CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

CHINA SINCE JUNE 4, 1989: WHAT HAS CHANGED?

PANEL II

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THURSDAY, JUNE 4, 2009

Transcript by
Federal News Service
Washington, D.C.
DOUGLAS PAAL: This is terrific. I'm Doug Paal from the Carnegie Endowment. I want to thank you all for not rushing for the exits as soon as the illuminati have departed. And I want to introduce very briefly the sequence that we're going to take now.

I wanted to start to look at the transformation of China for the last 20 years, beginning with someone who has more than participated operationally at the center of things. Ambassador Stapleton Roy, who has been China's expert par excellence and has been at the core of most of these critical points, and then in particularly was in China as it made its adjustment to the post-Tiananmen era.

And I would turn to Evan Medeiros, who has established himself as one of the real stars of Chinese security studies very early in his career and comes to us from RAND Corporation, and ask him to make some observations on the many substantial military changes that have taken place with respect to China in the post-Tiananmen period.

And then finally Minxin Pei from Carnegie Endowment, who will soon be leaving Carnegie Endowment to become a professor in California but who came to prominence in his strong criticism of the Bush administration and General Scowcroft's administration's policy on Tiananmen, and has had a lot to say and think about since then.

So without any further ado, I'd like to ask Stape Roy to make his introductory remarks and we'll get to questions and answers after everyone has had a chance to say a little bit. Please.

STAPLETON ROY: Oh, thank you, Doug. And I thought this was a fascinating exchange we have just had a chance to listen to.

I think the way to look at this period is to think of it as a 30-year process, which can be divided into three stages. The first stage was the 10 years after the initiation of the reform and openness policies, and it was clear looking back, and it was clear watching it at the time that China did not have a stable framework for implementing the radical changes introduced by the reform and openness policies.

If you look at the period, you had the purge of two general secretaries of the Chinese Communist Party in a 10-year period for being too liberal. You had economic development souring up to 14 percent, slowing down to 3, 4 percent.

You had a superannuated leadership that still held the real power in the Chinese Communist Party, and these were the revolutionary elders who were watching a country beginning to implement market-oriented reforms, which was not the goal of the revolution that they had carried out.

So right from '79 to '89 you basically had growing contradictions within China. It was going from a closed society in '79 during the Cultural Revolution to a remarkable open society in 1988 and into '89.

Then you had a very difficult three-year transition process, during which there were two major systemic shocks to Chinese Communist Party rule in China. The first was Tiananmen, which
occurred basically for two reasons: There was a split in the Chinese Communist Party at the very top of the leadership over how to deal with the issues of the demonstrators in the square, and you had widespread sympathy within the government apparatus for the demonstrators.

That was the number-one shock. Number two shock was the collapse of the Soviet Union in 1991, which suddenly suggested that the future of Communism was at stake, and perhaps this applied to China as well. This led to a far-reaching soul searching on the part of the Chinese Communist Party over what their future part should be.

When I went back to China as ambassador in 1991, two things struck me. First, the sentiment of those who had been sympathetic to the demonstrators had changed. They thought that the demonstrators had pushed too far, and they continued to favor change but at a pace that did not threaten stability.

And the second thing was – very unusual – you could read the Chinese press and see clearly that a two-line struggle was underway because the media was dominated by hardliners opposed to Deng Xiaoping’s reform and openness policies, who had gained power as a result of Tiananmen.

When Deng, in ’92 – ’92 was the year when all of this came to a head – when he went to the south on his famous trip in which he endorsed the reforms that had been implanted in the Special Economic Zone, there was not a word of it in the central press because the central press was controlled by people hostile to Deng Xiaoping and his ideas of reform and openness.

But his trip created the basis for a counterattack by the reform elements. And by the late spring in Beijing you could see a different line emerging in the central press, and these were confirmed at the 14th Party Congress that took place in the fall. The hardliners were purged, thrown out of the leadership, and China strongly re-endorsed reform and openness policies.

So for the last part of this 30-year period, China has had a stable basis for implementing reform and openness policies because of the results of that soul-searching that took place during this three-year transition period.

Now, how governments respond to crises basically determines how they’re able to deal with the future. And I would argue that the Chinese Communist Party’s response to the crisis of that three-year transition period resulted in a series of correct decisions that created the basis for this stable change.

Let me just quickly race you through some of these decisions that were made and then I’ll yield the floor to my colleagues here. But just to be sure that I don’t overlook something, I jotted down some of these things, if I can turn the page. There we go.

It repudiated the hardliners and strongly reaffirmed reform and openness. It adopted the market as a driving force for economic change and development. It launched a drive to join the World Trade Organization and restructured its domestic economy to deal with the challenge of opening its domestic market.

It rigorously addressed the deficiencies in its financial sector, pouring tens of billions of dollars into recapitalizing its major banks and reducing the problem of non-performing loans. It
made stability the criterion for evaluating political change, resulting in very slow movement in that area.

