

中国和世界未来

China and the Future of the World

Conference Summaries and Transcripts

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THE UNIVERSITY OF CHICAGO

Edited by Daniel Michaeli and Alexander Graham

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CHINA AND THE FUTURE OF THE WORLD

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Introduction

June 2006

We developed the *China and the Future of the World* conference as a way to help the American public gain access to nuanced public discourse on China's rise. The conference, which took place on April 28–29, 2006, was made possible through the hard work of dozens of members of Chicago Society at the University of Chicago, a student organization that encourages discussion and debate on a wide variety of interesting and timely topics.

China and the Future of the World brought together many of the most distinguished American and Chinese academics, diplomats, and politicians with insight into China and United States-China relations. In the spirit of informed and lively debate, guests from five American states and the District of Columbia joined speakers from China's political and commercial capitals, Beijing and Shanghai, to discuss the complexities of modern-day China, from domestic social and political tensions to China's foreign policy activities around the world.

In the weeks since the conference concluded, we reviewed and edited the transcripts of the conference proceedings. We also summarized the findings of the conference so that those without sufficient time to read through the entire proceedings might still benefit from the discussions that took place in April. In addition, we have made video and audio recordings of the conference available online at <http://chicagosociety.uchicago.edu/china>. We hope these efforts will make accessing the findings of the conference as easy as possible.

The United States must better understand China in order to ensure the success of the U.S.-China relationship. The status of this relationship is likely to determine substantially the international economic, political, and diplomatic environment for decades to come. We are pleased to present this exchange of ideas to the public in hopes of further improving understanding of China.

Daniel Michaeli, *Conference Chair* - michaeli@uchicago.edu

Alexander Graham, *Conference Vice Chair* - apgraham@uchicago.edu

Conference Keynote Summaries

*Summary of Remarks by Ambassador Christopher R. Hill,
U.S. Assistant Secretary of State for East Asian and Pacific Affairs,
on Current and Future United States-China Relations*

Ambassador Christopher R. Hill, United States Assistant Secretary of State for East Asian and Pacific Affairs and the U.S. envoy to the six-party negotiations on North Korea's nuclear program, delivered the opening keynote address at the University of Chicago's *China and the Future of the World* conference on April 28, 2006. He was introduced by Daniel Michaeli, the conference chair.

Ambassador Hill began with remarks on the importance of the economic ties between the People's Republic of China and the state of Illinois, mentioning particular key American interests such as Motorola, Boeing, Archer Daniels Midland, and the agriculture industry. Ambassador Hill observed that 15 million new jobs are needed each year in China for new entrants to the job market, one requirement for the economic growth of 8 to 9% that China's leadership needs to achieve annually to maintain its hold on government. He noted further that Deputy Secretary of State Zoellick's formulation of the desired role for China in the world community as a "responsible stakeholder" has been well received in Beijing. China's focus, however, remains its own economic development.

On the subject of U.S.-China relations, Ambassador Hill described a complex relationship requiring comprehensive bilateral cooperation on shared interests and global responsibilities. He said that President Hu Jintao received a very respectful and cordial reception from the American people and President Bush during his trip to the United States a week prior to the conference. Ambassador Hill condemned the disruptive protest of a Falun Gong journalist on the South Lawn of the White House during that visit, saying it distracted media coverage from the great successes of bilateral dialogue in recent months. Considering the state of relations just thirty years ago, when the U.S. and China began approaching each other, tremendous progress has been made in the U.S.-China relationship. America now "welcomes the emergence of a China that is peaceful and prosperous and that supports international institutions," Ambassador Hill said.

Ambassador Hill noted that President Hu has come to agree with the United States that China needs to build its own domestic consumer market and to move away from a purely export-oriented economy, which is good for American businesses. During the question-and-answer period, Ambassador Hill noted that China's annual merchandise trade surplus with the United States of 200 billion dollars was politically hard to sustain. The fact that China holds a substantial portion of the U.S. national debt, though somewhat controversial in the United States, ties U.S. and Chinese interests together and makes it highly unlikely the Chinese would ever try to harm the U.S. economy by selling all its treasury investments.

On economic issues, Ambassador Hill detailed some of the accomplishments of the recent Joint

Commission on Commerce and Trade, where the Chinese agreed to allow U.S. beef imports, to mandate that computer sales in China include legitimate pre-loaded software, and to subject government procurement policies to WTO scrutiny. Unfortunately, China has yet to agree to adopt a flexible market-based exchange rate for its currency. Still, agreements and discussions on topics including energy conservation, avian influenza, and balancing trade are highly valuable and are making good progress.

There is also much room for China's active engagement on matters of international security. Ambassador Hill said there are now greater bilateral military-to-military discussions, including exchanges of both senior-level and mid-level officers; however, more needs to be done to increase Chinese military transparency and reduce misunderstanding of China's intentions. On the pace of negotiations on North Korea's nuclear program, Ambassador Hill remarked, "I have occasionally been one to tell the Chinese that what we need from China is a little less patience."

During the question-and-answer period, Ambassador Hill elaborated on China's engagement with North Korea, saying he was highly impressed with the quality of the Chinese negotiators, but China should do much more to pressure the North Koreans. As the DPRK's main trading partner, "China should take some responsibility for the fact that that little country started producing nuclear weapons" and should consider connecting trade to the overall diplomatic effort, he said. North Korea is currently boycotting the talks because of a 20 million dollar freeze of DPRK assets in a Macao-based bank, which is "frankly inexcusable" in light of the incentives of 20 million dollars a week that would come from just one week of the energy provisions of the six-party agreement signed in September 2005. Ambassador Hill said that he is worried that "[the North Koreans] just haven't quite gotten to the point where they want to implement the thing."

Moving on to other international security issues, Ambassador Hill pointed out that China has worked with the United States in the UN Security Council to achieve international consensus on Iran's nuclear program, helped to support new sovereign governments in Iraq and Afghanistan, and expressed interest in helping to support a peacekeeping mission in Sudan with the consent of Khartoum. In response to later questions, Ambassador Hill noted that China has difficulty supporting the use of sanctions, which is inhibiting some key U.S. diplomatic initiatives, but he has faith in being able to work through these issues with the Chinese government.

Ambassador Hill expressed optimism about the Taiwan issue, saying unequivocally that the U.S. does not support Taiwan independence and believes the PRC understands the importance of not taking unilateral actions that could be construed as provocative. During the question-and-answer period, he highlighted the extent of Taiwan's importance to China's economy, saying that the use of force to resolve the issue would be "catastrophic" for both China and Taiwan. One attendee asked about the appropriate role of the United States in the China-Japan relationship. Ambassador Hill said the United States is very proud of its relationship with Japan and it is important to the U.S. for Japan and China to have a good relationship, but the U.S. does not mediate between Japan and China.

During his talk, Ambassador Hill emphasized the importance of human rights and religious free-

dom in China, pointing out that President Hu himself commented that if there is no democracy there is no modernization. The free flow of information will be essential to China's shift to an innovation-driven economy based upon hope and openness, which are antithetical to the imprisonment of journalists and suppression of dissent, Ambassador Hill said.

In response to a question, Ambassador Hill stated that the United States would like to see peaceful political change in China. Ambassador Hill remarked that Americans, including members of the U.S. government, are still absorbing new information and changing their views about China. He said that Americans and Chinese still view each other as "a bit of a mystery."

*Summary of Remarks by Ambassador Wang Guangya,
Permanent Representative of the PRC to the United Nations,
on the Future of China's Foreign Policy*

Ambassador Wang Guangya, Ambassador Extraordinary and Plenipotentiary and Permanent Representative of the People's Republic of China to the United Nations, delivered the closing keynote address at the University of Chicago's *China and the Future of the World Conference* in the evening on April 29, 2006. He was introduced by Bruce Cumings, University of Chicago Norman and Edna Freehling Professor of History.

Ambassador Wang began by addressing concerns that have arisen in the United States about "the possibility of China repeating the past mistakes of larger powers on the rise." Rising powers have historically attempted to alter or remake the international system, and Ambassador Wang said that international concern was therefore understandable. He argued, however, that China is committed to development predicated on domestic harmony and external peace. China's foreign policy will therefore be oriented towards the pursuit of peace, stability, and international cooperation.

Ambassador Wang explained the necessity of China's policy of peaceful development for China's economic growth. He noted the vital link between China's internal prosperity and its external posture, saying that "peaceful development is nothing less than the prerequisite for China's endeavor to become prosperous." Ambassador Wang noted the momentous steps China has taken to bring its GDP to fourth in the world, but also pointed out that China's per-capita GDP remains behind one hundred other countries. He reasoned that long-term peaceful development is therefore necessary if China is to achieve a high quality of life for all of its citizens. Toward this end, Ambassador Wang said that China has joined over one hundred intergovernmental organizations, signed more than three hundred international treaties, and is "naturally glad to be a responsible stakeholder" in the international system.

Returning to the issue of China as a rising great power, Ambassador Wang reiterated that military clashes and upheavals have historically often accompanied shifts in the international balance of power. He argued, however, that the economic globalization and political multi-polarization of the 21st century have contributed to a new system in which the "traditional patterns of clashes triggered by the rise of a large power [are] bound to give way to peaceful coexistence." He emphasized that China cannot see its rise in zero-sum terms, but that its only option is peaceful development in which all countries prosper. He briefly touched on U.S. concerns about the Chinese defense budget and its alleged lack of transparency, pointing out that U.S. speculation about a Chinese defense budget several times higher than the published figure suggests an unsustainable financial burden on China, in addition to a contradiction of its policy of peaceful development.

Ambassador Wang next considered the question of whether China's economic development presents an opportunity or a threat to the world's other economies. He contended that China's economy, boasting an annual growth rate of over 9% since 1978, represents a contribution to and an opportunity for the development of other economies. China's entry into the WTO, falling

tariffs, the expanding domestic market, and increased aid projects within Asia all point towards a China that is developing as an integral part of the global economy and sharing its success with the rest of the world.

Ambassador Wang said that with different political and social systems and varying historical and cultural backgrounds, the U.S. and China will invariably have disagreements on some issues. Nonetheless, the common interests shared between the U.S. and China are more important, and there is nothing that prevents the two nations from constructing a mutually-beneficial partnership. He noted that Chinese products have saved U.S. consumers \$600 billion in the past decade, while 70% of the 50,000 U.S. firms invested in China are making profits. In addition to economic ties, Ambassador Wang advocated continued cooperation between the China and the U.S. in combating terrorism, weapons proliferation, transnational crime, and the spread of infectious disease in an effort to promote peace and stability in Asia.

Ambassador Wang concluded his prepared speech with remarks on the role of the United Nations, noting that while the United Nations may not be a panacea for all global issues, its multilateral machinery remains a vital tool for confronting many unconventional challenges and threats. With continuing reforms, Ambassador Wang said that the UN will improve its efficiency and enhance its authority and role on the world stage.

During the question-and-answer period, Ambassador Wang addressed the involvement of the Chinese government and Chinese companies in the Darfur region of Sudan. He acknowledged that Chinese companies in Sudan are benefiting the Sudanese economy, maintaining that the presence of those companies is unrelated to the policy of the Chinese government on the Darfur issue. He stated his belief that the solution to the humanitarian crisis in Darfur rests on finding peace between the government and rebel forces, saying that China was supporting the efforts of the African Union in this regard.

Ambassador Wang fielded an audience question on China's stance toward North Korea and Iran. He stated that the fundamental objectives of the U.S. and Chinese governments are the same: to maintain the authority of the international non-proliferation regime. He said that China would be among the first nations to condemn Korea or Iran should either acquire nuclear weapons. He went on to explain that China views the Iranian nuclear issue as one primarily for the IAEA, which should play a central role in resolving this issue. The UN Security Council can provide political support but should not take the issue into its own hands with sanctions or military options at the behest of the United States. He said the IAEA should perform inspections to discern Iranian nuclear activity, and that Iran must fulfill its obligations for the peaceful use of nuclear power.

Ambassador Wang concluded with a response to a question about Confucianism's influence on Chinese foreign policy. He said that Confucian thought is the very essence of Chinese civilization, with its deep belief in harmony informing the Chinese approach to peaceful interaction with other faiths, beliefs, and ideas. He affirmed the Chinese commitment to respect for other civilizations and peaceful, harmonious development on the basis of Confucianism's guiding principles.

Summary of Remarks by Peter W. Rodman, U.S. Assistant Secretary of Defense for International Security Affairs, on the Military Dimensions of China's Future

Peter W. Rodman, United States Assistant Secretary of Defense for International Security Affairs, delivered the afternoon keynote address on the military dimensions of China's future at the University of Chicago's *China and the Future of the World* conference on April 29, 2006. He was introduced by Alexander Graham, the conference vice chair.

Assistant Secretary Rodman began his speech by laying out three themes in the U.S. approach to China's military modernization. The first is the paradox of a Chinese military that is modernizing rapidly in some respects, especially in its strategic forces, but remains far behind in others; the second is the problem of the lack of transparency associated with China's military modernization; and the third is the objective the two parties ought to maintain of "demystifying" the other side through constructive interaction.

While accompanying Secretary of Defense Rumsfeld on his October 2005 trip to China, Assistant Secretary Rodman visited the headquarters of the People's Liberation Army Second Artillery Corps, China's strategic missile command, and was presented with a briefing on the structure, training, and missions of China's strategic forces. On the same trip, important discussions were held on vital issues of nuclear doctrine. Assistant Secretary Rodman said he believed the visit was successful for both sides and reflected the substantial improvement in the bilateral defense relationship since an American EP-3 reconaissance plane was forced down onto a Chinese landing strip in April 2001.

In discussing China's military capabilities, Assistant Secretary Rodman pointed out that in some respects the Chinese military is especially weak or vulnerable, particularly in its inability to project power much beyond its periphery on a sustained basis. The Chinese military budget has been increasing in double-digit percentages for most of the last fifteen years to try to combat these weaknesses, and the Department of Defense currently estimates China's military budget to be between 70 and 105 billion U.S. dollars (two to three times the official Chinese government figures), potentially greater than any other Asian national defense budget.

Assistant Secretary Rodman said that China's military modernization is believed to reflect a doctrine emphasizing preparations to fight and win short-duration, high-intensity conflicts around its immediate periphery (with Taiwan as the near-term objective). China is also working to build military strength to deter or counter possible U.S. intervention in a Taiwan crisis. About 100 new short-range ballistic missiles are deployed opposite Taiwan each year; there are close to 800 currently arrayed across from Taiwan. In the long term, China is developing capabilities that could play a role in contingencies far beyond China's periphery, such as conflicts over resources or territory. The Chinese military's historical emphasis on denial and deception and Deng Xiaoping's 24-Character Strategy suggest a desire to downplay ambition in the near term and while acting under a patient long-term strategy to build up China's power to maximize options for the future.

In his speech, Assistant Secretary Rodman emphasized six particularly important capabilities:

- China has at least ten different kinds of ballistic missiles currently deployed or in development;
- China has at least two land-attack cruise missile programs and twelve types of anti-ship cruise missiles;
- China has five modern submarine programs, including domestically-produced diesel, nuclear attack, and nuclear ballistic missile submarines, plus purchases of very advanced Russian KILo-class submarines;
- China is improving aviation, air and amphibious lift capabilities in order to build expeditionary warfare ability;
- China is developing both offensive and defensive cyber warfare techniques to protect its computer networks and attack those of an adversary; and
- China's emergence as an international space power has also supported its research and development on ground-based anti-satellite lasers.

In an environment where no nation threatens China and the reasons for China's military growth are "unknowns," other military powers must hedge against these unknowns, Assistant Secretary Rodman argued, quoting Secretary Rumsfeld. In the question-and-answer period, the Assistant Secretary elaborated by saying that many U.S. allies in Asia, in particular India, Vietnam, Singapore, Indonesia, Australia, and Japan, want the U.S. in the region as a "factor of stability" as they are asking questions about China's military buildup. In his speech, Assistant Secretary Rodman said the American Quadrennial Defense Review was an example of U.S. transparency of strategy and doctrine, which the PRC should emulate to assuage the concerns of the United States and China's neighbors.

The final point of Assistant Secretary Rodman's speech was that the United States hopes to see its military relationship with China evolve in the right direction, with cooperation on common security challenges such as terrorism, proliferation, narcotics, and piracy. Greater military-to-military exchanges have the potential to improve understanding and reduce misunderstanding. The Vice-Chairman of China's Central Military Commission will visit the United States during the summer, following the upcoming visit of the commander of U.S. Pacific Command to China in May; Assistant Secretary Rodman said he would be in China in June for the U.S.-China Defense Consultative Talks.

In concluding his remarks, Assistant Secretary Rodman quoted from the President's National Security Strategy Report, which reads, "our strategy seeks to encourage China to make the right strategic choices for its people, while we hedge against other possibilities." In reference to the "other possibilities," Assistant Secretary Rodman said that as a Pacific power, the United States will defend its vital interests and aim to deter the use of force. Ultimately, the United States hopes to continue building constructive economic and security relations with the Chinese government around areas of common interest.

Assistant Secretary Rodman made an interesting point in response to a question about the U.S. national missile defense program. He said that China is not the target of the program and, further, he speculated that “China may well have the ability to overcome defenses just as the Russians have the ability to overcome defenses.” Instead, the program is targeted at North Korea and possibly Iran.

A question asked by a number of conference attendees was whether the size of the U.S. military budget and U.S. commitments in the Asia-Pacific region, particularly to Taiwan, might have the effect of encouraging greater military competition rather than cooperation between China and the United States. Assistant Secretary Rodman said that this negative outcome is a possibility, but the Department of Defense has a responsibility to ensure the U.S. is prepared to carry out its commitments in Asia. He said that overall U.S. policy towards China, particularly on the Taiwan issue, “doesn’t pre-judge the outcome and certainly does not pre-judge a negative outcome.” The comprehensive national policy on U.S.-China relations hopes for a good outcome, he said, but it also must hedge against other possibilities.

Conference Panel Summaries

Summary of Opening Remarks by Professor Merle Goldman on the Questions of Politics and Society in China

Merle Goldman, Professor Emerita of History at Boston University and Research Associate at the Fairbank Center for East Asian Research at Harvard University, delivered opening remarks on the questions of politics and society in China at the University of Chicago's *China and the Future of the World* conference on April 29, 2006. She was introduced by Alexander Graham, the conference vice-chair.

Professor Goldman began her speech by describing China's economic progress of the last three decades as having grown from the advances made by the Communist system that preceded it. According to Professor Goldman, Mao Zedong and the Chinese Communist Party laid a foundation that contributed in many ways to the economic improvement that would follow Mao's death. The CCP united China after more than fifty years of disunion, effected a very high literacy rate through statewide education, raised the position of women, developed infrastructure, and provided healthcare services that resulted in increased life expectancy. Professor Goldman identified these factors as very important for the economic reforms that Deng Xiaoping would institute after Mao's death.

Professor Goldman then described the Cultural Revolution as a catalyst for economic reform, because Mao effectively destroyed the institutions of the Chinese Communist Party and de-legitimized it in the eyes of the Chinese people. Following the Cultural Revolution, successor Deng Xiaoping recognized that the only way to regain political legitimacy and maintain a stable society was for the Party to deliver economic benefits to the Chinese people. Professor Goldman points out that unlike the Soviet Union, China's period under Communism had been relatively brief, and there remained a tradition of market-based agriculture that facilitated a rapid rise of small entrepreneurs once economic reforms were enacted. These small entrepreneurs constituted a lower-middle class that provided an engine for economic growth, while also increasingly laying claim to its rights and speaking out on political issues. Professor Goldman noted that although the Chinese regime remains repressive, there is far more personal freedom in China now as compared with the period prior to economic reform; she cited the striking rise in public protests, to 87,000 in 2005, as evidence of a growing awareness of personal rights, demonstrated by demands for fair compensation for labor and land.

Professor Goldman went on to discuss China's future prospects for democratization. She expressed confidence that China, like other post-Confucian countries in Asia, would head in a more democratic direction. She cited Confucianism's emphasis on education and the resulting social mobility, as well as its tradition of criticism of abuse of power, as potentially democratizing forces. She noted that 90% of China's villages now vote for their own village head and council, and pointed to Taiwan in which a similar process took place; elections began at the village level, moved up to the township, then the province, culminating in national elections in 1996.

During the question-and-answer period, Professor Goldman addressed concerns about CCP reliance on Chinese nationalism to maintain its legitimacy, which might potentially foreshadow more aggressive Chinese foreign policy. Professor Goldman said that nationalism alone is not a viable substitute for Marxist-Leninist ideology. The most positive way to unify China, she said, is through a political system that can address the problems of the Chinese people directly.

Panel Summary: Politics and Society in China

The panel “Politics and Society in China” was held on April 29, 2006 as part of the University of Chicago’s two-day *China and the Future of the World* conference. The three panelists were Professor Cheng Li, William R. Kenan Professor of Government and Chair of the Asian Studies Program at Hamilton College, and an expert on China’s leadership and the Chinese Communist Party; Dr. Lei Guang, Associate Professor of Political Science at San Diego State University and an expert on China’s peasants and migrant workers; and Dr. Wang Ping, Associate Professor of English at Macalester College and author of books on contemporary Chinese society including *Aching for Beauty*. The panel was moderated by University of Chicago Professor Dali Yang, Chair of the Department of Political Science at the University of Chicago and an expert on Chinese politics.

Professor Cheng Li began his remarks with observations on Hu Jintao, arguing that the Chinese president has been widely misjudged and misunderstood. Professor Li said that Hu has proved to be an effective and deliberate political actor with an agenda of long-term incremental political reform and a great admiration for Franklin Roosevelt. In a calculating manner, Hu confused some potential critics by presenting himself as a populist leader, yet he did not threaten the power of the CCP by favoring political liberalization; he increased the transparency of the decision-making process in some areas while strongly controlling the press in other areas; and on the Taiwan issue he warmly received Taiwanese opposition party leaders in their visit to the mainland but supported the harsh anti-succession law. Aware of the limits of his own power and the need to balance market reform with assistance to vulnerable groups, Hu has pursued pragmatic policies to weaken rivals and maintain the power of the Chinese Communist Party (CCP), according to Professor Li.

Professor Li next discussed his assessment of the current state of Chinese elite politics, centered around a balancing partnership of two coalitions within the CCP, a system he dubbed “one party, two factions.” In Professor Li’s view, Hu Jintao and Wen Jiabao are part of the populist coalition associated with the Chinese Communist Youth League, with most members from less privileged backgrounds and the less-developed inland regions of China. The leaders of this coalition are much more popular in CCP internal elections than the opposing elitist coalition whose core is known widely as the “Shanghai Mafia.” This second coalition, drawing its members from higher socioeconomic groups and China’s coastal regions, includes Jiang Zemin and the current PRC vice president Zeng Qinghong; it occupies more seats in the Politburo than the populist coalition.

Policy differences between the two coalitions include the fact that the populist coalition seeks to cool down the growth rate with a macroeconomic control policy, focusing on building social cohesion, whereas the Shanghai leaders still believe GDP growth is the top priority, Professor Li said during the question-and-answer period. Professor Li indicated that the two informal factions have about the same amount of power today; the two top positions in each of China’s top five organizations are filled by one leader from each coalition. The era of “strong men politics” in China is over, and the two coalitions must cooperate to maintain the power of the CCP. In response to a question on the likely successors to President Hu and Premier Wen after they step down in 2012, Professor Li mentioned the names Li Kechang, Li Yuanchao, and Wang Qishan.

In his presentation, Dr. Lei Guang discussed the stark inequality between the urban and rural populations of China and the most current thinking about how to improve opportunities for China's rural poor. The urban-rural income gap has increased since the early 1980s, and currently residents of rural areas earn only just over 30% of the income earned by city residents. Dr. Guang expressed the overall problem using the terms of Li Changping, the three-line *san-nong* (three rural problems) phrase: "peasants are really poor, rural life is extremely hard, and agriculture is in real crisis." Since Li published a national bestseller on the subject in 2002, thousands of scholarly articles and three top-level Chinese Communist Party documents have been published on rural reform and this has become a critical priority for the CCP.

After summarizing the extent of the urban-rural problems in China and describing the growing comprehensiveness of the discourse about the rural crisis, Dr. Guang explained that there are two broad proposals for improving the Chinese rural situation. Justin Yifu Lin, a University of Chicago graduate, coined the now-prominent term "building a new socialist countryside" to describe a market-oriented proposal allowing the free market to break barriers to the flow of labor and investment to and from rural areas, assisted by substantial government infrastructure investment. The alternative proposal aims to reduce migration between the poor rural areas and cities by channeling investment into rural areas until peasants have enough incentive to stay on their own land. Under this proposal, peasants' right to farm land is seen as a subsistence guarantee for them.

Dr. Guang pointed out that elements of both plans are evident in current CCP policies, because the central government tends to advocate pro-market policies further integrating urban and rural areas while rejecting the privatization of land and avoiding making fundamental changes to the family farm system. He argued that the deeper structural cause of the urban-rural divide is connected to the lack of proper representation of rural interests. The temporary measures adopted thus far are insufficient to address the structural problem; such measures include the repeal of agricultural taxes and reform of the household registration system, which greatly limited peasants' access to cities in the past. Dr. Guang concluded his remarks by saying that a long-term solution to the rural crisis requires both increasing the strength of markets and repairing the fundamental imbalance of political power. Creating peasant civic associations was described as one way to repair the imbalance.

Dr. Wang Ping began her talk on women in China with slides documenting the evolution of images of women over the past century. Through the first part of the twentieth century, a woman's bound feet were a sign of discipline and the quality of daughter, mother, and wife she could become. Throughout the Mao era, women came to be seen as revolutionaries and model workers equal to men, and their numbers swelled in government and the workplace. Dr. Wang pointed out that Mao also sought to erase distinctions between urban and rural lifestyles, and in one photograph shown by Dr. Wang it is not possible to distinguish between the city girl and the peasant girl.

In the current reform era, the ideal of "beauty, brains, and business" prevails among urban women today, to some extent turning women into commodities, whereas women in rural areas are simply trying to keep their families from breaking up. Some six million younger women, unable to make a living otherwise, are sex workers in China today, Dr. Wang said, citing World Health Organization

statistics. Substantially dependent upon their children, some abandoned older women take their own lives, resulting in suicide rates much higher for women than for men. Dr. Wang concluded by reading two of her poems relating to the theme of challenges facing women in China's reform era, particularly their commodification and the lack of educational opportunities due to financial hardship. In the question-and-answer period, Dr. Wang expressed hope that women in China were now in the process of "awakening," just as the global effort to empower women is gaining ground elsewhere.

In response to a question on the development of democracy, Professor Li identified three areas with "solid progress" relating to Chinese democracy: inner-party democracy, beginning with the two factions he identified earlier, is increasing; local elections are moving slowly up to higher levels of government; and the number of non-governmental and civil society organizations is growing dramatically. Professor Li predicted that the collective leadership system and the two factions will persist for the next 10, 15, or 20 years. He noted that one additional positive sign is that President Hu Jintao has a human rights expert and a civil society expert as top advisors.

