

**THE CARNEGIE ENDOWMENT
CHINA PROGRAM**

**REFRAMING CHINA POLICY
THE CARNEGIE DEBATES 2006-2007**

**“IS COMMUNIST PARTY RULE
SUSTAINABLE IN CHINA?”**

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INTRODUCTORY REMARKS:

**JESSICA T. MATHEWS, PRESIDENT,
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DEBATERS:

**ANDREW J. NATHAN
CLASS OF 1919 PROFESSOR OF POLITICAL SCIENCE,
COLUMBIA UNIVERSITY**

**RODERICK MACFARQUHAR,
LEROY B. WILLIAMS PROFESSOR OF HISTORY AND
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Transcript by:

JESSICA T. MATHEWS: Ladies and gentlemen – oh, that’s a very obedient audience. (Laughter.) Before I start, may I ask everybody to turn off their cell phones? And, hoping that this is not an unconstitutional request, the sound people tell us that their system is so delicate that would you please also turn off the vibrate because it picks it up.

My name is Jessica Mathews. I’m president of the Carnegie Endowment, and it is a great privilege and honor to be here today. For years, and indeed for decades, American policy towards China and American views of China had tended to pendulum-swing between extremes of antagonism and embrace. It’s been difficult, I think as everybody in this room knows, to find and to maintain a steady policy consensus, often with very costly consequences.

The stakes of getting it right have never been higher than they are today, and that’s why we are here. China’s recent meteoric rise means that its economy could eclipse that of the United States by the middle of this century, leading to a reordering of the global trade and investment system and a redistribution of global power. Equally momentous would be a Chinese reversal or even a collapse, entailing the prospect of significant geopolitical instability with serious implications for U.S. security.

Today’s debate, put on by the China program of the Carnegie Endowment for International Peace inaugurates a series of such events, which we’ve entitled “Reframing China Policy,” in which we will bring to Capitol Hill and to Washington policy circles and to policy circles beyond this city the best expert thinking on the key issues related to China’s rise. The debates will touch on politics – domestic politics, as we are doing today – on economics, on security, on regional stability issues and on global issues.

So many discussions of China-related issues are dominated in this country by sharp rhetoric, by bias, by untested assumptions of one kind or another, and our goal is to have a series of discussions that eliminate all of those in favor of critical analysis, rigorous debate, and deliberation.

The question for our first debate is “Is the Chinese Communist Party Rule Sustainable,” and the debaters are two of the world’s leading experts in this field: Professors Andrew Nathan of Columbia University and Roderick MacFarquhar of Harvard University.

Mr. Nathan is the Class of 1919 Professor and former chair of the Department of Political Science at Columbia. He currently serves as co-chair of the Human Rights in China Board and has published numerous books on Chinese politics and security, including China’s Transition, and several others, which are on the table over there.

Mr. MacFarquhar is the Leroy B. Williams Professor of History and Political Science at Harvard. He was the founding editor of the *China Quarterly*, the leading journal on China and the Western world. He has written the final two volumes of the “*Cambridge History of China*,” and has been a fellow at the Woodrow Wilson International Center here in Washington, as well as many other states outside Cambridge.

Professor Nathan will argue that the Communist Party will be able to sustain itself, and Professor MacFarquhar will take the opposite view.

In addition to our debaters, we are pleased and very proud to have such a distinguished group with many chiefs of staff from both the House and the Senate, and a range of policy experts here today.

Before turning over this podium to our moderator, I want to thank Congressman Jim Leach, chairman of the Asia Subcommittee of the House Foreign Affairs, and his staff, for arranging for us to hold this debate in this beautiful site, and to Jim Billington, Librarian of Congress, for his support.

I also want to recognize and thank the GE Foundation and the Hewlett Foundation for their very important financial support of this series, without which we couldn't do it.

And now let me introduce to you Minxin Pei, the chairman of the – the director of the China Program at the Carnegie Endowment, who is going to moderate today's debate.

Minxin.

MINXIN PEI: Thank you, Jessica. I have suddenly been promoted to be chairman. (Laughter.) That's good news.

I want to say a few words about today's format. Each speaker will start with a 10-minute presentation of his main arguments. Then they will have a five-minute rebuttal each. Then we will open for questions. It is very important that you write your questions on the index cards that are placed on your seat. And please do so before the end of the rebuttal and pass them to the podium and then we will select from these questions and ask our speakers to address them. We will have roughly 30 to 35 minutes for questions. At the end of the question session, we will allow each speaker to make a five-minute concluding summary.

I also want to alert you that tonight at the Carnegie Endowment, starting at 6:00, we're going to have a book event celebrating Professor MacFarquhar's latest work on the Cultural Revolution: *Mao's Last Revolution*, and all of you are welcome to that event.

And the proceedings for this debate and the series of debates will be made available on Carnegie's website, so please go there if you want to get access to the debates.

Now let Professor Andy Nathan start the debate

ANDREW NATHAN: I'd like to thank the Carnegie Endowment and thank Jessica Mathews and Pei Minxin for arranging this. I'm of course a long-time admirer of Rod MacFarquhar, as everybody in the field is. It's not common for us professor types to actually debate, so you will probably be disappointed at the low level of blood on the floor – (laughter) – but we will try to disagree.

Now, it's always – we always expect China to do the unexpected. China has often surprised us with sudden changes, but it seems to me that the surprise in China over the past 30 or so years has actually been what I call the resilience of the regime, not its unchanging character but its ability to change in order to keep power in the face of serious challenges.

So, for example, after Mao died, as Rod details in his new book, the country was in very bad shape and Deng was concerned that the people would no longer accept Chinese Communist Party rule – the Party could be overthrown – so he undertook the reform and opening strategy, which somehow kept the Chinese Communist Party in power through changes in its policies and in many of its internal practices and in state-society relations.

Then there was Tiananmen in 1989 when the Party faced broad social conflagration, not only student demonstrations in Beijing, but demonstrations in over 300 cities around the country, not only by students but by urban residents. This was permitted to happen by a Party split. There were many issues in the society – corruption and so forth – but the Party somehow – again, with Deng – pulled it off and continued to survive.

The Party has also survived globalization. Many analysts, from Talcott Parsons, the famous Harvard sociologist back in the 1950s up to Tom Friedman of the New York Times, have predicted that authoritarian regimes can't survive what used to be called modernization and what has now become globalization, for a variety of reasons. But China has – the regime has also adapted to these. We've seen in China the rise of a middle class, but that middle class has not demanded democracy but has been co-opted by the Party and has prospered in alliance with the Party.

We've seen the rise of the Internet. Everybody said the regime cannot control the Internet and other diverse information sources that have flooded into China – the diversity of the Chinese media themselves and Hong Kong television and so forth – but it has. It has invested enough manpower and has developed enough technology to prevent the Internet from overthrowing it. The Internet is a seething hotbed of activity but the regime is able to patrol it and to cut off the parts of it – the things that happen on the Internet that could cumulate into a movement to overthrow the regime. Even cell phones, instant messaging, the Party has been able thus far to adapt and create methods to prevent that from being used to coordinate a movement against it.

And, third, in globalization, the Party has somehow resisted soft power, the apparent triumph of democracy and human rights, and has instead put forward a different idea, which is appealing to, apparently, many of the Chinese people, which is we can provide economic growth, we can tell the Americans and the Japanese no, we can prevent Taiwan from going independent, get the Olympics, be a great power on the world scene and develop our own model of government without having to adopt our model from the West. This appeals to nationalism, it appeals to the Chinese sense of being a great civilization that has its own way of doing things.