Despite the hostile environment toward China that had emerged in Western countries after June 4th, the decision was to continue flooding the West with tens of thousands of students. It fundamentally changed the nature and concept of Chinese communism.

Through the precepts of the Three Represents, it made the party the representative of entrepreneurs, well-educated people, and the interests of the entire population, abandoning any pretense of representing a particular class. It threw out class struggle and substituted a harmonious society. It instituted an orderly process for the selection of top leaders and rigorously enforced age-based requirements.

The significance of these changes is more far-reaching than the changes that have taken place in any Western country in such a short period of time. In 1982, the Politburo of the Chinese Communist Party did not have a single person with a university education. The Politburo, 24 people that were selected two years ago, consisted entirely of university-educated people except for the two military members, and they are educated, but not at universities.

So you have gone, in 25 years, from no one with a university education to an entire leadership with a university education. This reflects the changes in China and it reflects how the Chinese Communist Party has responded to these types of challenges.

That’s why China has been able to sustain this uninterrupted period of rapid economic development. Can it continue into the future? The answer is no, not without further changes, because as China’s economic performance continues to generate changes in the social structures of China’s new middle classes, the political system is going to have to adapt or it will face another Tiananmen.

And therefore, the question is, when, how rapidly, and what will the nature be of those changes, but changes there have to be or there’s going to be more systemic crises ahead.

MR. PAAL: Stape, thank you for that terrific and stimulating opening remark.

Now we’ll turn to Evan Medeiros to talk about some of the – from the American security point of view, some of the grimmer statistics. Thank you.

EVAN MEDEIROS: Thanks, Doug. I want to thank you and both Jessica for inviting me. You may not know, but in 1992 I actually started my professional career at Carnegie as a junior fellow.

MR. PAAL: Boy.

MR. MEDEIROS: And so it’s always a pleasure to come back here, if only 15 years later.

What I would like to do is interpret your mandate for me a little bit more broadly than the PLA because when we think about Chinese foreign and security policy, there is a lot more there that’s occurred since the late 1980s, early 1990s. And what I thought I’d do is kind of highlight what
I see as five major themes or trends that have emerged as salient aspects of Chinese security policy since 1989.

But I'll just begin by noting that it's difficult when one tries to evaluate the impact of Tiananmen on Chinese foreign and security policy. It's difficult to make that evaluation because Tiananmen so closely coincided with the most dramatic change in the international system, certainly in my lifetime and perhaps for many of you in the room as well.

I mean the collapse of the Soviet Union. And that had such a defining influence on not only China's role in the world, but specifically the U.S.-China relationship as well, and I thought that General Scowcroft did a really nice job summarizing that.

But what I'd like to do is kind of highlight what I see as these five major themes or trends in Chinese foreign policy since '89. And the first and the most obvious one is this notion that stability and reassurance have really become enduring motivations in Chinese foreign policy, not only after '89 but also the collapse of the Soviet Union, really reinforced to China the importance of creating a stable regional security environment so they could focus on the task of domestic development.

And what's why you saw some really interesting trends in Chinese foreign policy behavior after 1989. China began to normalize relations with a variety of countries around its periphery – Singapore, Indonesia and South Korea. You see a dedicated effort by China to resolve some of its festering both land-based and maritime territorial disputes.

And then beginning in the mid- to late-1990s, as a result of some of those processes, you begin to see China think more systematically about how it needs to reassure countries around its periphery that its expanding military and economic capabilities aren't going to threaten countries around its borders.

A second major feature of Chinese foreign policy since 1989 is, simply put, the dramatic evolution in the U.S.-China relationship. As General Scowcroft point out, the loss of the Soviet Union is the kind of binding motivation for the strategic condominium between the United States and China, really left the U.S.-China relationship kind of afloat.

And so it spent the subsequent 20 years trying to find its moorings. And Harry Harding famously wrote about the fragile relationship that was thin, relatively under-institutionalized, where U.S. and Chinese leaders, in the early 1990s, didn't know that much about one another, certainly didn’t share similar views of the world, and the kind of Maoist and Marxist view of the international system was still fairly prevalent within China across the Chinese bureaucracy.

That's changed dramatically in the last 20 years. You have a very thick and very heavily institutionalized relationship between the United States and China. You have Chinese leaders throughout the system that not only some of whom have been educated in the United States but have traveled to the United States successively.

I had the experience of working with Secretary Paulson, and the fact that he, for example, has a personal relationship with Vice Premier Wang Qishan is kind of emblematic about where our relationship is in terms of the degree of institutionalization.
The fact that we now have these two new strategic and economic dialogues, the fact that across the relationship you have some 60 official channels of dialogue – and that's separate from all of the non-governmental interactions – really speaks to the qualitative changes and interactions between Americans and Chinese.

A third major feature of Chinese foreign policy would be that China's gradual integration into and adherence to norms, rules and institutions of the international system – I mean, China, in the 1990s, became a rule taker. It moved from the Maoist view of the world where it needed to reject the institutions and rules created by the imperialists and the hegemonists to one where it wanted to become part of the system.