In contrast to this optimistic view of democratic change, Dr. Guang noted that in rural areas the trend of organizational decline has led to a serious weakening of the capacity of rural populations to articulate their interests, and he said he did not expect this trend to reverse in the near future. He later pointed out that the CCP recognizes the very serious nature of the widespread peasant resistance that is already taking place, and the government sees the benefit of some limited rural organizations. These rural organizations have a double-edged nature, however: they can provide a basis for organized political resistance just as well as they can channel grievances and prevent unrest. Recent party documents associated with "building a new socialist countryside" include some efforts to create economic and commercial organizations to help channel grievances to the government, Dr. Guang said.

All three panelists acknowledged that corruption is a serious problem in China today, undermining the legitimacy of the government. Dr. Guang noted that the most important attribute of this situation is the perception of widespread corruption that has emerged, centered around local rather than national figures. Professor Li quoted one government official who claimed 90% of Chinese officials are corrupt despite the severe punishment of execution for many kinds of corruption. Dr. Guang said that the public's measurement of corruption is based upon two standards: nostalgic memories of the Maoist era and the standards set by the central government; these standards and the increasing visibility of corruption paradoxically strengthened the power of the central government over local areas. Most people do not see the corruption issue as elevated to the level of the entire CCP. Professor Li commented that China's leaders face a dilemma because so much of the CCP is corrupt that strong anti-corruption measures might alienate the party members the leaders must depend upon. Nonetheless, he argued that corruption is not China's most serious problem at the moment. Dr. Wang called upon the Chinese people to continue demonstrating and speaking out against corruption, since she believes that will force the government to create a more effective anti-corruption infrastructure.

Professor Li noted that the idea of the Chinese Dream is growing in China, inspired by the Ameri-

can Dream—hopes for a good education, a middle-class lifestyle, a car, etc. This dream is a fascinating development that should be encouraged by the United States, Professor Li said; he noted, however, that the U.S. and China have shared responsibilities to combat the energy and environmental challenges that accompany China's economic rise. "We should not let the Chinese Dream become someone's nightmare, but at the same time we should really encourage the country to move along with the world to become one of the most prosperous countries," he said.

Panel Summary: China, the United States, and the World

On April 29, 2006, at the University of Chicago's *China and the Future of the World* conference, James R. Lilley, Senior Fellow at the American Enterprise Institute and former United States Ambassador to China; Wu Jianmin, President of China Foreign Affairs University and former Chinese Ambassador to France; and John J. Mearsheimer, R. Wendell Harrison Distinguished Service Professor of Political Science and Co-Director of the Program on International Security Policy at the University of Chicago participated in a discussion panel on the future of China's foreign policy, titled "China, the United States, and World." The panel was moderated by Bruce Cumings, Norman and Edna Freehling Professor of History at the University of Chicago.

The question of whether China's economic rise would lead to increased security competition in Asia between China, its neighbors, and the United States figured prominently in each of the panelists' speeches and in their responses to questions from the audience. Professor Mearsheimer, a proponent of the theory of offensive realism, cast the debate in stark theoretical terms that predicted an increasingly aggressive Chinese foreign policy within the next two to three decades. Professor Mearsheimer's central thesis was that China cannot rise peacefully if it continues to grow economically. He laid out a theoretical framework within which to consider rising great powers such as China. Professor Mearsheimer argued that states find themselves in an anarchic international system in which all states have some offensive capabilities and cannot be certain of the intentions of other states. Given the uncertainty of such a system, states are induced to fear one another because they simply cannot be certain about whether other states will have offensive intentions in addition to offensive capabilities. Furthermore, he noted that there is no higher authority to which states can appeal if victimized by aggression, so the structure of the international system further dictates that the pursuit of power is the best way for states to survive.

Professor Mearhsheimer said that China will translate its economic power into military power, and as this power increases, so too will China's incentive to dominate East Asia in the same way that the United States dominates the western hemisphere. The United States does not tolerate peer competitors and recognizes that regional hegemony is the ideal way to ensure security. Professor Mearsheimer contended that China will thus imitate the 19th century expansionist policies of the United States, which grew U.S. territory and consolidated power. China will therefore formulate an Asia Monroe Doctrine to ensure regional dominance. He added that current indicators of China's intentions are not useful because China is likely to behave far differently when it has more power.

Ambassador James R. Lilley traced the evolution of Chinese foreign policy and its interaction with American policy since the rise of China's communist regime. He stressed that the maintenance of internal stability has historically been a vital goal of China's foreign policy, and that China's continued economic success further deepens this trend. Globalization, Lilley asserted, is a novel factor that sustains China's development, strengthens China's relationship with its neighbors and the United States, and subordinates military competition to economic development. The result of this is that Chinese foreign policy does not seek to endanger vital economic ties through expansionism; rather, it increases commercial and political influence through foreign aid contributions and cooperation in regional organizations. Ambassador Lilley added that American foreign policy toward China

should seek to better understand China's regional activities in order to limit the consequences of differences of opinion on international issues and to minimize the potential for conflict.

Ambassador Wu Jianmin similarly emphasized China's economic development as a key driver of Chinese foreign policy. He highlighted the sharing of China's growth with rest of the world as the most important feature of China's rise. He cited two preconditions for China's continued modernization: peace and international cooperation. China would be foolish to pursue expansionist policies because such policies would endanger these two preconditions and make impossible the attainment of China's three primary goals: economic parity with average industrialized countries by 2050, democratization, and continued openness to other civilizations. Furthermore, Ambassador Wu observed that the common interests shared by China and the United States outweigh their differences; mutual benefit is thus the basis for the formulation of their respective policies, particularly with reference to the current Chinese trade surplus and consumption of oil.

China's growing demand for oil was addressed by all three panelists, with different conclusions drawn about the implications of the trend. Ambassador Wu reasoned that the recent influx of foreign manufacturing industries has contributed greatly to China's increased consumption of oil, and that China's energy use should be viewed as a reflection of China's role in driving global economic growth. Not only China benefits from its energy usage. Ambassador Lilley identified the increased Chinese presence in Africa and Latin America, as well as efforts to build an oil pipeline from Kazakhstan, as evidence that efforts to secure oil might create tensions between the U.S. and China, but not necessarily lead to armed conflict. He noted that the United States engages in similar practices of securing oil. Professor Mearsheimer, however, noted that China's oil consumption will only increase over the next decades and that China will eventually need to secure oil routes from the Middle East, routes now controlled by the U.S. navy. China would therefore require a blue-water navy of its own, and with it would come increased security competition with the United States.

Another source of potential conflict is the dispute over Taiwan. Professor Mearsheimer noted that the Chinese are deeply committed to reclaiming the island, while the U.S. and Japan are unwilling to concede such an important strategic asset. Ambassador Lilley confirmed the American obligation to defend Taiwan in the case of an armed conflict with China, although he observed that the Chinese clearly have a rhetorical advantage given widespread international recognition of the "One China" policy. Lilley added that the United States' greatest advantage is its ability to foster further globalization between Taiwan, China, and other nations in the region in an effort to moderate strategic tensions. Ambassador Wu called U.S. arms sales to Taiwan contrary to the will of the Chinese government and people, while maintaining that a peaceful solution to the problem is the wish of the People's Republic of China. The U.S. should not encourage Taiwan's president Chen Shui-Bian and the separatist movement, he warned.

Globalization is a powerful factor that will substantially change the character of the international system and allow China to rise peacefully, Ambassador Wu stated during his remarks. During the question-and-answer period, Professor Mearsheimer argued that globalization, or economic interdependence, will not necessarily guarantee peace. An international depression would negate the

effects of globalization. Additionally, he cited the high level of economic interdependence between Germany, Russia, and England prior to World War I as an example of the inability of economic interdependence to prevent the outbreak of war. He went on to address the argument that China's strategic culture is opposed to aggression, equating such arguments with America's own exceptionalism and offering the view that China has not behaved aggressively in recent times because it has simply been too weak to do so.

Ambassador Lilley disregarded a question on whether China would emerge as a moral example in the modern world, calling the question an example of "pedantic moralism," which he said is a common feature in U.S. exchanges with China. He said that China cannot be a moral example until it demonstrates that events such as the Great Leap Forward and the Cultural Revolution are not parts of the Chinese system. Ambassador Wu said that it may be too early to tell whether the Chinese will set a moral example for the world, but that the most important feature of Chinese culture is the Chinese belief in harmony; Chinese prefer peaceful dialogue to force in the resolution of international disputes. The most important issue for the Chinese government currently, Ambassador Wu said, is improving the lives of Chinese people through economic growth and increased prosperity.

*Panel Summary: U.S. Business and Government -
Responding to the China Challenge*

The panel “U.S. Business and Government: Responding to the China Challenge” was held on April 28, 2006 as part of the University of Chicago’s two-day *China and the Future of the World* conference. The three panelists were Congressman Mark S. Kirk, representative of the 10th district of Illinois and co-chair of the U.S.-China Working Group in the U.S. House of Representatives; Mr. Tony Lorusso, director of the Minnesota Trade Office; and Mr. Theodore W. Schaffner, Senior Vice President for Corporate Development of Motorola, Inc. The panel was moderated by Professor Anil Kashyap, Edward Eagle Brown Professor of Economics and Finance at the Graduate School of Business at the University of Chicago.

Congressman Kirk began his remarks by noting the historical similarities between the rise of the United States in the nineteenth and twentieth centuries and the rise of China in the present century. In Europe, business leaders had been far ahead of government leaders in grasping the great potential of the United States at the beginning of its rise. Today, he observed, American businesses—particularly those in Illinois, such as Boeing and United Airlines—are leading in U.S. awareness of the growing importance of China. U.S.-China relations will set the tone for the twenty-first century. Congressman Kirk explained that he founded the bipartisan U.S.-China Working Group to try to change the “relentlessly negative” attitude of the House of Representatives towards China.

In discussing areas of potential cooperation between China and the United States, Congressman Kirk mentioned initiatives including establishing a defense telephone link between the Pentagon and the Chinese Defense Ministry and creating a joint rescue capability for the U.S. and Chinese manned space programs. In the long term, he said, the U.S. must work hard to close the cultural and linguistic gap between the two countries, through increased emphasis on Chinese language programs beginning in middle school and high school.

Tony Lorusso’s presentation focused on the role that states can play in advancing the U.S.-China relationship, drawing upon the example of Minnesota, which launched the Minnesota-China Partnership in 2005, including components relating to trade, science, academia, and culture. The most prominent element of the partnership has been the Governor’s November 2005 trip to China, the largest trade mission to China organized by any state, which included 218 delegates and seven high school students.

The objectives of the partnership program are increasing trade for the state, providing training to make Minnesota companies successful in working with the challenges of the Chinese political and economic environment, and increasing mutual understanding between the Chinese and American people. Largely as a result of the state’s new positive and proactive policies towards China, Mr. Lorusso argued, Minnesota’s manufacturers exported 71% more to China this year than last year. “There are tremendous opportunities for U.S. manufacturers to export to China,” he said.

Theodore Schaffner spoke about the business elements of the U.S.-China relationship, beginning with observations about China’s impressive transformation from unwillingness to give immediate

access to U.S. companies, fearing that Chinese companies would be unable to compete, to an openness based in part upon the success of China's manufacturing and training of technologists. Despite this opening, protecting intellectual property rights remains a serious challenge for businesses in China. Intellectual property rights are necessary to ensure foreign companies will benefit from innovations discovered in China and therefore will be willing to engage in investments in research and development there. During the question-and-answer period, Congressman Kirk said that until intellectual property laws begin to protect innovation, "China will simply train these engineers and export them. And for the long-term future of China, that's not good."

Mr. Schaffner cautioned that in his view of the serious trade deficit between the U.S. and China, there will be "some sort of major adjustment" and it would be preferable for that to happen sooner rather than later because it might be quite serious. Increasing consumption in China may be part of the solution, but he cautioned that there is no silver bullet to solve this situation. U.S. manufacturing is disadvantaged not only by labor costs but also by legacy social service costs that limit U.S. competitiveness internationally, Mr. Schaffner pointed out. He concluded by calling upon the leaders of both U.S. and Chinese societies to manage China's economic development to ensure that it takes place in a sustainable manner, particularly with regard to the trade deficit.

In response to a question about potential future domestic unrest in China, Congressman Kirk predicted that it was not the peasantry but rather the middle class that most threatens the Chinese Communist Party leadership, because a failure to deliver 9% annual GDP growth will end the informal alliance between the government and the middle class, in which the government delivers economic growth in exchange for middle class political support. Acknowledging the potential ramifications of future unrest on American companies, Mr. Lorusso cautioned that businesses should not "put all their eggs in one basket."

At the conclusion of the panel, Professor Kashyap asked Congress to get "out of the way" so the U.S.-China business relationship will be able to proceed more smoothly in the future. Mr. Schaffner expressed hope that ongoing high-level cooperation between China and the United States might work towards a resolution of the trade imbalance. The long-term sustainability of the trade deficit, he said, is not assured.

Panel Summary: China's Future in the Age of Globalization

On April 29, 2006 at the University of Chicago's International House, Professor Zhang Jun, Professor of Economics and Director of the China Center for Economics at Fudan University; Mr. Ted C. Fishman, a freelance journalist; and Professor Wang Hui, Research Professor in the School of Humanities and Social Sciences at Tsinghua University, participated in a panel discussion entitled "China's Future in the Age of Globalization." The panel discussion was moderated by University of Chicago Professor Prasenjit Duara.

Professor Zhang Jun spoke first about China's rapid economic development and the factors that have contributed to its continuing success. Professor Zhang said that China's unique political circumstances enabled its rapid economic growth. Political openness to foreign direct investment (FDI) has enabled China's infrastructure to undergo the extensive improvements that were necessary for the growth of a manufacturing industry geared toward foreign export. Factors such as cheap labor and preferential policies towards foreign companies have certainly facilitated the inflow of FDI, but Professor Zhang pointed to the difference in growth patterns between China and India as an indication that there is a fundamental factor unique to China's development that differentiates it from the Indian example. Professor Zhang said that factor is China's political system.

Professor Zhang argued that India's democratic and decentralized political system is imposing restraints on its economic development, though he did not discuss these restraints in detail. India's economy has grown because it successfully globalized the services sector of the IT industry, relying heavily on resources generated domestically (in particular, its legal system and English language education); however, it has been hindered by the lack of FDI and its democratic institutions. In contrast, China's growth has been driven by local governments induced to compete against one another, leading local governments and public-private alliances to build better infrastructure nationwide. Financial opportunities that became available to local governments were complimented by efforts such as allowing officials to travel and study abroad. These officials have embraced FDI and marketization. In this manner, the political ideology of many individual leaders changed without fundamentally altering the structure of the political system as a whole. Professor Zhang argued that improvements in China's human capital have increased the legitimacy of its leaders and contributed directly to the flourishing of China's export industry.

Mr. Ted C. Fishman spoke next about the tangible effects China's rise has on the everyday lives of Americans and those living around the world. He pointed out that opinions about China's increased economic power vary greatly by location. For example, Canada has benefited from China's increased demand for resources such as oil, minerals, and wood. Mr. Fishman also pointed to Spain as an example of the indirect benefits China's boom can produce. Spain has enjoyed an increased demand for infrastructure investment from Latin America as a result of Latin America's increased resource sales to China. In southern California, Mr. Fishman notes that half a million people are employed in the business of processing Chinese imports, while textile and manufacturing industries in the southeast of the United States have been decimated by job migration to China.

Mr. Fishman further elaborated on the effects of China's global rise, using Wal-Mart as an example

of the tremendous opportunities afforded by China's domestic manufacturing industry; Wal-Mart deals directly with about 8,000 factories in China, with in total approximately 100,000 factories providing supporting materials for its products. The inexpensive goods produced from operations such as this save Americans money while also exerting downward pressure on global prices. Concurrently, however, wages in the Midwestern manufacturing economy are down between \$6,000 and \$8,000. Mr. Fishman concluded his speech with a reminder of the difficulty in categorizing the relationship between political and economic systems. In spite of the widely-held Western belief in the superiority of democracy and rule of law in trade, China's authoritarian system has provided remarkable growth in the quality of life of its people. The Chinese model of economic development is increasingly seen as a guide for other developing countries.

Professor Wang Hui spoke about a new emerging dynamic between China's intellectuals, policy makers, and the social groups affected by China's move towards economic liberalization. Professor Wang described a process in which policy debates are first conducted by scholars within the Chinese regime and then by intellectuals and media in the public space. Professor Wang observed that only after an idea has been exposed to this public space and considered by the increasingly Western-influenced critical class of intellectuals can it come to have significant impact in policy. Professor Wang noted that Chinese leadership has become increasingly sensitive to the power of this new interaction between the governmental and public intellectual spaces.

A corresponding dynamic is emerging within the Chinese government itself. The Chinese government's increasing openness to debate is a result of the inaccuracy of the idea of the homogeneous Chinese state. Instead of this construct, Professor Wang argues that new categories must be imagined to describe the way the Chinese government interacts with economic forces. Marketization is carried out by central and local governments, in addition to various departments of state, all of which have interests that can cooperate or conflict. In addition to these multi-faceted relationships, each level of government also interacts with international markets and interests, adding a layer of complexity to decision-making processes.

This complexity and potential contradiction of interests explains a Chinese government increasingly able to accept public feedback and to respond in different, sometimes internally contradictory, ways. A prime example of this process was the wholesale negation of the Cultural Revolution juxtaposed with the continuing endorsement of socialism and Mao Zedong thought. The Chinese government derived much legitimacy from distancing itself from the violent Cultural Revolution while continuing paradoxically to endorse Mao Zedong thought and a market economy. Today, social groups victimized by unfair marketization can appeal to socialist tradition in demanding the government take responsibility in areas such as healthcare, education, and environmental conservation.

During the question-and-answer session, the panel fielded a question regarding the obstacles both the U.S. and China face in their large gap between the rich and poor. Mr. Fishman noted that the poor in the U.S. are adversely affected by job migration to low-cost centers in China, a process that allows China to "export its income gap to the U.S." and to effectively widen the divide between rich and poor in the U.S. He said that the only solution is to invest in educational and job training

infrastructure in the United States in order to prepare those whose jobs have migrated for higher-value occupations. Professor Zhang addressed China's urban-rural divide, reasoning that the rapid industrialization of rural economies is necessary to diminish the income disparity between rural and urban regions. He also said that the Chinese government has improved its practice of providing compensation to those rural residents affected by industrialization. Professor Wang noted that China's economic growth is expected to continue steadily for some time, but attention to the social implications of development, particularly widening income disparities, is necessary to maintain social stability in China.

Speaker Biographies

Keynote Speakers

The Honorable Christopher R. Hill

United States Assistant Secretary of State for East Asian and Pacific Affairs

Christopher R. Hill was appointed to the position of United States Assistant Secretary of State for East Asian and Pacific Affairs on April 8, 2005. Ambassador Hill also serves as the American envoy to the six-party talks directed toward resolving the nuclear crisis in North Korea. He received his B.A. in Economics from Bowdoin College in 1974 and his M.A. from the Naval War College in 1994. Before joining the Foreign Service, Ambassador Hill was a Peace Corps volunteer in Cameroon. He has previously served the U.S. government as the Special Envoy to Kosovo (1998-1999), Ambassador to the Republic of Macedonia (1996-1999), Ambassador to Poland (2000-2004), and Ambassador to the Republic of Korea (2004–05). He has received a number of honors including the State Department's Distinguished Service Award for his contributions as a member of the U.S. negotiating team for the Bosnia peace settlement and the Robert S. Frasure Award for Peace Negotiations for his work in the Kosovo crisis. Ambassador Hill speaks Polish, Serbo-Croatian, Macedonian, and Albanian. He is married with three children.

The Honorable Peter W. Rodman

United States Assistant Secretary of Defense for International Security Affairs

Peter W. Rodman was appointed Assistant Secretary of Defense for International Security Affairs in 2001. Mr. Rodman now serves as principal advisor to the Secretary of Defense on matters of international security strategy and policy, primarily in the areas of East Asia, South Asia, the Middle East and Persian Gulf, Africa, and Latin America. Mr. Rodman was born on November 24, 1943 in Boston, Massachusetts and was educated at Harvard College (A.B.), Oxford University (B.A., M.A.), and Harvard Law School (J.D.). He has served the U.S. government in national defense under four separate administrations, as Special Assistant to the President for National Security Affairs (1987-1990) and counselor to the National Security Council (1987-1990), Deputy Assistant to the President for National Security Affairs (1986-1987), and Director of the State Department Policy Planning Staff (1984-1986). Under the Nixon and Ford administrations, he was a member of the National Security Council staff and Special Assistant to Dr. Henry Kissinger while Dr. Kissinger served as National Security Adviser and Secretary of State (1969-1977). Mr. Rodman currently lives in Washington, D.C. with his wife Veronique. They have two children.

His Excellency Wang Guangya
Ambassador Extraordinary and Plenipotentiary and Permanent Representative
of the People's Republic of China to the United Nations

Wang Guangya has been Ambassador Extraordinary and Plenipotentiary and the Permanent Representative of the People's Republic of China to the United Nations since August 2003. Ambassador Wang was born in China's Jiangsu Province in March 1950. After studying in Wales and at the London School of Economics, he divided his career between the Ministry of Foreign Affairs in Beijing and the Chinese Mission to the UN in New York, with additional study at Johns Hopkins University in 1981 and 1982. At the Ministry of Foreign Affairs, Ambassador Wang began his service at the Translation and Interpretation Department in 1975 and rose to the position of Assistant Minister of Foreign Affairs (1998–99), then Vice Minister of Foreign Affairs (1999–2003). Ambassador Wang is married and has one son.

Politics and Society in China

Opening Speaker: **Professor Merle Goldman**
Professor Emerita of History at Boston University and Research Associate at the
Fairbank Center for East Asian Research at Harvard University

Merle Goldman is a Professor Emerita of History at Boston University, where she teaches Chinese History, and a Research Associate at the Fairbank Center for East Asian Research at Harvard University. Professor Goldman was born on March 12, 1931. She obtained her B.A. at Sarah Lawrence College in 1953, her M.A. at Radcliffe in 1957, and her Ph.D. at Harvard University in History and Far Eastern Languages in 1964. Professor Goldman has written and edited dozens of books and articles, including *China's Intellectuals: Advise and Dissent* (1981) and *Sowing the Seeds of Democracy in China: Political Reform in the Deng Xiaoping Decade* (1994), both of which were named notable books by the *New York Times*. She has been the recipient of numerous professional honors, including membership of the Editorial Board for *The China Quarterly* and inclusion in the U.S. Delegation to the UN Commission on Human Rights (1993). Professor Goldman and her husband Marshall have four children and reside in Boston.

Dr. Lei Guang
Associate Professor of Political Science at San Diego State University

Lei Guang is currently an Associate Professor of Political Science at San Diego State University. Dr. Guang's interests in teaching and research include Chinese politics, peasant studies, international political economy, and development politics. He is the author of "Guerrilla Workfare: Migrant Renovators, State Power and Informal Work in Urban China," an article exploring the perspective of Chinese rural migrants on work and their relations with each other and the Chinese Government in the 1990s. Dr. Guang was born in China's Anhui province. He majored in English and American Studies in his undergraduate and post-graduate studies in China. In 1995, he studied at Jawaharlal Nehru University in New Delhi, India. He obtained

his Ph.D. from the University of Minnesota in 1999 and became a post doctoral fellow with the Center for East Asian Studies at Stanford University from 2002 to 2003. While growing up in China, Dr. Guang was famed among his friends for his skill in ping pong and badminton. He currently resides in San Diego, California.

Professor Cheng Li

William R. Kenan Professor of Government and Chair of Asian Studies at Hamilton College; Nonresident Senior Fellow at the Brookings Institution

Cheng Li is the William R. Kenan Professor of Government and Chair of Asian Studies at Hamilton College. He is also a Nonresident Senior Fellow at the Brookings Institution. Professor Li teaches many courses concerning China's politics, culture, and society, including "Politics in China," "China's Cultural Revolution," and "US-China Relations." He was born and raised in Shanghai. Professor Li was primarily self-educated during the Cultural Revolution. He later received his M.A. in Asian Studies at the University of California, Berkeley, and his Ph.D. in Political Science at Princeton University. Professor Li is the author of several highly-acclaimed books on China's political landscape, including *China's Leaders: The New Generation* (2001) and *Rediscovering China: Dynamics and Dilemmas of Reform* (1997), which follows his experiences in interviewing Chinese political and business leaders as well as people from everyday walks of life. Professor Li's work has appeared in many publications including *The China Quarterly*, *World Politics*, *The China Journal*, and *Critical Asian Studies*. He is the recipient of several research grants from institutions including the Freeman Foundation, the Peter Lewis Foundation, and the Woodrow Wilson International Center for Scholars. He also holds a number of prominent positions in U.S.-China relations including director of the National Committee on U.S.-China Relations and a member of the Academic Advisory Group of the Congressional U.S.-China Working Group. Professor Li resides in New York.

Dr. Wang Ping

Associate Professor of English at Macalester College

Wang Ping is currently an Associate Professor of English at Macalester College. Dr. Wang was born in Shanghai and grew up on a small island on the East China Sea. After spending three years farming in a mountain village, she overcame China's grueling university entrance examinations and tested into Beijing University, one of China's top universities. She went on to earn her B.A. in English Literature at Beijing University (1984), her M.A. in English Literature at Long Island University (1987), and her M.A. and Ph.D. in Comparative Literature at New York University (1994 and 1999). Dr. Wang's publications include the books *Aching for Beauty: Footbinding in China* (2000) and *Foreign Devil* (1996). *Of Flesh and Spirit* was a 2001 Minnesota Book Award finalist and winner of the University of Colorado's Eugene M. Kayden Book Award for "the best book in the humanities published by an American university press." *The Magic Whip* was a 2004 finalist for the Minnesota Book Award and received an honorable mention for the Gustavus Myers Outstanding Book Award. Dr. Wang's books are known for their insightful analysis of Chinese culture, particularly in her reflections on women in Chinese society. She has won numerous awards, including grants from institutions such as the National Endowment

for the Arts, the New York Foundation for the Arts, and the Minnesota State Arts Board. Dr. Wang lives in St. Paul, Minnesota.

Moderator: Professor Dali Yang
Professor and Chairman of the Department of Political Science
at the University of Chicago

Dali Yang is currently a Professor and Chairman of the Department of Political Science at the University of Chicago. His teaching and research interests include China's political institutions and political economy. Professor Yang graduated with an engineering degree from the University of Science and Technology in Beijing and subsequently received his Ph.D. in political science from Princeton University with a specialization in international relations and comparative politics. He joined the University of Chicago faculty in 1993. He is a member of several professional associations, including the American Political Science Association, the Association for Asian Studies, the University of Chicago Committee on International Relations (of which he is a former director), the National Committee on U.S.-China Relations, the China Telecom Group (advisory board), and the China Roundtable of the Chicago Council on Foreign Relations (co-chair). He is part of the editorial board of a number of journals, including *Asian Perspective*, *Journal of Contemporary China*, and *World Politics*. Professor Yang is also the author of many books and scholarly articles. Among his book titles are *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (2004); *Calamity and Reform in China: State, Rural Society and Institutional Change Since the Great Leap Famine* (1996); and *Beyond Beijing: Liberalization and the Regions in China* (1997). Professor Yang currently resides in Chicago, Illinois.

