has to do with Professor Wang, you point out that there's greater democracy at the lower levels than there is at the top levels. I think this is pretty well understood. But then you also have the point that both Mr. Lieberthal and Mr. Li make about how the local levels are blamed for all the problems. They are universe -- well, they are widely regarded in China as less trustworthy. When you look at polling about what Chinese people think about their government, they tend to regard their local officials much more poorly than their senior, high officials.

So how do you kind of reconcile this greater, what you would call "democracy," greater development of democracy at the lower levels, with the lower levels of trust or regard that people have for their local officials that they're more in contact with? And how that presents for the future of democratic development in China?

MR. WANG: (through translator): I thank you very much for your questions. I will try to answer both questions together.

First, I'd like to answer the first question.

If we carry out competitive election, of course there will be competitions of different opinions and ideas. Well, when Lenin established a Bolshevik party, he proposed that the stability or the unity of the party must be maintained. But actually, between the normal competition in the party, and the factional competition in the party, there are a lot of rooms that we can operate.

Even in Lenin's concept, it's the same situation. In our Party charter, Marxism and Leninism are still mentioned. So I would like to interpret it along that line.

Lenin's conceptualization of the factionalism, actually it's a very strict interpretation or conceptualization. His interpretation of factionalism or factions in the Party, there are three aspects that have to be there. First, the faction has to have its by-laws, its charter. And second, the faction will have to have its disciplines, or specific

disciplines. The third aspect of it would be the faction would consider itself a faction. And these aspects are complementary to each other. None of them is dispensable.

But Stalin made some adjustment, or made his own interpretation, that he thinks that if a group, interested group, has one of the three characteristics, it's considered a faction. That's why Trotsky was toppled, and (inaudible 01:10:41) was toppled. And he toppled anybody he can topple. (Laughter.)

I don't think I agree with his interpretation, with Stalin's interpretation. I think it's very normal that different opinions and views compete. In order to prevent vicious factional conflict or confrontation, actually we can put in the Party's charter -- we can put provisions in the Party's charter to prevent such things from happening.

And that's what I mean by competitive election and orderly democracy, or orderly election.

About my response to the second question, the greater amount of democracy at the lower level, and how do you reconcile this with the less trust that people apply to the lower level cadre -- and I think the conflict between these two is actually a driving force or motivation for intra-Party democracy.

As a ruling party, CPC is facing a lot of problems. But actually, the direct confrontation of these problems actually take place at the grassroots level, at the lower level. So just because of this, there's a strong motivation, an incentive for innovation at the grassroots level.

The problem is, when the local level or grassroots level reform reaches a certain point, there is a ceiling. It reaches the ceiling. So when we look at the higher level, it would see a dilemma when this situation happens. You either have to stop the reform, or you have to be pushed to reform. So that's basically -- again, that is in play.

Just as Professor Li, I'm more optimistic. I think in this play there's also a very important driving force, which is the market economy. My inclination is that under the push of market economy, there will be more checks and balances in place, and there will be more pushing forwards to more democracy and reform.

Thank you.

MR. GURJA: I understand this meeting is more about --

MS. MANION: could you introduce yourself, please?

MR. GURJA: My name is Gurja. I'm a researcher.

I understand this meeting is more about Chinese political reform, but I'd like to ask the question from a different perspective, which is it seems that China has pretty much pulled through quite a few crises in the past 30 years. You know, they've made nice transitions and transformations.

But on the other hand, the U.S., as a model of democracy, are facing certain significant challenges as well.

So my question is more like what do you think the U.S. side can learn from the Chinese side, in terms of managing crises and transformations.

(Speaks in Chinese.)

I was just asking the question from another direction.

Thank you.

MS. MANION: Okay. Ken Lieberthal will take that. (Laughter.) Because he's had direct experience in the U.S. government.

MR. LIEBERTHAL: I'd rather answer your first question.

No, seriously, I think that the Chinese government does relatively -- does a relatively good job at analyzing its future problems, and developing plans to deal with them. And I've been impressed over the last three decades with the pragmatism and

realism of China's national leaders -- not every one, but on the whole -- in being remarkably candid and forward-looking as they plan and try to execute China's transition to a *fuqiang guojia* you know, to a wealthy and strong country. And I admire that.

And I have not seen as much of that on the U.S. side as one would wish -- especially in recent years.

Having said that -- and your specific question was about kind of "management" of problems. And there, frankly, I think the American government has nothing to learn from China. I think we, in fact, do a better job than China.

We tend to be very poor at avoiding crisis in the U.S., but very good at recovering from it. And it's just the nature of our system.

But if you look at specific management techniques, I think the U.S. government is relatively high quality. And I think the Chinese government is still a work in progress on this.

Now, frankly, we have such different political systems that it's hard to do real comparison. But when you look at -- but let me give you an example. I've talked with -- as Melanie reminded everyone, I was in the U.S. government at one point. We had -- when the U.S. Navy wanted to send some ships through a sensitive area, where it had the right to send the ships into that area, rules of navigation on the high seas, but the area would be diplomatically sensitive. Our system requires that the Navy first request, send a request to the National Security Council for permission to run the ship through that area. It's called a "Freedom of Navigation Request" internally in the U.S. government.

When I was on the National Security Council, for such requests in Asia, they would come to me. And I refused, I think, about 60 percent of them because the problem -- running a ship through that location at that time would cause problems that the Navy

did not fully appreciate. And so we would say, "No, not now. Come back some other time." All right? There was never once that the Navy pushed back on that. They always accepted it.

I was talking with a rather recent Chinese ambassador to the United States just a few months ago in Beijing, and we were talking about coordination and foreign policy between our two governments. And so I mentioned this example to him of how we coordinate military and civilian in managing potentially difficult issues. And I said, "In the Chinese government, would you have a similar mechanism?" And he said, "In the Chinese government, we would be lucky to read about it in the newspaper three days later in the Foreign Ministry."

It is inconceivable that the military would ask the Foreign Ministry first, before doing a sensitive naval navigation exercise.

So I think that we have developed in the U.S. government, in fact, quite good methods for managing complex problems and coordinating among them.

So my saying that we don't have anything to learn from the Chinese on the management side is not to disparage China. My own feeling is, in fact, we do that quite well. There are other dysfunctions in the U.S. system that are quite serious. I don't think that's where the problems are.

MS. MANION: So, Li Cheng would like to respond.

MR. LI: I think the United States has an advantage in both hard power and soft power. Soft power includes our political system and many other things.