And this is reflected throughout its behavior on security issues, on trade issues, signing up to a variety of nonproliferation rules and regimes, of course joining the WTO, joining a variety of multilateral institutions throughout East Asia, becoming much more active in the U.N. China is now the largest contributor to U.N. peacekeeping operations among the permanent five members of the Security Council.

And of course China's activism within the U.N. Security Council on controversial issues like North Korea and Iran is very well-known.

A fourth major trend would be the kind of development of a global – a truly global, diplomatic profile, a national-role concept for China. Washington is awash in studies about Chinese diplomatic activism in Latin America, Africa, in the Middle East and such.

But what I think is even more important is the way in which Chinese leaders have begun to define their national interests in a way that is at least more cognizant of the fact that it needs to contribute to the sustainment of an international system from which it benefits.

And I think Bob Zoellick is due a lot of credit for kind of accelerating this debate in China by promoting the concept of the responsible stakeholder. And you've seen a growing Chinese awareness of the importance of contributing, quote, you know, global public goods, and that's reflected in a variety of different activities, most recently the PLA navy's willingness to deploy a surface action group to contribute in the anti-piracy operation.

The fifth point I'll make is about the PLA, and we've seen very significant changes in the PLA. And it's not all – it's not all kind of darkness and a bad story. Since 1989 you've seen some important changes in the PLA. In particular you've seen a bifurcation of the internal security mission from the external defense mission. So the PAP and the PLA are truly separate now, and the PAP was kind of recapitalized as an institution responsible for internal security services, or security missions.

You've seen a gradual de-commercialization of the PLA, beginning in 1998. They kind of got out of business, or I mean commercial business operations. You've seen a kind of professionalization of the PLA in the sense that they've really become the technical experts for the political leadership on defense issues.

And, of course, the most prominent aspect of the PLA that we like to talk about here in Washington is its modernization. You've had consistent 13 percent increases in the Chinese defense
budget for the last 10 years, a very consistent modernization effort beginning in the mid-1990s to deter Taiwan and external involvement in a possible Taiwan conflict.

And now we’re moving to the states where the PLA is acquiring capabilities for regional power projection. We may even see the first Chinese deployment of a mid-sized aircraft carrier. And that’s obviously going to have an affect on regional security dynamics in East Asia. I mean, China – the PLA, as of 2009, is emerging as a regional military power, and that will affect regional military balances.

Let me just end on one final note, because I don’t think this aspect of debates and discussions about Chinese security policy is well understood. It’s also important when we do surveys of Chinese security behavior to think about the choices that China has not made, because it’s important to focus on kind of the – what I call the analytic dogs that aren’t barking.

And there are a variety of different policy decisions that China has forsaken in the last 20 years, and I think it’s important to remind ourselves that as China has gone through this process of expanding its economic capabilities and growing its military, you know, accumulating the attributes of a rising power, there’s some decisions that China has not made.

China has not pursued territorial aggrandizement. China has not developed security alliances or balancing coalitions against the United States or other major powers. China has not used weapons proliferation as a way to generate power and influence for itself in the world. It has not developed military bases abroad and deployed troops, you know, in foreign countries.

China has not put forward an alternative vision for regional or global order as a way to compete with the United States or other conceptions out there. And so it’s just important when we think about what it means for China to be a rising power. Let’s remember the choices that aren’t made.

And that’s not to suggest that China doesn’t create a variety of challenges for international prosperity and security, and that’s not to suggest that China doesn’t challenge U.S. interests. It’s just we need to bound our discussion of what a rising China means, and I think that that’s an important direction for our discussions to go.

With that, I’ll turn it over to Minxin.

MR. PAAL: Well, first let me just say, Evan, that was a superb overview of the broad security picture that – and we all know that it’s based on terrific scholarship you yourself have done –

MR. MEDEIROS: Thank you.

MR. PAAL: And I would refer everyone here to Evan’s books, including the newest one on the regional growth of Chinese – exercise of Chinese influence.

MR. MEDEIROS: That’s right.

MR. PAAL: Minxin?
MINXIN PEI: Thank you. I'm real glad that Ambassador Roy put the event 20 years ago in a historical context. It's not very meaningful to talk about Tiananmen alone without talking about 1992 because if Tiananmen saved the Communist Party from the pro-democracy forces, then Deng Xiaoping’s tour in 1992 clearly saved the Chinese Communist Party from the economic conservatives.

So we have to put sort of the two events together in thinking about how China has evolved in the last two decades. I also agree with Ambassador Roy’s assessment that post-'92, I would say, China had a much more stable political order. I would add some details.

In the 1980s, China had a very different Communist Party and had a very different reform coalition. In the ‘80s, China had people who are politically liberals, people who are in the middle, people like Deng Xiaoping, and then people who are economic conservatives.