China, the United States, and the World

Ambassador James R. Lilley
Senior Fellow at the American Enterprise Institute; Former United States Ambassador to the People's Republic of China; and Former Director of the American Institute in Taiwan

James R. Lilley served as the U.S. ambassador to the People's Republic of China from 1989 to 1991 and to the Republic of Korea from 1986 to 1989. He held the position of United States Assistant Secretary of Defense for International Security Affairs from 1991 to 1993. Ambassador Lilley is currently a Senior Fellow at the American Enterprise Institute, where he researches China, Taiwan, and Korea. In addition to working in clandestine operations for the Central Intelligence Agency for 25 years in China and elsewhere, Ambassador Lilley has served as National Intelligence Officer for China (1975-1978), Director of the American Institute in Taiwan (1982-1984), Deputy Assistant Secretary of State for East Asian Affairs (1985-1986), and Fellow at the Institute of Politics at Harvard University (1991). Ambassador Lilley is the author of the critically-acclaimed memoir *China Hands: Nine Decades of Adventure, Espionage, and Diplomacy in Asia*. Ambassador Lilley was born in Maryland in 1935. He obtained his M.A. in international relations at George Washington University, and his B.A. at Yale University. Am-

ambassador Lilley's family has had ties to China since his father moved to the country to work for Standard Oil in 1916.

Professor John J. Mearsheimer

**R. Wendell Harrison Distinguished Service Professor of Political Science
and Co-Director of the Program on International Security Policy
at the University of Chicago**

John J. Mearsheimer is the R. Wendell Harrison Distinguished Service Professor of Political Science and the co-director of the Program on International Security Policy at the University of Chicago. His major areas of teaching and research include international relations theory, national security policy, causes of great power conflict, and nationalism. Professor Mearsheimer is recognized as one of the world's foremost experts on the international relations theory of realism. He graduated from the United States Military Academy at West Point in 1970 and served in the U.S. Air Force as an officer for five years. He later earned his Ph.D. at Cornell University in 1980. Professor Mearsheimer has won several teaching awards, including the Clark Award for Distinguished Teacher at Cornell University (1977), the Quantrell Award for Distinguished Teaching at the University of Chicago (1985) and the Phi Beta Kappa Visiting Scholar Award (1993-1994). He is the author of three books on security issues and international politics, *Conventional Deterrence* (1983), winner of the Edgar S. Furniss, Jr. Book Award; *Liddell Hart and the Weight of History* (1988); and *The Tragedy of Great Power Politics* (2001), winner of the Joseph Lepgold Book Prize. He has also written numerous articles and columns appearing in publications from *International Security* to *The Atlantic Monthly* and the *New York Times*. Professor Mearsheimer currently resides in Chicago, Illinois.

Ambassador Wu Jianmin

**President of China Foreign Affairs University; Vice-Chairman of the
Foreign Affairs Committee of the Chinese People's Political Consultative
Conference; and Former Chinese Ambassador to France,
the United Nations in Geneva, and the Netherlands**

Wu Jianmin currently serves as President of China Foreign Affairs University, President of China's International Exhibitions Bureau, and Vice-Chairman of the Foreign Affairs Committee of the Chinese People's Political Consultative Conference. Ambassador Wu has served as spokesman for the Ministry of Foreign Affairs and director of the Ministry's Information Department, Ambassador to the Netherlands (1991-94), Ambassador to France (1999-2003), and Ambassador Extraordinary and Plenipotentiary Permanent Representative to the United Nations Office at Geneva and Other International Organizations in Switzerland (1996-98). Born on March 30, 1939 in Chongqing Municipality, Ambassador Wu graduated in 1959 from the Beijing Foreign Languages Institute's French Department and conducted postgraduate studies in translation and interpretation. Ambassador Wu resides in Beijing, China.

Moderator: **Professor Bruce Cumings**
Norman and Edna Freehling Professor of History at the
University of Chicago

Bruce Cumings is the Norman and Edna Freehling Professor of History at the University of Chicago. His specialties include Modern Korean History, East Asian Political Economy, and International History. Professor Cumings' teaching and research focuses on 20th century international history, U.S.-East Asian relations, East Asian political economy, modern Korean history, and American foreign relations. Professor Cumings received his Ph.D. from Columbia University in 1975. His publications include *The Origins of the Korean War* (2 volumes, 1990), *War and Television* (1993), *Korea's Place in the Sun: A Modern History* (1997), and *Parallax Visions: American-East Asian Relations at the End of the Century* (2002). He is currently completing a book titled *Industrial Behemoth: The Northeast Asian Political Economy in the 20th Century*, an exploration of the industrialization of East Asia, including China and Japan and the reactions of scholars and political leaders to this phenomenon. Professor Cumings currently resides in Chicago, Illinois.

U.S. Business and Government - Responding to the China Challenge

The Honorable Mark S. Kirk
Illinois Representative to the U.S. Congress and Co-Chair of the U.S.-China Working Group in the House of Representatives

Mark Steven Kirk was first elected to Congress in 2000. He is currently co-chair of the bipartisan U.S.-China Working Group in the House, a body focusing on expanding American ties with China and building greater understanding of China in Congress. Congressman Kirk traveled to the People's Republic of China in January and met with Chinese government officials to further the aims of the Working Group. Congressman Kirk is a Naval Reserve intelligence officer who served during conflicts with Iraq, Haiti, and Bosnia. The U.S. Navy named him Intelligence Officer of the Year in 1999 for his combat service in Kosovo. Congressman Kirk flew on missions over Iraq and continues to serve one weekend a month in the Pentagon. He is the only member of Congress to have served during Operation Iraqi Freedom and was an air crewman over Iraq during Operation Northern Watch. Representative Kirk graduated from Illinois' New Trier High School and attended the Universidad Nacional Autónoma de México before earning a B.A. from Cornell. He holds a Masters Degree from the London School of Economics and a law degree from Georgetown. Congressman Kirk and his wife Kimberly live in Highland Park, Illinois.

Mr. Tony Lorusso
Director of the Trade Office for the State of Minnesota

Tony Lorusso was appointed in November 2003 to the position of director of the Minnesota Trade Office (MTO), the export development branch of the State of Minnesota. Mr. Lorusso is responsible for developing the state's international marketing plans, identifying international

market opportunities, managing trade missions, guiding the development of export education programs and promotional events, and overseeing a staff of international trade representatives. Under his direction, the Minnesota Trade Office is also the lead agent behind a new broad-based, statewide strategy to enhance Minnesota's relationship with China through the Minnesota-China Partnership. In November 2005, Mr. Lorusso was instrumental in organizing a trade mission to China with Minnesota Governor Tim Pawlenty, involving over 100 events in four cities (Beijing, Shanghai, Hong Kong, and Shenzhen) over six days. This historic mission was the largest mission to China ever organized by any state government in the United States. Mr. Lorusso previously served as the trade office's director of export promotion for nearly four years and spearheaded a number of high-profile export promotional events, including the governor's trade missions to Mexico, Germany, and Canada. Additionally, he served in the U.S. Air Force for eleven years as an intelligence officer stationed in Europe and the United States. Mr. Lorusso grew up in Phoenixville, Pennsylvania and graduated from Phoenixville Area High School in 1976. He has a bachelor's degree in International Affairs from the United States Air Force Academy and a master's degree in Systems Technology from the Naval Postgraduate School. Mr. Lorusso currently resides in Saint Paul.

Mr. Theodore W. Schaffner

Senior Vice President for Corporate Development at Motorola, Inc.

Theodore W. Schaffner is the Senior Vice President for Corporate Development at Motorola, Inc., a Fortune 100 company specializing in global communications. In April 2005, Motorola received the "Most Influential Multinational" and "Best Corporate Citizenship Practice" awards for its operations in China. Mr. Schaffner, who has been part of Motorola since 1987, led the company's efforts to secure access to the markets in China by forming a number of key joint ventures with Chinese companies. He has continued to guide Motorola's development in China in his current position overseeing Motorola's international corporate development. He has also been involved in key transactions including the divestiture of Motorola's Semiconductor Components Group and the acquisition of General Instruments. Mr. Schaffner received his B.A. at Ohio State University and his J.D. from Harvard University School of Law. Mr. Schaffner resides in Illinois and has two daughters.

Moderator: **Professor Anil Kashyap**

Edward Eagle Brown Professor of Economics and Finance at the Graduate School of Business at the University of Chicago

Anil Kashyap is the Edward Eagle Brown Professor of Economics and Finance at the University of Chicago's Graduate School of Business. Professor Kashyap joined the faculty in 1991 and teaches courses on corporate finance and understanding central banks. He is currently preparing a paper with Wendy Dobson on banking reform in China that will appear in the Fall issue of the *Brookings Papers on Economic Activity*. Professor Kashyap's principal research interests include Japan's financial system, monetary policy, and the sources of business cycles. He is also a consultant in the research department at the Federal Reserve Bank of Chicago and a research

associate for the National Bureau of Economic Research. Professor Kashyap graduated with highest honors from the University of California (Davis) in 1982. He later obtained his Ph.D. in economics from the Massachusetts Institute of Technology in 1989. His research has been published in numerous academic journals and books, earning him grants from the National Science Foundation and an Alfred P. Sloan Fellowship in Economics. He collaborated with Takeo Hoshi on the book *Corporate Financing and Governance in Japan: The Road to the Future* (2001), which was selected for the 45th Nikkei Prize for Excellent Books in Economic Science. He also edited *Structural Impediments to Growth in Japan* (2003) and *Monetary Policy Transmission in the Euro Area* (2003). He previously served as Senior Houblon-Norman Fellow at the Bank of England (2001) and an economist on the Board of Governors of the Federal Reserve System (1988-1991). In his free time, Professor Kashyap enjoys rotisserie baseball and bridge.

China's Future in the Age of Globalization

Mr. Ted C. Fishman

Freelance Journalist and Author of *China, Inc.: How the Rise of the Next Superpower Challenges America and the World*

Ted C. Fishman is a freelance journalist and the author of the bestselling book *China, Inc.: How the Rise of the Next Superpower Challenges America and the World*. His essays and reports have appeared in many publications including *The New York Times Magazine*, *Money*, *Esquire*, *USA Today* and *GQ*. He has also been featured on news programs such as ABC, CNN, Fox, BBC, Sky News (UK), and National Public Radio. *China, Inc.* describes the effects of China's momentous economic, political, and social changes on lives and businesses in China and the rest of the world. Mr. Fishman is a graduate of Princeton University. He was previously a floor trader and a member of the Chicago Mercantile Exchange, running his own trading firm until 1992. An accomplished public speaker, he is frequently called on to discuss adapting to China's economic rise with local, state and federal officials. Mr. Fishman currently resides in Chicago, Illinois.

Professor Wang Hui

Research Professor in the School of Humanities and Social Sciences at Tsinghua University in Beijing

Wang Hui is a Research Professor in the School of Humanities and Social Sciences at Tsinghua University in Beijing, China. He is the editor of *Du Shu*, the most important intellectual journal in China today. He was one of the first voices to publicly criticize China's new economic boom and its embrace of 19th century laissez-faire capitalism, arguing that economic growth and development are overshadowing concerns about social justice and political freedom. His views make him an energizing force behind a group of intellectuals in China known as the New Left, who hold the view that China should pay greater attention to priorities besides GDP growth. Professor Wang authored an insightful book considering the implications of China's new economic boom titled *China's New Order: Society, Politics, and Economy in Transition*, which calls for a wide spectrum of reforms. He was an active participant in the Tiananmen Square movement,

advocating economic and social justice as an antidote to the corruption caused by the extreme influx of market extremism. Professor Wang currently resides in Beijing, China.

Professor Zhang Jun

Professor of Economics and the Director of the China Center for Economics at Fudan University in Shanghai

Zhang Jun is currently a Professor of Economics and the Director of the China Center for Economics at Fudan University in Shanghai, China. He is also editor-in-chief of *World Economic Forum*, an authoritative Chinese economic journal published bimonthly by Fudan University. Professor Zhang's research interests include Chinese economic reforms, industrial economics, and transitional and institutional economics. He obtained his Ph.D. at Fudan University in Shanghai, China in 1992. He then went to the University of Sussex in England to continue his post-doctoral research. Professor Zhang has also held visiting professorships at the Yenching Institute at Harvard University, Washington State University, the University of London, and Tokyo Metropolitan University in Japan. He has published more than fifteen books in Chinese and over ninety articles in scholarly journals. Professor Zhang resides in Shanghai, China.

Moderator: **Professor Prasenjit Duara**

Professor of History, Professor of East Asian Languages and Civilizations, and Chair of the Department of History at the University of Chicago

Prasenjit Duara is a Professor of History and East Asian Languages and Civilizations as well as the Chair of the Department of History at the University of Chicago. His teaching and research interests include the social and cultural history of modern China, nationalism, imperialism, transnationalism, and post-structuralist theory. Professor Duara was born in Assam, India. He earned his Ph.D at Harvard University in 1983. He has written a number of books including *Culture, Power and the State: Rural North China 1900-1942* (1988), winner of the American Historical Association's Fairbank Prize and the Association for Asian Studies' Levenson Prize; *Rescuing History from the Nation: Questioning Narratives of Modern China* (1995); and *Sovereignty and Authenticity: Manchukuo and the East Asian Modern* (2003). The latter two books are concerned with understanding the phenomenon of nationalism in modern East Asia. Professor Duara is also the author of essays including "Rethinking American History in a Global Age" (2002) and "Reflections on Multiple Modernities" (2002). Professor Duara resides in Chicago, Illinois.

Conference Transcripts

*Opening Keynote by Ambassador Christopher R. Hill,
U.S. Assistant Secretary of State for East Asian and Pacific Affairs,
on Current and Future United States-China Relations*

MR. DANIEL MICHAELI: Ladies and gentlemen, welcome back. I am now pleased to present you with one of the current government's foremost thinkers on U.S./China relations. This is the Assistant Secretary of State who is our lead negotiator in Beijing for the talks on North Korea's nuclear program. Ambassador Hill has served as an ambassador in Macedonia and Poland as well as special envoy to Kosovo. He won the Robert S. Fraser award for peace negotiations for his work in the Kosovo crisis. I'm not going to say more because I think Ambassador Hill will tell you about his work with China in a very interesting manner and I'm really very honored to present you with Ambassador Christopher R. Hill.

AMBASSADOR CHRISTOPHER R. HILL: Well Daniel thank you very much for that very kind introduction. You left out one thing though; I was Ambassador in South Korea and I wasn't there very long alas because I was asked to come back to Washington and become the Assistant Secretary for North Korea. But fortunately it's not just North Korea. There are a lot of other things going on in Asia and I think our relationship with China is the most important, frankly.

So it is great to be here in Chicago. It's also great to be out of Washington, but that's another story. This is truly one of the great cities; one of the great baseball cities in the world so I always appreciate it. I don't understand how you can have two teams though. I mean that just strikes me as a recipe for some real problems, but I understand we are in the south part of Chicago so I know which team that works on.

Anyway, it is a great pleasure to be here. We are now a week after the visit to the United States of Chinese President Hu Jintao and actually we're two weeks away from the visit to China of the Mayor of Chicago, Richard Daley. So I think it's an appropriate time and an appropriate place to talk a little bit about the U.S.-China relationship.

So let me say a few things about China and Chicago, Illinois and then we'll address the broader issue of China and I guess the title, China and the Future of the World, which is a subject that is a little beyond my scope but I'll do my best.

I think Chicago and Illinois' future, like perhaps the rest of America, increasingly look to the Asia-Pacific region. There have been predictions of the age of Asia, the century of the Pacific and I think finally they are coming true. There are many important American companies located here in the state and in Chicago; Accenture and Aeon are here; Motorola. And anyone that's been in China knows how many cell phones there are in China; knows how many cell phones are made by Motorola there. Some of our great aviation companies are here in Chicago, Boeing, and indeed when President Hu Jintao arrived in Seattle and met with Boeing at the factory of Boeing he told the workers, I'm glad to be here because I've just come from China in a Boeing jet. I've also come from China in a Boeing jet, but also with United Airlines, another Chicago based company.

I know that in Illinois there are some of our enormous agricultural industries such as Archer Daniels Midland and also Caterpillar. So these are companies that have really made themselves indispensable by providing the tools that have helped really feed the people of China and the harvesting of crops there.

So it was no surprise therefore that I think Chicago was much of a natural stop for China's Vice Premier Wu Yi and her trade delegation when they came to the United States on their way to Washington for some economic meetings. They purchased some 4.9 million metric tons of soybeans while they were in Chicago. It represents about half of the year's exports to China from the U.S. and since Illinois is our number-one soybean exporting state much of this trade will benefit local farmers and agricultural industry. The business people who were part of Madame Wu's delegation were also very clear that these kinds of purchases are not just one-off purchases, but the start of long-term contractual arrangements that will help spell success for America's farmers and food industry. If that is the case we are at the beginning, but I must say it is only the beginning, of addressing what has become an annual 200 billion dollar trade imbalance with China.

Today's debate about China's future is usually presented somewhat rather starkly. Is China a threat or is it an opportunity? But in fact President Bush has made it very clear that he sees China as very much of an opportunity and I think many of you in this room see it that way as well, but it is certainly a multi-faceted and indeed a very complex opportunity. During his meetings in Seattle, and as they say in Seattle - the other Washington - and then when he went up to Connecticut and spoke at Yale, President Hu sought to allay the concerns of many Americans that there is something inevitable about the equation that a rising China indicates a declining America or that somehow more China will mean less U.S. President Hu Jintao emphasized his government's desire to work peacefully and responsibly within the international system and not to challenge it and in fact he himself used the term that our Deputy Secretary of State Bob Zoellick has used in recent months. He said that China intends to be a responsible leader, in fact a responsible stakeholder, cooperating with the United States. But he also acknowledged that China's number one focus remains on its own economic development. China's leaders know that if they do not achieve 8 to 9% growth each year, which is a rather startling figure, they won't be able to generate the 15 million jobs they need each year just to provide a livelihood for new entrants to the job market. And if they cannot deliver the economic goods they will find themselves increasingly hard-pressed to maintain their hold on government.

So how does China get to a future where it is a strong, responsible, economically advanced country? A recent book, in fact a book that was published this month, China: The Balance Sheet published by the Center for Strategic and International Studies and the Institute for International Economics posed four questions that I think are fundamental to this goal and to the theme of this conference. Will China continue to grow or will it collapse? Will it democratize or will there be disorder? Does China represent an economic opportunity or a threat? Will it be a security partner or a rival? All of these are good questions and the authors tried to answer them comprehensively and objectively without any particular ideological bias.

Where they came out is where I must say I came out; that there are many Chinas with which we have to deal. American policy makers must contend with China's contradictions, with its diversity and its many paths to the future, both the known and the unknown, and not get locked into place

with assuming only one outcome. Moreover just as China seems a mystery to many of us, so are we at times as the world's sole superpower a mystery to China; all of which argues for the kind of engagement that President Bush and Secretary of State Condi Rice are pursuing, a comprehensive, across the board discussion of a changing global community.

As major powers both the United States and China share many common interests and more importantly many common responsibilities in the world today. The extent to which we're able to cooperate on these interests and share the burden of these responsibilities will indeed be a key factor in defining the future of the world we leave behind to our children and grandchildren. It is in this context that I'd like to discuss "China and the future of the world."

Many of you no doubt watched President Hu's visit last week with great interest and followed the media coverage of the specific bilateral issues between our two countries. Lost though in much of the media coverage of the visit last week, and I must say with the protest of the Falun Gong journalist on the South Lawn of the White House, an action that I strongly believe was irresponsible as a journalist because a journalist should be covering the news not trying to make and be part of it; but somewhere lost in that coverage was the fact that President Hu received a very respectful and cordial reception from the American people and from our President. President Bush re-stated the general theme of U.S. policy noting that the United States and China are two nations divided by a vast ocean yet connected through a global economy that has created opportunity for both our peoples. The United States welcomes the emergence of a China that is peaceful and prosperous and that supports international institutions.

No single visit of course solves every single problem that bedevils it, but insofar as the U.S. and China are concerned I can't think of a single issue whether it's the six party talks or avian influenza about which we don't have a conversation bilaterally in regional fora like in APEC and in the ASEAN Regional Forum or in global organizations like the United Nations or the WTO. Certainly that was hardly the case some 30 years ago when the U.S. and China approached each other with great suspicion. At that time we were talking about little other than pressing an isolated China to open up to the world and embrace globalization in a market-oriented international economic system and yet we did have a bit of an agenda as well seeking China's assistance in a triangular diplomatic game that played out vis a vis what was then the Soviet Union.

But in any case as Deputy Secretary of State Bob Zoellick has said it's time for us to acknowledge that in fact we have succeeded in this effort. The Soviet Union is gone and China is a member of every important international organization. It's time to move on to find ways in which we can work together to realize the kind of world we would like to see in the next 15 to 20 years. That's been what we've been trying to accomplish in our recent approach to China and through the Hu Jintao visit. I would suggest this visit was to realize the culmination of a series of engagements over the last 12 months of high level ministerial discussions in Washington, in Beijing, in New York and Geneva of working group meetings on topics like joint legal cooperation and the fight against transnational crime, avian influenza and very importantly cooperation on energy conservation and improving the environment; also market opening and transparency. All of these are necessary to sustain support for the relationship between our countries.

Many analysts point to the impact of China's economic decisions at the Joint Commission on Commerce and Trade chaired by our Secretary of Commerce and our U.S. Trade Representa-

tive which preceded the visit. At that session we tried to find ways to better balance our trade ties but not to seek balanced trade. What we wanted and what we continued to seek is a balance of benefits and greater market access in China; and transparency on how China, our third largest trading partner and our fastest growing export market, conducts its trade. What we are looking for is China's embrace of structural reforms to level the playing field for our exporters, our software engineers, our farmers and our workers.

What we got out of that meeting was I think rather significant. The Chinese have agreed to open their markets to exports of U.S. beef, to mandate that all computer sales in China be made with pre-loaded legitimately-obtained software, to provide greater protection to intellectual property and to subject their government procurement policies to the kind of WTO scrutiny that will provide foreign firms fair opportunity to compete for government contracts. What we did not get and what we have yet to obtain more satisfaction on from the Chinese is more rapid movement toward a flexible market-based exchange rate. One item of note that the Chinese discussed throughout the meeting and that was subsequently taken up by President Hu is that China plans to become a consumer economy moving away from being an export-oriented one. That is indeed good news for American business.

Beyond the economic issues, our relationship with China continues to evolve in ways that would have been frankly unthinkable just a few years ago. Today we talk about the environment, public health, counter-terrorism, law enforcement, security and energy. With respect to the latter we will continue to urge China to cooperate to achieve energy security and to develop alternatives to fossil fuels and new technologies to help us become better stewards of our natural resources and not to let their search for energy resources work at cross-purposes with international consensus on such troubled places as Burma, Sudan, Venezuela and Iran.

We are also talking about finding ways to enhance our military-to-military discussions with exchanges of mid-level officers, not just senior level officers, but mid-level officers as well; our respective militaries' leaders for the future. Of course there is more that China can do to advance transparency, to improve understanding of its military modernization and to allay fears that what we think may be China's intentions don't translate into misunderstanding and to increased tension.

Many of you know that the U.S. believes that China has a critical role to play in securing peace and security on the Korean Peninsula and in northeast Asia. We share a common interest in ending North Korea's nuclear program through the immediate resumption of the six-party talks and through full implementation of the September 2005 Statement of Principles. In response to China's request for patience and flexibility on our part I can assure you that we have done so and we will continue do so; although I must acknowledge that I have occasionally been one to tell the Chinese that what we need from China is a little less patience.

The United States is very much prepared to stay the course and to work through the six-party process in Beijing to achieve de-nuclearization of the Korean Peninsula. We continue to be active participants. We talk to all parties who are participating in the process. We have multilateral discussions but we also have many, many bilateral discussions within this six-party process. We are prepared to do all we can to work as hard as we can to achieve this diplomatic solution.

On Taiwan, President Bush has made clear again that cross-strait differences should be resolved

peacefully and in a manner acceptable to people on both sides of the strait. The U.S. does not support Taiwan independence and is opposed to unilateral steps by either side that would change the status quo. We understand how important this issue is to the People's Republic of China. They understand I believe how essential it is that China takes no action that could be misconstrued as a provocation.

But while Korea and Taiwan are the two potential flashpoints that generate the most attention when discussing security concerns involving China, there are other areas of global security where we have asked China to support our efforts and to work together to share responsibilities. China has worked with us in the U.N. Security Council to achieve an international consensus to convince Iran to relinquish its nuclear ambitions. It has helped to support the new sovereign Iraqi and Afghani governments and it has indicated that it is prepared to assist in preserving the peace in Sudan along with the African Union provided the government in Khartoum is willing to work with U.N. peace operations. In all of these areas we need to work together very closely.

President Hu himself commented that if there is no democracy there will be no modernization. I think of great concern to President Bush and ultimately to China is the status of human and religious freedoms in China. It is important that Chinese citizens have the right to speak their minds without fear of reprisal from the government, to participate in government decisions that affect their lives, to secure protections from the court and the legal institutions and to have information including from the Internet that they need to learn to do business to go about helping build their country's legal, commercial and political infrastructure and finally to worship as they see fit according to the spiritual and religious views that they hold.

As President Bush stated in Kyoto in November last year, by meeting the legitimate demands of its citizens for freedom and openness, China's leaders can help their country grow into a modern, prosperous and confident nation. The free flow of information, the freedom to use the full potential of the Internet will be essential to China's shift from an export-led to an innovation-driven economy and to its development of a strong civil society. It does not serve China's own purpose to engage in monitoring or harassment or intimidation or arresting or imprisonment of journalists. Internet writers, defense lawyers, religious activists and political dissidents all must be allowed to do their jobs. Nor does it help to curtail the activities of non-governmental organizations or limiting access to potentially vulnerable groups including North Korean refugees in China. These act to create a society in which fear and force ensure conformity to government views rather than the hope and openness which people need to lead constructive lives that promote a nation's prosperity.

Finally I'm going to close where I probably should have begun and that is to make some comments about the role of the Foreign Service in carrying out our nation's foreign policy. I know there are a lot of young people here but I think it's important for you all to understand that the United States is at a very crucial juncture in our history where the need for diplomacy has never been greater. I hope you will give some thought to joining me and joining my colleagues in that.