But I think one thing we do need to be aware, that -- as Professor Yu and Professor Wang mentioned -- during the past 30 years, so-called reform era, China largely wants to learn from the outside world, and learn from the West.

For us, for people in the United States, sometimes we have a tendency for inward looking. And sometimes we tend to be very, very cynical about the things that other countries have been doing. So someone said cynicism, like dogmatism, is an excuse for intellectual laziness. So we just refuse to see anything in China, happening in China, could call it democratic change or political change or political forward.

Yes, in the past two or three years, China actually slowed down and become kind of assertiveness. So that's kind of our arrogance, in my view, we hurt China's interest. But again, I think for the long, the past three decades, I think one thing we can learn is a sense of humility, and learn from the outside world.

MS. MANION: I'm going to give time for one more question.

Yes?

MR. AARON: Thank you. My name is Bradley Aaron. I'm with the University of Virginia. My question is for Cheng Li.

You mentioned at the end of your presentation that interest groups could play a role in improving reforms. And I was wondering, given the ambivalence that the Chinese government feels toward interest groups like NGOs, both domestic and international, could you elaborate a little bit on how you see that happening, please?

DR. LI: Well, the next panel will be on interest groups, so I will let them answer your question.

But I do want to seize the opportunity -- thank you for asking me -- to answer the chair's question about the difference *tuanpai* and the princelings. I think they are not just fighting for power. They differ in terms of social backgrounds, in terms of geographical locations they represent, in terms of their policies. Let me very quickly mention each of them.

Social background -- princelings, of course princelings, children of high-ranking officials. *Tuanpai* leaders, with exception of some few leaders, most of them come from humble families. Most of them come from inland region. Princelings usually very privileged, always from the coastal region -- most of them, from Beijing and other rich cities. They want to work in rich cities like Tianjin and Qingdao and Shanghai and Fuzhou and et cetera -- name it. The coastal cities.

And also, they have profound policy differences. And just compare Jiang Zemin's policy with Hu Jintao's policy. Look at the differences -- from the coastal development in Shanghai, to more balanced regional development. From the so-called *sang ge daibiao*, largely for the entrepreneurs development, to the harmonious society, pay more attention to farmers and migrant workers.

And also, recently, the policy towards property development. Hu Jintao and Wen Jiabao constantly talk about the controlled price, worry about property bubble -- right? Talk about give more affordable housing et cetera. But the other group talk about reform, continuously let the market decide, despite the property bubble is underway. You know, there are some differences.

And most recently, there's a very important news article published, I think, in *Outlook*, very official magazine, saying that look at the past three decades. The Communist Youth League officials at the secretary level -- you know, (inaudible 01:24:33), they're all together, about 100 of them, Communist Youth League, Central level. None of them was caught for the corruption charge. Of course, this is a very, very message, saying that, you know, "We are cleaner than you." So it's interesting. Someone said it's because they're not engaging economic administration. So Chinese say that those who are near the water are likely to be wet. (Laughter.) So they're not to be wet.



MS. MANION: So, finally, we'll give Ken Lieberthal an opportunity to answer the question that I had posed.

MR. LIEBERTHAL: Melanie's question was whether I was calling for structural reforms in the system, or just changes in incentives for leaders going up and down.

And the answer is: primarily changes in incentives, but there is an important structural change that should go with it.

The change in incentives is clearly, if you're going to reward GDP growth every year, you're going to incentivize the kinds of growth that are readily visible -- which are generally large-scale, capital-intensive projects. So, infrastructure and that kind of thing. So you need to change that metric -- either change how you define GDP growth, something closer to what used to be called "green GDP," but that's very hard, or move to a different mix of things that you seek to measure to reward leaders.

I also think you need something else, that China needs sooner rather than later. And that's to implement a policy that was first seriously discussed in the 1980s called (Chinese phrase) -- all right, separation of government and enterprise. And currently, I mean, as Chinese enterprises now begin to go abroad in a serious way, I think a lot of them, as they get into advanced markets, really need to undertake a major transition.

A competitive advantage among enterprises in China now is how close you can be to the state. The state confers competitive advantage for enterprises that have better relations with the state. You can get better access to credit, better access to inputs at relatively cheap prices, more protection from competition, more exemptions from regulatory problems and that kind of thing -- right?

You go abroad, and that's no longer your source of competitive advantage. So you need to become a higher quality enterprise, in different terms.

And I think that China, by now, would be well served by more constricting the economic role of the state to what you see in every other advanced industrial country -- which is to say, monetary and fiscal policy, law and regulation, and maybe in sectoral policy, but no longer intervention at an enterprise-by-enterprise level by the state, at its various levels of the hierarchy.

So that's an important transition. It will affect a lot of personal interests. So it will not be an easy transition. But I think it's one that is very much in China's interest to get moving forward on.

Thank you.

MS. MANION: Thanks very much, Ken.

And I'd like to thank our three speakers, Ken Lieberthal, Li Cheng, Wang Changjiang, for some very exciting presentations, and wonderful answers to our questions.

We'll take a break before the next session. Thank you. (Applause.)

MR. BUSH: So, this is the panel that's always a burden for the moderator, because it's the end of the day and people want to leave to beat the traffic home and so on, but this is actually a really important topic and I am glad that at least you're staying.

The first panel I think addressed the direction and dynamics and pace of political change in China. The second one that we just had looked at some of the tensions in this process with respect to succession and the alignment or misalignment of economic strategy and political system and then within the ruling party.

Now we're going to talk about state society relations. I think this really is the litmus test of political development and political system. As Professor Wang said in the Q&A, it's really at the local level, at the state society interaction, that the party faces its problems. And, you know, one can throw out a couple of different questions in thinking

about state and society. Are we talking about a strong state or a weak state? A strong society or weak society? What are the dynamics of these different combinations?

Second, I think you'd expect that between state and different parts of society, you're going to have different modes of interaction. So, in China, for example, the Communist party looks at workers differently than it looks at students.

And, finally, there's the issue of the institutionalization of state society interaction, and here the issue of interest groups comes up.

We have three outstanding panelists, and you have their bios so I'm not going to go over them. I hope they won't mind, but we are under a little bit of time pressure. And the first presenter will be Professor Shi Hexing of the Department of Public Administration at the Chinese Academy of Governance.

Then we will have Mary Gallagher from the University of Michigan and then Professor Jing Yuejing of Tsinghua University.

So, Professor Shi.