What are the key instruments that the Party has developed to maintain stability, particularly in recent years, because we're more concerned with the present than we are with the deep past, or at least that's my focus in my presentation. So under – for example, under Hu Jintao, what have we seen as the Party continues to adapt in a moving game to keep itself empowered through adaptation?

Well, number one, we've seen policy changes. The regime is as aware as we are of problem in the society and it studies them, it has technocrats, it has intelligence, it gathers information, and it makes policy decisions, not all of which are good and not all of which get fully implemented, but it has taken a lot of bold and relevant policy decisions. It opened up on AIDS; it has been attacking corruption, as you know; it has abolished agricultural fees and taxes; it has addressed a lot of the problems that worry the people. There are always new problems cropping. It's building a social welfare system. New problems crop up and no policy change is ever enough, but the regime does move.

It has developed a number of safety valves for the very large masses of dissatisfied elements in the society to have an alternative other than trying to overthrow the regime. There is the court system, which doesn't work too well but it nonetheless attracts a lot of lawsuits because people would – it's safer to do that. There is the letters and visits system; there is administrative litigation; there are letters to the newspaper. There are a variety of alternatives that people have and which many people use.

A third thing that it's done is – something I've already covered – is to have successes in the foreign policy area, and that wins it a lot of credit with the people. I've lost count – I think it's a fourth or a fifth thing--is to keep the economy going so it lifts more and more people out of poverty and has hundreds of millions of people who feel that their interests lie with the regime.

The two most important things that the regime does, I think – because my view is that you have to look top-down. I mean, a regime of this kind is overthrown when it gives up. So we want to look, first of all, at the regime's willpower. And two key instruments that the regime uses to stay in power are repression – it's very repressive and successful; it's selective but tough and it doesn't want to send any signals of softness, and people get the message; and finally, unity within the elite.

The elite did split in 1989 but they seemed to have learned a lesson, both from that and from the Eastern European and Soviet examples, that it's dangerous to split.

And thus far Hu Jintao has enjoyed a stable and peaceful succession to power even though he wasn't Jiang's guy but he was chosen by Deng Xiaoping. And he has apparently consolidated power. And interestingly, according to Joe Kahn in the New York Times a couple of days ago, with the help of Zeng Qinghong, and that's something that Bruce Gilley and I actually forecasted in our book on the table, China's New Rulers, that leaders are pragmatic about power and Zeng Qinghong is pragmatic about power and he's very important. He had come up under Jiang Zemin and now he's helping Hu Jintao to consolidate his power. As long as the elite holds together and continues to engineer stable successions, it will be very difficult to overthrow them.

Now, it's true that all the problems that everybody points to are there: corruption, the disadvantaged groups, the land seizures, the un-working public health system, the non-performing loans in the Chinese banking system. There are many, many problems. And I not only acknowledge but I proactively assert that the resilience I'm describing, the stability of the regime that I'm describing, is vulnerable, potentially, to what poli-sci people call power deflation. In other words, if the regime should be overtaken by a crisis that it can't manage and appear to be weak, you would see this crumble much faster than you see it crumbling in a place like the United States where we have similar problems but power doesn't crumble so fast because our power is more normatively than coercively based.

But if you ask about scenarios that would cause that to happen, the regime to be caught unaware and to become divided, there aren't that many realistic ones visible on the horizon. A war in the Taiwan Strait that they lose could cause that unraveling, but that war doesn't seem to be coming. A war in North Korea that led to an unmanageable flood of refugees could lead to that kind of a scenario, but that war I hope is not coming also. A public health crisis that got out of control could lead to that kind of unraveling, but I don't see the signs of that either. Much less do I see the signs of an opposition movement that could come in as an alternative leader or a democratic faction within the Party itself that would want to promote a democratization scenario.

Finally – because the signs are being waved at me, and this is Washington, D.C. – I think that U.S. policy should be based on the assumption that this regime will still be there. Now, of course many of our policies are based on that assumption, but what's not based on that assumption is the rhetoric that says that through engagement we will change China. I think that rhetoric is misleading. It risks losing American public support.

And in the little paper that I've written, which Carnegie will post, I elaborate the implications of what I've just said for the importance of human rights in American China policy. Of course it occupies a certain role, but I think it could be more since the regime is going to continue to be there. We need to try to work hard to improve its law-abiding behavior.

Thank you.

MR. PEI: Now Rod.

RODERICK MACFARQUHAR: Let me add my thanks to Andy's to the Carnegie Endowment, to Jessica Mathews, and to Pei Minxin and their staff for putting this on in this tremendous building. I know when I was a member of the House of Commons I don't recall having a room like this to relax in. (Laughter.)

I'm told by Minxin – I just asked him – if any of you have read the papers, and he said, no, of course not; we didn't distribute them because otherwise they wouldn't have come. (Laughter.) So what you won't know is there is an enormous amount of overlap in the papers. I mean, virtually nothing that Andy has said would I disagree with. In fact, I say many of the same things.

And what's more, when you read the papers – if you read the papers after you've heard us – you will see that we have both adopted something I'm told is quite common in Washington; that is covering our backsides. You see, Andy says that this regime is resilient according to its present trajectory. Well, the trajectory can change at any moment. And I say, that the regime is fragile but I draw a comparison with the San Andreas fault in California, which is supposed to put California down the tubes if it ever blows. So I can say that the regime is fragile but I don't say when it's going to happen except that for the sake of this argument I do say that it will be in years not decades. So what you might say is that Andy is “Mr. glass half full” and I'm “Mr. glass half empty” because we do agree on many things.

Let me sketch – what I do say in my paper – some of the historical reasons why the regime today is fragile. Historically the Chinese regime, under Mao and to some extent under Deng, but diminished, but certainly under Mao, was powerful because of a number of factors, which are now greatly weakened. First and foremost, there was Mao himself, and after Mao there was Deng. These are leaders whose authority was enormous – Deng not as big as Mao's but still enormous authority – and they were able to take their colleagues with them, whether they liked it or not in some cases in Chairman Mao's time, and that was very important for the stability of the leadership.

Andy makes the point in his presentation that the leadership is more stable now, but in fact, in the 30 years from '45 to '66, when the Cultural Revolution started, the Chinese leadership was very stable. It was only in the Cultural Revolution that it began to show signs of instability. And the absence of the leader, the charismatic leader, to be able to enforce policies in times of crisis, whether it's the Cultural Revolution, whether it's Tiananmen, that is a very important lack in the present system. Hu Jintao is clearly a very canny, bureaucratic infighter. Charismatic he is not.

Second factor, and that is the Party. Now, I imagine that if 100 members of Congress were frog-marched down Pennsylvania Avenue with dunce caps on their heads and then taken to the local stadium and denounced and perhaps tortured, that you might begin to wonder whether Congress is all that good an institution. And that's what happened in the Cultural Revolution to the Party. The Party was trashed by Mao and

people were tortured. Some died; some were killed. And in my view, the Party lost enormous legitimacy as a result of those events and has never recovered it. Andy is right to say that they use repression, that they use all sorts of other methods to try and maintain their position, but they have never recovered and never will recover that position of authority.

A third factor – very important: Under Mao there was Marxism, Leninism and Mao Zedong thought. It was the glue that held the Party, the leader and the society together. It explained the past, it told you about the present, and it predicted the future. Enormously powerful. That's gone. It's supposed to be one of the four cardinal principles to be respected, but no one actually consults their ideological textbooks when they decide on policy. And without that glue, successive Chinese leaders have been trying to find some way of re-legitimizing themselves, their Party with the people. We've had socialism with Chinese characteristics, we've had the four represents, we've now got the harmonious society. None of these things had the power that Marxism, Leninism, and Mao Zedong thought had to unite people.