So much has been written and said about the U.S. as somehow the only superpower, but in fact there has never been such a diffusion of power and of challenges around the globe. The emergence of China; the emergence of India; extraordinary accomplishments of South Korea and the various countries in Southeast Asia; the challenges in Africa where in fact I began my career

in public service as a Peace Corps volunteer. The continued challenges but the hopes in Latin America, where there is really a lot of work out there for diplomats. I hope that you will think about taking the Foreign Service exam. It's free. You don't have to pay a nickel for it and you know probably, unlike in some of your University of Chicago courses, if you don't pass you just take it again. Finally when you pass it and you take the oral and you think what was that all about, before you know it you're in. In your first assignment you'll probably be stamping visas somewhere and you'll think, "I'd rather be making tennis shoes somewhere." But in fact when you are stamping visas, when you are adjudicating visa cases, you will be confronting people in 90 second intervals which for you are 90 seconds and for them their whole life. It is very, very important work.

Then you'll move on and you might move on to consular areas. You might move on in economic areas. You might become a political officer. You might be a management type where you like to build embassies and get stuff done internally. I think what you'll find as you look back in your career is that you've probably done some pretty fun stuff. So I hope you do give it some thought. Thank you very much and I'm hoping for your questions.

You know it's tough being here because I realize I have a former boss in the front row of the hall here, Ambassador James Lilley who was the Ambassador in South Korea when I was there in the 80s. So Jim, I'm always a little intimidated when you're in the audience, but I'll try to manage here. Yes?

QUESTION: I have a question for Ambassador Christopher Hill. Thank you for coming first and I'm a Fulbright here in North Central College in Naperville, Chicago and I have been very interested in the last seven or ten years in the area of East Asia although I am from the Middle East, from Tunisia. But my question here is over the last ten years probably, mainly after the end of the Cold War, there has been a lot of talk and official statements from both the Clinton administration and the current Bush administration that the United States "welcomes the rise of a peaceful and responsible China." Would you please explain to us what is exactly meant by "peaceful and responsible"? Do you mean peaceful that it would never think ever of taking back Taiwan which is considered a renegade province in China, a symbol of national honor since Sun Yat-sen the father of modern China, the beginning of the 20th Century? What do you mean responsible? Do you mean responsible China, a country that doesn't challenge the status quo in East Asia which from a Chinese perspective could mean American hegemony, an American preponderance in East Asia, that it should acquiesce to the reality of politics in East Asia, and that the United States should be always number one and China should follow? Thank you very much.

AMBASSADOR HILL: Okay. First of all let me just mention the Taiwan situation. I know the depth of feelings in China about Taiwan, but I also know what has been going on in terms of economic relationships; what has been going on in the Shanghai area, a number of people from Taiwan living there, the number of investments going on, really the importance that Taiwan has played in China's economic rise. And I also know something very fundamental: that if violence were ever to be used to solve this problem it would be catastrophic. It would be catastrophic for China. It would obviously be catastrophic for Taiwan.

So it is simply hard for me to imagine that violence could be a way through this problem. It is our strong view that this problem needs to be solved through a process of dialogue and we think it can be. We feel very firmly about that because the alternative is simply something that one I think has

a hard time contemplating.

With respect to the peaceful rise of China, it should tell you something though that this is something that President Bush has said, President Clinton, frankly other Presidents have said. There is really a consensus in the United States about really welcoming China's rise. We are not looking for China to be subservient to the U.S. by no means at all. China is going to emerge in a way that it has global interest. China is a big player. China is now involved with peacekeeping in some areas. China has a substantial foreign aid budget. China is going to be weighing in on a number of situations all around the world.

So what we want to see China develop into is a country that has internationally-sustainable institutions. We believe political change, which I think in some ways is already underway in China, must continue. So we would like to see political change. Again, peaceful. We have no interest whatsoever in anything but peaceful development, but we'd like to see China reach out and deal with these problems in the world as other great nations deal with these problems. By the way, I am uncomfortable with the notion as the U.S. as somehow the only superpower. When I sit in the six-party talks I don't feel I'm lording over the other five by any means.

We look forward to working with China and frankly there are some really good signs because some of the Chinese diplomats that I deal with are really second to none. They are first class. One of them went to Georgetown but I'm sure that there is someone who went to the University of Chicago as well. They are first class. So we see good things ahead, but we need to work through these problems and we will.

QUESTION: I was wondering if you could comment on the Shanghai Cooperation Organization and the attitudes within your department with regard to the SCO.

AMBASSADOR HILL: With regard to the Shanghai Cooperation Organization, frankly we welcome multilateral efforts to deal with issues like the ones that organization is dealing with. But I think at the end of the day you have to judge how the organization is dealing with the problem and whether there are other ways to deal with those issues. We've had some concerns about the thrust of what has come out of that organization and so I can't say we're big supporters of it. Ultimately it's up to the members to see whether it's really addressing the problems that they felt it could address. You asked me for our attitudes, frankly I'm not so convinced that it's doing such a great job on these issues.

QUESTION: Hi my name is [unintelligible]. I'm an undergraduate here concentrating in history and I was interested in your comparison of the past administration to the present administration under Hu Jintao especially not just in terms of U.S.-China relations, but what you have observed going on within China. I know Jim Yardley just won the Pulitzer writing about this. The economists have been doing it. There are economist blogs looking at it. What is your experience on how President Hu has been changing direction or starting new directions given the recent visit and what else you're seeing in your experience with China?

AMBASSADOR HILL: These are highly impressionistic views and certainly not necessarily policy views, but just impressionistic views of what is going on. First of all when you're talking about China you're always sort of moving the goal post. I mean you're really changing what the field

looks like. I think China today has much more of an international stakeholder position that it should try to establish than it did previously.

I think there are some changes in their foreign policy. I think it's much more active on the foreign policy side. I think some of that is good. Some of that is something we have to keep an eye on how they're handling things. We've been concerned at various times about how they're handling countries like Burma, etc. So I think there has been a change to a little more activism on the foreign policy side.

Domestically one does have the impression that the current leadership is much more focused on some of the problems that have emerged in the rural/urban dualism. But you know to some extent that's reacting to issues and reacting to growing strains rather than necessarily a policy thrust. It could just be a reaction. I think though when you step back from it, it's still a fairly gradualist shift and there have been no major shifts in emphasis.

QUESTION: Without being undiplomatic, could you give a bit more of a diagnosis about why China isn't being as helpful as it could be on North Korea and Iran? In particular is their concern for sovereignty and not intruding on sovereignty really connected very much to the desire to prevent political competition in China? How much is it the case that there really couldn't be a functioning group of Security Council powers that established what the U.N. was envisioned to be until there is less difference in the domestic regimes of the powers on the Security Council?

AMBASSADOR HILL: There is no such thing as an undiplomatic question, but there are undiplomatic answers so let me walk through this one a little. With regard to the six-party talks I commented how the Chinese tell us to be more patient and we tell them to be less patient. I think to some extent China has played a very important role as a host to these talks. I was frankly speaking extremely impressed; not surprised, but just very impressed with how the Chinese delegation handled the July, August, September talks we had where we were able to emerge with a Statement of Principles.

So as hosts I think they do a pretty good job, but I think to some extent as a participant in trying to fulfill the interests of de-nuclearizing the Korean Peninsula maybe China could try to do a little more. The United States does not have a lot of influence with the Kim Jong-il regime in North Korea, but China does. China has become North Korea's main trading partner. As trade between North Korea and Japan has declined precipitously, China's trade with North Korea is increasing. So the question is whether China should be relating some of its trade to its overall approach to North Korea.

Pundits will say that China is worried if North Korea collapses 22 million North Koreans will leave and China will have a lot of problems with North Korean refugees, and that's why China is worried about doing more. I think it's far, far more complex and I think it has to do with the fact that China and North Korea have a shared history. It goes back half a century. They have their party-to-party ties, military-to-military ties. There is a whole bunch of stuff, a lot of stuff that needs to be unraveled there. When I say maybe they should do more I understand the complexity and I also understand they're a neighbor and being neighbors always, no matter what the history, can bring its share of complexity.

Frankly speaking, North Korea I won't say is China's creation, but let me just say China should take some responsibility for the fact that that little country started producing nuclear weapons and I think they ought to take some responsibility for working vigorously trying to get this done with so we can move onto the next problem.

Speaking of which, Iran, which is the next problem, is actually coming first. China does have a principled rule about sanctions. They are principled in their view of some of this stuff. I think what's important is that we try to work directly diplomatically. As the President said this morning we have a long way to go diplomatically. I think China has a tough time getting around to sanctions. It's just not how they've dealt with problems. They also don't tend to link economic issues generally to political issues. So we see efforts to sign up oil deals in Sudan and Iran at kind of critical political moments. It's a process we'll get through. I think we can work on these things together with the Chinese. I have a lot of faith in our ability to sit down with China and work these things through because as Deputy Secretary Zoellick said so eloquently we both are stakeholders. We both have an interest in what's going on out there so we ought to be able to work this through.

QUESTION: Ambassador Hill, at the end of your address you mentioned that students should be encouraged to join the Foreign Service. Could you tell us some of the highlights of your career as ambassador as well as Assistant Secretary of State for East Asian affairs? During your interactions with China what are some of the challenges that you've had as well as successes? And if you could tell us a little bit more about some of your personal interactions and how a meeting of the cultures can possibly be very important in terms of creating good foreign policy. Thank you.

AMBASSADOR HILL: I could sit here telling you Foreign Service war stories until you all fell asleep. I think if you go into the Foreign Service, the right attitude is you're not going to be Henry Kissinger on the first day, that it's going to take a little time. I remember when I was a first tour officer in my first six months, I went out with the ambassador to pick up a visitor and I was just delighted to ride in the Ambassador's car. I had never been anywhere near the ambassador's car and there I was riding with the ambassador. We get out to the plane side and the visitor comes out carrying his bag and my ambassador, a guy named Larry Eagleburger, said to the visitor "Welcome. What are you carrying that bag for? That's what Hill is here for." You know I never give my bags to anyone as a result of that. I carry my own bags.

So you've got to learn a little humility in this business. You feel pretty good about passing the Foreign Service exam but then you're out there having some tough times as a junior officer. But you know if you get the right assignments and if you go to interesting places there can be some really exhilarating moments. I'll mention one that happened when I was in Macedonia and I'll try to do this very quickly because I know there are other questions. The war with Serbia, the NATO bombing, had gone on for 77 days and we had some 200,000 Albanian refugees staying in refugee camps around Skopje where I was living. And the bombing had gone on and I was worried about when it would end because the bombing of Serbia was really to get Milosevic to change his mind to allow the international community to come into Kosovo. So what were you bombing? You were bombing something to change Milosevic's mind and so NATO was hitting things like bridges. We just didn't know when it was going to end. Finally it did and it was around noon time beginning of June and I felt just terrific. Finally the Serb generals met with NATO generals and it looked like it was going to be all over in a couple of days.

So that night I came home at around 11:00 and I got a call from one of the embassy people saying that a riot had broken out in the prison camp and I went out. He asked if I could come out because I was very well known to the Albanians at that point because I had been the negotiator through the peace process and he came out and asked me if I could do something about it. The riot was because the Albanians had seen members of the Roma community, gypsies, and they had accused the Roma of supporting the Serbs and so they had attacked these Roma and about 15 of these people were hiding in the Catholic Relief offices there surrounded by this angry mob.

So I went out there and it was about midnight. I met the head of the camp. The head of the camp who was from Catholic Relief asked me to talk to the camp elders. I talked to this group of five octogenarians, five 80-year olds, and I gave a nice talk to them for a couple of minutes and they said well thank you very much but you really need to go in the camp and talk to the people who are causing the ruckus. So I went in there and I stood up on a Coca Cola crate and I addressed several thousand rioters. I started in Albanian and it is important to learn some of these crazy languages, but I did switch to English. I said look I want you to know that today NATO met with Serbian generals and it looks like we're going to go back into Kosovo. Everyone started cheering and I realized I had sort of whipped them up and so I said so now we all need to get some rest because we're going to go into Kosovo, we're going to find it destroyed and we need to rebuild everything and the first thing we're going to rebuild is a rule of law and we're going to start right now. I got them to go back to their tents and I felt pretty good. I couldn't get to sleep that night I remember. For an American foreign service officer to go out there and get a riot to end is a pretty good feeling. I never sent a telegram on it. There was a small mention of it in the paper so it was never a big deal but for me it was a huge deal. In the career of a Foreign Service officer, which I've been for almost 29 years, at some point something like that is going to happen.

With respect to the six-party talks, that was an ordeal. It was a complete ordeal. It was telephone calls all night with Washington and meetings all day with North Koreans and I can't tell you which was worse. We finally that morning went into extra time. I went to my counterpart, the Chinese Vice Minister Wei, I said, "okay, I think we've got a deal on our side. We can accept the text." He reported the others have accepted the text and that the North Koreans, the DPRK, had accepted the text. What a great moment. I just was so exhilarated because I thought finally the DPRK agreed to put all of their nuclear programs out of commission; not just nuclear weapons programs because we didn't want to get into a long argument about what's a weapons program and what's a nuclear hair spray program or something. So we wanted to include all nuclear programs and I was totally exhilarated.

But you know the trouble with the career is one day you're up and the next day you're down. I've been a little concerned about the fact that the DPRK has not done any homework and they haven't given me much to work with. As you know, the DPRK is boycotting the talks now because there was an action taken against a Macao-based bank which had some DPRK accounts in it. The DPRK is saying until that's over we don't come to the nuclear talks. We estimate the money is around 20 million dollars. It would be equivalent to about one week of the energy provisions of the six-party agreement, just one week, so why are they holding this up? Every week the North Koreans lose 20 million dollars in effect so why are they holding this up for 20 million dollars when they lose 20 million dollars every week by holding it up? It's frankly inexcusable and what I'm worried about is maybe it means that they just haven't quite gotten to the point where they want to implement the

thing. I've asked them, "why don't you do some homework? Show me that you've identified some of your sites. Okay we don't have a deal, there's nothing decided unless everything's decided, but show me how many nuclear sites do you have that would require dismantlement." They won't do that.

I'm a little worried that we'll get to the next round and like some kid doing a term paper the night before it's due, it won't be a very good paper. So I'm a little worried about that, but we'll see. I'm still very dedicated to this and I must say diplomats and negotiation are like a kid with a hammer; everything looks like a nail. I'm a believer that everything can be negotiated but I tell you it has been tough. I've been with Slobodan Milosevic. I've dealt with the Kosovo Liberation Army, that crowd. I dealt with Tudjman, all those people. It's never been like what I'm dealing with right now. Thank you. Sorry about that long answer.

QUESTION: Going back to the Taiwan question, President Chen Shui-Bian recently told some of his friends that his accomplishment for his six years in the presidency is that he firmly established one side, one country. That means two countries, too. What is the American attitude toward this? About two months ago was the *zhong tong*, the end of these two counsels. Is your position that these two things still exist? President Chen Shui-Bian does not agree with this. How is the newest development of this? Do you still insist that *zhong tong* is not ending or it's just inoperative but not out of existence?

AMBASSADOR HILL: Well we agreed on language with respect to that but our view is that the *zhong tong* has not been abolished and it doesn't say it's been abolished. With respect to President Chen Shui-Bian's accomplishments as President it's not for me to comment on his accomplishments. I mean look I don't even interfere with my own country's internal political affairs let alone someone else's. I'll leave that to the Taiwan people and I'll leave that to historians to contemplate. What I feel about Taiwan is there is much that can be worked on, negotiated. And we have this very strong view that there should not be unilateral moves. As I said earlier, as the President said earlier, we do not support Taiwan independence. We have to be I think pretty clear about that and our position has not changed. I'm frequently asked these questions and they look for little nuances in my answers because sometimes I get tired and I use the wrong word or something, but it's all the same; boringly the same.

I really think there is a lot for the two sides to sit down and negotiate. China began a consultative process last year with some of the opposition politicians. We would have liked to see that process continue with the Taiwan government elected officials as well, but beyond that I just don't want to make any news on Taiwan.

QUESTION: It's great to hear you touching on all these aspects of U.S. and Chinese relations. There is one area that you have left unspoken yet which is also your responsibility; that is the relations between China and Japan. As China grows much stronger, China's international image is growing larger. U.S.-Japan relations are strong militarily and politically. What is the U.S. government's view of the relations between China and Japan? President Bush has touted time and time again even during his campaign that he and Prime Minister Koizumi are good friends and that the U.S. government and officials can use their friendship to help the Chinese and the Japanese resolve their problems. That would be beneficial to both sides and also to U.S.-China relations. Thank you.

AMBASSADOR HILL: The U.S. is not playing a mediating role between China and Japan. We've played mediating roles. I've personally played mediating roles in places in the Balkans, but China and Japan I think are adults and I think they can solve these issues. I do want to make very clear that the United States first of all is very proud of our relationship with Japan. It has been a very good relationship. Japan has come a long, long, long way since 1945; extraordinary really. It's a good relationship. We talk to the Japanese about all kinds of issues all over the world. In fact on Monday morning we will have a meeting with the Japanese Foreign Minister and the Japanese Defense Minister. Our Secretaries Rumsfeld and Rice will meet with them on Monday morning. I'll be there. It's an excellent relationship.

What I think is important though for people to understand is that the U.S. wants to see China and Japan also have an excellent relationship. It does not do us any good whatsoever to see the current difficulties in the relationship. We want them to have a successful relationship. It is not in our interest that they don't have such a relationship. Thank you.

QUESTION: Thank you for coming Ambassador. I was wondering if you could comment on China's involvement in Sudan and how that relates to the Darfur conflict. I know Petrol China is a large company that currently has large investment in the Sudan. Is that complicating any resolutions in that situation?

AMBASSADOR HILL: Well I think China's interest in Sudan was economic. If you look at a lot of China's foreign policy frankly it's to sustain this economic growth. Economics I think is important in anyone's foreign policy. It's certainly important in ours, but I think in China's case it takes on a very dramatic importance and so I think China's interest in Sudan was to look at it as a source of oil.

Our view is we're talking about a Security Council member, Perm-5 member, and we think China ought to be looking Sudan in a broader context. I think there are signs that China is doing that. Clearly we need to get to an agreement; figure out how we're going to get to an agreement to get a proper peacekeeping setup there and to end what is just atrocious suffering of the people there. It's a process. We're dealing with the Chinese. We're talking to them every day on this issue. In fact I think you'll have the Chinese Ambassador from the U.N. here tomorrow and I hope you ask him the question on how they are doing. You can't just go to a country and just deal with its mineral wealth. You've got to look at relationships with countries in a broader context. We realize that China can't look at Sudan without looking at oil, but we don't think it should just be looking at oil. I think we're trying to work with them on this. We're not through this yet. We have some disagreements, but I think what's important is we have a diplomatic process with it. Thank you.

All right I'll take one more. I hope it's a good question.

QUESTION: Representative Kirk just mentioned in his presentation that the White House, State Department, and the U.S. Congress has different takes on U.S. policy in China. So my question is as an Assistant Secretary of State how do you address this issue and will this internal conflict among U.S. government agencies will be an obstacle to a coherent but pragmatic U.S. foreign policy toward China?

AMBASSADOR HILL: Yeah. Well a lot of this is rooted in what we call the inter-agency process.

It's not on China policy. It's a lot of different issues. You ask five U.S. government agencies a position on something, some issue, and you'll get six different answers. Usually the State Department gives you two because we're so smart. A lot of what you do in government is you sit in these meetings. The Pentagon will have a certain view. The Commerce Department will have a view. The National Security Council will have a view and you try to work through and of course what you look for is having a President who has a view and we have a President who does have views. That definitely helps as an organizing principle.

I think in terms of the inter-agency process on China it's not that bad. I think there is a lot of consensus on this. The Pentagon looks at what they have to do. They have to look at military issues. That's their first job. It might sound different, but it's not necessarily different. It's just that they're looking at one part of the issue. With respect to Congress I know you have Mark Kirk somewhere here and I'm sure Congressman Kirk can tell you all about what goes on in Congress.

I think what is interesting in China is many Americans, and even people in Washington, have not made up their minds about what China means. What is China going to be? People are very curious. As I mentioned earlier, China is a bit of mystery for many Americans just as many Americans are a bit of a mystery for China. You can see a sort of learning process going on in Washington. What's interesting is you'll have someone who has a different view of China from one year to say two years later. People are changing their views on China. It's so important. People read the press. Sometimes China I don't think understands the degree to which people are absorbing new information on it and making their mind up based on new information. What makes working on China so interesting is the development of different views.

My time is up I gather. Oh all right. One more. One more, okay.

QUESTION: I have a question about U.S. debts. As you know the U.S. is heavily indebted to China. To what extent do you think this is a problem and to what extent does this affect U.S.-China relations?

AMBASSADOR HILL: A problem for whom? A problem for the U.S. or a problem for China? You know when you look at the world's capital markets, you look at financial flows, it's in the billions and trillions. It's enormous. So to be sure, China is holding a lot of treasury instruments so occasionally you'll see commentary that China could dump those treasury instruments and cause interest rates in the U.S. to go up and destroy the U.S. economy. Would that really be in China's interest even if that could be done? I don't think so.

I think what a lot of this implies is that China and the U.S. are in the same boat. We need to paddle in the same direction. China has merchandise trade surplus with the U.S. that's 200 billion dollars. Economists will tell you it doesn't really matter. Politically it kind of does matter. Politically it's kind of hard to sustain because to some extent China has become the metaphor for economic transition in the U.S. Someone loses a job in South Carolina and it may have nothing to do with China, but they think it has something to do with China. China has become kind of a metaphor for economic transformation in the U.S.

I think it's very important for China to work with us and China is. As I said earlier we've made some real headway. We have to see how it looks six months from there but there are some posi-

tive signs and I think the Chinese leadership gets it. They understand the importance of trying to work on expanding domestic demand and not just export growth. It was a very moving moment I must say, when I was in Seattle and Hu Jintao got up in front of the Boeing work force and Boeing treated him like their best customer. Do you know why? Because he is. It was just very moving because he got it. He saw there were Americans out there who have jobs and they depend on making things to keep those jobs.

I'm not so pessimistic about this. Clearly China has a view: gee, we're new, we're young, we have to pedal really fast otherwise everything is going to fall over. I think if you talk to the economic community in China especially I think people kind of get it. I think there are not going to be any dramatic events. I think to use an American football metaphor we're three yards and a cloud of dust, but I think we'll get down the field with this. Thank you. Thank you very much.

*Closing Keynote by Ambassador Wang Guangya,
Permanent Representative of the PRC to the United Nations,
on the Future of China's Foreign Policy*

PROFESSOR BRUCE CUMINGS: Let me introduce His Excellency Ambassador Wang. He is the Ambassador of the People's Republic of China to the United Nations. He's been in that position since August 2003. He studied in Wales and at the London School of Economics and divided his career between the Ministry of Foreign Affairs in Beijing and the Chinese mission to the U.N. He was at John Hopkins University in 1981 and 1982. He began his service in the Ministry of Foreign Affairs in the Translation and Interpretation Department in 1973, and he has risen to his current eminence since then. Ambassador Wang, please. Thank you.

[applause]

AMBASSADOR WANG: Thank you, Professor Cumings. Distinguished guests, ladies and gentlemen, I'm honored and thankful to be invited to this symposium at the University of Chicago. Ten days ago, President Hu Jintao arrived in the United States for a state visit at the invitation of President Bush. I believe you had closely followed the three important speeches he gave during the visit.

The topic assigned to me by the organizers of this conference has to do with the future goal of China's foreign policy. As the world undergoes profound changes in this time, fraught with both opportunities and challenges, there has arisen among U.S. institutions, universities, think tanks and observers, a kind of misgivings and anxiety. That is about the possibility of China repeating the past mistakes of larger powers on the rise. Historically, these powers attempted to influence and alter the existing international configuration of their times. This concern is understandable and should be addressed in candor. My straightforward reply to this worry is that China needs and is committed to development predicated on domestic harmony and external peace. China's foreign policy therefore has to be oriented towards the pursuit of peace, the maintenance of stability and the promotion of cooperation.

Let me develop my dissertation in four points: first, what is the true significance of China's commitment to peaceful development? Second, does China's development present an opportunity or a threat to the rest of the world? Third, are the United States and China partners in cooperation or rivals in competition? Fourth, what is the role of the United Nations?

First, what is the true significance of China's policy of peaceful development? In my view, it means that China will do the utmost to ensure a peaceful international environment in which to further its development and in turn contribute to world peace by virtue of its own development. Of all creation, human beings are the most precious and of all things, nothing is more desirable than harmony and peace. China is committed to carrying out exchanges and cooperation with other countries on the basis of equality and mutual respect and benefit. That is to promote a win-win situation in which no country is left behind in development. China is committed to a world enriched by diverse civilizations and marked by full harmony among mankind, between man and nature and among nations. And to achieve this, there is no alternative to dialogue.

Peaceful development is nothing less than the prerequisite for China's endeavor to become prosperous. Reform and opening up to the outside world have brought earthshaking tremendous transformations in China. It now boasts a GDP of US\$2,200 billion, a foreign trade topping US\$1,400 billion and a foreign exchange reserve exceeding US\$800 billion, a tremendous achievement to be sure. But we must remain sober to the fact that harsh changes lies ahead for China. While its GDP was fourth in the world last year, its per capita GDP was a paltry US\$1,700, behind 100 other countries. China is plagued by uneven development between its eastern and western part, between the rural and urban areas, irrational factors in its economic structure and patterns of growth, as well as severe problems related to energy, resources and the environment. For a developing country, with a population of 1.3 billion like China, it will take several decades, perhaps a century, of sustained efforts before a decent, comfortable life could be ensured for all its citizens. This is exactly all the more reason for China to live in harmony with other countries and to promote prosperity for all societies.

Peaceful development is dictated by China's fundamental interests. Under the impetus of globalization, China is today more than ever open to the world. According to authoritative sources, China's foreign trade dependency reached 67 percent in the year 2005, topping all major trading countries, dwarfing the 20 percent of trade-oriented Japan and the United States, whose openness to trade is second to none. China has joined over a hundred intergovernmental international organizations and signed more than 300 international treaties. China's highly open economy is actively integrating into the international community in all areas and its interests are intertwined with those of other countries. It means the maintenance of international peace and security is in the best interest of China. China is naturally glad to be a responsible stakeholder, or a constructive partner, participating in upholding and forging the international system, and its rules.

Peaceful development is the best embodiment of the trend of today's world. Historically, the rise of a new power was often accompanied by clashes and upheavals in the international system and configurations, more often than not leading to bloody, armed conflict. As mankind ushers in the 21st century, rapid economic globalization and political multi-polarization have increased the interdependence of countries to an unprecedented degree. In this new era, peace will make winners of us all and conflict will make all of us losers. The traditional pattern of clashes triggered by the rise of a large power is bound to give way to peaceful coexistence. In its push for development, China will not and cannot retreat to the 'zero-sum' path traditionally taken by powers on the rise. Our only option is peaceful development in which all countries are winners.