MR. SHI: Good afternoon, ladies and gentlemen. It's a great honor and privilege for me to present here my presentation, entitled "State Building, Society Building, and Trust Building in Contemporary China." This is a syllogism of state and society relations, and within every part, every syllogism, there is still a small syllogism, that is, why, how, and where to go. So, my presentation is in three parts. The first part is "State Building: an untangled Plots." The second part is Society Building: an unleashing Zone. The third part is Trust Building: an unbounded Mission.

Let's look at the first part, "State Building: an untangled Plots." As I mentioned, a small syllogism is why, how, and where to go. Why political other matters? That's my first question. If I want to -- if we answer the question why political other matters, I think we have to look back, to look at the beginning rather than the end of

political development in China. We can easily find that making constitutions work has been the principal issue for a hundred years.

From nation building to state building, what extremised the effects of political development in China is seeking for order. Without political order, it's impossible for political development. Therefore, reform is a process of order rebuilding to some extent, along with the state building in the past 30 years.

History matters. If we look back in history, we can see China experienced a weakened state during the first half of the 20th century. Political order has played a key role in the state formation since 1949. State autonomy saved them the reality of excess of different growths to political power. Political order also matters a lot in state building subsequently after 1978. Deng Xiaoping pulls stability to a dominant position to ensure reform and opening up policy and to avoid massive disorder like the culture revolution.

So, we can see the order, political order, in history is very important in China. Since most of us are scholars, I put up some quotations from other scholars about the importance of order.

So, the second question -- the first part is how state building proceeds. We can see from different periods of time. The first period is during 1950s. After 100 years of war, the first task of the new regime was to establish political order. State formation began in 1949 with the convening of the Chinese people's political consultative conference; that is, CPPCC, with the convening of that. And then thereafter China reached its high point of state building in 1954, by the opening of the National People's Congress -- that is, NPC -- the Constitution of People's Republic of China was adopted at the first session of NPC in 1954. It is a milestone in the history of state building.

A new political order began under the 1954 constitution. However, making constitutions work is not easy. Before reform and opening up, the erroneous theory and

practice of taking class struggle as a key link created great disorder in China, and this made the 1975 constitution and 1978 constitution dysfunctional.

The current constitution was comprehensively revised by the NPC in 1982 after the reform and opening up. Subsequently, the NPC partially amended the constitution for occasions in 1988, 1993, 1999, and 2004. Chapter 1 of the 1982 constitution set up the general principles of state building. In the 30 years since the 1982 constitution, state rebuilding has brought much progress of order in the field of politics, economy, and society.

Institutionalization is one of the biggest strides. The system of People's Congress, which is the basic political system in China, is at the core of institutionalization. This system is a guarantee of state order. As China develops the system, it is surely to be improved and developed.

According to the 1982 constitution, the National People's Congress and the Local People's Congress at all levels are the organs through which the people exercise the state power. This is a brave picture of the state political structure in China. If we want to know more in detail, we can read the constitution.

Within the system of the People's Congress, NPC is the highest state body and the only legislative house in the People's Republic of China. Altogether there are five central and local levels of the People's Congress at the present. In addition to the NPC, there are congresses of provinces, of cities divided into districts. The first level is NPC; the second level is province; the third level is congress of cities divided into districts; the fourth level is congress of cities not divided into districts; and then the fifth level is congress of townships. Totally there are five levels of congress. This is the very basic framework.

According to the 1982 constitution, the function and the power of the National

People's Congress include amending the constitution and overseeing its enforcement to enact and amend basic laws governing criminal offenses, civil affairs, state organs, and other matters; to elect and appoint members to central state organs; and to determine major state issues.

That means there are at least four powers. The first is legislative power; the second is validating authority; the third is policy formulation; and the fourth is supervision of governing organs. These are the function and powers.

As a term, maybe a lot of us heard before the so-called "rubber stamp" used to describe the NPC's function. Nevertheless, changing from rubber stamp to iron stamp is the real progress made in the past 30 years. One of the important efforts was made in 2003. More than 10 -- about 19 NPC standing committee full-time members were elected, and this is one of the important measures to strengthen the function of the People's Congress.

If you look at the website, you can find -- during this year's session of the People's Congress, the *Wall Street Journal* -- I mean, the blogs of *Wall Street Journal* -- published an article titled "National People's Congress, not Just Rubber Stamp Session." You can find it. And the latest episode of *Strength in NPC's Role* is in last month's.

You know, in China nowadays, personal income tax is undergoing a reform. The state council submitted a proposal to raise the personal income tax threshold from 2,000 Chinese yen -- it's almost to 300 US Dollars -- to 3,000 Chinese yen.

During the bimonthly session in April, the NPC standing committee examined the proposals for the first time. Instead of voting on it, the standing committee chose to reexamine it. I think this denotes something, some enhancement of NPC's power, and elicited how the NPC is working now.

So, besides this, nowadays in China, if something openly (inaudible) and

objections and tensions is real in process.

So, that's something about the NPC work itself, and besides this we can find something else. One is rule of law has set up the norms of state building in modern society. Just like Professor Yu Keping mentioned, within the 30 years of reform, the Chinese authority has devoted great effort to enhance rule of law. I don't want to repeat so much about this, but what I want to mention is that in 1997 the 15th CPC national congress decided to make the rule of law basic strategies in building a socialist country under the rule of law. Then in 1999 amendments, the People's Republic of China exercised the rule of law, building a socialist country governed according to law was added to the constitution. And then in a 2004 amendment, the state respect and guarantee of human rights was joined into the constitution. And for the first time, the constitution announced something like the state in accordance with law protects the rights of citizens to private property and to the inherent. This is the first time in the history of the People's Republic of China.

So, during the fourth session of the 11th National People's Congress in 2011, top legislator, Wu Bangguo, announced a socialist system of law of which Chinese characteristic has been formed based on the situation and the reality in China.

So, this is ushering a new chapter in China's effort to promote the rule of law.

In addition to rule of law, one more thing I want to mention is election. Election is to institutionalize, the bridge, to connect the state and cities. The PRC's first election law was put in place in 1953, and then in 1982, 1986, 1995, and 2004 the second or third and fourth sets of amendments were adopted.

What I want to stress is the fifth amendment of election law, which was adopted in 2010. 2010 amendments provide for equal representation of citizens regardless of rural or urban status. This means that urban and rural people will enjoy equal electoral

rights. This is a great further step. You know, I grew up in a rural area. I deeply know, you know, that representation was really different in those years. You know, in 1995 the ratio was about 4 to 1, and now after the 2010 amendment we can have the same issue. So, this is a big progress I think.