And fourthly, the most powerful thing of all, in some respects, was the People's Liberation Army, which, in effect, took over power during the Cultural Revolution and which undoubtedly saved the regime in 1989. Armies don't like to fire on their own citizens as they did in '89 and as they did during the Cultural Revolution, and I doubt very much without a Mao as a leader, without a Deng as a leader that the army will again be prepared to pull the politicians' chestnuts out of the fire for them.

Comment [D1]: Is this right?

So those four factors are no longer as powerful as they were before. And I think that the other point about this is that the leadership has not solved the problems that it faces within itself. Andy has said, in a very interesting article that he wrote and also alludes to this in his paper, that they solved the succession problem, and he lists this as point number one for the reason for resilience and stability. They've not solved the succession problem. Succession is absolutely crucial. It's the midnight of the state when power passes from experienced hands to less-experienced hands. In the old days it used to be done very quickly for safety reasons – the king is dead; long live the king. Now it's done at enormous lengths, as the United States knows only too well. But the idea is that you get better security even if you don't get speed.

But in China, they do it by nomination, and as Andy just said a minute ago, Deng Xiaoping nominated Hu Jintao. Jiang Zemin reportedly was resentful that he was not able to nominate his successor. Who is going to nominate Hu Jintao's successor? Is anyone going to agree within the leadership that Hu Jintao should nominate his own successor? I find that difficult to believe. Deng Xiaoping, towards the end, when Jiang Zemin was chosen, actually had to compromise. Even he had to compromise. I doubt if Hu Jintao, albeit that he is trying to solidify his power by his current maneuvers, is going to have that kind of authority when it comes for him to retire, which normally one would expect to be in 2012. So that succession issue, which Andy rightly emphasizes as absolutely crucial to stability, has not been solved in China.

And the second issue that he thinks has been resolved – and Andy is a longtime expert on this subject – is factionalism. He thinks they now control factionalism, it's now under control so they won't tear each other apart because, as he rightly says again, if the Party doesn't hang together, it will hang separately. But what are we seeing in that story that Joe Kahn is just reporting, which Andy referred to? That is about corruption officially, and of course there's corruption in Shanghai; there's corruption everywhere in China. Everyone knows that. But it's not about corruption; it's about political maneuvering. It's the attempt by the center, by Hu Jintao and Wen Jiabao presumably, to try to ensure that their writ runs in a powerful city, the most powerful city outside the capital of China. And it's also to make sure that the remnants of Jiang Zemin's faction, which Zeng Qinghong has deserted, as Andy rightly says, that the remnants of his faction are not going to challenge Hu Jintao in the run-up to next year's Party Congress.

So those two aspects, I think, of stability, which Andy has emphasized, do not yet exist in China. And this doesn't mean to say that they can't solve all sorts of problems, because they do. This is a serious country with a serious government. But as he also said, the unexpected happens, or as someone in this town once said, stuff happens. And it does happen in China. The Cultural Revolution was something no one expected. That was manmade. Tiananmen was not expected.

In January 1989, someone who came from China, a very respected Chinese former Party senior journalist, said that he was told by a friend, who was a professor at Peking University, that the students were interested in only two things: Mahjong and TOEFL to get to American graduate schools. Four months later that was proved totally wrong. SARS was unexpected. The Falun Gong turning up on the steps of the Zhongnanhai, the center of government, 10,000 strong – totally unexpected. Fortunately for the public security they were peacefully inclined. Otherwise it would have been very unfortunate.

So the unexpected, as Andy said, does happen, and my feeling is that all the factors that we both lay out – and he actually lays out in greater detail than I do in his presentation paper – all those factors that contribute to instability-- we do not know, and more importantly, the Chinese leaders do not know, where the famous Maoist “single spark” will light and spread nationwide. Maybe it won't. Maybe he's right.

I'm given one minute, but I don't need one minute. Thank you. (Laughter.)

MR. PEI: Andy will have five minutes to respond to Rod's remarks.

MR. NATHAN: Thank you. This is fun, right? So I didn't know tofu could get you through America grad school, but it's TOEFL – test of English as a foreign language. (Laughter.)

Okay, now I think there is actually more of a difference between Rod and me than he thinks. He says in his paper that, quote, the system will break down in years not decades. He uses the word “collapse;” he uses the word “fracture fatally.” My question

then is how? I have several disagreements with that. How can we envision that happening? I mean, as he said, stuff happens, but can we actually envision with our analytical brain how this thing is going to happen or just say Martians will land and something unexpected will happen? And it seems to me there are two things that under the current circumstances I just do not envision.

One is the spark starting the prairie fire. That's a very key point between Rod and me, that some peasant uprising, some event, some shooting, something will cause a nationwide conflagration. It's precisely this that the whole repression system is geared to prevent. And if we look closely at it through the eyes of the organization Human Rights in China, for example, unfortunately that system is extremely effective at preventing it. I don't have time to go into all the whys and wherefores, but you can look on the CECC website, for example – the Congressional-Executive Commission on China. They're good at that; they know how to do it. And it wouldn't be the PLA next time – or it isn't now. It's the People's Armed Police, a large specialized force.

The other thing you would have to have for the system to fracture fatally is this leadership crisis. I don't think I actually said they had solved the succession problem in the sense in which Rod indicated, as if for all time. I don't think that's true. But I will say that compared to the struggles of the Mao years that Rod alludes to, the system is extremely different. They now cultivate leaders like Hu Jintao – in fact, all the current members of the Politburo – through a 20-or-more-year course – professional career course that they go around through the Party and are looked at. The retired leaders retire on time after the end of their term of office, and/or at a certain age, after they've reached the age of 70. The elders no longer intervene, the military is no longer involved, and decisions are made by the collective group.

Now, behind the scenes in the midnight hour, whether that collective group engages in log rolling and various stratagems – I'm sure that they do, but many things are importantly different. And they could split. But it seems to me what we see in the Zeng Qinghong case is that they're not splitting. That's my first point. Oh, and finally, under this first point I'd like to say that the main arguments Rod makes – the bankruptcy of the ideology and so forth, what happened in the Cultural Revolution – are factors that have been there for the past 30 years but they have not cause a split of the regime.

The second point I'd like to bring up, and last, is what would this look like, the fracturing, the breakdown? And I think we can reason together. I don't have an answer to that but I just confess I have a hard time imagining a scenario that feels real to me by which the masses would overthrow the Party. The masses are not unified; they're very divided. They're shut up in their villages; they're shut up in their communities. The broad middle class of hundreds of millions doesn't want to see the peasant and other unfortunates overthrowing the Party. And they don't have means of communication to coordinate. Whenever anybody tries to set those up, as did Falun Gong, that organization gets completely wiped out.

It's hard for me to envision a scenario by which the leadership would split with a faction that wanted to overthrow Communist Party rule. If there was a split in the leadership it would be to seize the reins of the existing regime, the existing system and be in charge of it but not to change the system, which is the argument here. And it's hard – in Minxin's book he has another scenario. His scenarios are rather short, you know, which frustrated me when I reviewed the book, but he says the Party might be – the system may devolve into a series of local systems where different experiments would be tried. I can't see either the Party as an organization, or the military as an organization allowing that to happen, partly because of the damage it would do to China's security situation.