Deng needed all of them in the 1980s. He needed the liberals to force the conservatives to consent measures of economic reform, and he needed the conservatives to fight the liberals so that the liberals would not get too far ahead on the political front.

But after a decade, that strategy turned out to be not working, and constantly over the 1980s Deng had to fight the liberals himself on the political front and he had to fight the conservatives on the economic front. And detentions came to a head in 1989. In fact, there were grumblings at a very high level before the crisis in Tiananmen Square.

So what the Tiananmen Square crisis did was to help Deng Xiaoping take care of one problem, the problem on the liberal side. In the Chinese Communist Party parlance it’s called the rightist. Here it’s very different. (Laughter.) He really settled – because he was very firm on the issue of democracy. He was against it, period.

But in the 1980s he couldn’t do anything about – other than some marginal modifications – about the liberals within the party because he needed them. Eighty-nine came and he found that he had no other choice but to purge them. But he settled that dispute.

But, you know, also during those three years he had a different problem, because the economic conservatives, who also happen to be political conservatives, seized the power vacuum created by 1989 to reassert themselves.

So for about three years China was in a state of stagnation, and then this external shock, the Soviet collapse came along. And if you look at the timing of Deng’s visit, it just happened after the Soviet collapse. And by that time I think the economic conservatives had absolutely no political capital, so they consented to a much more radical version of the economic reform program. So ’92 settled another issue.

So I think today China is in a state which Deng Xiaoping himself dreamed of, what we would call a new authoritarian political order. This political system embraces capitalism but suppresses democracy, and then that fulfills Deng Xiaoping’s vision for China. We can talk about whether this vision is sustainable later.
Also, over the last 20 years, I mean, the Communist Party, in following this vision, evolved into a very different Communist Party. If you read the composition of the Communist Party, you can legitimately claim that even in the 1980s the Communist Party was basically a part of workers, peasants. About 70 percent of its membership in the ‘80s came from workers and peasants.

In other words, it had roots in the bottom strata of Chinese society. Today we look at the Chinese Communist Party membership. It’s a very different party. Most of it, the percentage has been reversed. Seventy percent of Communist Party is comprised of bureaucrats, professionals, intelligentsia. In other words, it’s an elitist party. So over the last 20 years the Communist Party has transformed itself, not just from a revolutionary party into a ruling party, but also into an elite-based party.

And second is that this party, in terms of its understanding of capitalism, has also evolved. In the 1980s the party’s liberal wing was much more welcoming and open to Western capitalism, but the party as a whole remained skeptical. But over the last 20 years the party had become – had gone through a series of transformations on that front.

It became far more confident about dealing with Western capitalism. It found that, surprise, surprise – additionally it saw that Western capitalism was coming not just to the disadvantage of the Chinese economy but could become a potential political threat. But over the last 20 years the party found, to its delight, that Western capitalists have absolutely no political agenda.

And, second, that Western capitalists could become China’s best friends overseas. After ‘89 the Chinese Communist Party had a real problem. It had no advocates outside the borders of China. And today, if you look at the best friends the Chinese Communist Party has, ironically these are capitalists, not the workers. And of course the workers in Western countries are the Chinese Communist Party’s worst enemies today. (Laughter.) Look at the anti-China coalition.

And certainly I think the Chinese Communist Party also concluded that it could manipulate the competitive dynamics of capitalism to its own advantage, typically pitting different countries or corporations against each other. And of course over the last 20 years the Communist Party, as I said, after purging the liberals it has become a much more ideologically cohesive Communist Party.

In the 1980s there was debate over the speed and direction of reform. Today the debate within the Communist Party is not about speed or direction of reform. They have settled these two biggest problems. They debate over specific policies, and that’s very different. So today it’s not about ideology; it’s really about who gets what and how.

Also, I think over the last 20 years the party has learned how to govern much more skillfully, and I want to highlight just two things. One is it has learned how to co-opt. One of the lessons from Tiananmen and from the ‘80s – I think the ‘80s saw the party constantly fighting China’s social elites, the intelligentsia, and then to a lesser extent entrepreneurs.

After Tiananmen the party had a much more sophisticated and effective policy toward the intelligentsia, basically a policy of co-optation. And it also has stumbled upon – I have not found documentary evidence on this issue, but it’s really a fascinating phenomena.
In the ’80s the party constantly interfered in people’s private lives. There were campaigns against pornography. There were campaigns of dress codes, campaigns against advertising. In the ’90s you saw dramatic change in terms of the party’s attitude toward people’s privacy. In other words, the party became really sort of hands-off on issues of individual liberty.

Today the New York Times has this article about – on NPR I heard this story about the Russians cracking down on individual artists. Read today’s New York Times about this soldier, former soldier. Read the kind of artistic activities he engages in. That gives you really a sharp contrast, and of course about not just sharp culture between Russians and Chinese but also gives you a glimpse into the extent to which personal freedom really flourishes in China.