Then where is the state building to go I just want to mention a little bit. I think the big problem or the key issue of politics in China is -- the first paragraph I quote here -- is integrating the leadership of the ruling party, the position of people as masters of the country, and the rule of law.

The three things are quite different, but how to pull them together and how to set up mechanisms to integrate them is very important in China.

And the second, a mechanism to turn the party's position into will of the state through legal procedure, is being explored now in China, but we still have a long way to go.

And then the third thing is let the congress from soft to hard. I already mentioned something has been done, but we still have a long way to go.

And then I think one matter is important. What I mentioned is representation matters. In terms of People's Congress itself, the prevalent concern of soft and hard stamp issue is only in respect of legislation and supervision. Representation, however, is still ahead of reconsideration. The representative function of People's Congress is associated with the position of people as a matter of a country, reflecting the relationship between the NPC and its citizens.

In addition to carrying out the election law, making deputies to People's Congress exercise their function and powers in accordance with the law and maintaining close ties with the general public is more important. Besides -- one more thing I'll say is that government has also to take the responsibility for cooperation from other



organizations for participation of the public. That's the first part.

The second part is society building: an unleashing zone. The first question, why society building? By society building what I'm going to cover is aspects of social development beyond state building, that is *shehui jianshe*, *shehui guanli*, which means social construction or social building, social administration, or social management. Now it's becoming a very hot topic in today's China.

Professor Ken Lieberthal raised the question more than ten years ago: How has reform in the political evolution changed the nature of the ties that connect the society to the state? There are many ways to answer it of course. I would like to answer it through the way of bringing society back in.

If we bring the society back in, we can see there are three points. The first of all, state building -- society building is both a challenge and response to state-centered policy formation.

The second -- society building is one of the collaboration mechanisms that improved governance in China. I want to say a few words about this. You know, we have the first sector, government, the second sector, market; and the third sector, civil society organization. In China, the third sector is still characterized as being far from well developed. So, social construction and social management are taken as important mechanisms to enhancing governability of Chinese social development; and attempting to move activities from state sector to private market and subsequently from state and market to civil society, China is finding alternative ways to make governance work.

So -- and thirdly, the growing enthusiasm of cities and civic engagement and political participation in social affairs are reshaping state and society relationships. So, that's why society building is important in China now.

How society is built in China -- I think we can explain from two aspects. The first

is social service delivery. Building a service of responsible, law abiding, and clean government is a new goal for administrative reform in China now, as what Professor Yu mentioned about, and if we look at the 11th five-year plan and the 12th five-year plan, we can see social development is a large part in this. Because of time limitation, I will not put some figures in it.

This is for the social service delivery. Since 2006, China has drafted a law on philanthropy and now is a normalized so-called carrot industry and it's also chairing organs with care as well, and the 12th five-year plan put a large effort on it. So, this is one aspect.

The other aspect is for the civic organizations. The mechanism of self-governance is more and more important in China. Nowadays we have two mechanisms. One is communities for self-governance. The other is civic organizations. What I want to mention here is NGOs. That means social organizations, private non-profit organizations, and foundations -- the three types of NGOs in China today.

The development of NGOs in China emerged from three important periods. The first period is from 1978 to 1989. That's a resuming an emerging time. And the third period is from 1992 to 1998. That's emerging national-wide. And then from 2000 up to now, it's delivering and accounting time. That means social delivery and trying to make the society accountable. Making the government accountable is what they are persuading. So, that's the basic picture of social development in China.

But what is to be done for social building, for society building? The significant growth of nine government organizations and their increasing role in social service delivery have demonstrated their positive role in political development. Society building is to provide safeguard for citizens' happiness and safety and to achieve a harmonious society.

Many things have to be done, but two efforts have to be made in the near future. On one hand, society building is necessary to the separation of government, market and the third sector. State initiates to accelerate the separation of functions of the government from those of enterprise, et cetera, like what Professor Lieberthal mentioned just now. However, the state has to improve the dynamics and mechanics of people's self-governance in social development to leave space for social organizations, to put self-management, self-service, self-education, and self-oversight into practice. That means how to separate government from NGOs or some similar organization is another step for the separation. This is one hand.

On the other hand, society building is necessary to avoid failure problems. Nowadays we have market failure, government failure, monetary failure -- many failures now. But the monetary failure is facing a contemporary China. Although booming after a reform and opening up, China's NGOs are still categorically realized as, you know, not well developed. Some of them make mistakes or even become an instrument for crime against the expectation of society. Well, the public has been gradually aware of the social responsibility of NGOs.

So, these watchdogs that monitor the accountability -- okay, just a moment -- of other sectors have been increasingly demanding of responsibility for what is purported to their entitlement. NGOs are still seen at lacking of accountability, and there are rules in the country's development that are not completely trusted by the public with the increasing account of recent cases.

Because of time limit I don't want to mention too much, like the football corruption in China and some other things. So, this is a problem. Trying to avoid such a kind of failure is very important.

The third one -- third part -- trust building: an unbounded mission. Why trust

building? I think most of us know a lot of trust is essential to state legitimacy. Trust contributes a great deal of the well-ordered society, you know? Trust building is essential to conflict resolution, and appropriate functioning of general principles in public governance needs trust. So, trust provides a good governance with accountability. That's very important. That's why trust building.

How trust is building is undergoing in China now. I think there are some things I put here. The first one is creating public values with social harmony. That's trying to build harmonious society after 2006. And then provide good governance with accountability, like what Professor Yu mentioned, which I will not repeat. And then promote civic organizations with self-governance, which I mentioned. And, finally, engage citizens in public life with civility.

One more thing I want to say about the last point is that 2008 is very important for these points because of the Sichuan earthquake and 2008 Beijing Olympic Games. The voluntary spirit is spread all over China, so that's a very important point for engaging citizens in public life with civilities. That's the building of trust in China.

But what is beyond trust building? That's very important. I think taking public governance seriously from trust to accountability is very important.

Finally, only one word I'm going to say. Oh, just like what Fukuyama discovered from the original pleaded order, nation did not find stability or sustained prosperity until they became accountable to their citizens. Maybe this is one of the iron laws of state society relations.

Thank you very much.

MS. GALLIGHER: I want to thank Ken and Cheng for inviting me to this workshop, and I will be a little bit more specific about what I'm going to talk about today in terms of state society relations in China. I'm going to focus on workers and their

relationship to the state and how that's changed over the last several years.