Peaceful development is also dictated by China's cultural heritage and tradition. Chinese culture is essentially a non-aggressive culture of peace. The Chinese civilization is to a large extent encapsulated by Confucianism, which prizes benevolence and good neighborliness and places a premium on harmony. Steeped in this culture, the Chinese nation has always prided itself on its love for peace, its pursuit of harmony and has set great store by friendship. Zheng He, the great navigator of the Ming dynasty, led seven expeditions across oceans, and took his fleet to more than 30 countries in Asia and Africa, introducing to them tea, porcelain and silk, yet without taking one square inch of their land for China. This cultural and philosophical emphasis on friendship and harmony and shunning of war and violence will undoubtedly exert a far-reaching influence on China's strategy for development and diplomacy both now and in the future.

There is also considerable concern in the U.S. about the increase in China's defense expenditure and some skepticism about China's commitment to peaceful development. I humbly submit that the doubt can easily be dispelled with a little bit of intellectual effort and some comparison. As a matter of fact, China spends much less on its defense than some other countries. China's 2005 defense expenditure of US\$30 billion paled in comparison to the United States' US\$401 billion and Japan's US\$45 billion for the same year. This bears out China's genuine commitment to peaceful development. China pursues a defensive defense policy and is increasing transparency in this area. China has no intention or ability to engage in an arms race. China has in recent years issued four defense white papers, giving ample information on its defense strategy, the structure of its military, its defense appropriations and military spending. If, as speculated by some, China's real defense expenditure were several times the published figure, it would be an unbearable and unsustainable financial burden on China's neck and would run counter to its policy of harmonious development.

Secondly, does China's development present an opportunity or a threat to the rest of the world? China's sustained high rate of growth has provoked widespread concern in the international community. Last year, Robert Fogel, Nobel laureate professor of this university, observed that China's economy had been growing at an incredible rate in the last thirty years, achieving an economic performance unmatched by other countries. Professor Fogel's observation is borne out by the fact that the annual growth rate of the Chinese economy has consistently topped nine percent since 1978. It is precisely this high rate of growth that has prompted some to argue that China has caused repercussions on other economies and a steep increase in demand for energy and other resources, thereby objectively impacting the world economy. I submit that no matter which way you look at it, China's development is no challenge or threat to any country, but rather represents a tremendous contribution and opportunity.

The locomotive effect of China's economy on the world economy is becoming increasingly evident. China has become an important engine for world economic growth. At present, China, with a five percent share of the world GDP, is making a ten percent contribution to world economic growth, and a 12 percent contribution to global trade growth, second only to the United States.

The Chinese market is beginning to see the realization of its immense potential, benefiting all regions of the world. Since 1978, China's imports have increased at an average annual rate of 16 percent. Since China's entry into the WTO, its average tariffs have fallen to 9.9 percent. Its average annual imports have reached US\$500 billion, creating ten million jobs in countries and regions concerned. China has become the largest market for Asian exports. In the year 2004, the entire 50 percent increase in East Asian exports went to the Chinese market.

Honoring its commitments made upon joining the WTO, China has amended major laws on intellectual property rights, to align them with the relevant WTO agreement. China has also implemented the United Nations Millennium Development Goals in earnest by providing assistance without any political preconditions to developing countries, in honor of its international obligations. So far, China has financed over 2000 aid projects in cooperation with more than 110 countries and regional organizations, and granted debt relief amounting to 20 billion RMB, to 44 Least Developed Countries. In addition, China is offering US\$10 billion of concessional credit to

the Least Developed Countries, to help them improve infrastructure.

China is developing as an integral part of the world, and the rapid growth of the Chinese economy can only bring exciting opportunities and ever-expanding cooperation to the world. China looks forward to sharing the fruit of its success with the rest of the world.

The third question is whether China and the United States are partners of cooperation or rivals in competition. The China-U.S. relationship is one of the most important and arguably complex bilateral relations in the world that is certain to have an impact on the evolution of regional and world configurations of power. President Hu Jintao's six-point proposal on the development and deepening of China-U.S. relations made during his state visit to the United States have been well received in the U.S. The proposal will certainly have far-reaching implications for the promotion of constructive cooperation in all areas between our two countries. Needless to say, coming from different political and social systems, and historical and cultural backgrounds, and situated at different levels of economic development, China and the United States will have distinct perspectives and divergence of views on some questions. This is only natural. When quarrels are unavoidable even in the most blissful marriage, how can one expect relations between two influential, big powers, to be immune from frequent disagreement? The question is how we should approach and handle these tensions that appear in the normal course of things. I firmly believe that common interests between the two countries are primary, both in the short and the long run. There is absolutely nothing that prevents the U.S. and China from forging a mutually-beneficial partnership.

The complementarity of our two economies is obvious. China-U.S. trade has increased from US\$2.5 billion before the establishment of diplomatic relations to US\$211.6 billion last year. China has acquired from the United States funding, technologies and commodities with a high technological content needed for its economic development. Up to November last year, China had purchased 534 aircraft from Boeing, worth US\$40 billion. Not too long ago, China agreed to buy another 80 aircraft from Boeing, in a new contract worth US\$5 billion. Frankly speaking, if the U.S. relaxes its restrictions on exports to China, the volume of our imports from the United States will surely increase sharply.

On the other hand, the import from the U.S. of high quality, but low-priced, low-end merchandise that the U.S. no longer produces has not only facilitated the structural adjustment and upgrading of its manufacturing sector, but also benefited U.S. consumers. According to statistics, the importation of Chinese products has saved U.S. consumers US\$600 billion over the past decade, representing an average US\$625 saving per household per year. Consumers are not the only beneficiaries either. According to a survey carried out by the U.S.-China Chamber of Commerce, among the more than 50,000 U.S.-invested business in China, 70 percent are making profits. In the 2004 alone, their sales in China reached US\$75 billion. The Wall Street Journal also reported that General Electric's revenue in China climbed to US\$5 billion last year.

As the biggest developing country and the largest developed country, respectively, China and the United States have a special responsibility for peace, security and prosperity in the world, especially in the Asia-Pacific region. Our two countries share extensive common interests on a broad range of issues. China and the United States should continue to strengthen cooperation in such conventional and non-conventional fields as counter-terrorism, non-proliferation, Asia-Pacific security,

combating transnational crimes and preventing the spread of infectious disease, in a concerted effort to safeguard and promote peace, stability and development in the Asia Pacific region, as well as in the world. China respects U.S. interests in the Asia-Pacific region and welcomes a positive and constructive U.S. role in Asia. China also believes that our two countries are fully capable of strengthening our cooperation to our mutual benefit.

The fourth question refers to the role of the United Nations. The creation of the United Nations originated from the vision of multilateralism of President Franklin Roosevelt. Over 60 years ago, the United Nations was born amid the ashes of the Second World War, thanks to the efforts of President Roosevelt and other Allied states, including China. The core objective of the organization is to undertake collective cooperation to maintain security, promote development with a view to saving succeeding generations from the scourge of war that has twice brought untold sorrow to mankind.

The decades since its inception have witnessed the organization playing an indispensable role in safeguarding international peace and security and in the prevention of another global conflagration. Of course, the United Nations has had its share of ups and downs in the course of the last 60 years. It basked in glory when the multinational forces authorized by it succeeded in liberating Kuwait in 1991. It was also embarrassed by its failure in preventing the genocide in Rwanda in 1994. Since 9/11, the organization has been confronted by unprecedented challenges, especially a series of non-conventional security challenges, including rampant terrorist acts, proliferation of weapons of mass destruction, the spread of infectious disease and organized transnational crimes.

Looking to the future, we realize that while the United Nations may not be the panacea for all global ills, only international multi-lateral machinery with the UN at its center can deal with the many unconventional threats and challenges the world faces. This is something that no state, no matter how powerful - or group of states - can accomplish.

The United Nations is undergoing reform now. We need a more effective United Nations to better deal with the many common challenges in the world. UN reform should be conducive to multilateralism and to the safeguarding of the purposes and principals of the UN charter. UN reform should enable the organization to invest more in development with a view to the implementation of the Millennium Development Goals. Reforms in its method of work should lead to true democracy, giving priority attention to the concerns of developing countries, and seek broadest consensus. As far as the two big powers, China and the United States, are concerned, concerted efforts to steer UN reform towards problem-solving in the multilateral framework, will help improve the efficiency and effectiveness of the organization and enhance its authority and role, and will in the final analysis be in the interest of both countries.

Ladies and gentlemen, in his inaugural address in the year 2000, President Randel of this University quoted a remark by Mr. William Harper, the first president of this University, back in 1892, who said, "The question before us is how to become one in spirit, not necessarily in opinion." It is my belief that this quotation is not only fitting for the University of Chicago, an academic institution, but also for exploring the future of China-U.S. relations. It is true that differences of opinion between China and the United States exist on some of the questions. It is much true that China and the United States do share the same spirit of our common commitments, that is to advancing

our bilateral relations, making multilateral machineries such as the UN more robust, and building a better future for mankind. To this end, let's work together.

Thank you for your attention.

[applause]

PROFESSOR CUMINGS: Let's have 15 minutes or so of questions. Go ahead.

QUESTION: Okay. Distinguished Ambassador Wang, I have a question for you. China signed the International Covenant on Civil and Political Rights 80 years ago, but still has not ratified it. This covenant has already 156 state parties. So could you tell us the current situation of our legislation process regarding the ratification of this covenant? Thank you.

AMBASSADOR WANG: Yeah, thank you. I think that ever since the reform and opening up, many people have eyes on the economic achievements of the Chinese government and the Chinese people. But I think there is one aspect that people sometimes ignore or have the less attention, that is the way that the Chinese society evolved. I think that since the opening up and reform, a lot has been done, even on the political side. Especially since 1978, a lot of laws and legislations have been enacted in China, with a view to promoting the human rights and also the fundamental freedoms of its own people.

China has joined a number of UN human rights conventions, and we've already joined the economic and social rights, and as you rightly said that we have signed the Covenants on Civil and Political Rights. I understand that the Chinese People's Congress, the legislature, is getting views and studies by different institutions, governmental as well as non-governmental, to make sure that once, if we ratify it, it has to be that the Chinese own domestic laws will be in line with the international standards. So I understand that it is still under serious consideration.

But I think even by signing this covenant, which is a political indication that China is serious, not only about economic and social rights, but also about political and civil rights.

QUESTION: Thank you for coming this evening, Ambassador. I actually have a question about human rights, also.

AMBASSADOR WANG: Yes, go ahead.

QUESTION: Currently in the Darfur region of Sudan, there has been a genocide going on for the past three years, I believe, and Chinese companies and the Chinese government have many vested interests in Sudan, and have been sort of bankrolling the regime there that has been allowing this genocide to go on. So I have a question concerning why Chinese companies are allowed into Sudan and why China has been supporting this regime.

AMBASSADOR WANG: Okay, thank you. I think that there are some misconceptions about the Chinese companies working in Sudan. I believe that for China, we always feel that Africans are our brothers. We want to help the African countries to improve their economic and social development. So I believe that the Chinese companies and businesspeople in different African countries is, in a way, how China can help the Africans to regain their economic growth, in order to get rid of

this poverty. So I believe that the oil companies in Sudan is in a negotiation with their government in Sudan to help them to develop their economy.

But many times the press and also many people like to link the suffering, the problems in Sudan, in Darfur, to the presence of the Chinese companies there. I think it has nothing to do with that. Even, I think, the presence of the Chinese economic companies in Sudan has nothing to do with the policy of the Chinese government on the Sudan issue, on the Darfur issue. Then I come to the Darfur issue.

I think that Sudan is a country that has suffered a lot over the last 20 years because of its civil war. Now with the help of the international community, we are glad to see that between the north and south, there is a peace agreement. Now there is the formation of the new national government. Over the last three years, the Darfur issue became an issue of international concern. Basically, there is fighting by the government, with the government, and also the rebel forces there. There is the humanitarian suffering of the people on the ground, but also there is a problem between the Darfur region of Sudan and its neighbor Chad.

So I think this issue is more complicated than what we can imagine. The Chinese government is also concerned about the suffering of the humanitarian situation on the ground, because of this fight. In order to find a solution to this issue, I think we have to take into account different elements for a solution. You have the peace problem between the government and the rebel forces, and you have also the violations of human rights, by the rebels and also by the rebel supported government, the Janjaweed.

You also have the lack of resources for the humanitarian situation on the ground. So there are different problems. As I believe, and also it is the belief of many in the United Nations, the best way to have a solution to the humanitarian crisis in Darfur is first and foremost to find a peace between the government and the rebel forces, so that's why we support the African Union, for their effort in Abuja, to reach a peace agreement. I understand that, as they indicated, a peace might be reached before the end of this month. We hope that peace can come. Once peace is achieved, we do hope that all sides will honor this peace agreement, honor the ceasefire, and also provide all the help that is necessary for the people on the ground. Thank you.

PROFESSOR CUMINGS: Thank you. Next question, please.

QUESTION: Thank you, again, Ambassador, for coming all this way to speak for us today. My question is actually concerning North Korea and Iran. China's previous stances towards these countries have been a source of antagonism for the United States, particularly in security issues. Granted I understand that China does trade with Iran and instability in North Korea would be detrimental to China, particularly along the Manchurian border, so I would like to know what are the current stances towards these countries, particularly as Iran is being referred to the security council right now for possible sanctions?

AMBASSADOR WANG: Yeah, thank you. I think first of all, one comment: as a general remark on these two issues, I think that there is concern on the nuclear issue in the Korean peninsula; there has also been concern on the Iranian nuclear issue. I think that in this regard, I believe that the

fundamental objective of the U.S. government and government of China is the same: We want to maintain the authority of the international non-proliferation regime. Because we feel that all the mechanisms that the international community set up in the non-proliferation region -- NPT, the convention on chemical weapons and others -- have served its purposes, so we have to maintain the authority.

Whoever breaks these conventions will be condemned, so I think that if one day North Korea proved to [build] nuclear weapons, China will be the first one to condemn it. If one day Iranians prove to be the one that have possessed nuclear weapons, China will be the first one, among the first ones, to condemn it. We will not, never accept.

Now I think that we come to the problem that there is concern, both in the Korean peninsula and also in Iran, on whether there is proliferation. I think there are a lot of suspicions. I think both China and the United States are considering what is the best approach that could lead to a solution to this problem. I think in terms of approaches, there might be some different emphasis. I think that on the Korean nuclear issue, that we have a common objective. We believe the best way out for China and for the United States is the six-party talks. But now I think we are in a stalemate, because of the financial problems that North Korea has with the United States. I do hope that this minor issue will not prove to be the stumbling block for the resumption of the negotiations.

Now this big concern is about the Iranian nuclear issue. Because yesterday, in my capacity as president of the UN Security Council, at 10:45 in the morning I received the report from the IAEA on the Iranian nuclear issue, so I believe that in the next few weeks there will be a lot of discussions. I think once we address this issue, I think we have to have a clear definition. Maybe I think here we differ. For China, we believe that the Iranian nuclear issue is an issue within the area of non-proliferation, then probably others believe it's an issue of threat to international peace and security. So that's why they believe that the Security Council has to be involved.

If it is a non-proliferation issue, then China believes that the IAEA, which is an organization that is the watchdog for this issue, has to play the key role, with political support by the United Nations Security Council, not letting the United -- letting the Security Council take it over from the IAEA.

Secondly, what is the best approach? Now people are talking about economic sanctions or talking about possible military options. And I believe that if this is being considered, it will make the efforts for a diplomatic solution more difficult. So I believe that we have to strengthen the IAEA, and the major powers: China, U.S., and others, have to be united on calling on the Iranians to abide by their obligations under the NPT. So I think that we have to work together, but not let this situation get out of control, because Iran is in a region that is already full of problems. Now the problems, the situation in Iraq is not encouraging. And the situation in Lebanon, Syria, and also in the occupied territories, between the Palestinians and the Israelis, are all very complicated. If not handled well, the Iranian issue -- I think it might add fire to the whole region. We have to be careful.

PROFESSOR CUMINGS: Thank you very much. Next question, please.

QUESTION: In regards to nuclear non-proliferation and the current standoff with the Iranian situation, would you please comment on American policy, of the American embrace of India and

its nuclear program?

AMBASSADOR WANG: Thank you. I think that, I don't want to go specific on American policy with regard to India or to Iran. I think that since the United States and China all agree that we have to maintain the authority and the integrity of the international non-proliferation regime, we have to be serious about our own commitment to these treaties. We have to do it seriously, and without engaging in double standards. I think that for the Iranian issue, I believe that we have to be careful. There is a lot of suspicion, definitely. I think that the Iranians should be open and transparent, and they should accept international verifications.

But I think that in the U.S. you also have this law that suspicion will not be the basis to pronounce that someone is guilty or not. So the best way is for IAEA to carry out verification, to find out what the Iranians' activity, their nature, their scope, and to make everything open and transparent. But I think that once you look at the Iranian issue, the Iranians, I believe, in a way, is right. They are saying that they are doing it for peaceful purposes. If that is true, being a member under the NPT, they are entitled, so therefore I think there has to be a balance. The Iranians' rights under the NPT, and their obligations under the NPT, have to be both respected, not just obligations but also rights.

But how can we make sure their rights are used for a peaceful purpose? That is the suspicion. So here, I think China, the United States and others, have to work together, through the international watchdog, to find those out. So I think that there is a stance there. I believe that we need some good formulas, in which, to the Iranians, being a member, they feel that their rights are being respected. But on the other hand, all the suspicions of the international community, which is right, has to be cleared.

QUESTION: Would you care to comment in regards to India?

AMBASSADOR WANG: India, as I already indirectly said, I think that we have to, for China and the U.S., we have to respect our obligations under the NPT, we have to be serious about our obligations.

PROFESSOR CUMINGS: Thank you. We're going to take the last two questioners there and then call it a night. Please, go ahead.

QUESTION: Thank you. From Beijing Review, regarding China's defense budget, the argument of the United States is that China lacks transparency in exposing its purpose of, and how its budget is spent. And that it makes its neighbors concerned. What's your comment on this? Thank you.

AMBASSADOR WANG: I think that, yeah, there has been some suspicions here and also by other countries. I'm so glad to see people from the Defense Department are also here. I believe probably the best way to alleviate those concerns is to have more exchanges between our two militaries. I do believe that more exchanges between our two militaries should be an important part of overall China-U.S. relations. This will certainly be helpful.

PROFESSOR CUMINGS: Alright, our last question. Go ahead.

QUESTION: Thank you very much for your extremely interesting presentation. I want to come back to the question of Confucianism that you mentioned, and the whole idea of the Chinese culture as being harmonious, and I was wondering whether harmony in some sense itself, when placed in a very antagonistic world, can lead to some kinds of sort of conflict. And I want to ask this question from a historical perspective. Because if you look at, say, the role that Confucianism has played, and certain Confucian ideas have played in 20th century Chinese history, you take a look at say Sun Zhongshan (Sun Yat-sen) and the whole idea of separating the world into the way of the hegemon and the kingly way. Wang-dao and Bao-dao. And there you get the sense in which you know the Western powers, the imperialist forces, are the way of the hegemon, while China and some other, you know, part of this Pan-Asianism, they represent the kingly way.

Now, I think, even though Mao Zedong doesn't invoke Confucius, you can also see his idea as being sort of linked to harmony, but that harmony is going to involve resisting a world, as Professor Cumings explained, a world in which the United States is trying to be a type of imperial hegemon, that thinks it's universal. And so I was wondering whether you could now link this tradition of harmony and resistance to the present period? Because the world seems to continue to be an antagonistic one.

PROFESSOR CUMINGS: We certainly got a good question.

AMBASSADOR WANG: Oh, yes, yeah, thank you.

PROFESSOR CUMINGS: Please, go ahead.

AMBASSADOR WANG: I'm glad that you have done quite a deep study on Chinese philosophy. I think that, as I said, Confucianism is the dominant philosophy in the Chinese society. It also represents the essence of the Chinese civilization. But I do believe, as Professor Cumings said in the early remarks about the different powers that could have different understanding of this philosophy of hegemony -- I can assure you that for the Chinese philosophy, there is never any effort to seek hegemony. Not now, and even in 20, 50 or 100 years' time. Even China becomes the world number one or number two economic power. This is a political decision, the Chinese government and people will never seek hegemony.

Secondly, coming to the philosophy of Confucian civilization, I think that Confucian civilization is dominant in China and in many parts of Asia. But nowadays we're living in a world of different civilizations, so how can these different civilizations respect each other, and how can we avoid confrontation among these civilizations? So I do believe that as far as China is concerned, we are all for harmony, in China and also in the world, according to Confucius' philosophy.

But also we do hope that in this world of different civilizations, different faiths, different beliefs, that people should have to respect each other, learn from each other, so that we can avoid a confrontation of civilization, a confrontation of different faiths. Thank you.

Keynote by Peter W. Rodman, U.S. Assistant Secretary of Defense for International Security Affairs, on the Military Dimensions of China's Future

MR. ALEXANDER GRAHAM: Good afternoon. Welcome back. Today's opening keynote speaker has led a distinguished career spanning four decades in government. Beginning as special assistant to Dr Henry Kissinger on the National Security Council from 1969 until 1977, he later served as President Ronald Reagan's Director for Policy Planning and as Deputy Assistant for National Security Affairs under both President Reagan and President George H. W. Bush. He currently serves as Assistant Secretary of Defense for International Security Affairs and is a central figure in the formulation of US security strategy for regions including East Asia, the Middle East, Africa and Latin America. He holds degrees from Harvard College, Oxford University and Harvard Law School and has written extensively on National Security and strategic issues. And he is also the author of a history of the Cold War titled More Precious than Peace. Ladies and gentlemen, it is an honor to introduce to you Mr. Peter W. Rodman.

[Applause]

ASSISTANT SECRETARY PETER W. RODMAN: Alex, thank you. First of all I want to add my congratulations to those that have already been expressed to Dan, to Alex, to all of your colleagues in the Chicago Society for what is clearly a very successful conference. I know a little bit about how much work went in to this and I'm very pleased to see what an achievement this is. And again I congratulate you. Second I have to warn everybody here not to be too impressed by all these fancy titles of all these fancy people from Washington who came out here. Colin Powell used to have in his office on the wall, in a little frame, a short anecdote about President Lincoln. It seemed that President Lincoln one day was in his office and an aid rushed in and said, "Oh Mr. President, bad news, there was a skirmish outside of Richmond and we lost a Brigadier General and 10 mules". And Lincoln said "Damn I could make a new brigadier in five minutes but those mules are hard to replace". So I think Chris Hill would agree that's a more accurate reflection of what, what life is like in Washington. And that little plaque by the way was given to Colin Powell by some of his friends when he got his first star as a Brigadier General.

[Laughter]

Now I know that I am all that is standing between you and lunch so I will get on with it. But I have another story. But this, this story will get us quickly into the heart of our topic. Last October I had the privilege of accompanying Secretary Rumsfeld on his trip to China. He has been to China many times in his life, but this was the first visit he had paid to China in his present position as Secretary of Defense in the Bush administration. So the visit had a certain symbolic significance for that reason. But it has a special significance if you look, if you remember what military-to-military relations were like at the beginning of the Bush administration. Remember the EP-3 incident? The EP-3 was an American reconnaissance plane that was forced down over international waters by a Chinese fighter plane and the plane was seized on Hainan Island. And the crew was held for 10 days. That was not a good thing.

But we have put that behind us as governments, long behind us, and Secretary Rumsfeld was

welcomed very warmly last October and his visit I believe was seen by both sides as a very successful visit and that is a good thing. And one of the highlights of that trip was a visit to the Second Artillery Headquarters. The Second Artillery Corps is China's Missile Forces, which is a fast-growing and very significant branch of China's military establishment. In fact the Second Artillery Corps, the missile force is virtually a separate branch of the armed services and the Commander of the Second Artillery is a member of the Central Military Commission which is the senior body of China's military leaders. And I think we were the first outsiders to see the headquarters of the Second Artillery. We were driven to a compound in the northern suburbs of Beijing and found ourselves in an auditorium, an empty auditorium, about this size, with tables and chairs set across from each other. And we were the guests of General Jing Zhiyuan who is the Commander. And he directed his Chief of Staff to give what we would call a Command Brief, which is a PowerPoint, it was a Pentagon-style PowerPoint presentation side show. Now, it didn't have all the super-duper bells and whistles of a Pentagon, you know a first-class Pentagon PowerPoint. And I have to say my military colleagues are still definitely number one in the world when it comes to PowerPoint.

[Laughter]

But this briefing, command brief, it was in English and Chinese and it talked about the structure and the mission and the training program of China's Second Artillery Forces. And it was interesting and it was professional. But of course as with many command briefs it did not give the whole story and there are a lot of important things that were not disclosed in that slide presentation. But as I say it was interesting. And the conversation afterwards was interesting, because Secretary Rumsfeld and the Commander talked for a while about some interesting points of nuclear doctrine. And it was interesting enough for us to want to pursue this new contact we have with the Second Artillery. And when President Hu was in Washington last week, one of the things that he and President Bush agreed on was the Chinese have accepted our invitation to the Second Artillery Commander to come to the States and be the guests of our Strategic Command which is based in Offutt Air Force Base in Nebraska. And they have accepted that invitation. And that's a good thing.

Now looking back on that visit to the Second Artillery I think it illustrates three important things. One is the paradox of a China that is modernizing rapidly in some areas of military power, including its strategic forces. But has a long way to go without any doubt in other areas. So we need to understand clearly and figure out how to assess accurately what capabilities China has, what it doesn't have. Second, there is still a lack of transparency about much of what China is doing in the military field and this contributes to concern not only in Washington but among China's neighbors. Third, the United States approaches this problem with a constructive attitude. We are ready to expand our interaction and our contacts and our exchanges with China in the defense field, to demystify each other as Secretary Rumsfeld likes to say. We don't think conflict between us is inevitable. On the contrary we hope to see China follow the constructive path with China becoming what Bob Zoellick calls a responsible stakeholder in the international system. You heard Chris Hill use that phraseology and that's something we all, an aspiration that we all share.

Now these three themes are the framework for the rest of my remarks, this afternoon. The first as

I said was “How do we assess China’s real military capability?” “How should we assess it overall?” China is rapidly modernizing but we need to keep a certain perspective. Its overall capability is clearly much less than ours. It does not yet have an ability to project power, to project power much beyond its periphery on a sustained basis. It has many vulnerabilities, many weaknesses. But what China is doing is patiently, prudently and systematically expanding and modernizing its capability. Now our visit to the Second Artillery, as I said was, at that visit we were given a certain exposure to one of the more dynamic of the categories of China’s modernizing military. But China is improving its capability qualitatively across all branches of its armed services and at all levels. Its military doctrine as far as we can tell seems to be emphasizing preparations to fight and win short-duration, high-intensity conflicts around its immediate periphery. In the near term this means Taiwan. It’s clearly the focus of China’s military planning. China is rapidly developing capabilities designed to coerce or compel a settlement of the Taiwan problem on its terms. And simultaneously it seems to be generating capabilities to deter or counter possible outside intervention in a Taiwan crisis, which means U.S. intervention.