That’s why, if you go to China, it’s both repressive and not repressive. It’s repressive only in the very narrow sense of political dissent and contestation. It’s not repressive in terms of individual freedom. So if you ask an ordinary Chinese whether he feels repressed, he’s going to look at you with puzzlement or something worse. (Laughter.)

But I think despite this much – so part of this sort of mixture of openness, personal freedom side focus, more reliance on co-optation really helped. It’s given the party this softer edge, even though the hard core of the party is very tough. You can sort of test that proposition yourself.

Finally, I would want to say that despite what the party has done, it still has the following structural contradictions, to use the party’s favorite phrase, and vulnerabilities. First of all, because it’s become an elite-based party, its base in society is actually very narrow.

That’s why today the people who are against the party are the former allies and friends and comrades of the party – 87,000 incidents of riots. If you look at who these people are, these are the workers, peasants, China’s disenfranchised groups. So I think in the future, Mao will have to come back to organize this group.

That means the party is political vulnerable to populism because this is a group that’s full of resentment toward the policies the party has pursued since the 1990s. Secondly, that the co-optation strategy is not sustainable in the long run because it’s a very expensive strategy. And also the speed with which Chinese society is producing potential counter-elites is so fast that the party really is in a no-win situation.

And, finally, the party has this baggage of ideology. It’s a party that if you judge its policies, its personal orientations or even the personal friendships the elites have, it’s clearly a right-wing party. But if you look at a party’s official ideology, pronouncements, its tradition, it’s clearly a leftist official ideology.

And that’s why I think the party is tearing its hair out trying to reconcile these two fundamentally irreconcilable facts. However, I don’t think the party can succeed in doing so because it has to change its policy or it has to embrace a different ideology, either of which will be very, very difficult.

And Stape ended on a very interesting question. That is, given the success of the Chinese economic development, changes in Chinese society, enormous pressures have been created on the
party to reform its political system. Will the party do so? I mean, I’ve been trying to answer this question ever since Jessica hired me 10 years ago.

My observation of how the party has reflected on Tiananmen on the Soviet collapse is that, no, the party wants just to muddle through this question. It does not know it has a clear answer, but it knows what not to be.

Two lessons you learned from the Soviet collapse and from the Tiananmen Square incident. The first is that if for a communist system any political reform, once it gets started, is very difficult to control.

And, second, a Leninist party or whatever you call the current Chinese political regime, actually has a lot of potential enemies within, because what happened during Tiananmen is that all of a sudden government ministries, newspapers and many other official institutions turned against the party. In other words, this political order can be extremely brittle when you actually open up the political floodgate.

So I think the party understands this. Those elites who do not understand this basic fact probably do not belong in the party, and if they are in the party probably will not stay there very long. Thank you.

MR. PAAL: Well, thank all three of you. I think, speaking certainly for more than myself, having this multi-decade perspective and multiple perspectives on the time that’s passed has been an educational process that I didn’t see equaled in any of the things I’ve read in the papers and magazines leading up this June 4th anniversary, so I think it’s a unique opportunity for us. I’d like to ask my own first question of each of you and then we’ll throw the floor open to our guests. The first question really, it’s – you’ve talked about how we got where we are, and Minxin a little bit about where the dilemmas are in the future. I’d ask each of you successively, do you think it’s going to be more of the same for the next decade? Or if not, where would the discontinuities come from? What are the challenges that are really presenting themselves to this regime?

Stape, can I start with you?

MR. ROY: I think China is going to face an enormous set of challenges over the next 10 years, but they are generating a leadership through an orderly process, which is experienced and very capable. And as long as that process continues to put the right leaders into the positions to deal with the challenges that are emerging, I think we can see more of the same. I do think, however, there is an ideological problem for them right now.

Just as the United States suffered from a triumphalism with the collapse of the Soviet Union, I think you can see glimmerings of triumphalism emerging in China because of the sense that their relative power position vis-à-vis the United States has dramatically changed over the last year, with the U.S. economy slowing down, possibly for an extended period, and their own stimulus package potentially going to bring them out of this crisis more rapidly, and therefore China will be seen as essentially managing its own affairs better than the United States.
When you visit China, when you read what’s coming out of China, you sense a feeling that the United States no longer has any basis for preaching to us, for telling us how to do things because we’re showing that we can things better.

I think that’s as dangerous for China as it was for the United States after the end of the Cold War, and I see a lot of the things that we have been struggling with and have not done right has been a result of the complacency in feeling that we knew how to do everything.

MR. PAAL: Thank you. Evan?

MR. MEDEIROS: Doug, I’d say that at an aggregate level you’re likely to see a continued integration of China into the global system rules, norms and institutions. I see the incentives for China to be a revisionist to be relatively small, and I think that those largely result from the fact that China objectively has, and its leaders perceive it to have continued domestic challenges that restrain it from perhaps taking a more adventurous role in the world.

The second point I’d make is that one of the challenges China faces is whether or not it’s willing to assume more responsibilities and burdens, and in particular on major transnational issues like climate change, most obviously.