I want to frame it by talking about three contexts that have really shifted dramatically in the last decade. Some of the things that Ken mentioned in his talk about the demographic changes I think are the most important, but there are also changes that have more to do with the social transformation of new migrant workers and also the political context under the Hu-Wen administration starting in 2003.

The demographic shifts I do think are the most significant, because they're really changing the market or the bargaining power of Chinese workers. And this is the foundation for the mobilization of workers recently, this sense they have that they have more bargaining power vis-à-vis employers. And this has a lot to do with the changing demographics of Chinese society -- generally the reduction in the working population, the aging of Chinese society -- but it also has something to do with some of the policies that have been taken by the government since the financial crisis.

The very large domestic stimulus package that stimulated a lot of infrastructure development in inland China and some of the agricultural policy changes put in place under the Hu-Wen administration have also made it more desirable for migrants, and these are rural people who have left their rural registered homeland to work in an urban area to make it more attractive to stay in the same province, perhaps even to stay in the same general locality rather than going to the coast, particularly going to Guangdong, the Pearl River Delta, or to Shanghai or the Yangtze River Delta.

A third change related to these demographic shifts are the continued barriers to permanent migration for many migrant workers, particularly migrant workers who don't have high skills or a high education, and this is also creating a bottleneck or some kind of barrier to permanent urbanization of these migrants. I know a lot of policies have changed recently that have sped up urbanization in some cities. Particularly smaller

cities have become more open to migrant workers. But for the large coastal cities, these barriers remain.

A lot of the changes in the demographics and these shifts that I'm mentioning came out in surveys that were done even during the financial crisis. So, even though China was experiencing big shocks in their export markets, surveys that were done at the time by the Chinese Academy and Social Sciences, by the People's Bank of China, and by the National Bureau of Statistics all demonstrated actually that wages continued to go up and that migrant workers in general fared pretty well during the crisis, even though many of them were laid off temporarily when exports plummeted in late 2008 and early 2009. And since that time, the economy has recovered and we see again increasing reports of migrant labor shortages and coastal provinces, particularly in labor intensive manufacturing.

The second shift -- and this is related, I think, to some of these demographic changes -- is really more about the culture of migrant workers, what migrant workers want, what their values are, what their expectations are. There's a lot of talk in China now about this new generation of migrant workers and who they are, what they're like, how they're different from their older brothers and sisters or from their parents, if their parents spent some outside their rural home towns. Lots of surveys of migrant workers show that they are indeed much better educated than the earlier generation. They tend to be coming from families with only one child, and because of these changes in their education and in their family background, they are much more aware of their rights, and they have different expectations about who they compare themselves to. Their reference is no longer what would have happened to me had I stayed in the countryside; it's about comparing themselves to other young urban people. So, they have this frame of reference that is much more equivalent to urban youth.

My non-scientific test for this is the hair style test. If they have a hair style -- and this is a picture from a Shanghai NGO event for migrant workers, and so when migrant workers have hair styles like this, they have different aspirations. They have expensive aspirations.

And some of the research that's been done since the strikes that occurred last spring in a lot of automotive factories and automotive supplier factories again show this increasing rights consciousness of young migrant workers. These are pictures from the first strike in Nanhai in Guangdong Province. Honda workers were well organized during the strike, even though the strike occurred sort of spontaneously, and they used certain tactics to both organize themselves and try to protect their identity from management and from the government.

Again, in talking about frames of reference or expectations, these workers very deliberately made comparisons to other workers. They made comparisons to Japanese workers who work for Honda. They made comparisons across different plants that were all within the Honda supply chain. And so they were really looking at other workers around them who might differ by education or by skill or by nationality but, again, trying to press for better treatment.

The strikes were relatively peaceful, and they emphasized processes of representation for workers to come forward eventually and bargain with management. And the same factory actually this year has reached a collective bargain that is leading to a fairly significant new increase in salaries.

One of the demands that they also made in addition to wages was that they have their own trade union. They didn't ask for an independent trade union, but they did ask for their own trade union, a trade union that would represent their rights.

And domestic media coverage of the strikes continued for several weeks. It was

finally clamped down on late, about a month into the strikes, but it did facilitate cross-regional spread of strikes in similar factories often foreign invested automotive supply factories.

And negotiations of the strikes in the end were not handled really by the trade union but through direct negotiation of a Honda CEO, manager and a representative for the workers, who ended up being a professor of labor relations, a very limited trade union role, which I'll return to later.

So, to get to the final changing context, and this is really the political context. This is something that is seen in the policies of the Hu-Wen administration. I guess this is the *Tuan pi* emphasis on improving the problems with inequality, protecting migrant workers, starting to forcefully draft and then implement new labor legislation that's more protective of workers. And these things I'll talk about briefly.

So, in 2007 -- this was called the year of social legislation -- there were three major employment laws that were passed. The labor contract law received probably the most attention, and it is probably the most important law for labor relations in China currently -- but also the labor dispute mediation and arbitration law, which actually lowered fees significantly for workers in bringing a suit against their employer, and then the employment promotion law, which paid attention to discrimination issues. This is covered again very widely in the Chinese media.

This is Zhang Yin. She's one of the most famous Chinese entrepreneurs, the Jolong paper. She criticized the law for various reasons and then was herself criticized in the media for her opinions.

They also -- and this goes to this increased transparency in public participation in law making in China. The labor contract law had a period of public comment in 2006. It received 191,000 comments total in 30 days, by far more than any other law in recent



PRC history, more than the property law and other controversial laws and, again, demonstrating not only the media's attention to these new laws but also people in society generally.

The government has also been very forthright about its desire, really, to really command, that local governments continually raised the minimum wage in major cities, and if you look at some of the cities on this chart, you can see a fairly significant increase since 2005 and, again, going up. It's already been announced, some of these cities have announced new increases for 2011.

Still fairly low minimum wages, if you think about what the average salary of a worker in these cities is, but still significant increases; and this is, again, part of the political context of the government's increased support for better protection.

Media has played a really important role often by demonstrating what's possible, and also giving people almost false hope about what you can actually achieve through the legal system or through the administrative system of labor dispute resolution. But it still is continuing to play a large role in mobilizing people, and this is just from the last couple of days' reports in the Chinese media in Chongqing. So it's also Bo Xilai, maybe a populist move.

Intervening directly in migrant workers' wage arrears -- this is something that Wen Jiabao did in 2003, also received a lot of attention. Bo Xilai is doing it in Chongqing. He actually used the *tejing*, the SWAT team, to go in and get these migrant workers paid.