MR. MACFARQUHAR: Well, I still don't disagree with much of what Andy just said. (Laughter.)

MR. NATHAN: I'm trying to – (off mike).

MR. MACFARQUHAR: I know you're trying. But I think that – he says, how does one imagine it happening? Well, it's very difficult, obviously, to imagine the future, and that's one of the security blankets which Andy has, that it's much easier to project the present into the future. But that's the role that he accepted, so I'm not blaming him for that. I come here not to bury him but to praise him.

How will it happen? Well, Andy himself cited the case of 1989 where it was not just the students and their leaders – who we all know, many of whom are now in this country – leading a protest against the Party. And it was people cheering them on – ordinary people cheering them on, from the sidelines mainly but still cheering them on, and from the streets. As he said, 300 cities – I hadn't remembered that it was that many cities, but 300 cities – that is nationwide. That is nationwide. And did we think it would happen? If you'd said to a Peking University student, if you could interrupt his Mahjong game, in April, say, 12th, 1989, three days before Hu Yaobang – before the general secretary died--what would you do if Hu Yaobang dies tomorrow? Hu Yaobang? Wasn't he the general secretary? I mean, he suffered – he was kicked out, I know, but why should we do anything if he dies? I mean, he had a good career. Isn't that enough? He's an old man, so he has to die.

I don't believe that any student in any university in China would have dreamt that that that single spark could have been the one that ignited other sparks and led to this nationwide demonstration of anger at inflation, but mostly at corruption. It wasn't – no one would try and suggest that it was, except for a few people, a nationwide effort to establish Jeffersonian democracy in China, but it was anger at the Party. They knew what they didn't like--the way the Party ruled--and they knew by then, even people who were not students, even people who had not been abroad, they knew by then because of the opening up that there were other ways and better ways to be ruled. They didn't know how to get there, but when they had the chance, they protested.

So it is difficult, but we do have an example of how, out of the blue, for a reason that no one could have predicted in advance – I certainly didn't; I'm sure Andy didn't; none of us did, but more important, no Chinese leader did. Like the 1911 revolution – which was the first Chinese revolution – took place as a result of a small fracas in Central China, and suddenly the whole system fell to pieces because already the undermining had taken place, the Confucian system had been thrust aside, and the regime was ready to be upset.

So I don't know anymore than Andy does how it may happen. I must say that after the student affair, my thought was if there's any more, it won't be students again; why would they go on the streets to be killed, to be sent away from their universities, to lose their life chances? The most likely thing that will happen will be workers displaced in the Northeast or other state-owned enterprises, some which Pei Minxin writes about in his excellent new book – but that's where the next clash will take – but as Andy rightly says, what they do is they imprison the leaders and buy off, or try to buy off, the followers. But I was wrong. The next surprise were the Falun Gong.

So it's just not possible in a society which is out of control – they do not control the society any longer. That's one of the sort of unspoken elements of the social contract after the Cultural Revolution: Don't come to Tiananmen Square and denounce the Communist Party or its leaders; stay in your home and do what you like. That's the unspoken social contract. But the problem with that social contract is that the Party doesn't any longer really know what people are thinking.

Now, Andy quotes – and I know Andy is big on this – quotes public opinion surveys. And, I mean, it's heresy in this area of town to decry polls. I know that. Nevertheless, I have a feeling that not just Americans answer pollsters in the way they think the pollster wants them to answer or the way which makes them look good rather than necessarily giving their right opinion. And I think that's the case much more in China than it is here.

So I don't think we really know what opinion is, but what we do know in the one poll that I've seen recently, is the opposite of America: The citizens don't like their local congressman equivalent, but they do sort of think that the central government is okay. And they don't like the congressman equivalent because instead of bringing pork from the capital to the locality, he brings in businessmen who take away their land and pollute their rivers and make it generally unpleasant for them.

So I think that there is enormous – and I don't think Andy underplays this at all; he knows that this exists – there is enormous volatility in this society, and maybe that volatility will be kept under wraps because of rapid economic growth, or we know it's not touched much of the interior yet, or maybe we kept it under wraps because they are successfully repressive, but the Party is repressive because it knows that the society is volatile; they know that the Party is corrupt; they know that people are angry about that, and they don't know when it's going to go wrong.

And one of the things that is the problem for them is that the local officials have a double duty. One is development and the other is keeping law and order – or keeping order anyway. And in order to have development, they do all these things like selling land to businessmen and having them erect factories which then pollute the neighborhood. And of course it's like policemen in Washington or New York or Cambridge, Mass. They always say, you know, we try and keep order, but you liberals, when you see how we do it, you complain. And that's how I think a lot of the Chinese local officials do it and the central government is in a bind. Do they want them to keep order or not? Do they want them to develop or not?

I have to stop. Thanks.

MR. PEI: Let me ask this first question about a scenario of breakdown, because from both of you it's hard to pin down a specific scenario of reaching breakdown, but there is one that I think many people are wondering about. That is, it's conceivable that a gradual process of democratization can accelerate and then create a momentum that the regime cannot control. So the question for Andy is that do you believe the Communist Party is resilient enough to manage a gradual process of democratic reform? And then on the other side, the question for Rod is do you think that the current system is so fragile that as soon as such a process is kicked off, it will mushroom into a massive anti-regime movement?

MR. MACFARQUHAR: I think Andy and I are going to agree again.

MR. PEI: Okay. (Chuckles.)

MR. NATHAN: First of all, I don't see the regime – I don't see anybody in the regime who's advocating any significant process of democratization. The village elections which they've done are to consolidate control – to get rid of unpopular village leaders by letting the peasants vote. If they move it up, as Wen Jiabao has said – but this has been a long, long time brewing – to the township level, that is only the lowest level of the entire regime. And I haven't heard of any important, powerful person in the regime who wants – you hear about it from time to time, but I don't believe it's a serious goal to bring competitive elections any further up the system than the township. And if they do, they've got all the methodologies for controlling so-called competitive elections that they've worked out in the case of the village.

Now, the Taiwan example is often mentioned in this connection. There you had another kind of Leninist-style party that did undertake democratization in the expectation that it would continue to win elections, and it won the first presidential election when Lee Teng-Hui was reelected, but then it lost to the opposition. But mainland China I think is not Taiwan. It's not a client state of the United States; it's not threatened by any outside force; it doesn't have the long history of the opposition movement that Taiwan had, and the loss by the KMT was due to a split in the KMT rather than to the ability of the opposition party, the DPP, to actually win a majority.

So my answer is –

MR. PEI: They are simply not going to do it.

MR. NATHAN: – is they won't do it, but if they – any democratization that they undertake will be under control, and the unexpected kind of things that got it out of control in Taiwan are not that likely. I mean, unexpected things can happen; I agree with Rod that they can happen.

MR. MACFARQUHAR: Democratization is unlikely for a very simple reason: There are 70 million members of the Chinese Community Party, and counting. And they did not join the Communist Party to lose power, privilege and the chance of corruption. So there would be an enormous weight in favor of any leader who opposed a leader who was offering the prospects of democratization.

And it's absolutely true. Most middle-class Chinese, certainly the people I've spoken to, are not particularly looking forward to democracy. As one very senior academic put it, we were ruled for so many years, so many decades, by peasants. She meant the Chinese Communist Party under Mao. Why would we want democracy and be ruled by even more peasants? You know, the intellectuals have recovered the position which they had in traditional times of being the governing elite, advising, indeed even governing on behalf of China. And they don't want to give that up. So I don't think it's likely either.