And I think that a frustration that’s going to emerge, not just in the United States but in the entire international community, is whether or not China is willing to assume a leadership role. That word “leadership” is something that seems very normal to Americans in our discourse about our role in the world. It’s equally uncomfortable for the Chinese to talk about leadership.

And the third and final point that I’d make is that also at an aggregate level, what you’re seeing in China’s international behavior is a diversification of its sources of prosperity, its sources of security, and its sources of legitimacy.

This is a country that is increasingly less reliant on singular sources of prosperity, security and legitimacy, and I think that that gives China a lot more freedom of action as a global actors, and in particular I think it reduces, at an aggregate level, its reliance on a kind of positive and stable relationship with major powers in the system, including the United States.

So it’s possible, and this is – again, this is a kind of 10- to 20-year time perspective. I think that our ability – the United States’ ability to leverage China’s desire for good relations with the United States to encourage change in China will be less over time.

MR. PAAL: That’s a terrific observation.

MR. PEI: I think the government still believes economic development will grow China out of these problems. So the strategy is – but they also understand the current model of economic development is not sustainable. If you look at elite pronouncements, they are aware of the structural problems China faces in its economic growth model.

So their problem is not to find an alternative political development model, but to find alternative economic development model. And that problem they’ve been trying to get a grip on for some time.
In terms of this continuity – I think if they cannot make a smooth or effective transition from the current resourcing tendency, or what have you, you call it, path of growth to a much more sustainable path of growth, then all the problems we’ve been predicting but never happened will emerge.

And the elite unity that has been the lynchpin of China’s political stability will be tested in that environment where GDP growth is no longer 8 percent but it’s 3 or 4 percent.

MR. PAAL: That’s terrific. We’ve got enough people here to have a hundred flowers bloom – (laughter) – with all kinds of ideas, and I look forward to welcoming your questions. Please identify yourself, if we haven’t identified you in the process of picking you out of the audience, and use the microphones, please.

Gene Martin?

Q: Gene Martin with Asia Pacific Strategies. Tiananmen demonstrators were often labeled as being interested in democracy. How would you see – I don’t believe that was actually the case, frankly. I think initially it was against nepotism, corruption and inside activities by the party. How would you see the term “democracy” being interpreted or translated in Chinese in the next, say, 10 years?

MR. PEI: Well, I think to some extent since Tiananmen there’s one very encouraging development. That is, you cannot challenge the party’s legitimacy but you can question the party’s competence. So I would say democratization of public policy debate is the first step.

When you go to China, what do you hear? You hear about people’s criticisms of a very poor healthcare system, awful education policy. So I think that’s the first step, and I think it’s a healthy development because instead of sort of developing abstract concepts, they are trying to actualize democratic politics.

MR. ROY: I assume everybody here has read the work report of the Chinese Communist Party that came out at the 17th Party Congress.

(Laughter.)

MR. MEDEIROS: In Chinese, of course.

MR. ROY: In Chinese, of course. If you compare that work report with the work report that was issued after the 16th Party Congress, you will find that the issue of democracy is a very active issue within the Chinese Communist Party.

If you look at what’s being published in China, you find some very interesting and provocative books and articles that are trying to look at how the concept of democracy can be applied to China in ways that don’t threaten stability.

Minxin is absolutely right; they haven’t found the answer, but the issue is very much on their agenda and this is not characteristic of the past. This is an emerging issue in China. I think that
process will continue unless the democratic countries, in their responses to the economic crisis, discredit the idea of democracy because of poor performance, and that is actually a risk.

But I think in general the trend in China is toward more active intellectual engagement with the issue.

MR. PAAL: Mike Gadbaw?

Q: Michael Gadbaw with Georgetown University Law Center. It seems one of the defining issues in the relationship between China and the United States will be climate change, and what will determine whether that will be a source of conflict or collaboration, conflict resolved in places like dispute settlement mechanisms in the WTO or collaboration around technologies like clean coal, et cetera, will be whether we can reach an agreement with the Chinese.

At the heart of that agreement, it seems to me, are two simple concepts. One is generational. That is, what are the responsibilities of a country for past generations of pollution or future generations, as in the case of China?

And the second is level of economic development. What are the responsibilities of different countries at different levels of economic development? And my question is, do you see a debate in China that is actually preparing the public for the kind of compromise on that generational issue and level of economic development which would make possible an agreement, which would make possible more collaboration on this front than conflict?

MR. ROY: Quickly, the answer is yes, China is aware of the problem, but like the United States, we both believe that we have to address climate change but we want it to be as painless as possible. (Laughter.) Where we will disagree with China is if China thinks that we’re trying to transfer the pain to them, and we will also have difficulty working with China if we think their approach maximizes the pain for us.

The underlying problem is there is no painless way to address the problem of climate change, and both governments are going to struggle with a problem of speaking more than they’re prepared to do, and I hope that working together can make that problem more manageable.