My office publishes a report every year, mandated by Congress, on the subject of China’s military power. We’re working on the 2006 edition right now. We’re in the process of clearing it around the government. In fact I did some business last night with Chris Hill on some of the issues that have come up. But we hope to publish this in the next few weeks. Well I can tell you that nothing has changed with respect to an important point that was in last year’s report and that is that judging from China’s military acquisitions and from other activities, we think China is gradually generating the ability to operate beyond a Taiwan scenario. It’s developing capabilities that could be brought to bear on other kinds of contingencies down the road, way beyond China’s periphery, such as conflict over resources or territory. Now everybody knows about China’s phenomenal economic growth, 10% a year or so. But China’s official military budget has grown faster than its overall economy. In March of this year China announced that its defense budget for 2006 would increase 14.7% over the previous year’s defense budget to a total which they declared at about \$35 billion. Now this increase 14.7% continues a trend of double-digit defense budget increases going back at least 15 years. But it is also I have to say, it is widely believed among most Western experts, that the official declared military budget does not capture the totality of China’s military expenditure. Many things are not included in the official defense budget. Foreign acquisitions, industrial subsidies, local contributions, strategic forces. Our best estimate is that China’s actual expenditure is two or three times its official figure, suggesting that the figure for this year could be somewhere in the range of \$70 to \$105 billion. At the high end of that estimate this would make China’s defense budget the largest defense budget in Asia.

Now let me offer a few other examples of modernizing capability. I won’t read all the details of what I have in front of me but I can list some categories. We see at least 10 varieties of ballistic missiles deployed or in development. We see significant modernization of older Intercontinental Ballistic Missiles (ICBMs) and submarine-launch ballistic missiles which now have greater range, accuracy and survivability than before. These longer-range missiles can reach many areas of the world beyond the Pacific including virtually the entire continental United States. Shorter range missiles of course are being arrayed against Taiwan. There are now close to 800 short-range ballistic missiles opposite Taiwan. These numbers have increased every year at a rate of about 100

more per year. We see five modern submarine programs, including indigenous produced diesel submarines and nuclear attack and nuclear ballistic missile subs. In addition China is taking delivery of a second batch of the very advanced Russian KILO-class diesel submarines.

Cruise Missiles. China has at least two land attack Cruise Missiles in development and it has at least, has or is acquiring at least 12 different types, 12 different types of advanced anti-ship missiles, including two modern supersonic Russian-made anti-ship missiles and you can be sure the U.S. Navy is paying close attention to that. China is improving steadily its capacity for expeditionary warfare, developments in aviation, air and amphibious lift, army aviation etc.

We all know how great the Chinese people are at information technology. And the People's Liberation Army is tapping into some of that expertise to make significant strides in cyber warfare and China is exploring not only defensive activities defending its computer networks from attack but is also exploring offensive operations against an adversary's computer networks. We also see China emerging as an international space power. Last October they recovered a manned space mission successfully which dramatizes the great advances they're making. At the same time there is evidence that China is developing the ability to deny others access to space with at least one R&D program in ground-based anti-satellite lasers.

Now some of these capabilities have implications over the long-term, some of them are relevant to a Taiwan contingency in the near-term. So we in the Department of Defense have to take China's military modernization seriously. In the Department of Defense we publish every four years something called the Quadrennial Defense Review which is a comprehensive overview of our strategy and doctrine.

And that gets me to the second set of issues which is the issue of transparency. This QDR, the Quadrennial Defense Review, is also mandated by Congress and as I said it's an elaborate full-scale public discussion of basic issues of defense policy. It talks openly about our doctrine, our assumptions, our planning, our procurement, intentions. And it's published not only to assist the Congress in its oversight but of course to contribute to a public debate. In contrast to that, China's leaders have yet to adequately explain their doctrine and their assumptions or their planning or their procurement planning that accompany their military build-up. In addition, Chinese military doctrine historically has put special premium on what our military would call denial and deception. And that is something that the Chinese, that's part of Chinese doctrine. And all of this makes it hard to be sure exactly what lies behind the military build-up.

Secretary Rumsfeld when he was in Singapore, he was at a military meeting in Singapore last June and asked these questions. He said, "Since no nation threatens China, one must wonder why this growing investment? Why these continuing large and expanding arms purchases? Why these continuing robust deployments?" Without greater openness international reactions to China's military growth will understandably hedge against these unknowns. In the early 1990s Deng Xiaoping announced what is often called The 24-Character Strategy. This is a set of maxims that have been quoted often by Chinese strategists since then. "Observe calmly. Secure our position. Cope with affairs calmly. Hide our capacities and bide our time. Be good at maintaining a low profile and never claim leadership." This is an interesting set of maxims. It suggests they desire to downplay ambition in the near-term and it suggests a patient, prudent, long-term strategy to build up China's

options for the future. The uncertainty that all this creates about China's evolution and its future military posture is a concern as I said not only for the United States but for many of China's neighbors. Secretary Rumsfeld asked about these issues. He spoke about them quite candidly when he was in Beijing and President Bush spoke candidly with President Hu about these issues.

So this brings me to the third point: our desire to see this all evolve in the right direction. This applies to the security field just as much as it applies to trade or the diplomatic issues. That is the goal of our military to military interaction with China. Our QDR Report says "We remain focused on encouraging China to play a constructive peaceful role in the Asia-Pacific region and to serve as a partner in addressing common security challenges including terrorism, proliferation, narcotics, and piracy." When Secretary Rumsfeld was in China we agreed, the two sides agreed to expand senior level visits of Defense Officials, naval ship visits, military academy exchanges and other interactions especially among junior officers. We think these kinds of exchanges have the potential to improve understanding, to reduce misunderstanding, and to help demystify one another.

The two countries' Defense Ministers have now exchanged visits in the last few years as have the most senior officers, the Chairman of our Joint Chiefs of Staff, their senior military officer. The Commander of the U.S. Pacific Command, Admiral Bill Fallon, has been there several times. He's going again in May. China's top military leader, the Vice-Chairman of the Central Military Commission, General Guo Boxiong, is coming to the United States this summer, I think in July. I plan to be in China myself in June for the eighth round of what we call the Defense Consultative Talks. Now the Defense Consultative Talks are a forum of senior-level strategic discussion between our two defense ministries and we will use that meeting to follow up on the leaders' commitment to expand exchanges. And one area where I hope to advance the discussion relates to nuclear doctrine and policies as I mentioned, building further, trying to build further on our visit to the Second Artillery and the invitation to visit our strategic command.

Let me conclude. The United States is a Pacific power. We have interests; we have a network of alliances and friendships in that region which constitute a vital interest of the United States. We will defend that interest and we do our best to deter conflict and deter the use of force. That is the mission of the Department of Defense. But the Asia-Pacific region is not a zero-sum game. A China that is an engine of economic growth, a China that's a constructive player in the international system is a positive prospect. The President's, our President's National Security Strategy Report published again just a few months ago sums it up. "Our strategy seeks to encourage China to make the right strategic choices for its people while we hedge against other possibilities." So we in the Department of Defense are confident that our relationship with China is in the framework of the overall national policy announced by the President. And we're mindful also of our allies and friends in the region. And our allies and friends first of all rely on our commitments, they count on us. But second of all they share the goal of a positive evolution in the U.S./China relationship and in their own relationships with China.

Now we all know that China is a proud nation with an extraordinarily rich history and culture and a people of extraordinary talent and industriousness. We see great opportunity for cooperation across the whole range of issues, economic and political, where our interests converge as Chris Hill described last night. A China that is a constructive player in the economic system can be a power-

ful partner in trade and investment and make a contribution to the economic dynamism of this country as well as to the whole Asia-Pacific region. China can be a contributor to international stability. It can be a partner in confronting the global challenges of terrorism, proliferation, or in responding to humanitarian disasters or combating infectious disease. That is the positive potential. At the same time we have to recognize the challenges to this relationship. It's a relationship that has had its share of ups and downs. We must be realistic. I can assure you that Chinese are realistic. And in the Defense field I am sure that the military and the defense establishments of both sides are very aware of the potential for less positive possibilities. But the President and all of us in the administration are committed to a positive course and President Bush said on the South Lawn of the White House last week, "the United States and China will continue to build on our common interests. We will address our differences in a spirit of mutual respect." That's the commitment of the whole U.S. government and it's the task ahead of us. Thank you very much.

[Applause]

ASSISTANT SECRETARY RODMAN: We have time for some questions.

QUESTION: Mr. Rodman, one issue is that you mention the importance for the U.S. to be hedging with regards to China. But, for example, with our commitment to Taiwan, that seems to encourage the Chinese to invest in deterring intervention in case there is a conflict across the Taiwan Straits. So in other words actually what is developing potentially is the security dilemma which you are, I'm sure, very familiar with. So what are you doing in that sense to try to deal with the security dilemma that seems to be evolving?

ASSISTANT SECRETARY RODMAN: As I said we don't see conflict as inevitable. It's quite clear that there's a divergence over Taiwan. Both sides share the aspiration to see a peaceful settlement of the Taiwan issue. That's far preferable and that would solve the problem. But as I said we have to be realistic. There are less hopeful possibilities there. But this is an issue for political leadership. It's the political leaders on both sides who will make decisions about Taiwan or if any differences should become more acute. In fact, it's a three-sided game. The leadership on Taiwan has a certain responsibility obviously. Our job in the Department of Defense is to be prudent and to be ready to deter and the United States has made commitments that are enshrined in our legislation, The Taiwan Relations Act. So we have certain commitments and our job in the Defense Department is to be ready to fulfill them and that's why we watch what China is doing. But as I say we see this in the framework of our overall policy which doesn't pre-judge the outcome and certainly does not pre-judge a negative outcome. Yes.

QUESTION: Mr. Secretary, thank you for your keynote. My question is a two-part question. The first part relates to the beneath or underneath the diplomatic niceties, the diplomatic language of partnership, of peaceful and responsible China. There is an ongoing relentless military preparations, on the two sides I believe, for probable future conflicts. You said that the American forces and military deployments in East Asia are aimed at deterring conflicts. My question is what kind of conflicts are you expecting? From a Chinese perspective, the only source of conflict would be Taiwan. From a Chinese perspective again Taiwan is part and parcel with China. This has been the consistent American policy.

The second part of my question is, you are talking about military transparency. You have not mentioned Japan. We know that Article 9 of Japan's Constitution says that Japan could not spend more than 1% of its budget in military issues. But remember the standard of living and the GDP in China, \$900 a year, is almost 10 times higher in Japan. So if Japan spends 1% of its GDP we end up having Japan spending more money, much more money, than the Chinese themselves on their respective militaries. Thank you.

ASSISTANT SECRETARY RODMAN: First of all you said "relentless build-up on both sides." We try very hard in the Pentagon to avoid emotion-laden words about this and this report that we publish we try to be factual, descriptive analytical and not say "threat," you know, or use alarmist words. We're just reporting facts which I think contribute to discussion. And as I said again both sides' political leadership has a responsibility to make sure that the military situation is managed. In fact the whole relationship as a whole can be managed and is being managed.

Japan. You know, when I gave the statistics, the point was that if our estimates of China's military budget are correct, at the high end they are greater than Japan's, that's the point. Japan's is limited to 1% of GDP but China's GDP is growing a lot faster and the military budget as I said is growing faster still. Japan publishes a White Paper, I think every year. They have a Parliament; they have to get their defense budget through the Diet. So there's a transparency in Japanese Defense Policy. They have been saying for 10 years or so that they're worried about the Chinese missile build-up, the Chinese naval build-up, or the other aspects of China's build-up. And the Japanese care about a peaceful resolution of the Taiwan dispute. In fact I would say that we know that China sees Taiwan as a domestic issue but I can say that the whole region is very sensitive to any use of force by China. We saw this 10 years ago, there was a small crisis in the Taiwan Strait; there were minor episodes of conflict between the Chinese and the Philippines in the Spratlys. But even if these were minor episodes, I think the rest of the world looking at China and the immense power that is accumulating, they are hypersensitive to uses of force by China and I assure you that a Taiwan conflict would have international ramifications no matter what China's legal doctrine may assert.

QUESTION: Mr. Secretary, my name is Richard Carmichael. I'm a Boren Scholar from your Department. And with so much that's been happening in Andijan (Uzbekistan) and Manas (Kyrgyzstan) and so on and so forth, I was wondering if you would comment on American strategic goals in Central Asia for the near term.

ASSISTANT SECRETARY RODMAN: We have, first of all since the Soviet Union disintegrated it was clear that the independence of the small states of the former Soviet Union are an interest of ours. And I think the world community has an interest in the independence of these states. Since September 11th we have been operating in Afghanistan and we have had the benefit of access to facilities in some of these countries. And these countries continue to be willing to give us this access. They are under some pressure by their comrades in the Shanghai Cooperation Organization and Chris Hill spoke about this last night. We don't think it's a good thing for small states to be pressured by big neighbors like Russia and China. But our interest in Central Asia is not--we're never going to have bases there. We're not talking about bases and never have. We have benefited from access to some of these facilities. We have benefited I think from relationships we have with these newly independent states and we would like to continue those relationships. We are using

these facilities for the Afghan conflict. And over the long term it would depend on whatever we and those governments agree on but I hope those governments would be free to make their own sovereign decisions without pressure from any outsider.

QUESTION: MAD or Mutual Assured Destruction worked very well during the Cold War with the Soviet Union. Do you think that MAD is sufficient now or do we also need a National Ballistic Missile Defense System and if so don't we also need a defense against cruise missiles?

ASSISTANT SECRETARY RODMAN: I can assure you that a lot of my colleagues are working hard on how to defend against cruise missiles. We haven't neglected that technological task. Missile defense is a big priority of this administration. We are worried specifically about the North Korean threat and the North Koreans have lobbed missiles over Japan and so the Japanese not surprisingly have an interest in cooperating with us on missile defense. We have been saying from the beginning of this administration that what we're doing in that field is not aimed at China. We're convinced of China's capability. China may well have the ability to overcome defenses just as the Russians have the ability to overcome defenses. We got into this missile defense business in this administration I think aiming particularly, worrying particularly about what we used to call rogue states like North Korea and possibly Iran. And these are modest missile defense deployments that are now under way but I think they're long overdue.

QUESTION: Mr. Rodman, I wonder if you might shed some additional light on the \$90 billion number of the Chinese defense budget. The rest of the world goes to China for low-cost goods and low-cost wages and China's paying world price for some of its defense needs. I was wondering if you could parse the number out, what in that number is going for goods it must pay a world price for and what is it paying a low cost for?

ASSISTANT SECRETARY RODMAN: There are some useful studies by the RAND Corporation that have looked into this. My understanding of it is that the discrepancy is accounted for by a number of things. One is, I think it's purchasing power parity. We measure partly what the output is and measure that output by what it would cost if we were doing it. During the days when we were trying to assess the Soviet military budget I think that was one of the sources of the different figures given by the two sides. So again we're assessing what the Chinese are getting not what they would pay given as you say they have obviously cheaper labor and costs. Secondly there are things omitted, that they omit from their official figure as I mentioned and these are very significant things including a lot of research and development. They have institutions that do R&D and they don't always observe a clear line between military and civilian R&D. And they have every sovereign right to do that but when one tries to compare defense budgets one should be comparing like with like and our assessment is a lot of significant things include foreign arms purchases, I think do not happen to be in their defense budget. So we add all these things together and look at it in a different way and I think as I said we'd come out with this figure, two or three times more than the official figure, which is a pretty big discrepancy. But I think there's a consensus on this. As I say there are private analysts like RAND and others that are doing this and come to more or less the same conclusion. Yes.

QUESTION: Secretary Rodman, one thing I always miss in discussions of foreign military budgets is a discussion of our own. The figures you gave amount to about \$90 to \$100 billion that

China actually spends on its military, but we spend of course several times that, plus the cost of the Iraq War. That's a lot of money. So you speak of their build-up as being enigmatic but does not this context of Chinese military spending in a world where ours is so much greater, perhaps suggests that their build-up is the effect of a sort of self-fulfilling prophecy of the Department of Defense?

ASSISTANT SECRETARY RODMAN: Well, we have a global foreign policy. We have interests all over the place and so it isn't just Asia. We have a big budget and it's also transparent. And what we're doing it for, what we're buying, most of our budget I think goes for manpower costs and so people know what we're up to. It's not a secret. Like nothing is secret. Well I won't say nothing is secret but -

[Laughter]

ASSISTANT SECRETARY RODMAN: - we try to keep some things secret. But that's another subject for another panel. No, everybody knows what we're spending and what the purposes are and we have deployments in many different places. The issue with China is as Secretary Rumsfeld says, "Who's threatening China?" China, I think, is deciding of its own accord that as it becomes an economic power it ought to have military accompaniment of that power. It isn't clear for what purpose or who their enemy is. Taiwan crisis, yes that's one of their issues. But as I said there are indicators that they are looking beyond Taiwan and they have some strategic thoughts of maybe being able to project power more broadly as they develop the capability to do that. And I can tell you that their neighbors are asking the questions that we're asking and it's not an accident comrades that a lot of these countries are coming close to us. Our defense relations with a lot of countries; India, Vietnam, Singapore, Indonesia, Australia, Japan, Mongolia; a lot of these countries are asking the same questions and wanting our, wanting some reassurance that we are there in the region as a factor of stability. The reason we are there; we don't impose ourselves on people. If somebody asks us to leave, we leave. The reason we're in the Asia-Pacific region is there are a number of countries who look at China; for a long time they worried about the Soviet Union. And now they look at China and that's one of the things that is leading them to want some reassurance that we will stay in the region. So we consider that we are a factor of stability. And so China has to ask itself what is its attitude to this existing equilibrium, this existing balance in the Asia-Pacific region. If China's emergence is consistent with existing relationships and the existing stability then there's no issue. But this is a question China has to ask itself and it's why we look at this with some interest and as the President has said we hedge against some possibilities even if we hope for a more, in fact expect, a constructive outcome of all this.

QUESTION: In this day and age of the globalization of business, concepts such as "Just in Time" and "Extended Supply Chains" are pretty much the norm nowadays. What concerns does the Pentagon have about this globalization of business particularly in regards to the electronic sector and the IT sector which is pretty much centered in greater China nowadays?

ASSISTANT SECRETARY RODMAN: No you're right. I don't work on this personally, but I know my colleagues, as you said they look at the advances in technology now are coming in the private sector and they're coming more cheaply. If the Pentagon buys something on its own account, it is so burdened by regulations and requirements that it could take 10 years to do something that is obsolete before the contract is signed. So we are looking at ways to rely on the private sector and

benefit from the flexibility and the efficiency of our private sector which far rivals, far outmatches the cumbersomeness of Pentagon procurement or government procurement. It's a problem. I think there must be ways to do it. Our procurement system is a total mess and every administration knows that. But it is burdened by legislation, by regulations and every time there's a scandal about procurement there are new laws and regulations. And this does not add to flexibility. The private sector has the freedom to make decisions quickly, to abandon this to move to another area to do things. We envy that and we need to be able to figure to benefit from that. You're right.

QUESTION: Relating to the question about missile defense. Could there reach a point where China could use an intercontinental nuclear threat to deter American defense of Taiwan and since there had been threats of that sort made even by John Foster Dulles and Yeltsin and many others have threatened to extend the nuclear umbrella, deterrent umbrella further than one would think it could extend, since there's a touch a madness involved in that. Could that indicate an actual motive as to why some in China might see a benefit in having a somewhat mad regime in North Korea have nuclear missile capability? And how would, what American policies would prevent that attempt to extend a deterrent umbrella by the Chinese regime over Taiwan?

ASSISTANT SECRETARY RODMAN: Well there are a couple of different threads there. I don't think China wants a nuclear North Korea. I take them at their word that North Korea is a pain in the rear for them and a nuclear North Korea is a source of many problems. And whatever one thinks about how the diplomatic minuet that's going on which is Chris Hill's area, I certainly believe China is in good faith when it says it would rather not have a nuclear Korean peninsula. So I don't think they want a mad North Korea. China has ICBMs. I mean to go back to your first point. They have ICBMS. They don't need ICBMs to reach Taiwan. And they have assured us of their, they have a no-first-use doctrine, a doctrine of no first use of nuclear weapons, even though there are occasional generals who speculate about a different approach. But that's one of the reasons we want to have a discussion with their strategic forces people. To get a little more clarity about their doctrine, the doctrine that accompanies their growing missile forces. And that's a good thing. Yes.

QUESTION: Hi, my question is about the nuclear pact that President Bush just signed with India. Do you think China and Pakistan will really have the faith to believe the promise that this deal is strictly for economic, civic, power and if they don't have the faith would this actually start a new race of nuclear power?

ASSISTANT SECRETARY RODMAN: India exploded a nuclear device first of all in 1974 and then in exploded a weapon in 1998 and that was not our doing. We didn't like this at all. That's a fact. India is a nuclear power, de facto and that's the reality and as I say it's not our doing. What we think the benefit of this civil nuclear agreement is that India has been totally outside of the non-proliferation treaty, outside of non-proliferation safeguards and so on, and that by this agreement they are agreeing to come into that non-proliferation regime to an unprecedented degree. To separate out their military programs which are their own from their civilian nuclear reactions which will for the first time come under safeguards. And if they do that then it opens up civilian nuclear trade. I think it's a civilian agreement. If the Chinese have a concern, I mean if they have a concern about India's nuclear weapons, that concern already existed. They may have a concern

in a broad political sense about the closeness of U.S./India political ties. I mean the United States and India, I think it's fair to say, are becoming closer. There's a sense of partnership over a range of things – economic, complementarity. In fact the Indian interest in this civil nuclear thing is precisely because they would like American technology for their civilian energy sector. I think there is a significant new dimension to the U.S./Indian partnership. And the fact that we're democracies and so on and the distortions of the Cold War era are over with.

Pakistan I'll just say a minute about. You know we have a strong relationship with Pakistan as well. And it has its own logic, its own requirements. The Indians grumble sometimes about what we do with Pakistan, but I think we've been very lucky the last five years, touch wood, that we have deepened, we've managed to deepen our relations with both India and Pakistan or each one without sacrificing the relationship with the other and that's I think partly because the India/Pak relationship has improved. But this is a strategic evolution. It is not necessarily harmful. And I think it is certainly in the hands of statesmen in India, China, the United States and Pakistan to manage all of this without any harm befalling. Yes sir.

QUESTION: Mr. Secretary, as you are probably aware, there is sometimes even strong anti-American sentiment in China and the rest of the world. And my understanding is that once source of the anti-American sentiment comes from the perception of United States application of double standards in international affairs. And in your answer to the gentleman maybe five or 10 minutes ago about comparison of military build-up budgets, if you allow me to put my spin on it, you seem to be saying that it's okay to apply double standards because "we have no secrets." So my question is imagine you go to sleep tonight and wake up tomorrow morning, turn on a TV and you turn to CNN and all of a sudden China becomes a democratic country with a political system that's similar to the United States. So in that case would you think the tension between the militaries would be able to go away? Would you sleep well at night? Allowing China to have a military build-up budget comparable to that of the United States, relative to its economic size and population? Thank you.

ASSISTANT SECRETARY RODMAN: I think it makes a huge difference. I think the Chinese domestic system has a significant effect on its foreign policy. I think a change of government, a significant political change on the mainland would make a Taiwan settlement a lot easier. So I think it would have huge effects on how China defines its role in the world. I think a different government, I mean I'm not recommending, it's up to the Chinese to decide how they want to do it, but I think certainly the internal system, the nature of an internal system, does make a difference in foreign policy. And to go back on the defense budget, as I said we, our role in the world comes from the fact that countries want us and see us as a fact of reassurance whether it's in Europe or in Asia or the Middle East. And we have a big defense budget. That is not a secret. And a global foreign policy. That is not a secret. And we don't apologize for it. But anyway, that answers both your questions. Yes sir.

QUESTION: Mr. Secretary –

ASSISTANT SECRETARY RODMAN: [Interposing] This is the last one.

QUESTION: I'm honored. I just want to follow the question of Professor Yang Dali and this

gentleman. I'm Dr. Li Yi. The question is that just like Professor Yang Dali said, you repeated many, many times, you said "We don't know why China builds this kind of military capability." Is this possible that because China feels a big threat from United States? Because some Taiwanese want to go to independence and like you were saying the United States has the commitment of that if you attack Taiwan, we are going to attack you. So China says, okay, you are going to protect Taiwan. Taiwan is going to become independent, so we are going to have to build some kind of military capability number one, we are going to attach Taiwan. Number two, if we are going to attach Taiwan, you are going to protect Taiwan. If we are going to attack Taiwan you are going to protect Taiwan we are going to attack you.

[Laughter]

QUESTION: So this is a basic logic of Professor Yang Dali. So if--I hope I am totally wrong--I'm right, the reason of China to build a military capability is because you are going to build the military capability first. This is number one. Number two, following this, as you say the United States will have about, this year \$400 billion plus \$75 billion in Afghanistan and Iraq. And I know you are going to have more, \$500 or \$600 billion in the next five or ten years and as you said Japan right now is 1%, maybe I'm wrong, a \$40 billion or \$50 billion military budget. And China as you said right now is just maybe \$90 billion or \$105. But if I am a Chinese leader I'd say, hey United States you have \$45, I'm going to try to have \$100, or you have \$400, I'm going to try to have \$100, \$200, \$300. I want as much as you have. You have global interests. I want global interests too.

ASSISTANT SECRETARY RODMAN: You know you may be right.

[Laughter]

ASSISTANT SECRETARY RODMAN: You may be right.

[Applause]

ASSISTANT SECRETARY RODMAN: Now China, I think I get the question. I get the question.

QUESTION: Let me finish.

[Laughter]

QUESTION: So if you are going to have this kind of thinking, we are going to see a very bad world. You say you have in the United States 400 or 500 we have China catch-up with the United States. This is a very bad world. Do you have a better --

ASSISTANT SECRETARY RODMAN: [Interposing] Well you may be right. I wish we knew more about what China is spending it on and so forth. I think transparency in defense planning is not the answer to all, it's not the solvent of all international conflict, but it would help. We see new systems coming along and--I think, let me put it this way: China is a sovereign country. It can spend whatever it wants on its defenses. But I think we and its other neighbors would be reassured if we knew a little bit more about what they're doing, what their doctrine is, what their planning is. I mean we are unusual to an extraordinary degree transparent. In fact most western countries

that are answerable to parliaments have to be pretty explicit about defense planning. I've heard Secretary Rumsfeld say this. China can choose to spend whatever it wants. This issue is not so much the amount, it's the uncertainty about what China is up to, and as I say we see some indicators that China is, some Chinese strategists are thinking beyond Taiwan, are thinking about power projection and projecting into the ocean, becoming a more global military power. But if that is the case that's interesting to us.

[Laughter]

ASSISTANT SECRETARY RODMAN: And whether it's a source of conflict is a function of the wisdom of political leaders who, there are a lot of historical examples of a power that emerges and changes the status quo. Does this mean a disruption and some violent clash, or is it something that can be absorbed flexibly in the international system? That's the challenge for political leaders. And as I say our job in DOD is to watch this to make sure we are prepared to carry out our commitments, but our policy is not our independent DOD policy. Our policy is in the framework of national policy as our President determines and our constitutional system. So that's one of the points I wanted to emphasize, that we are doing what our job is but in the context of a national policy which is prudent and as the President's report said we hope for a good outcome but we hedge against other possibilities. Thank you very much.