The difference between Taiwan and the mainland is also that in fact, in the Nationalist Party Constitution in their very weak ideology, they didn't have a Leninist ideology; they had a Leninist party. And you can't have a real Leninist party without ideology. But in their ideology, Sun Yat-senism, there was a commitment to democracy – and democracy as we understand it, not controlled village elections like the Chinese understand it.

Let me just elaborate what Andy said about the village elections. What they're trying to do is very Confucian. What they try and make sure is that there are two candidates and both are okay. In other words, we know what democracy is about. Democracy is about being allowed to vote for any scoundrel you want to see in power. (Laughter.)

MR. NATHAN: We have two candidates and both are scoundrels.

MR. MACFARQUHAR: I don't know what you're talking about. (Laughter.) So I think that the idea that the Chinese will allow this very carefully controlled system of village elections to go up further is unlikely, because things can get more difficult as they go up the ladder. So I don't think that this is going to happen. If it does happen, if some leader thinks he or she – but more likely he – has got enough power to try and introduce some form of democratization, I think that the Party would fall apart, because it has no

commitment to democracy, as we understand it, in the way that the Nationalist Party really did.

MR. PEI: Here is one question from the audience. What would be the most important tangible indicators of regime failure that would portend a regime collapse? Rod?

MR. MACFARQUHAR: Well, I think that in your book, Minxin, and in Andy's remarks, and in my remarks too, all the signs are already there. The massive corruption, the pollution – and the Communist Party of China has not forgotten that corruption was a major factor in the demise of the Nationalist Party. It wasn't the only factor. Military defeat was a major factor. But it was an important reason why the middle classes lost faith in the Nationalist Party. There was corruption on a massive scale. There was widespread dissent because of all the corruption at the local level and what it leads to in terms of pollution and the confiscation of land and so on. So I think that the factors are all there. The question is what will trigger them. All the elements for a really massive collapse are there. Andy described them; I have described them; they're there. The question is what will the trigger be?

MR. NATHAN: Yeah, it's an interesting question. I mean, I would say that if the system was going to collapse in years, not decades – as Rod predicted – there are things we should see now today – I think that's the thrust of the question – that, I don't see. I do see that the peasants and the laid-off workers and the people whose land has been seized are unhappy. I don't think those are indicators of impending regime collapse.

What I would want to see today if the regime is going to collapse within years would be slowed economic growth, which I don't see, which could be most readily triggered by a slowdown in the U.S. economy, which I also don't see although I'm not an economist for either of these two economies. But, I mean, if we saw a tanking of the U.S. economy, I might begin to predict trouble down the road for the Chinese regime.

The second thing that I would want to see that I don't see is signs of a defection of the broad middle class. I'm thinking of about 300 million people; I'm not thinking of a tiny middle class. I'm thinking about the inclusive middle class. Rod mentions polling, and my colleague, Tanjin (ph), I'm sure has done polling that shows that those people are pretty satisfied on balance. They have quite a lot of freedom in their personal lives. They think that the political system works pretty well. They themselves are doing rather well. Middle class defection, which we could sense from polls or from conversations or from behavior of people not going back – my Ph.D. students go back to China to teach. That was not the case with our students that we used to have from Taiwan years ago. Now it is; they also go back.

The third indicator I'd want to see is signs of splits in the elite. Now, Rod is the Pekingologist par excellence. His book on the Cultural Revolution and its three preceding volumes on the origins of the Cultural Revolution satisfy me that you can see signs in advance of elite splits. You have interpret this purge of Chen Liangyu in

Shanghai – is that a sign of a split or not? How you interpret it; to me, it isn't, because I think that Joe Kahn's story was correct. It's a sign of the people in power consolidating power further.

MR. PEI: Here is a question on inequality. The trend is rising in China and the Communist Party's 11th Five-Year Plan pledges to address this problem. What if, after another five years, the problem is not mitigated? What will that do to China's stability?

MR. PEI: Here is a question on inequality. The trend is rising in China and the Communist Party's 11th Five-Year Plan pledges to address this problem. What if, after another five years, the problem is not mitigated? What will that do to China's stability?

MR. MACFARQUHAR: Well, of course, having an unequal society is something which is potentially a source of instability. That unequal society has been growing, and this present administration in Beijing is pledged to try to do something about that. What some of you will know is that this is very unusual in East Asian development. On the whole, East Asian countries have developed, but kept equality pretty close between different groups in society. And that's been totally abandoned by China, probably because of Deng Xiaoping's famous saying, some will get rich before others. Well, the question is the others. At what time will they say, well, I'm still not rich, and you're not giving me hope?

So I don't think that people who are poor, because they're poor will naturally revolt. That's not what history tells us. It's when they see themselves possibly getting a little better, and have some time to think about their position. That's when things happen. When they're poor, as many parts of China still are, they're too busy trying to scratch a living to think about revolting.

MR. NATHAN: The fact that the Party is aware of it and has pledged to address it is an example of what I meant by adaptive policy change. As long as inequality coexists with a rising median income, I don't think it's going to become a crucial social issue, and that has been the case. Even if that were not the case, in China more so than elsewhere, the people who suffer the short end of the stick have less access to power. You don't have a universal vote. They can't get together and vote the – what is the word we use here, the polite word – voting people out. Bums – in China, you can't vote them out. Really, the poor in China who are on the low end of the Gini coefficient are isolated in these rural villages. They are isolated in sweatshop jobs where they're locked up six days a week for ten hours a day or much more than that. They don't have a good way to make their dissatisfaction known. Nonetheless, the regime is out there trying to fix the situation.

MR. PEI: There's a question about the evolution of the leadership. Who do you expect to be Hu Jintao's successor, and what can we expect from the fifth-generation leadership?

MR. MACFARQUHAR: Well, Andy's last two books that I know of – there's a third one where he mentions in the footnotes, which isn't out yet – are all about how the leadership has been changing over the last ten years or more. And so he really should be the answerer of this. I've not the slightest idea who is going to be Hu Jintao's successor, assuming that Hu Jintao lasts until 2012. I don't think Hu Jintao knows who is going to be his successor is more to the point, because he is not in a position to go around the country like Mao did and pick people out and suddenly they are helicoptered into positions. Deng Xiaoping also did the same – to a lesser extent, but he did it. Hu Jintao can't really do that. I think that it is true that the Chinese Communist Party is trying to get back to some kind of a meritocratic, Confucian system of recruiting its leaders. But I just don't think Hu Jintao knows.

What any leader wants anywhere is that his or her legacy is respected. Mao wanted someone who would come and carry on the Cultural Revolution. Deng Xiaoping wanted someone who would carry on the reform. That's why he nearly – as Andy rightly says in his paper – why he nearly tried to sack Jiang Zemin when he thought he wasn't going fast enough on reform. So Hu Jintao will want to have as his successor someone who is going to carry on whatever he thinks of as his legacy. At this moment, what his legacy will be is not clear.

MR. NATHAN: The system that they've worked out – I was referring before to this institutionalization or regularization of the succession system – they have these meetings of the Party Congress every five years. So Hu Jintao came in in '02 – he and his people, the current Politburo and its standing committee, came in the 16th Party Congress in '02. So five years after '02 is '07, the 17th Party Congress – we're going to see the retirement of people who have hit the age ceiling, that is 70. Let's see, how does that rule go – that they're going to become 70 I think it is. (Inaudible.) Well, but it worked the last time. The last time that it didn't work was with Jiang Zemin. But I expect to see a bunch of the current standing committee members step out. Right now, I can't remember exactly who they are – Huang Ju, Jia Qinglin, and others whose age is above the ceiling, which is something to do with the age of 70. And we'll see a couple, one or two or three people from this younger age window, which is the people who are now in their 50's I think it would be, coming in.