Of course, according to the media reports it happened because the head of the special police in Chongqing had been beaten up himself by one of these construction managers. And so it was really more a personal conflict between two elites that led to the payment of migrant worker wages. But again, it's not insignificant when this is

covered in the domestic Chinese media.

I want to switch now to talk about some of the problems. And this is kind of a more pessimistic view of how far China can go in changing its representation of workers' interest. And how little has actually changed. We see a lot of the context changing. We see mobilization increasing. We see increased awareness by society. We see increased media reporting. But the actual political changes are less significant than they could be.

And this is particularly related to the trade unions. So the trade union has been given enhanced power under the Hu-Wen Administration. A lot of this power is more administrative rather than legal. They've been given increased political space at the top to mobilize.

But with the Honda strikes, for example -- and this is a picture that was widely circulated in the Chinese media. The local district trade union was sent down to deal with the strike, and ended up getting into fisticuffs with the workers. The guys with the yellow caps are from the local trade union. They were trying to take pictures of the workers, and the workers objected to having their pictures taken.

And in theory, there are a lot of differences, of course, in terms of how the trade union functions in practice versus how it functions in theory in the trade union law, and in other administrative regulations. In theory it should be democratically elected from the workforce, in practice still often appointed by management, often from within the HR division.

In theory, it has the right to sit in on any meeting that affects worker welfare. In practice, is often passive or non-existent in many firms. In theory, has the right to stop production if unsafe, in practice -- and you saw this in the Honda strikes -- acts as the representative of management during disputes.

And increasingly, the government has put most emphasis on the right to engage

in collective bargaining. Right? And this is the big push for interest representation -- collective representation of labor. In practice, collective contracts were expanding rapidly, here are more and more of them being signed. Often mirror either minimum local standards or government set targets, rather than a bargain between the two sides.

A lot of these issues come down to the structure, the political structure, of the trade union in China. It is a single trade union, it is an umbrella system led by the ACFTU at the top. And the trade union is -- I've lost those three minutes so quickly. And it's also, though, however, related to what Ken was mentioning in terms of the incentive structure of local officials. Local officials are mobilized to boost GDP -- local economic growth -- and boost local GDP. And protecting workers, allowing wages to go up, enforcing some of these very protective new laws often flies in the face of these incentives. And those incentives have not shifted dramatically.

And so it continues to be the case that despite the changes, workers do not have confidence in the trade union to represent their interests, and see it more as either a tool of management or as a tool of the local government to crack down on strikes.

So ironically, what you find instead is that harmonious policies are policies that are pursuing a harmonious society have engendered more social conflict. And this is a picture from the most recent highly publicized strike in the Shanghai port.

Since 2008, the labor contract law, labor disputes have doubled in China. Collective labor disputes now are often accompanied by work action, strike stoppages, blocking traffic. And the rate of increase has slowed down since 2008, but 2009 labor disputes are about at the same level of about 700,000 per year. These aren't necessarily strikes, these are legal -- sort of administrative and then later legal disputes. And they're highly concentrated in some places, mainly costal cities and costal provinces with large, labor-intensive manufacturing sectors.

With the strikes last year there's a debate, I think, among people who study Chinese labor whether or not this was a strike wave, whether or not we'll see these strikes continue or pop up again. And I think it's still too early, really, to tell whether or not that's going to happen. Given how concerned the government is with stability and how quickly they're working to nip them in the bud now. But you do see increased willingness on the part of workers to mobilize collectively.

Sometimes collective mobilization happens through the assistance of NGOs, labor activist NGOs. There's about 75 total now across China. And increasingly, what's interesting, I think, about NGOs is that some of them now are founded by migrant workers themselves. Former migrant workers setting up small, grassroots NGOs, receiving some legal training, maybe getting a little bit of foundation money, and then beginning to do outreach and do legal aid and education. Rather than the old model, which was much more from the University or from a foreign foundation starting NGOs.

And also, labor activists. These may be more individual people doing citizen representation of workers. This is something that's allowable in Chinese law. Workplace organizers of strikers. These are workers who have had a lot of experience across many factories and then go on to other factories to help organize. And university student groups.

I am out of time, so I will just sum up in a minute or two. The government response. I think the government response to what, in a sense, are the consequences of these changing contexts -- the demographic shifts, the political support, the media coverage, the social transformation of new workers. The consequences of this has not been harmony, but rather new social conflict -- more social conflict. And the government's response has really been to focus on preserving stability. And in order to preserve stability, it is not about granting more autonomy to labor organizations, to really

even the trade union. But rather, using direct government intervention in large, collective protests to guarantee social stability.

And this means, of course, that the problem of representation has not been solved. But rather, it's the substitute for interest representation has begun to return to government -- direct government intervention into labor relations.

So, thank you. And sorry I went over. (Applause)

MR. JING: According to the conference schedule, the topic of my presentation is about interest-based -- oh, sorry. Mistake. Politics in China.

My presentation consists of four parts. The first, a brief description of interest groups in China. The second, to different attitudes towards interest groups. The third, a reaction of Chinese government towards interest groups. And the last one is a hard look at such kind of practices.

So, let's begin the first. What does interest groups look like in China? A background. As mentioned about by lots of panelists, so I shall omit it.

Let's talk about different ways -- three ways of formation of interest groups. I divided -- the first category is from within the system. And three sub-types can be divided further. The first is -- oh, no. Maybe six.

The first is the self interest of local governments in the process of decentralization. The second is departmental interest of government at the top. The third is state-owned enterprises. And the fourth is a variety of intermediate associations with government background. Actually, most of these I mentioned before are government agencies.

Next is mass organizations, officially set. As mentioned, trade unions. And next year's marketized media.

The second category is from all sides, the system. New interest groups were

emerging in the area of reform and opening up. Including first private companies, second not official associations, and organizations. The third is entrepreneurs.

And three -- the third category is interest groups from abroad. So, as I mentioned, joint ventures and exclusive business associations. And then China branches of international NGOs. So this is the general picture in terms of organization.

The second point I would like to make is that the impacts of interest groups on policy in China. I think the influence of IG is all around, especially in policymaking and implementation.

The case of enactment labor kinds of law, as mentioned by Mary. Two-years' debate. And the second case of Real law is quite long, more than 10 years.

And with implementation, the most case central government's effort to control the overheating price of housing. In most cases, I think central government is worse (inaudible) by an interest coalition consists of local governments, banking institutions, and maybe some real estate, and some economists, and media.