Summary of Opening Remarks by Professor Merle Goldman on the Questions of Politics and Society in China

MR. ALEXANDER GRAHAM: This morning's opening remarks on the questions of "Politics and Society in China" will be given by one of the United States' most distinguished China scholars. She is currently Professor Emerita of History at Boston University, and a research associate of The Fairbank Center for East Asian Research at Harvard University. Her research focuses on the role of modern intellectuals in China, and the intellectual pre-conditions for democracy. Her books include *Literary Dissent in Communist China*, *Sowing the Seeds of Democracy in China* and most recently published in 2005, *From Comrade to Citizen: The Struggle for Political Rights in China*. So it is my pleasure to introduce to you Professor Merle Goldman.

PROFESSOR MERLE GOLDMAN: Thank you very much. I'm very happy to be here at this conference, and I'm going to add I hope a historical note to what's going on.

As many of you know, China, up until the last 18th century, was one of the great powers in the world. Then it was hit by the western impact, it withdrew into itself and it became one of the poorest, most isolated countries in the world. And it certainly was that at the beginning of the 20th century. And despite the Chinese Communist revolution in 1949, when Mao died in 1976, it was still one of the poorest, most isolated countries in the world. So then we should ask the question, "What happened?" How is it that 25-26 years later, at the beginning of the 21st century, China is one of the most dynamic countries of the world economically, growing at a rate of 9-10% a year and is a country that has been described by the World Bank as having the fastest rate of growth in the world today. Not only today, but also in world history. So what happened? What happened in those 25 years to make a difference? As a historian, I want to go back and see what happened.

First of all, let's go back to the Chinese Revolution in 1949. The Chinese Revolution, led by Mao Zedong, has been evaluated by the Chinese – or Mao has been evaluated by the Chinese -- as 70% good and 30% bad. That's the way he's looked upon. I turn that around, and I say he's 70% bad and 30% good. But that 30% good is very important in understanding what's happening today.

First of all, he and the Communist Party had the strategy to unite China after 50-60 years of disunion; that was very important. Because in those early years of the 20th century, there was instability, warlordism. Very important. Secondly, he and the Communist Party provided an education for a whole younger generation. That means that today China has a literacy rate of close to 90%. Remember this is a country of 1,300,000,000 people, but with a very high literacy rate. Third: he raised the position of women. Very important in trying to understand what's going on today.

Mao and the Communist Party began the beginnings of building the infrastructure – the roads, the bridges, the dams, and so forth – in this period. And finally, and maybe just as important, the health care of the Chinese – China had a life expectancy of that of a developed country, even though it was a very, very poor country. And we made fun of those barefoot doctors who went from village to village. But they did something very important; they went into the villages, they cleaned up the water, they gave injections, they moved on. But China's life expectancy certainly was very much prolonged.

So when Deng Xiaoping comes to power in the late 1970s and begins the economic reforms, he

has a literate, healthy population that's ready to respond. And I think those factors are very important in understanding what happens. And secondly, of course, what did he do? He returned the economy to a market economy. In other words, they got rid of public planning, the ministries – in fact, those ministries were really decimated in the Cultural Revolution. So turning to the market was natural. The economy had become decentralized during the Cultural Revolution as well. So this is part of it, and when you turn the economy towards a service economy, it just took off. Millions and millions of small entrepreneurs literally came out of the woodwork, and I believe it was this unleashing of these small entrepreneurs that was very important.

Now where were they? When they did this in the former Soviet Union, there were very few entrepreneurs that came out to respond. In China, there were millions of them. Why? Again, I think it has to do with Chinese history.

Marx called China a feudal society. It was not a feudal society; China, from the beginning of its history, was a society of small landholders. The farmer, who owned his little piece of land, had to plant the crops and he had to sell those crops at the market. His wife would sit at home, maybe weaving, producing some products for the market as well. So this was an economy with entrepreneurs who, if you gave them the opportunity, responded. And they responded very, very quickly.

Secondly, unlike the former Soviet Union, the Chinese Communist Party had been decimated by Mao in the Cultural Revolution. Mao believed that the Party was conspiring against him in the 1960s – I talk about it in my books – and he then launched the Cultural Revolution against his own Party. So when Deng Xiaoping proposed moving to a market economy, moving to economic reforms, he did not encounter the kind of opposition that Gorbachev encountered when he tried to do the same thing in the former Soviet Union. In fact, the Party went along with him, because the Party has lost its legitimacy in the Cultural Revolution. And as Deng argued, the only way it could regain that legitimacy was to deliver economically. And they delivered economically, and I would say that the legitimacy of this Party depends on delivering economically. If that economic growth should falter, then, I believe, the Party will be in trouble. But as long as they can deliver economically, they were able to regain their legitimacy, and so you had a stable political structure in place, which is also very important.

Moreover, China had had only 25 years of the Communist system, unlike the former Soviet Union, which had had 70; there were people around who still knew the market networks, still knew how to buy and sell in the market. And so you had a population that responded, I believe, very positively to these incentives. Yet, this is a country that is still ruled by the Communist Party. It is still a Communist-led government.

China moved from what I call a totalitarian government under Mao Zedong, where he dictated what they should believe, what they should do, to an authoritarian government, where there was much more personal freedom. And in my new book, *From Comrade to Citizen*, I describe how, as a comrade, *tongzhi*, they did whatever the Party told them to do. So when Mao and the Hundred Flowers again called on people to criticize the Party because he thought it was getting too bureaucratic, they did it. Or in the Cultural Revolution, when he unleashed these young students, the Red Guards, to criticize the Party because he thought they were conspiring against him, they did it. But it was only when Mao gave them permission.

We see in the post-Mao period under Deng Xiaoping, under Jiang Zemin, under the present leadership of Hu Jintao, people attempting to assert their political rights without being told. That's why I call them citizens. And ironically, the group that has been most active in doing this is the former Red Guard. And the former Red Guards were these young people, as I said, that Mao mobilized to criticize the Party, criticize authority, criticize their teachers, criticize their parents, their family; they created such havoc that he sent them down to the countryside to learn from the peasants.

In the countryside, they began – without any authority – to organize, they began to talk, they began to question. They didn't find the Great Paradise they thought had been developed under Communism in the countryside. And they began to question it. And at the end of the Cultural Revolution, with Mao's death in 1976, they returned to the cities. And among these returning Red Guards were some who began to question the political system.

And very early on, in the late 1970s, it led to a movement called the Democracy Wall movement, in which they used the methods they learned as Red Guards: putting up wall posters, putting out news sheets, debating to demand political reforms. And initially, Deng Xiaoping allowed them to do it because he used this movement to get rid of the Maoists that were still in the government. Once he got rid of the Maoists, he cracked down on these Democracy Wall people. But this was the beginning, I believe, of change, of demanding political rights. They also demanded their political rights.

And then, as many of you know, in 1989 there were these demonstrations in Tiananmen and all over China by student groups, by ordinary citizens, even by workers, demanding their political rights. On June 4, Deng Xiaoping sent in the troops, and with military power he put down this movement as well. Nonetheless, there is coming up from below, I believe, in China an increasing demand for some kind of political change. And ironically, it is coming – well, not ironically; someone mentioned it was going to come from the middle class – it is coming from the middle class, but it is not coming from what we call the rising rich entrepreneurs. Those people are being co-opted into the Party. They are becoming part of the establishment, very much like what we saw in Confucianism, which co-opted the educated people into the bureaucracy. It is coming from these former Red Guards, who now had to go out and make a living; many of them had become small entrepreneurs.

So it has been coming from what I call the kind of other members of the middle class, the lower members of the middle class: the small entrepreneurs; and certainly some intellectuals, the journalists. Ironically, the post-Mao Fourth Generation has not been part of these demands. They are so intent on making money, getting their professions, they have not been part of it. So there is a generational gap there. But certainly, in this Cultural Revolution generation and the Tiananmen generation, those are the ones that are demanding some kind of political change.

There is much more personal freedom in China today. But if you speak out on political issues politically, or if you attempt to organize politically, you are immediately repressed. Not to the degree in the Maoist period, but nonetheless, if you lead this you might be put in prison for awhile, you will be released, and then you go right back to demanding political rights. So, there is a loosening up, but not a people who act publicly and directly demanding political rights. And this is true, even today, under the fourth generation of revolution leaders under Hu Jintao.

The Hu Jintao generation, I think, is facing up to the problems of greater inequality in the countryside, but it has been much more repressive of these people demanding some kind of political change than the later years of Jiang Zemin. In fact, some of these intellectuals, or some of these former Red Guards, write about what is going on in the countryside. There was a very important book describing what's happening in the countryside, about the peasants. It was published officially, but very shortly thereafter it was banned. But nonetheless, you can still find it and buy that book on the street corner. So despite the repression, there are still demands coming up from below, I believe, for political change in China.

So then, we're talking about the future here. What is the future here for China? My book was just reviewed in the New York Review of books, and the reviewer gave me a very nice review, but he said I'm much too optimistic. But I believe that, like the other post-Confucian countries of South Korea, Taiwan and Japan, China also can move in a democratic direction. It's going to be difficult, it's going to take a longer time perhaps, but as I see it, there is nothing in Chinese tradition, in what I call its Confucian tradition, to hinder this. In fact, I would say there must be something in that tradition that leads them in this democratic direction. How else to explain how these post-Confucian countries in Asia were among the first to move in a democratic direction? So what is there in Confucianism?

Confucianism, as one of my students tells me, "All my family cares about is education, education, education." He said, "You've got to have dinner with my family. Four grandparents, two parents and myself." And he said, "That's all they talk about is my education." And he said, "Mao tried to get rid of Confucianism; he couldn't do it. He just couldn't do it."

The emphasis on education in Confucianism led to social mobility. So there is a tremendous amount of social mobility. I studied at Harvard with John Fairbank and also another professor – John Fairbank didn't have much use for Confucianism. But I had another professor called Ben Schwartz who loved Confucianism, and he would constantly emphasize that there is this concept of the responsibility of the literati to speak out against any kind of abuse of political power, any kind of repression. And he said, "That is also part of Confucianism."

So, as I see it, with time, with maybe some kind of revival of this Chinese tradition, China certainly might move in this direction. Here is a country that's literate, or almost literate, and has a rising middle class, which are the qualities we believe are important for the movement towards democracy. Today the winners in this have been co-opted. In fact, if you want to set up a new business, you can't do it without some help from the local officials. It's just impossible. So it's very hard for these rising entrepreneurs to separate themselves from the Party at this point. But there are other elements of this middle class that I believe will lead China in this direction. So I will end on this positive note, despite the criticism that I was much too optimistic. I think, as China becomes more educated, as China is certainly more open to the outside world, as more students, like some of them in the [unintelligible], come abroad to be educated and then return to China, that we also will begin to see major political changes in China. And, as I see it, it comes out of China's history and China's tradition, which I believe is one of the great traditions in the world today. Thank you.

[applause]

And I've been told I can take a few questions, so I would like very much to. I would like to hear

somebody who disagrees with me. [laugh]

QUESTION: Good morning. Thank you for the brilliant remarks. Is your optimism premised upon China's continued economic growth?

PROFESSOR GOLDMAN: It certainly is; in part, it has to continue. I mean, let me put it another way: you could very well say, if that growth began to falter, then people might be looking around for another political system that would deliver economically. So you can take it either way. On the one hand, I certainly think, as I said, the legitimacy is not only based on delivering economically but maintaining stability in China.

But you have to remember, and I should have said this in my talk: in 1993, there were 14,000 protests in China. In 2004, I believe there were 74,000; in 2005, there 87,000. These protests are growing. Where are these protests coming from? From peasants' disaffection by their land being taken away for development and not being compensated. In fact, one of the most important points of my book is that the concept of rights has now spread to the population as a whole.

I witnessed one of these demonstrations or protests in Xi An, on the outskirts of Xi An. At the Big Goose Pagoda, peasants were holding up wall posters, saying "we demand our rights, we demand compensation for our land." I've not seen use of that language. Peasants, by their protests, by their actions, were acting as citizens. Now they are doing it consciously through what they say.

So I believe that, if the Party can respond to this, it will maintain its legitimacy. If it cannot, it is in real trouble. And that's why I believe that one of the ways to deal with these rising protests is from some kind of political reform. Your economies change, your societies change, you are still run by – I hate to say this – a few old men at the very top. It's still the Chinese Communist Party that's running that. And in order to maintain this kind of dynamism, they might have to move to a different political structure.

QUESTION: The free enterprise system in China was actually begun in the rural area, in western China, by Zhao Ziyang, and by that he helped give credibility to free enterprise in industry. The Chinese national government began the democracy movement in the rural villages, at least that's what they've publicized, and I believe that has moved along. The question is: do you see the future development of democracy in China coming principally out of those rural village models, or do you see it coming from some other, principally from some other, influences.

PROFESSOR GOLDMAN: Very good. Very important point. China began to have village elections starting in the 1990s. Today, 90% of China's villages vote for their own village head and their village council. I was very fortunate to be part of President Carter's monitoring group that went to these villages to monitor these elections. They're for real!

The village I went to - we went to several, but this one I remember very clearly – was in Szechuan. There were three people running for village head: the head of the Party committee, the treasurer and the entrepreneur who built the school. And we can learn something from the Chinese. There's no electioneering except on the day of the elections. They put up posters, nothing happens until that. So we were there for that day. Each person got up, could only speak for two minutes. That was great. [laughter] Then they took questions from the audience. Very short questions, very short answers. Then they went to vote. Then they counted the vote. One hour later, you knew who

won. Who won? The village Party secretary. That's not surprising. The village Party secretary wins in most of these villages.

But then something else happened: then they had a vote for representative to what they called the township. Theoretically, every township is surrounded by 10 villages of about 100,000 people. They have to vote a delegate to the township. Again, the Party secretary is running, the Party treasurer is running, but not the Party entrepreneur. All of a sudden, a whole line of people, like this whole line of people stood up and said, "We protest this nomination process. Why wasn't our man nominated for this post?" And immediately they dragged us out. We couldn't stay to see what happened next. But it's a procedure that the Party thinks it can control. They could not really control.

Nonetheless, the Party has only kept the voting down at the village level; they don't vote for the head of the township, except in a few cases. They don't vote for the head of the [unintelligible] or the head of the province. In other words, this is the way it began in Taiwan as well in the early 1950s. It started at the village, but then in Taiwan it moved up to the township, the province, and then of course, to the top in 1996. That is not happening, because the Party fears, and you can understand where they're coming from, that when you vote for a township head, you've got to organize politically. And any kind of political organization, because you have a much larger population, is what the Party is frightened about. And they crack down immediately.

I didn't mention that there was an effort in 1998 by the veterans of the Cultural Revolution, by the veterans of democracy wall movement, by the veterans of 1989 with some workers, with small entrepreneurs, to establish an opposition Party called the China Democracy Party. They crack down very sharply on that. Immediately. So any kind of political organization, other than the Chinese Communist Party, is going to be repressed. So, so far, there is very little action moving up that political ladder; but I suspect that, with time, that will happen as well.

QUESTION: What kind of a role do you foresee the Internet in playing for China's political liberalization, especially given the might of Google's recent acceptance of self-censorship?

PROFESSOR GOLDMAN: Very good. The Internet, on the one hand, has been a positive factor; on the other hand, it has been censored. On the one hand, let me just give you an example. How did this Chinese Democracy Party get going? It started at the local level. They registered as an NGO, because NGOs are allowed, with the local civil affairs ministry. And then it spread very, very quickly. And how did it spread? It spread with the use of coordination through the Internet and through cell phones. So there is a way of doing that. I've gotten messages from my students, written in a code I immediately understood, that were not censored, because they have ways of communicating. So on that hand, I think it leads as possibility of some kind of political organization.

On the other hand, particularly with this particular Hu Jintao administration, they have cracked down very sharply on this. Many of you know of this journalist, Shi Tao who was traced through Yahoo! in Hong Kong to be the sender of a message overseas to Chinese dissidents about some kind of political denouncement of the government, and he has been sentenced to 10 years in prison. So this government is cracking down very sharply on the Internet. And the American and European Internet providers are going along with what the government wants, because they

want to stay in China. However, I will give Google credit in one respect: when Google censors something, it says it censors something. And I think that is in a way telling whoever is using in that this piece is being censored. So I am less critical of Google than I am of Microsoft and Yahoo! for doing what the Party tells it. Yes?

QUESTION: I appreciate your witty and enlightening historical study of China, but I think one aspect which has not come out of your presentation is the peasants' aspect. You describe China as a country of very small landholders, landlords. But in fact, the China I know was a country of lost, poor peasants. And when you mention Mao's achievement, you also did not mention Mao had better revolution, had made a country of more than one billion people out of poverty. You also had not mentioned that about the peasants had liberation from 2,000 years of sharecropping system of landlords and usurpers. So I want to ask you, how do see the kind of very unique, and which is not in any country, certainly not in the United States, the kind of peasant power which in history had perceived, also in so many dynasties, and which has launched this revolution, which is now threatening to again rebel against this kind of very unequal kind of prosperity and the account has to be forced to say that it is now Chairman Xensen Zhaokao [phonetic] to popularize what to do kind of figaminet [phonetic].

PROFESSOR GOLDMAN: Right. In spite of what you say, there were certain periods which you could call feudal. For most of Chinese history, it was small landholders. Because when a dynasty came to power, the first thing they did was carry out land reform, so they could not be challenged by large feudal landholders. Secondly, and I should have said this earlier, certainly the revolution and Mao brought about changes, no question about that. I say Mao is 70% bad and 30% good; the 70% bad I did not describe. What did Mao do? All right; he carried out these reforms. Then he had these ideological concepts of transforming China overnight into one large commune. So he launched the Great Leap Forward in the late 1950s. It led to the death of 30 to 40 million Chinese peasants in the Cultural Revolution. He launched this attack on his own Party, which spread everywhere, and 100 million people were persecuted.

So, in many ways, I see Mao as a much more negative figure than positive figure. Though, certainly, in those years there were positive reforms. But once he became what I call a totalitarian leader, there were no limits on his power. And Deng Xiaoping said the same thing. Said, Mao wasn't a bad guy. He said this in 1980; he said the system made him bad. It gave him so much power. So I don't excuse Mao, despite the revolution. Yes, one more question?

QUESTION: Aren't I lucky, being the last one? I suppose your speech is based on the assumption that, you know, democracy is good, and that's the way China should go. Apparently not everybody agrees with that. Growing up in China, I was told repeatedly in school that any democratic movement is going to destabilize China, and any western style of democracy doesn't feed China's condition. So how would you dispute the notion or theory that democracy is not good for China?

PROFESSOR GOLDMAN: Okay, let me just say, there are rising protests in China. They are growing exponentially. What are they doing about it? They put down the protests, they arrest the leaders, they pay off the protesters in a way, giving them what they demand just on a short-term basis. But it's not solving the problem. They have not faced up to these problems. And it's not just the problem of confiscation of land and the peasants; there are protests over pollution in the air and the water, there are protests over workers who are not ... in the late 1990s they began a

privatized state industry. The workers did not feel they were getting enough compensation. They were losing their pensions, they were losing their health care. They are not focusing on how to deal with these problems. It has been a negative response, not a positive response.

So let me just give you one example: I have a colleague, Marty White, who has done a study of Poland and China. It's just a study of a few areas in each country. But what he has found is that there is much more unhappiness with the government in Poland than there is in China. But there are no protests in Poland, because they have democratic institutions through which to express their discontent. The problem in China today is no way in which these groups can express their problems and get any kind of compensation, except through protest, drawing attention through the protest. You have to find some way to focus on this, and so far this particular government, this system, has not been able to do it. And I would say that if there is more freedom of expression, more freedom of association, more representation, certainly at the local and at the national level, that perhaps they might get some kind of way in which to deal with these problems. One last question.

QUESTION: We know that there are a lot of instances showing that democratic transition comes along with the rise of nationalism. And on the basis of the currently observed government-led Chinese nationalism, will further democratic transition heighten nationalist sentiment, and is there a nationalist root in Confucianism? Or in some other forms of Chinese tradition? And what does it mean to the future of the world?

PROFESSOR GOLDMAN: In other words, what is there to replace the Marxism-Leninism ideology that has been bankrupt by the Cultural Revolution? There is nothing at this point. Some people are turning to religion. There has been a growth in Christianity and Buddhism and Taoism. They are looking for something. One way to hold your country together, obviously, is through nationalism. And you see this rising nationalism, particularly addressed towards Japan. And Japan, particularly its present leader, doesn't seem to respond to what the Chinese are upset about. So there is growing nationalism. Nationalism is not part of Confucianism. Absolutely not. You saw the rise of nationalism with the end of the Confucian system, when leaders try to find some way to hold the country together, vis-à-vis the outside world, there was this growing nationalism. What I am saying, is that a much more positive way of holding this country together is not through nationalism, but through some kind of political system that addresses the problems that China has today. So on that positive note, I will conclude. Thank you very much.

Panel: Politics and Society in China

PROFESSOR DALI YANG: My name is Dali Yang; I am now chairing the Department of Political Science here. I conduct research and do teaching on China. So it is a great pleasure to see this conference bloom into such an exciting event. Judging by the speech given by Professor Merle Goldman, you feel that actually the future of China is already here. And in many ways actually, it is the sort of the theme of the conference, “China and the Future of the World”. In many ways, we can already see the glimmerings of how things are changing. For example, just this past week, the Central Bank of China, the People’s Bank, raised interest rates actually for the second time only in the last two years and immediately you saw global markets change and react dramatically at this, particularly in the commodities sector. Again, it is sort of 25 years ago, China was really a very big player in global trade; today it is the third largest player. In that sense, it is really interesting to see the interactions between China and the global system in many ways; as you saw also, from the visit of President Hu Jintao in Washington and of course, he didn’t just stay in Washington in the US, he moved on to the Middle East and then to Africa. And that actually says something about the nature of China and the world.

Now in many ways, it is sort of the future, the relationship of China and the future of the world is also exhibited by the panelists we have today. If you really look at the biographies of our panelists, it is really striking the long way that each of them has come and through my reflection of things, I think actually of how China has changed. Let me briefly go over the backgrounds of our distinguished speakers and then I will let them speak to the future.

Dr. Lei Guang grew up in Anhui Province, which is one of the more agricultural provinces in China. But of course, it is also very well known for the production of literati, some of the best writers and scholars and of course, Mandarins in China. And Dr. Lei Guang has been writing on migrants and the number around, by various estimates, number in or around 120 million or so. It is a sort of an interesting number there. Today he is going to speak on the debate about the rural situation in China and we have had recurring debates about the rural situation really for the past century or so in China; intense debates. And he is going to address some of those that are ongoing today. He currently teaches at San Diego State University.

Professor Cheng Li is the William Kenan Professor of Government and Chair of Asian Studies at Hamilton College and let me say though, that Cheng is held in high esteem in my eyes because he also was a year ahead of me at Princeton. It is always wonderful to welcome him back. He has been a frequent speaker at many, many events and he is the author of several very well-known books, including China’s Leaders and of course, he has been engaged in a whole range of activities, advising and doing research.

Today he is going to talk about how to decipher the suffering, the leadership of Hu Jintao, the Chinese leader. And he is most qualified to speak on that because he has been really conducting this data analysis on China’s leaders for the last 15 years or so and in fact, probably more. What is interesting is he didn’t get much education during the Cultural Revolution; you got a sense of that period of time from Professor Merle Goldman’s talk. He was very much self-educated at that time but then he went into college, studied medicine before going into political science; a route that

some Chinese leaders had followed in the past.

Dr. Wang Ping, who is teaching English at Macalester College, has been a wonderful writer, writing on many subjects but has been most renowned for her book, *Aching for Beauty: Footbinding in China*. But she has also won book awards for a variety of other books. So today she is covering, giving a very interesting talk I think, on women in China. But of course, you will see the exact title when she speaks.

One interesting thing is that she actually was one of those youths who were sent down to the countryside during the Cultural Revolution. She spent three years in a mountain village and again though, she is teaching right here in the United States. So in this, I think I actually can see how, in many ways, they show how China has changed indeed because let's see, at the end of the 1970s, none of them, including me actually, would have dreamed of being right here with this audience. And today each of them is a leading scholar in their area.

So let me turn to Dr. Lei Guang.

[Applause]

DR. LEI GUANG: Well thank you Dali and also thanks to Dan, Alex, Chris and Juliana and all the other organizers from the Chicago Society for inviting here to speak here. It is a great honor for me to share this podium with all these distinguished speakers.

My charge today is to talk about tensions within Chinese society, in particular about the rural/urban divide as it relates to the current Hu Jintao and Wen Jiabao administration's efforts. So I decided to pick a topic on which I have done quite some reading in recent months: the raging debate inside China on the so-called rural problems; the three rural problems. And I will explain to you momentarily what these three problems are, but let me first dwell a little bit on the issue of rural/urban divide. What I find interesting about this debate that is happening in China is that a lot of attention is being directed to the rural problems urban connections. Now for me, rural/urban divide is simply a shorthand expression for the myriad forms of inequality that exist between rural and urban citizens in terms of their life chances such as jobs, education, income, state-provided benefits and political access. It was, and still is, one of the most entrenched social divisions in China today. In some ways it eclipses class differences, gender inequality and ethnic divide, the usual sort of social cleavages that one finds in modern societies in other settings, as the most important form of social inequality in China.

Now social inequalities of course exist among real people or groups of people. But the rural/urban contrast is as stark, even when we take the people out of the pictures. Now here are two pictures; one you have the façade of an urban and modernized China, symbolized by the towering television antenna erected in Shanghai's Pudong development zone. At the lower right is the interior of a peasant house in the village that I grew up in. I took the picture right after a funeral a few years ago, throngs of villagers were gone, but you can still make out the [unintelligible] that villagers erected on makeshift platforms; a dirt floor, one decent table, four bare walls with peeling paint.

Now in a different sort of graphic way, similarly again, I take the people out of this picture; this is the way that the academics tend to present the problems. This picture, this graph, sort of presents

three kinds of information. One presents the rural/urban ratio in a number of areas; income, living expenditures and savings. And there are a number of things I would like you to look at. One is to look at the ratio itself; the rural/urban gap in all these areas. Take income as an example, rural per capita income, that is on the Y-Axis on this side, has been between...anywhere between 40% to 59% of the urban per capita income and that is according to, you know, official statistics that do not necessarily incorporate a lot of the other benefits that urban populations for example, receive as part of their “in kind” payment. And then living expenditures per capita never surpassed half of the urban expenditure. And the rural per capita savings were barely above 20% of the urban savings by early-2000s. That is the ratio itself, if you look at it very statically. That is what I’m talking about, the three lines that were in decline since early-1980s.