Now, in China's New Rulers which I coauthored with Bruce Gilley, we do name some names – Li Changchun, Xi Jinping, and Bo Xilai. . . And so we'll see. I certainly agree with Rod that I don't know, and Hu Jintao doesn't necessarily know for absolutely certain who it's going to be. But I think those are the leading candidates and people stay in the leading candidate position in China for years and years and years and years. You don't get somebody coming up from left field as we do in our own political system who nobody has ever really heard of. You get leaders who have been under the scrutiny of the Party's organization department and the top leaders already for many, many years. So these are the guys that I think will be likely to come in at that time. They will then have another five years to be looked over and see how they perform and whether they get caught in corruption scandals or their followers do and so forth before 2012 when some of those generation will succeed. Just the predictability that somebody from a particular

age group is going to succeed to the roles of Party secretary and head of state and head of the military commission and premier is quite a high level of predictability for any political system.

MR. PEI: Okay, now on leadership split. Is leadership more likely to split in face of a foreign policy crisis or a domestic crisis? And more specifically, what will a scenario of war on the Korean peninsula do to China's leadership cohesion?

MR. NATHAN: It seems a little unfair that – I don't have a conviction about whether it would be domestic or foreign that would be most likely to cause a leadership split, although I think the two kinds of crises are very easily linked together, say for example around Japan. You know, when people demonstrate against Japan, they are also reflecting various dissatisfactions against the leadership and it becomes a domestic crisis. I mean, a foreign policy crisis would itself cause some kind of domestic dissatisfaction. So I don't have an answer to that. I already gave my idea of the most likely scenarios – Taiwan, North Korea, economic downturn, or a public health crisis.

In the case of the North Korean situation, obviously, how that would go is very unpredictable, but probably a chief concern of the Chinese leaders themselves is a flow of refugees into Northeast China that could be quite massive and could cause a big setback to the economy there. They wouldn't like to see a Korean situation that ended up with a Korea unified under a government allied with the United States. That is to say, if a Korean scenario unfolded in such a way that the South won and took over and maintained its alliance with the U.S. – all big ifs, especially the last one I think – that wouldn't be too much in China's interest. I don't think it would necessarily lead to a split in the leadership either though. If there were actually the use of nuclear weapons on the peninsula, then God knows which way the fallout would blow and how that would affect the situation in China. So that's some pretty mealy-mouthed responses to that question.

MR. MACFARQUHAR: I think that we have seen one example of leadership disagreement in terms of foreign policy, and that was over the bombardment – the missiles that were used as a demonstration in the Taiwan Strait in the mid-90s. I think there are people in this room who know a great deal more about that particular episode than I do, but I think that the indications are that Jiang Zemin was not keen on that, that he had his doubts about it, but that people who shouldn't have been in favor of it who wanted to embarrass him as being insufficiently nationalistic managed to form enough of a coalition to force him to agree to it. So I think on these very, very tricky matters – the Taiwan Strait, the Korean Peninsula – that is a real possibility of disagreement.

We have to look back to the Korean War in 1950. And as the armies of the United Nations, led by the United States, were marching up the peninsula after the Inchon Landing by MacArthur, there was a debate, a discussion within the Chinese Politburo about what to do. And everyone was against intervening for obvious reasons, because the Communists had just captured power. The economy was in terrible condition. They'd just fought a civil war and an anti-Japanese war for years. They didn't want to do it. And Mao carried the day. In those days, someone like Mao could carry the day.

Whether his arguments were right or wrong really was beside the point. I don't think that's the case now. So I think that it's more likely that a foreign policy disagreement could lead to a split within the leadership because it's so dangerous – Taiwan Strait or the Korean Peninsula – that people could quite easily for very good reasons on both sides disagree sharply.

MR. PEI: This concerns the nature of the Chinese Communist Party today. Is the CCP still a Communist Party in the ideological sense, and would it be more accurate to call it a corporate state or an oligarchy?

MR. NATHAN: Well, I don't think it's really a doctrinaire Communist Party in the sense of Marxism-Leninism, but it was interesting that Joe Kahn said in his article – and this also is something that we forecasted in our book, *China's New Rulers* – that what Hu and Wen want to do is to build up the social welfare system, address – I forget exactly how Joe Kahn put it – but in our book – address inequality in the economy. There are some left-leaning ideals that are animating at least that part of the leadership. Of course, those are prudent things to do. They may be for stability as well. Also interesting for me is that among the semi-free intellectuals in China – intellectuals who conduct debates in China who are not in exile – who are in China but who nonetheless have quite a bit of elbow room to conduct various debates – the pro-liberal-democracy ideas that were prevalent before 1989 are really in recession.

Chinese intellectuals have a lot of ideas that are neo-authoritarian, neo-conservative, neo-leftist, as they call it themselves. They're not really Marxist; there's post-colonial thinking, there is post-structuralism. There are all these trends, which tend – all of them – to be critical of liberal democracy as an ideal. The intelligentsia is not really in favor of democratization right now. They give different reasons. Some of them are that it is too early, that our country is too chaotic. Some of them are that liberal democracy – and this comes to the question of communism – some of the criticisms of liberal democracy by Chinese intellectuals are the classic criticisms that liberal democracy is just a device to fool the populace into letting itself be exploited by capitalists.

MR. MACFARQUHAR: What's the nature of the Communist Party? Well, it's a Leninist Party without Marxism. It's a Party which is there, and it wishes to continue to control because it believes in control, because that's what it's always done. And it's not going to give up control. What's the nature of the Party? It's a sort of Rotary Club of 70 million people who joined in because it's good for careers.

So it is determined to stay in power, absolutely determined to stay in power. I think that the – what was the second half of the question?

MR. PEI: Is it a corporate state or an oligarchy?

MR. MACFARQUHAR: Well, you know, all these words can be applied to it. It's an autocratic state. It's repressive. And those people who join the Party don't want it

to be democratized, because that will be the end of their privileges. So I would agree with Andy. I think we're both absolutely on the same wavelength in thinking that democratization is not what the people who we think would want democratization are actually going to advocate. And that's very good for the Party. So you can call it what you like – corporatist, maybe. I think Rotary Club is not bad.

MR. PEI: This question actually follows the answers you've just given. If the CCP does continue to rule for another 15-20 years, is this an obstacle to China's high-speed growth?

MR. NATHAN: Who asked that question and why would it be an obstacle? I don't even know where to begin. I don't know what you're implying by that question.

MR. PEI: One-party rule, lack of rule of law, inequality and so forth?

MR. NATHAN: Okay, good, thanks. And the continuation of the state sector – like the Internet and a lot of the other things I talked about, this is one of those things where they said it couldn't be done. Even Pei Minxin says it can't be done. You've got to marketize; can't be half-marketized. That seems to be an implication of Pei's argument. I'm not an economist, as I said before, but this Party has so far managed to sustain a high rate of economic growth while keeping a quasi-marketized economy. In fact, by controlling the rate of conversion of the currency, by controlling the banking system, by controlling transport, by controlling what they call pillar industries, they've insulated their economy from a lot of shocks that they would otherwise not be able to control, and they seem to have turned that into an asset for economic – you know, those are beneficial to their strategy of economic growth. Their strategy of economic growth does depend very importantly on the Western markets – the U.S. and European markets. That's probably the chief vulnerability that I see, not Communist Party rule.