MR. MEDEIROS: Stape, I was just going to add two points on your question, Mike. The first one would be on these types of contentious issues in the U.S.-China relationship, especially ones for China that go to the heart of their ability to generate real growth for the population, it’s a false distinction to suggest that there is somehow a tradeoff between cooperation and competition, or cooperation and conflict. There are going to be both on these issues.

I mean, if you look at the last 20 years of the U.S.-China relationship and our bargaining on security issues – I know nonproliferation issues very well – you had, simultaneously, cooperation and competition.

And part of that results from what would be my second point, which is don’t just focus on the question of the political willingness of the government to make commitments. That’s absolutely
part of it. It’s an important part of it. And in a Leninist political system, you need signals from the leadership that they’re willing to make these commitments.

But the capacity, the ability of the local governments, provincial governments, the private companies, the state-owned enterprises to actually comply with these commitments is going to be a very important part of this.

So even if we get something approaching a commitment from China later this year at Copenhagen, you know, the way in which that gets expressed down at the provincial level, and the way in which companies decide to selectively adhere to it is going to be a decade if not two-decade-long challenge for China and really for the United States as well. So don’t forget about the capacity element of that equation.

MR. PAAL: Up in the back I see a green tie.

Q: Hi. Joshua Wu from the Commerce Department. My question has to do with the youth of China today and the media. A lot was made in the press the last few days about the shutdown in China of YouTube and Twitter, et cetera, et cetera.

I’m interested to hear your perspectives on how the censorship regime in China has changed since 1989, and how long do you think the Chinese government can continue to keep a lid on evolving technologies as we look forward 10 years, 15 years from now?

MR. PEI: Well, I’ll say the censorship regime has become much more sophisticated. There are two parts. One is what they call reactive censorship. That is something that’s published, typically books, magazine articles, news articles that there was just too many for the censors to handle. So the propaganda department had its post-publication review group, it was a shadowy group, that looks at controversial publications and decides to ban them.

But the other, the kind you talk about, is what I call proactive standard operating procedure kind of censorship. That is, on key dates, anniversaries, they are going to block sites, like a Homeland Security code red – (chuckles) – propaganda department code red type of measures. These are routine. They are blanket censorship measures that expire after a week, for example.

So these things, I think they become much more sort of skillful. But overall I would say the censorship machine in China is quite creaky. Still, if you – well, you can read the kind of stories in China. You wonder whether the censors are doing a good job. (Laughter.)

MR. ROY: The system is fraught with contradictions. You’re trying to maintain a control of certain types of informant within a society which now is remarkably open to the outside world. You have tens of millions of Chinese going abroad every year. If you can’t buy your book in China, you can fly down to Hong Kong and get Zhao Ziyang’s memoirs and bring them back.

So I mean, this is a censorship system which is trying to control the core but basically is not able to deny information to people in China who want to be informed about it. And it’s sporadic, and Minxin has pointed out.

MR. PAAL: In the third row here?
Q: Dan Michaeli, Council on Foreign Relations. I'm wondering, in terms of the foreign policy establishment in China, what kinds of changes we've seen over the past 20 years — and, Evan Medeiros, I think this may be a particular area for you — in terms of how the process of reacting to outside events has changed, how decisions on critical issues are made, both strategically and then again in reaction to events as they occur around the world?

MR. MEDEIROS: Dan, thanks for the question. It's an important point. I didn't raise issues of kind of bureaucratic structures in my talk, but one of the most important developments that has occurred since the late 1980s, partially a consequence of the passing of Deng and the kind of senior leadership is a pluralization of the foreign policy decision-making process.

You have the emergence of truly professional bureaucracies in the Ministry of Commerce, the Foreign Ministry. You know, even the PLA now has developed a kind of cadre of foreign policy experts. The PLA in fact just stood up a kind of public affairs office with a PLA spokesperson a few months ago.

In addition, you have other actors involved. You have provincial governments, then, in essence, provincial party secretaries are conducting their own foreign policies in the large business and investment deals that they reach.

You've got state-owned enterprise whose activities are having very serious foreign policy consequences for China. Not only does that include state-owned enterprises like oil companies that are making equity investments in Sudan and Kazakhstan; you have state-owned enterprises that are making investments in Africa and Latin America.

In fact, one of the big frustrations for Hu Jintao has precisely been this point. There are so many actors in China that aren't kind of technically within the central government bureaucracy that coordinating foreign policy has become a huge challenge.

And that's why, in the late summer of 2006, Hu convened a very large and very unique central foreign affairs work conference that kind of set out a series of guidelines to impose, to the extent possible, a degree of party discipline on these kind of non-core central government actors that are having a bigger role in foreign policy.

One of the most significant challenges China faces in this regard — and it's something that Carnegie, Michael Swaine, has done great work on, is the issue of crisis management. One of the big weaknesses of the Chinese system is the lack of coordination across the kind of military foreign policy and other government actor system to coordinate decision-making during major national security crises.