So, I don't know how to translate in English. But everyone knows what this means.

So, just a brief conclusion. Today's China is deeply embedded in interest politics. We cannot understand it if we neglect the influence of interest groups on public policy.

Second, the influence of interest groups on public policy is highly imbalanced. Some are so-called strong interest groups, while others have limited and weak influences.

This kind of phenomenon, I think, is largely due to how well the relevant interests are organized. This is very important. And there exists formal and informal institutional limits on foreign association, according to China. However, the explanation and

articulation of interest is not simply a function of independence and well-organized interest. Why? Due to high-tech and a new, emerging public space.

The interest in politics -- the process that we need particularly in China becomes complicated. In some cases, the weakest group's interest can be represented with the help of government, media, intellectuals, and public opinions.

So although the last one is -- although interest groups are actively involved in policy process and, generally speaking, the government has a final say. So, part two. How to deal with IG?

Seven point consensus agreement on interest-based politics among Chinese scholars and government officials. When first interest structure have changed fundamentally where the transition from planned economy to market economy. Second. On the central condition, China is well -- China is and will be experiencing a period of interest conflicts. Third, in most cases interest conflict goes around the basic goods because of material interest. Thus among people, not between people and enemies, according to official ideology.

Fourth, there exists interest coordinating mechanisms is facing severe challenges from economic transition and the interest differentiation. The fifth. Generally speaking, the social and the political stability can be maintained in the coming future. However, the pressure from society will increase and the cost for maintaining social order is very high.

Sixth. A new kind of interest coordinating mechanism should be established in coping ways with challenges. Seventh, the goal is to build up a harmonious society. So, until now we have conflicts. But two divergent views are the new interest coordinating mechanism.

The first, I named it, pluralist-oriented oriented view arguing for fully association.

Relating interest groups compete for the check and balance, et cetera.

It's a recent report, a research group, based on Tsinghua University -- actually, my colleagues, suggests that six sub-mechanisms should be set up in order to fulfill this goal.

Now, quick. Mechanisms for information acquiring based on the principle of published information. Mechanisms for organizing interest based on fully association, mechanism for interest inflation based on citizen participation and the full media. And mechanisms for imposing pressure channel. So people can really strike, parade and petition, et cetera.

Mechanisms for interest coordinating. That is rational dialogue and negotiation between interest groups. The last one is mechanisms for mediation and arbitration. And independent judicial agents are needed.

And the second one -- or second response by government, which I called conservative view and neutral sense. Stressing the, adjustment, and adaptation within the framework of existing political system. This is the very standpoint adopted by the government.

So, part three. Let's talk about what government does. Theory and ideological dimension. The attitude toward interest groups from positive to negative. The term 'interest group' was first used by top leaders on March 15, 1988. Zhao Ziyang, the party general secretary, in his working report. The contradiction between each group among China's people existed on the social institution. However, more than 10 years later, when this term reappeared in party government documents, it became a negative one.

In the famous speech delivered July 1 -- 10 years ago, Jiang Zemin pointed out we never allow the exercise of public power for private purposes. We never allow the formation of vested interest groups. Against pro-pluralism proposition, instead, situations



of party, government, and later, protection of mass interest.

The last one is -- not last one -- this argument presumes that CCP and government stand above the society. Those two statements, attitudes logically. The first is, prevention of government agencies be turning into vested interest groups. The second is, CCP as an exclusive ruling party, should represent the whole society. Actually this is one of the key points made by President Jiang..

Practical measures dimension. I just listed some of them. The relative management and the control of all social organizations, double management systems, elective strategy, a permeation of CCP, and resource dependence strategies.

Second, adjustment of important public policy and revision of law, peasant tax and other fees nationwide, a strengthening of function and trade union in order to protect the rights of workers. And develop a strategy -- we just did a national level from GDP to in-close development. So in this sense, the 12th 5-year plan maybe is the turning point.

Improved social welfare. Gradually trying to reduce a huge gap between the poor and the rich, improve living conditions of the weak social groups, and the improved policy process enhances the quality of decision making in a democratic and scientific way, through more participation by experts, both local and top-level. And ordinary people, on a local level.

Public discussion. Selective hot issues, through media. Making a service-oriented government. By doing this, governments at different levels try to close ties with people and establish a mechanism of demand reaction or response between government and people, in policy demand. In a political system, making free elections which clears so-called anticipated reaction. Such practices are crucial for functioning of the system. So some accidents can be viewed as a very important functional substitute for election, at this moment, in terms of dynamic relations between people and the government.

So, last part. How to look at the practice of Chinese government. A sharp difference between Chinese interest groups politics and that of U.S.A. So, I'm just puzzled. Is interest group politics the right word to describe what happened in China today?

Second, interest-based politics is greatly shaped by the nature of the relationship between state and society in current China. And the more and more Chinese scholars begin to realize that the forming of Chinese society is under the umbrella of government, which is a similar feature -- with a similar feature of corporatism in the state of civil society and pluralism.

So, several questions need to be answered, but not agreement literally yet. The first one is, to what extent can we say that the practice of China is effective or not? Second, is it a temporary phenomenon or a new forming patent with Chinese characteristics? Third, is a party state compatible with an interest-differentiated society based on market economy? Or how far can that travel without fundamentally falling?

The fourth? Whether or not all these differentiated social interests can find their representations within the CCP. Thus, stimulate, foster, or promote the intra-party democracy.

These answers are the answers to these questions, in my point of view, do not exist in text books or mainstream series of social science today.

So, more attention should be paid to the evolution process of the Chinese party state in terms of interactions between challenges and the reactions in which the learning ability of CCP plays a key role.

This is just a picture. The moving of the party states pattern, just like a swing. So version A is most area, version B is dense area. Up to now, we knew quite well about version A of Chinese party state. However, it is hard to say we have great ideas about

where version B is, and what it is, and what it would be like. So personally, I prefer an open mind stand by considering what is ongoing in China as an unprecedented social experiment in the context of globalization, with its long history tradition.

Thank you. (Applause)

MR. BUSH: I think that you will agree that we've had three very rich presentations. They stimulated, in my mind, a lot of questions. But I'm going to be generous to the audience and not ask my questions, to give you more time. And we don't really have very much time, we have maybe 15 minutes.

So, the floor is open. And I see my colleague, Tuan, there with the first question.

SPEAKER: Thank you, Richard. My name is Tuan from here -- CNAPS, Brookings.