MR. MACFARQUHAR: Yeah, I think I'd agree with that. I think that the real problem for the Chinese Communist Party is that a competence mandate, as governments discover throughout the world – is a very insecure basis for hoping that your future will be as good as your past. People cannot be – governments cannot be competent forever. And I think it's partly regimes get tired, even if they turn over – they get tired quite quickly in the West – and they will get tired in China. I don't think Communist Party rule by itself, by definition, is inimical to economic development. But I do think that all the factors that Andy mentioned, particularly the dependence of the Chinese economy upon Western markets is absolutely crucial. And a downturn, as you said earlier, could be catastrophic. But I don't think that 10, 20, whatever years it is that they may continue to rule by itself is going to harm the economy, simply because of what I said earlier.

This is a Communist Party, which decided when Deng Xiaoping came back to power in 1978 that it had to promote economic growth for the prosperity of the country and the people, otherwise they'd be out. That is what they are strong about. There are neo-Maoists in China today who are arguing, because of the inequality, that the Maoist system was much more equal, and we should go back to that. And the regime has already

issued an indication that it is not going to turn its back on reform. It's got to go on this path, because they believe that is the only way it will survive. So I don't think by itself, Communist rule is going to undermine the economy. There are all sorts of other things, which happen in long-lived regimes – regime tiredness.

MR. PEI: I have two last questions. Foreign policy implications – the question for Andy is: will a resilient Communist Party maintain a stable, cooperative, peaceful foreign policy with its neighbors and with the rest of the world? And to you, Rod, how will the fragility of the Chinese Communist Party affect its foreign policy?

MR. NATHAN: The grammar of that question seems to imply that the resilience of the Party would be inimical to a cooperative, so maybe again I'm not understanding the question. But I think one of the points that we've both developed is that the resilience of the regime actually depends upon its – what they themselves say – peaceful international environment, and on its access to the Western markets, not only the export markets, but there's also the FDI and the technology and things like that. So I don't think that the search to stay in power constitutes an incentive for the regime to conduct an adventurist foreign policy, if I'm making myself clear. It's just the opposite.

To stay in power, one wants to keep a predictable international environment, to seek cooperation, to try to ensure energy supplies, and so forth. Where is Michael Swaine? He is the great expert on all this. But Michael and I don't see – right, Michael?; where is he? – signs of Chinese preparation to build a blue water Navy that secures its sea lanes of communication, to stabilize its oil resources, and challenge American primacy in the naval environment. We just don't see those signs. We don't see signs of China preparing the physical capability to invade the Middle East or Latin America to secure those energy resources, or signs of China getting ready to invade countries in Southeast Asia. The military preparations are for Taiwan. The DOD then says what will those military assets be used for after Taiwan? And we don't know when the magic moment of “after Taiwan” will come. But we cannot see an intent by the Chinese leadership, or a capability being created, to disturb the cooperative relations or status quo situation or to challenge the American role in maintaining stability in the Asian region, things like that. I mean, one could go into much more detail, maybe Jim Lilley sees different things. You guys have a debate. (Chuckles.)

MR. MACFARQUHAR: How will fragility affect foreign policy? Well, it will affect it in exactly the same way as not being fragile. The more fragile the regime, the less likely it wants to have foreign adventures, the less likely it wants to have an unpeaceful environment around it, of course. So that I think that the Chinese have decided that they need a long time – this Communist Party needs a long time – to make sure that they re-legitimize with a competence mandate by making the country rich and powerful. And so, in so far as they feel fragile, they will want that peace to continue. The one area of exception, of course, would be the Taiwan Strait.

What is very interesting about the concept of fragility is that the Chinese are more conscious of this than Americans. No one here, perhaps except a few specialists, will

remember that it was John Foster Dulles who in '57 said that he hoped that there would be a peaceful evolution of the Chinese Communist regime into a democratic system. We've all forgotten that. The Chinese have not forgotten it. They still worry about peaceful evolution. They worry about peaceful evolution because of what happened, for instance, in '89, that ideas are coming in. They've got to come in. And the more that society is less under their control, the less they know about what people are actually thinking. Doubtless, they may carry out their own opinion polls, but I think those are even less likely to result in honest answers.

But I think because they feel fragile, because peaceful evolution is something they do worry about, because there are all these many things in the society, starting with corruption, but not finishing there – which Andy and I have both emphasized – they feel fragile. They know that they are doing a race against time with the economy. They realize that the whole of the Communist world has collapsed except for themselves, Cuba, Vietnam, North Korea, and Laos, and that they are the bulwark. They are the last bulwark. They've got to – albeit with a different banner – do what Mao was trying to do in the Cultural Revolution – keep the revolutionary flag going, because if they go down, that's the end of it everywhere. So I think they do feel fragile. I think they've got reason to feel fragile. They don't know what the future will bring, and for that reason, they are even more careful. And the last thing they want is adventurism in foreign policy.

MR. PEI: The last question – what recent U.S. policy moves toward China do either of you think has been particularly counter-productive for a long-term, sustainable, U.S.-China relationship?

MR. MACFARQUHAR: I can't think what recent American policy moves toward China have been. (Laughter.) The secretary of the Treasury has just been there, and based on his previous acquaintance in his many, many trips to China, and doubtless the good relationships and the financial relationships that he conducted while he was doing that, it was a good trip. And I think that if he suggested to them, look, we have a real problem in America. There is Senator Schumer and his colleagues who are going to put down all sorts of bans on you if you don't do something about your exchange rate. Well, if this secretary of the Treasury says that, I think they'll listen. I think they won't do much, but they'll do enough. Already the Schumer – can't remember the other sponsor of the legislation, they've already said they're not going to push it now, because they've been reassured. And that's what's going to happen.

They know about Congress now. In the old days, they thought it was just Nixon and Kissinger ran the place. They know about the Congress now. They're much more sophisticated now, and so their ears are attuned to any little change in congressional sentiment if it seems to be getting going. But I think that the United States has other problems at the moment, and I don't recall that there have been any major China initiatives recently.

MR. NATHAN: Yeah, this is a tough question, because of the particular way that this question is asked. Now, I would like to answer a different question therefore, which

is that I believe the Chinese leaders think that many American foreign policies and domestic policies are unwise and counterproductive. I think they think that the U.S. has messed up the North Korean negotiations by threatening the North Koreans. And it's not that the Chinese are not willing to use leverage to bring North Korea to the bargaining table, but the Chinese sincerely believe that the U.S. position is not one that in good faith they can advise the North Koreans to accept. I think they think our Iraq invasion was unwise and mishandled. I think that they think that our policy with Iran is not going to get us anywhere. We say we won't accept Iran's actions, but we have no – in fact – option, diplomatic, economic, or military to prevent it. I think they think that our twin deficits are unwise, and that jawboning them about the twin deficits is kind of irrelevant. And -- I can't read my own handwriting -- I think they think a lot of our policies are unwise.

But will that disrupt a long-term sustainable U.S.-China relationship? That's why this question is so hard to answer. It's hard to think of almost anything that would disrupt that relationship because as we've both developed in our answers to previous questions, the Chinese need that long-term sustainable U.S.-China relationship and they know it. And so, they are intent upon preserving it while riding the sort of unpredictable waves of U.S. domestic and foreign policy. If the two sides were to actually come to a war in Taiwan or in North Korea, that would disrupt the relationship. But the policy of the U.S. government is not to have a war in Taiwan, and I believe in the end of the day – I hope – will turn out to be not to have a war in North Korea. And so then, I kind of agree with Rod that even though they think many, many of our most important policies are bad ones, that's not going to disrupt the long-term sustainable relationship.