And it's an institutional weakness the Chinese know about but they're not really sure how to fix it. And so, until they do, you know, their kind of ham-handed response to crises like, you know, EP-3, their delayed response to the ASAT test, these kinds of things are going to continually handicap their foreign policy.

MR. PAAL: Anyone else? Jessica?
Q: A half a dozen years ago we had the slogan, “peaceful rise,” and the argument that China was going to be the first major power to achieve a new tier of influence without causing conflict. Then it disappeared rather quickly, that phrase.

Once China becomes the world’s largest economy – which is not going to be that far off – are we going to see a peaceful rise? Is it going to continue to look inward and worry about its own backyard, or is it inevitable, in your collective view, that it will have broader ambitions?

MR. ROY: The core of “peaceful rise” was retained. They changed the terminology. So “peaceful rise” was replaced by “peaceful development.” The concept, in theory, is the same. The connotations are slightly different. China still believes that as a national policy it should strive to avoid generating conflict as a result of its emergence as a greater power. Can it do so?

The answer is, if it was entirely up to the will of the leaders, perhaps. The problem is going to be – and we’re already seeing clear manifestations of this – that as China becomes a more significant country in terms of its military capabilities, in terms of its size of its economy, the Chinese people demand more. They want China to be more assertive – not as a mass movement, but it’s significant. It’s emerging in Chinese attitudes and domestic debate.

So you have the potential problem of if you democratize China, you may end up with a much more dangerous China, more responsive to public attitudes similar to the United States at the end of the 19th century, where we’re feeling our oats and we want to go around and show people that we can’t be lightly ignored in terms of our interests.

So I think the challenge for China is they’ve read history correctly, but the implementation of a course designed to avoid the problems that other rising powers have run into is going to be more difficult, perhaps, than the Chinese leadership fully recognizes.

Q: And the lesson for us is be careful what you wish for.

(Laughter.)

MR. ROY: Yes, but there is another lesson to be borne in mind. We rose in the Western Hemisphere. We picked our wars with Mexico and Spain. China lives in a very dangerous world surrounded by big powers with big capabilities who will react immediately to assertive Chinese behavior.

So the corrective impacts on China of overly assertive behavior are going to be much more immediate and much more relevant to China’s own national interests than in our own case.

MR. MEDEIROS: Just to pick up on that because I think Stape is absolutely right in highlighting the fact that there are going to be continued constraints on China’s ability to translate growing national capabilities into kind of more global influence. I see those constraints as fairly consistent.

But another constraint that’s important to keep in mind is let’s say China does become the biggest economy in the world, you know, depending on whether you use market exchange rates or
PPP, but, remember, you know, the real income of the Chinese person is still going to be, you know, relatively small.

So I mean, for a country that is devoted to kind of reemergence as a great power, even though it’s very easy for external observers to look at these aggregate statistics of capabilities and be kind of wowed by, you know, the size of the Chinese military or the number of new modern destroyers that they’ve acquired, or the size of the Chinese economy, it’s still important to understand the – you know, internally the kind of limitations and the weaknesses that they face themselves.

My view is that I think we have a pretty good understanding of how certainly the fourth generation, and to some extent the fifth generation, view this prospect of China rising and China’s kind of national revitalization.

We don’t have great insight into Li Keqiang and Xi Jinping, but there’s pretty good indications that they share Hu Jintao’s view of China’s position in the world. The real question is, as China’s national capabilities expand, what do the sixth- and seventh-generation leaders thing?

You know, as we all know from history, personalities in leaders can have a very defining influence, and we just don’t have good visibility into that, and it’s going to be the way in which those leaders, their preferences, choose between the costs and the benefits associated with, you know, kind of pursuing, or kind of redefining China’s interests and then pursuing them perhaps in a kind of more aggressive manner.

It’s those preferences of the leaders that I think will be really defining, and we just don’t know.

MR. PEI: Well, I used to be very sort of reassured about China’s ability to manage its own power, its growing power. I’m not so sure anymore. If you look at how China has been behaving over the Tibetan issue, you get quite worried because it’s a case where they decided to use their power quite aggressively.

Now, this is where China is talking about imposing economic sanctions, imposing political sanctions of all places France, Germany and others. So I think it’s a temptation China will have to resist because once you are a big power, you behave like a big power, and for China, the historic baggage, the political baggage, the baggage will be huge.

MR. PAAL: We have time for one final question. Beverly Hong-Fincher?

Q: If I may –

MR. PAAL: The microphone, please.

Q: Beverly Hong-Fincher, UVC. If I may interject my linguistics connotation of this word “development” instead of “peaceful” rise – you know, it’s development rise – I think the development is comprehensive. Without this scientific word, that word to modify it, scientific deletes it.
So in other words, development means comprehensive development rather than economic development because they notice that, you know, the rest of the country is not so well developed. So the word scientific deletes it. That’s my –

MR. PAAL: No question, okay.

Q: Thank you.

MR. PAAL: Well, please join me in thanking our wonderful panel for this terrific panel. Thank you very much.

(Applause.)

(END)