I have two questions for Chinese colleagues, a very quick one. The first one is do you have any laws governing the formation and activities of non-governmental organizations in China? Second question is what is the role of the think-tanks in China? As far as, I know you have more than 500 think-tanks now, and the number keeps on growing. So what is the role of think-tanks?

Thank you.

MR. SHI: Excuse me. I'd rather speak in Chinese, okay? (Speaking in Chinese.)

Well, let me answer the questions regarding NGO legislation in China. Currently, there's no comprehensive or completed legislation in this particular aspect. But we have a number of regulations and rules, particularly there are three major regulations corresponding to different types of NGO in China. These are the three major different types of NGO in China. You know that NGOs will have to register with the Ministry of Civil Affairs in China.

So there are basically three types. The first is social organizations, and the second type is the private and non-enterprise or non-corporate organization. The third is a foundation.

So, corresponding to the three major types, there are regulations and rules regarding its organization and operation.

(Speaking in Chinese.)

Well, as--related government rules and regulations, there are also other laws or other norms and codes established by these organizations themselves. They are considered trade codes or trade norms. And for example, the charity law is under construction. And also we've seen that about 60 NGOs have got together and come up with their own disciplines and bylaws. And overall, I think we see emergence of legal framework in this particular aspect.

MR. JING: (Speaking in Chinese.)

Well as you see, China is currently constructing a legal society. And the current practice, as you see, is we practice first and then if it's a good practice and it will form good policy or good law. So it's in order that you do not see in the West. And that's also very different from the West legal framework.

(Speaking in Chinese.) (Laughter)

Well as to the think-tanks in China, they are developing very fast. We see official think-tanks, and also private think-tanks. And based on my observation experience with them, I noticed a very interesting phenomenon. Usually what people would avoid using the term *shetuan*, which probably means a social organization. But if you call yourself a social organization you have to go get registered. So in order to avoid that, they come up with a different term, which is *shequn*, which probably means a social group.

(Speaking in Chinese.)

I think the long-term general trend in current Chinese society is that the civil society will continue to emerge and grow, and be strengthened. And at the same time, we see the construction or building of the rule of law. And that is also taking place gradually in China. And that's the long-term prospect.

MR. BUSH: Please identify yourself.

MR. JUA: My name is Xing Jua; I'm a senior fellow of the U.S. Institute of Peace.

I want to ask Dr. Shi to elaborate a little bit more about what you mentioned about social management. You mentioned that it's a hot topic recently, and also I think Dr. Jing also mentioned there are quite high-level training workshops on social management, *shehuiguanli*

So, how do we understand this new emphasis on social management? Why would the government launch this new program at this time, and in connection with what happened in the Middle East? What kind of content or what kind of plan the government has to improve or strengthen social management?

Mainly through offering courses for the senior officials? Or other plans? Thank you.

MR. BUSH: Thank you. Professor Shi?

MR. SHI: (Speaking in Chinese.)

MR. BUSH: Could you let the interpreter please translate?

MR. SHI: Sorry.

Social management is a very new concept in political science, and also in academia it's a very special term or special capillary with Chinese characteristics. And in our understanding, actually social management and public service delivery or public service -- or public security, public safety -- these are actually different approaches or perspectives addressing very similar problems -- very similar social problems. But each

one of them has a different focus or a different emphasis.

And for example, public service delivery is more focusing on the delivery of public service to the general public. And social management is more on the governance side for the maintenance for the order and stability of the society. And also, it has emphasis on guarantee or ensuring the public safety.

It's probably somehow similar to a term in conflict management here in Western scholarship. It's very similar to crisis management or conflict resolution.

(Speaking in Chinese.)

As they are sharing some similarities with the concept of conflict management or conflict resolution in the Western scholarship, social management -- the concept itself in China, also encompasses many other aspects. For example, the household registration reform and the management of the household and that household registration. This is a very special phenomenon in China.

So, social management reform includes that particular aspect of how to reform and/or better the household registration system.

(Speaking in Chinese.)

And also, we go back to the first question in terms of the legislation related to NGO. And that's also under the preview of social management.

MR. BUSH: Mary has a comment?

MS. GALLAGHER: I want to just say something about --

MR. BUSH: Turn on your mic.

MS. GALLAGHER: Thanks. About social management, since it's also related to what I was talking to at the end of my talk about how the government now thinks about management of large-scale collective labor protests or strikes.

And one of the things that -- this is around the whole idea of preserving stability

or having some kind of stability preservation committees that are intra-government offices. So within a locality, if there's a large-scale protest, actually many different types of government and party units have to come out to the site to manage the conflict. And that might include, for a labor dispute, the trade union, the labor bureau, the police, the local government and party, and maybe some higher representative of the company, depending on what type of company it is.

That has a lot of advantages to the government because it allows it to do a number of different things. And it's a number of different goals that it has. One, it gets those -- it keeps those labor disputes out of the court system. And this is something that Hu and Wen have been much more supportive of, which is not always using litigious means to resolve labor disputes. And so this is about harmony, again, and it's about mediation. Sometimes forced mediation, but mediation of large-scale labor disputes.

That also means that you can then easily repress the leaders of the strike if they're obvious at the site. So you also get rid of the leadership. And you usually compromise. You give the workers something, so most of the workers leave relatively happy.

But -- so it solves a lot of problems that the government sees. I think the issue with that kind of resolution -- I mean, it violates due process under the law, under the labor law. But also it requires huge government investment in social management.

MR. BUSH: Unfortunately we've run out of time. We could go on for a long time, I think. I'd like now to turn it over to Ken Lieberthal to close the conference. While he's coming to the stage, please join me in thanking our presenters. (Applause)

MR. LIEBERTHAL: And the audience for being here for the entire afternoon. I know it's a long afternoon. I hope you found it as rewarding as I have listening to it.

Again, want to thank our funders for this. The CUSEF, based in Hong Kong.

And I especially want to thank our Chinese colleagues, both for your participation in this project overall, and especially for your coming here today.

And Professor Yu, in particular, for taking the leadership role in all of this. We really appreciate all you have done to make this a success.

I also want to thank the unsung heroes that always help out dramatically in these kinds of meetings, which is the staff of the China Center who have put in a lot of time on this and have really organized things, I think, very well.

I want to remind you that we have two volumes coming out of this project later this year. One in Chinese, one in English. Each will have very extensive papers on each major aspect of the Chinese political system with comments on those papers. And I think they will be worth looking at when they are available.

And that is it. Thank you, again, for coming. And to all the participants.

(Applause)

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