MR. PEI: Time for closing remarks. And Rod will start with five minutes, and Andy, you will conclude this debate with five minutes of your own remarks.

MR. MACFARQUHAR: Goodness, what else is there to say? (Laughter.) I was once asked by Michael Swaine, so you then believe in the "big bang theory," do you? And what he meant by that – and I said yes – what he meant by that was that my belief is – and here I think Andy and I agree – my belief is that you're unlikely to see a gradual change in this system as a result of the leadership deciding that it ought to change. I'm going to qualify that in a minute, but I think that is the main thing.

And if we look back over the last 150 or so years that the Chinese have tried to come to terms with the outside world, as they gradually realized that they had to come to terms, the big changes were caused by really big bangs. The first big bang was defeat by the Japanese, whom they'd always considered to be sort of their students, pirates, dwarfs, in the war of 1894-95. That was what impelled the reconsideration as to whether or not the Confucian system was really going to work. Once they abandoned the Confucian system for the government in 1905, the writing was on the wall, and by 1911-12, the Confucian system, after 2000 years, was out.

The second big bang, as I've already suggested, was the Cultural Revolution. Up till the Cultural Revolution, and including the Cultural Revolution, China was obsessed –

China's leaders were obsessed – with exceptionalism. We're China. We've been ourselves; we've been the teachers of our known world for 5,000 years. We're going to stay exceptional. We're going to stay being China. And so the attempt was, how do we be modern and Chinese? Or, to use the phrase of the 19th century, how can we use the Chinese knowledge as the essence and Western knowledge for practical use? How can we preserve the Chinese essence? And Mao's Cultural Revolution was a last gasp of that. What I think happened at the end of the Cultural Revolution was a decision by Deng Xiaoping – look, that way has failed. We've got to jump on the East Asian-type capitalist model. And so Chinese exceptionalism, I think – Andy hints otherwise in his paper, though I'm not sure what he meant – I think the idea of Chinese exceptionalism has, to some extent, been dismissed – not the enormous pride in being Chinese and what China has done through the centuries, but that idea that China can somehow chart a different road towards prosperity.

I'm going to modify my suggestion that the present system will only go with a big bang, whether it's a Tiananmen type sort of event or the Falun Gong sort of events writ large, whatever – because I think that the one thing that the Chinese have learned in their interaction with the outside world over the last 150 years or more has been what it takes to get what they want most. They want prosperity; they want power; but above all, they want respect. They want the respect of the outside world. They want, particularly, the respect of the United States, for obvious reasons.

And I think that as a result of the form and opening up, a lot of people in China have interacted with the West. And they know ultimately what will be the marker that gets them final respect. It won't be the extraordinary growth rate, though that's impressive. It won't be if they build very strong nuclear weaponry, though that will be something that the Pentagon will worry about. It will be if they develop a democratic system that gives human rights to Chinese, that gives the rights for Chinese finally to be able to choose their own rulers – a system, incidentally, which would make for far greater stability in China than the present system.

So I have just a small ray of optimism in my belief that a big bang is the way, unfortunately, that China tends to move in radically new directions. And that is that there is this core of people growing in number who know how to lead China to a more respectable – in the sense of getting respect from the outside world – the question is whether they will ever have the power, the courage, and the prestige to be able to bring it about. Thank you.

MR. NATHAN: Rod accused me at the beginning of predicting the present to continue. He said that's much easier to do. But I would accuse him of predicting the past to continue in the sense that what he's predicting is '89, Tiananmen, '99, Falun Gong. He says, you know, those things happened before and they can happen again.

MR. MACFARQUHAR: (Off mike.)

MR. NATHAN: That really goes back – 1911. So I think from a sort of methodological point of view, neither one of us has an upper hand. Except: those things did happen in '89 and '99, but what happened then? The Communist Party survived, in fact. So if one wants to predict events like that, one should predict the Communist Party surviving.

But this is not 1989 anymore. A lot of things have changed. After 1989, inflation was conquered – maybe not for all time, but that was one of the sparks of '89, and it's no longer bothering the Chinese economy. Corruption was one of the sparks and that problem is certainly still there. People's incomes have increased tremendously since 1989. China's foreign policy has enjoyed successes since 1989. As I've argued in my earlier remarks, the Party has reformed itself since 1989 in terms of its succession mechanisms. It has created the People's Armed Police. It has created the Internet police. So this is not '89, and it's not '99 anymore. A lot of things have changed.

The second thing I'd like to address is the last gasp of Chinese exceptionalism. Rod said he'd picked up some hints in my paper that I don't hold that view, and that's right. I don't hold that view. I think that view is going to prove very misleading. In my view, the Chinese leaders and the intelligentsia in China and the broad society there still think the things that he mentioned, that we are China; we're going to do things our way; we're not going to do them in the Western way. And I think the search for a sort of alternative way to run a modern economy, an alternative way to run a modern political system, an alternative way to have – they want to be modern, as Rod said very eloquently -- but they don't want to be like us and they don't want to be like Taiwan. I think they honestly see little that's attractive in our society or in Taiwan's society or political system, and they believe that their own, whatever it is, has the answer to an alternative modernity. And I can cite lots and lots of what I was alluding to before – neoconservative and neo-left Chinese thinkers who are not writing on the payroll of the Party propaganda department -- who write about that.

The American model, or Western model has very low appeal in China, I'm sorry to say. And not only in China, but in a lot of places around the world, and not only because of Bush's policies but because it simply doesn't have that much appeal in Iran and in many other countries around the world. So I think the notion that – the Francis Fukuyama notion of the end of history, or Minxin Pei's notion that China's transition is incomplete until it has complete market and complete democracy – as I said in my review of Minxin's book, I think that's not correct. Well, that opens the way to a huge, really academic argument about this – on which I'll give you some footnotes if you want.

The final point that I want to address is the human rights part that I alluded to briefly. I think that given the fact that China is seeking and is very self-confidently seeking a whole alternative model for the economy, society, culture and politics, its human rights violations are really very important to the fate, you know, of the globe – not to make it any more ambitious than that. First of all, China is a place where it's hard to go and do business or, you know, for foreigners to go and to feel secure. So that's bad on just the level of working there.

And secondly, the Chinese system, as it's now constructed, makes it hard for all of us to solve the global public health and global environment issues, and these are all intimately connected to human rights because the human rights victims in China are the ones that are advocating for the rule of law, for environmental issues, for public health victims and so forth. They become human rights cases after advocating for something else and running up against officials who don't want them to. And to build a just and equitable and sustainable globalization for the future, which is something that the U.S. itself has not done, you know, its share of, but in addition to that, it's important for us that China do so.

How to do human rights work in China under the circumstances of China's rise, China's self-confidence? It's much more difficult than it used to be in the past, and I don't have time to give my ideas about how to do it, but there are things that can be done.

MR. PEI: Before I ask you to join me in thanking the two speakers, I have two announcements to make.

First of all, the papers the two speakers have written will be posted on our website, as will be the transcript and the video and audio for this debate. And in a month or so we will have a second debate on the Chinese economy. And then throughout the remainder of this year and next year, we will hold another 10 to 12 debates on various issues related to China. So keep tuned.

Now let us thank the two debaters for this wonderful presentation. (Applause.) Thank you for coming.

(END)