The second thing is look at the trend. The trend is that this rural/urban gap has become larger since the first half of the 1980s in all these areas. And I’ll call this, all this, while you can also look at the red line, that is the rural per capita grain production, measured by the total grain production by the rural population, has stayed more or less constant with a slight upward trend in the last 10 years. In other words, in terms of the grain production, peasants are producing at a constant, even increasing rate even though their relative welfare has been declining compared to the urban population. Now this is not to say that there has not been any absolute improvement of rural people’s livelihood since the reform. But relatively speaking, they have been left behind.

Now on March 28th 2000, Li Changping, a Party Secretary in Hubei Province, in a rural township in a rural province-I understand there are quite a few people from that province in this audience-wrote a letter to the then Prime Minister, Zhu Rongji and the letter was entitled, “Heartfelt words from a township Party Secretary”. Well in the letter he related his personal experience working in a rural township and wrote the by now famous three lines, “Peasants are really poor, rural life is extremely hard, and agriculture is in real crisis.” The so-called three rural problems were summed up very neatly and powerfully in these shorthand three sentences.

Now this very simple and rather powerful formulation of the deepening rural crisis confronting China today struck a chord with the general public. His book, which expanded on the themes which he had mentioned in the letter, became a national bestseller after it was published in 2002. His formulation raises the three entangled issues of income, peasant income, rural instability or disorder and agricultural crisis, which have come to be known as the three rural problems or *san-nong* problems in Chinese.

Now media reporting on the so called *san-nong* or three rural issues increased dramatically after 2000, as can be seen in this very rough number of articles that I counted on the topic from the leading authoritative paper, People’s Daily. After 2002 a majority of the articles in the People’s Daily start to associate *san-nong*...the striped bars refer to the number of articles that has the word, “*san-nong*” or, “three rural” in it. And the black bar refers to the articles that have the, “rural problems” words in it. So you can see that the number of articles have been increasing dramatically. Similarly the amount of scholarly analysis has increased. If you searched some of the electronic databases you will find that in the late 1990s there were a dozen or two-dozen articles that have the *san-nong* problems in the title and by 2004, the last time I counted, there were thousands. So *san-nong* also has caught the attention of the Chinese policy-makers at the highest levels. Zhu Rongji was reported

to have sent Li's case twice to the lower-level officials for investigation. Several corrupt officials in Li's county were removed on corruption charges.

In March 2001, the formulaic expression of three rural problems found its way into Zhu Rongji's report to the National People's Congress, where he declared that the problem of agriculture, rural society and peasants is a most important one concerning the overall situation of reform, opening up and modernization. The Chinese Communist Party issued the last three consecutive number one documents, which number one here also indicates the degree of importance the party attach to these documents on rural issues in 2004, 2005 and 2006. Here of course, the Party wants to replicate the kind of momentum that it had gained in early-1980s, when it issued the famous number one documents to start the rural reform, which proved to be in many ways quite a success.

Now the rise of the *san-nong* discourse reflects concerns from Chinese academics, officials and the general public about the plight of rural citizens, rural poverty and instability and justice. Now I can detect three important shifts in this latest discourse about rural crisis. The first is a shift of emphasis; from a traditional emphasis on food security to concerns with distribution, focusing on the plight of rural population, especially grain-producing peasants. Now for a long time the Chinese state regarded food grain self-sufficiency as of paramount importance. As a result, food production was at the core of the state's interest in rural areas. Even during the reform, concern with the food security has led the state to reverse course on several occasions on its procurement policies.

Now from early-1990s on, because of a number of things, most important of which was because several important influential economists, including one who graduated from this University, Justin Yifu Lin, started to voice opinions that the food grain shortage is not a national or a permanent problem for China, but rather it is confined to certain regions and is temporary and most importantly, it tends to be caused by the self-sufficient, kind of self-enclosed system of state mandatory procurement system. In other words, the key to resolve the food crisis is to remove the barriers that have been erected by these government procurement agencies and to let food travel from region to region. And it helped that in the mid-1990s China also experienced some bumper harvest in 1994-96, so that allayed the fears of a lot of the leaders. That, combined with a change in the climate opening led to this important judgment that now the grain shortage is going to be a thing of the past, that the country had reached an over-equilibrium in grain supply and demand, with a slight surplus in bumper harvest years and this is the sort of expression in Chinese called, [*Foreign Audio*]. Now this judgment says not so much about the state of China's agricultural production - it probably has not increased all that much - but it indicates an important perspective change; that from now on rural problems are going to be less about food, but more about the distribution.

A second shift in this rural discourse is from what I call a compartmentalized to a comprehensive approach to the perceived rural crisis. Now this change stems from the realization that the rural crisis is multidimensional and that different aspects of the crisis are interrelated in complex ways. Single problems about rural income, agriculture production or rural disorder are not separate, but they must be addressed by comprehensive policies. To ensure agricultural growth for example, rural producers or peasants must be given incentives to stay in rural areas and in farming, so that means

we have to raise their income. And the prosperous peasants not only are productive producers, but they make a stable rural society; all these problems are interlinked and they are reflected in how the government thinks about the rural problems and in crafting policies.

And the third important shift, which in many ways is the starting point of this talk, bringing the city into the equation on rural problems. It is now widely accepted that the rural disorder, or these problems, may be felt or experienced in the countryside, but their causes, and in some cases their cures, may well lie outside of rural households and villages. So in this connection some people talk about sort of loosening the control over urban migration and allowing rural migrants to start seeking jobs in the urban areas. And Hu Wan Gang, quite an influential policy analyst from China, dubbed the problem of the rural migrants in cities as the fourth rural problem, stressing and highlighting the fact that China's new urban order is deeply implicated in its rural crisis.

On the question of redressing the rural/urban gap, two broad proposals have been put on the table; I'll be very brief about it. For the lack of a better term, I call one of them the "market integrationist" school and that is represented again by the writings of Justin Yifu Lin, who is the founding Director of the Beijing University's China Center for Economic Research. The other position's representative, in my analysis, is Wen Tiejun, a very influential policy analyst, formerly with the State Council and the editor of the rural edition of China Reform Journal. Now Yifu has been credited as the originator of the term, "Building a new socialist countryside" that has recently been adopted by the Chinese government to frame its latest policies. He has been a consistent advocate of using the market to break inter-regional barriers to the flow of labor and investment, especially between rural and urban areas. Now a couple of things that he said became quite influential and have almost become commonplace now in government policy contemplation.

One is that the generalized long-term food grain shortage is unlikely and it is a thing of the past, especially with China's entry into the World Trade Organization. One can even compensate for that through international trade.

A second thing in his strategy is that rural/urban modernization premised on the idea of the free flow of commodities and rural labor will create a virtual cycle of urban interaction. If you look at the Chinese countryside in 2002, you will find that the peasants or the rural population have a comparable income as the urban population back in the 1990s, a decade ago. But if you compare their consumption of durable goods, you find that the rural population consumed in 2000 only a fraction of the durable goods that the urban population consumed back in the 1990s. And that is despite the sharp decline of all these products. And what they found was that the rural population could not use these durable goods because of the poor development of the infrastructure; and if you don't have water and electricity or a stable electricity supply, you're not going to buy a refrigerator or a television set, although I see plenty of cases where people do that and they became a status item in their houses and not very useful. So what he proposed was to use the state money to start infrastructural projects; building roads and supplying electricity. That will, in itself, create rural employment and peasant income will rise and there is going to be an increase in demand for urban products and urban production will go up and employment – this proposal came at a point when the urban economy itself was in deep trouble - the employment will go up and that in turn will provide jobs to rural laborers and increase their income. So what he paints is a very, very op-

timistic scenario of urban/rural interaction.

Now the other perspective is what I call the “rural reconstruction” school, represented by Wen Tiejun. He dismisses the market as being inadequate for a number of reasons. One of the reasons is that he thinks that the land and the capital, especially land, the key factor in the production actually serves more than economic functions; it provides subsistence benefits and is really a guarantee of the peasant’s welfare. If we remove that, if you start to take land as a private commodity, it may lead to even larger scale problems. So in his view, preserving the family farm, that is to keep the household responsibility system intact, is very important, very crucial. And the market is inappropriate; that doesn’t mean that he favors the state intervention either and he argues that the state transfer of all these benefits, including reducing rural taxes, etc. is a drop in the bucket. It is not going to be helpful, it is inadequate. And also state agencies, especially these rural agencies that provide agricultural services, tend to be predatory and take a lot of profits from the hands of the peasants.

So what Wen proposes essentially is a sort of un-bridging of the rural and urban way, to start focusing on reconstructing the rural communities and focusing on building up viabilities of the rural society so that peasants have an incentive to stay. Now he does acknowledge that the state has a role to play here; that is by providing infrastructural investment, for example, in certain areas, although in a different way.

Now I have about two or three minutes so let me quickly wrap up here. Recently the Chinese government has announced that China has entered a developmental stage where industry should serve agricultural and cities; cities should support the countryside. Well the main thrust of the recent central policies on the so-called building socialist countryside seems to incorporate elements of both perspectives. On the one hand, the government tends to utilize pro-market policies to integrate urban and rural markets; on the other, it reaffirms it will not seek fundamental changes to the family farm system. In other words, the government is not yet ready to privatize the land.

In the meantime, realizing it has to show some quick results in dealing with rural crises; China has gone ahead and implemented several, what I think are quick-fix, policies. Recent repeal of agricultural taxes and the continuing reform of the household registration system are well-publicized examples. Now if these policies are followed up by further moves I would think that they probably have a good prospect of achieving long-term results. Implemented well, these policies may bring some tangible improvements to the rural economy and society but it is hard to see how they could begin to address the deep structural causes of the rural/urban dichotomy that has plagued China for decades.

So in the end, what Justin Lin has identified inevitably will happen; market forces will penetrate rural China more and more. Improved infrastructure will make it happen even faster. What Wen fears will happen is the dissolution of family farms. It may just not happen yet because the government recognizes value for social instability. It is interested in shoring up the household economy, at least in the short run. But I don’t think either development, more market penetration and the continuing stability of the family farm, is going to lead to narrowing rural/urban inequality. This is because the rural/urban gap is rooted in a more fundamental structural problem plaguing the rural areas: what I call an organizational deficit. It leads to an acute imbalance of organizational

power between rural and urban areas.

Now in other words, the gap is as much a result of the government's policies, the negative effects of which might be ameliorated by new policies, as it is a result of this fundamental power imbalance. So here I just point out the power imbalance, the organizational deficit that exists in both the formal political process and informal associational activities in country areas. Now in terms of the formal representation, I would just point out that in all the important government entities from the Party to the People's Congress to the Communist Youth League, you will see that the rural representation has been declining precipitously since the reform. And even the Communist Party organizations, which traditionally have relied on mobilizing the peasants in the countryside, have pretty much abandoned the countryside, with the membership declining and a lot of the rural party branches in disarray.

The second kind of organizational deficit is the lack of civic associations. Now here I cite a couple of examples; studies by others that point out that rural associations are fewer in number, have a smaller membership base and also are less likely to cater to local needs. And there was also a recent study by Scott Rozelle and his colleagues, saying that the number of professional associations or farmers' professional associations functioning was miniscule. And most importantly there is a lack of horizontal organizations, multipurpose organization that serve to represent the interests of the peasants.

Okay, finally, 20 seconds. So my broad conclusions come to two points. One is that redressing the urban/rural disparity requires more than the reduction of taxes, the redirection of resource flows, or the creation of unified urban market, rural/urban labor market; it requires going beyond family farms and village communities to create broader associational ties among the rural population.

Now secondly, above all, a fundamental change in rural/urban relations hinges on strengthening the capacity of existing rural organizations while forging new solitary associations that empower rural citizens vis-à-vis the urban interests.

Thank you for your patience.

[Applause]

PROFESSOR YANG: Next we have Professor Cheng Li.

PROFESSOR CHENG LI: Well first I want to applaud Chicago Society for organizing a first-rate conference on China. I believe that you are very young, but already a distinct organization, representing a profound sense of forward-looking in the American study of China. You represent the University of Chicago's great tradition of interdisciplinary research and represent and enlightened pursuit of international dialog. This is what I call the "Three Represents".

[Laughter]

PROFESSOR LI: Very much inspired by Jiang Zemin's Three Represents. Now my assignment in this panel is to address three interrelated, but not identical, enquiries. The first is to categorize Hu Jintao's leadership. The second is to define the new Chinese elite politics and the third is to

ponder the political prospects of China's future, especially the rise of Chinese democracy.

Now as all of us know, analyzing the Chinese leadership and predicting China's future is not an easy job. As the old story goes, ask five China experts, you will get five different answers; six if one of them went to Harvard.

[Laughter]

PROFESSOR LI: Well I'm sorry for the audience in this room who went to Harvard; but it is a compliment.

[Laughter]

PROFESSOR LI: Now these three enquiries are important because the top leaders' influence on the country's future trajectory is evident in China as well as in the United States and elsewhere. Whether China will play a more constructive or destructive role in the 21st century depends on many factors. Arguably the most important determinant is the ongoing transformation of China's political system.

Unfortunately both the mass media and the [unintelligible] community in the West have been underestimating or mischaracterizing Hu Jintao. Even worse, we have been very slow to grasp the changing nature of Chinese elite politics. Many predictions made by China watchers have been proven wrong. For example, three recent major events - China's accession to the WTO in 2001, the Chinese political succession in the 16th Party Congress in 2002 and the SARS epidemic in 2003 - were all seen as formidable [unintelligible] factors. According to some China analysts the first event would lead to a Chinese peasant revolution and a breakdown of the country's state-owned enterprises. The second would spark a vicious power struggle and the third would devolve in China-Chernobyl. Of course, none of these predictions came true.

Misperceptions and misjudgments are particularly evident in the assessment of Hu Jintao and his leadership, which is the first point I would like to discuss this morning. For several years, especially during his last official visit to the United States as PRC Vice President in 2002, many China analysts characterized Hu Jintao as an incompetent figurehead or an ineffective leader who would long be under the shadow of Jiang Zemin. Some analysts call him a "mysterious leader who is famous for being unknown," quoted by Financial Times. But within two years this incompetent figurehead has quickly moved out of Jiang Zemin's shadow and mostly pushed him aside. I think Conan O'Brien of the NBC Late Night Show, as we discussed last night at the dinner table, could learn a great deal from Hu Jintao in order to take over from Jay Leno of the Tonight Show in two years rather than four years.

Most remarkably Hu Jintao's policy orientation is by no means mysterious. He has outlined a new vision for the country and has in fact, already changed China's course of development in accordance with his own perceived populist mandate, as I will explain in a few minutes. More recently, especially during Hu Jintao's visit last week, many China analysts in the United States characterized him as a conservative hardliner who rejects real political reforms. This assessment, in my view, is also wrong. Hu Jintao is very much interested in political reforms but these political reforms will be incremental over time and manageable in scale.

Now let me share with you a story. The state leaders of five UN Security Council members are each driving a car and they all come to an intersection. President George W. Bush turns on his right-hand signal and turns right, not surprisingly. Prime Minister Tony Blair does the very same, what else can he do? However, French President Chirac does not want to follow President Bush; instead he turns on his left-hand signal and turns left. Russian President Putin does the same. Now Hu's turn, now I don't mean W-H-O, but H-U, Hu Jintao's turn. Now on his cell phone he calls Deng Xiaoping in heaven, or in hell, depending on what you call it. He asks Deng Xiaoping, "Two leaders have turned right, and two have turned left. What should I do?" Deng Xiaoping replied, "Turn on your right-hand signal, but turn left."

[Laughter]

PROFESSOR LI: Now ever since he took the top leadership post in China, Hu Jintao has demonstrated his political wisdom and skill by making major policy moves while deliberately confusing some potential critics, both at home and abroad. Now here are some examples. First, Hu Jintao presents himself as a populist leader who represents the interests of Chinese people, but his main political agenda is to consolidate what the Chinese call the "inner-party" democracy, which is a democracy enjoyed only by Party elites and not by the general public.

Another example. Hu Jintao said repeatedly that China would not follow the model of Western democracy, but at the same time he invited Chinese scholars to lecture at the Politburo study session on Western culture, social welfare systems and political institutions, including multi-party systems. Now these study sessions were inconceivable only a few years ago because they would have been criticized as a spiritual pollution and the bourgeoisie liberalization within the Politburo.

Now the third example. Under Hu Jintao's initiatives, the Chinese authorities decide to enhance the transparency of the decision-making process. Party and the government agencies have been encouraged to make information, especially statistics about social protests and industrial accidents, like Professor Goldman mentioned earlier on, more accessible to the press and to the public. But at the same time, Hu Jintao has not allowed expressions of discontent in what he perceives to be sensitive issue areas. During the past two years several editors of newspapers and magazines were fired and their media outlets were banned.

Now the last example. Under Hu Jintao's watch, China has adopted a so-called anti-succession law. This is a harsh form of intimidation of Taiwan and the threat to use force has caused much criticism in the international community. But at the same time, Hu Jintao's warm reception of Taiwanese opposition party leaders during their recent visit to the mainland suggested a new war across the Taiwan Strait can and should be avoided. This new way of so-called Chinese "panda diplomacy" has dramatically reduced tensions across the Taiwan Strait.

Now Hu Jintao's confusing signals make sense if we consider two factors; first, the most daunting challenge for him is arguably not a specific one but a general test to see whether he has the leadership skills required to achieve the best possible balance between China's contradictory needs and concerns. The new leaders need to accelerate the market reform required by China's growing integration into the global economy, but at the same time should use policy mechanisms, as Lei Guang just mentioned, to assist vulnerable social groups, particularly peasants. They need to broaden the

power base of CCP by recruiting entrepreneurs into the Party. But they should not portray the CCP as an elitist Party that represents only the interests of the rich and the powerful. They need to show the Chinese public that the new leadership acts firmly to protect China's national interest. But at the same time, they must smother arrogant and ultra-leftist, ultra-nationalist views of the country.

Now the second factor of the confusing signals lies in the fact that Hu Jintao's power has limits. As a new top leader who has had no revolutionary experience, no economic expertise, no foreign policy credentials and no strong military ties, Hu Jintao did not have much political capital when he came to power. He has been surrounded by leaders in the Politburo who do not belong to his faction and who are suspicious of his new initiatives. Therefore Hu Jintao has to constantly adjust his position to avoid making too many enemies. To a great extent, Hu Jintao's seemingly contradictory policies and the political moves are determined by new sectional politics in today's China.

Now this leads me to the second part of my presentation. In my view, one of the most important changes in the present-day China is the emergence of a partnership within the Chinese Communist Party which is characterized by checks and balances between two informal and almost equally powerful coalitions within the leadership. These two factions compete with each other for power, influence, and policy initiatives. Yes, they also cooperated with each other to prevent things in the country getting out of control. I call this phenomenon, "one party, two factions," which may pave the way for the emergence of a Chinese democracy in the not-too-distant future.

Now let me very quickly explain the formation of the two coalitions and their policy differences. The difference between these two coalitions is reflected not only by their leader's distinctive personal careers and political associations, but also in the socioeconomic groups and geographical regions they represent. Now one coalition might be called an elitist coalition, led by former Party Chief Jiang Zemin and now largely led by the Vice President of the PRC, Zeng Qinghong. The core faction of this elitist coalition is so-called "Shanghai gang" or "Shanghai Mafia." Now, like their patriots [phonetic], Jiang Zemin and Zeng Qinghong, many rising stars in the elitist coalition are also princelings, children of high-ranking officials. The examples include the Minister of State Development and Reform Commission, Ma Ka, the Trade Minister, Bo Xilai, and the Governor of the People's Bank, Zhou Xiaochuan. Many have advanced their careers in the areas of finance, trade, foreign affairs, information technology, and education. Some are returnees from study overseas, so-called "Sea Turtles". Now these leaders often represent the interests of entrepreneurs, the emerging middle class and economically-advanced coastal regions, the so called "China's Blue States".

Now the elitist coalition occupies more seats on the Politburo than the opposing coalition. The other coalition can be identified as a populist coalition, led by President Hu Jintao and Premier Wen Jiabao. The co-faction of the populist coalition is the Chinese Communist Youth League, the so-called Tuan Pai, T-U-A-N P-A-I. Tuan Pai referred to the officials who work in the National Provincial Leadership in the Youth League in the early-1980s, when Hu Jintao was in charge of this organization. Four front runners for membership on the next Politburo, Liaoning Party Secretary Li Keqiang; Jiangsu Party Secretary Li Yuanchao-actually he will be in New York next week-and Director of the CCP United Front Department Liu Yandong and Sanshi Par-

ty Secretary Zhang Baosun. Also the deputies, Hu Jintao's deputies in the Youth League in the early-1980s, which means they had 20 years of close ties. The populist coalition occupied about 70 seats on the 356-member Central Committee of the Party, about 20% of this very important decision-making body. And it is not very likely their membership will most likely increase further in the 17th Party Congress next year.

Now like Hu Jintao and Wen Jiabao, leaders of the populist coalition often come from less privileged families and less developed inland regions or China's Red States; I would rather call them China's Yellow States, the yellow earth. Now leaders of the populist coalition usually have humble family backgrounds and are more effective in addressing the concerns and the needs of the population at the grassroots level. You know, mobilization and propaganda, etc. Now one interesting phenomenon is that in each of the five most important organizations or institutions in China, whether the party, the military, or the state, the top two positions are filled by one leader from each of the two coalitions. President Hu Jintao, Vice President Zeng Qinghong and the Premier Wen Jiabao versus Vice Premier Huang Ju, the "Shanghai Mafia"; I won't go into further detail.

Now the leaders of Hu's coalition are much more popular in the party elections. Hu Jintao and Wen Jiabao lost the [unintelligible] of few votes, but the 10th National People's Congress. But the "Shanghai Gang" members, including Jiang Zemin because he also ran for the CMC chair in 2003, Zeng Qinghong and Huang Ju, they all lost about 200 or 300 votes, 10% to 15%, you know, out of 3,000 delegates.

Now let me talk very quickly about the policy differences; maybe I should skip that and talk about major changes depending on the foreign trade through domestic demand from the interest of entrepreneurs to vulnerable groups; from coastal development, like Shanghai and Shenzhen to inland development and northern development such as Chong Ching and Tianjin, etc. Now if there is one foreign leader who has really inspired Hu Jintao, it is not Gorbachev, but it would probably be FDR, Franklin Roosevelt; this is the reason Hu Jintao quoted him in his speech for the National Committee. This is part of the reason why many Chinese scholars characterize Hu Jintao's economic and socio-political program as China's New Deal.

Now this leads me to the third and last main point; the implications of China's "inner party" partnership and the prospects for China's transition to democracy. Factional politics is called...I'm sorry, of course, this is because I am self-educated; sometimes I have trouble to express...

[Laughter]

PROFESSOR LI: Now factional politics of course, is not unique, not new to China. What is new is that factional politics take place at a time when strong men politics, as characterized by in the Deng or Mao era, came to an end. The strong men politics in decision-making has been replaced by collective leadership in which the top leader, such as Hu Jintao, is no more than the first among equals.

What is new is the fact that these two coalitions cannot be simplistically characterized in ideological terms such as liberals versus conservatives, pro-market or anti-market or reformists and hardliners. The populist coalition may be less market-oriented, but it is likely more interested in political

reform. The elitist coalition may be more interested in the market economy and foreign trade, but it is likely more resistant to political reform. These two coalitions represent different regional and socioeconomic interests and diverging policy initiatives. Both have valid socioeconomic concerns. Now each faction has its own strengths that the other faction does not have. Based on my recent study looking at Hu Jintao's protégés, 22 Tuan Pai members, ministers, governors, party secretaries, none of them has had experience in foreign trade investment banking, none of them. So they have to share power with the "Shanghai Gang." Now to a great extent, both coalitions share common purpose to ensure the survival of the CCP at home and retain China's status as a major international player abroad. This makes Chinese bipartisanship sustainable. In my judgment, this one party, two factions formula will remain the dominant feature of Chinese elite politics in the next 10 to 15 years. Then they will face whether the Party will split; whether that split will be violent or peaceful. I tend to be more optimistic.

Then, very quickly, to conclude my presentation with an anecdote which was once told by Song Defu, former Fujian Party Chief and a close friend of Hu Jintao. Two men are traveling together in a dense forest. When they stop to set up camp, they suddenly see a tiger racing towards them. One man takes the time to put on his running shoes, while the other man laughs and asks, "What is the use of wearing these shoes? Can you run faster than the tiger?" "No, I am not faster than the tiger," the other man replies, "but I want to run faster than you."

[Laughter]

PROFESSOR LI: Now at the time of rapid socioeconomic change in the PRC, perhaps any political leader or political coalition should learn how to run faster than the others.

Thank you very much.

[Applause]

PROFESSOR YANG: Well now you know why Professor Cheng Li is one of the finest scholars in terms of observing the Chinese leadership; although I see some other futures for him as well.

[Laughter]

PROFESSOR YANG: But let us turn to Dr. Wang Ping.

DR. WANG PING: Thank you everybody and again thank you to the Chicago Society and the students who did such a great job. I'm very impressed and I think you are the future of the world.

I'm going to talk about women in modern China. I found this ad, it's a bridal ad I found on the Internet which fits pretty well as to what is typically thought about Chinese women and the ad says basically is all Chinese women are seriously seeking to marry a Western man, 10 to 30 years older.

[Laughter]

DR. WANG: It shows that all the girls are good Chinese ladies; they have respectful jobs and have never been involved in nighttime businesses. They do not engage in intimate relationships without

a commitment. In general, these Chinese brides are respectable, trustworthy, honorable, sensitive and caring and they are very pleasant and very clean and legendary beauties and to become angry is a violation of Chinese social customs. So basically, the Chinese woman is kind, selfless, hardworking, virtuous, family-oriented, obedient, sexy, exotic; basically of virtue and definitely not a bitch.

[Laughter]

DR. WANG: So what is the truth behind this myth? Before 1949, pre-Mao, when people think of the tradition of the Chinese woman and they immediately will think about foot-binding. And it is very true, foot-binding, as a way to discipline women, train women to be good daughters, good wives, and good mothers. And if a woman could endure the extreme pain of foot-binding she can be very strong, she must be very disciplined and morally good.

This is a northern family, a typical family; you can just see the three generations of women and the little girl with bound feet, watching the family around the stove, on the bed. And the stove is connected to the bed as a way of heating up the house through the cooking. So it is very energy efficient. And the other girl is on the cover of my book *Aching for Beauty* and she is very ready to enter the marriage market. And this area is pre-Mao: it is around 1920. In 1949 you can see women began to fight side to side; they were Chinese revolutionaries, Communists; and there she is, Xiang Jing Yu, a martyr, a revolutionary martyr who actually studied in France and then returned to China with Cai Chang and other, earlier revolutionary women and was then arrested in the twenties and was executed; she was tortured and executed in public. *Hong san yang si jun*

This is from *hong san yang si jun*, which means the Red Army, Women's Army and from Ba Lei revolutionary ballet during the Cultural Revolution and a typical image. Here is Mao's era, from 1949 to 1970 and this image I took from *Women of China* magazine and it is in 1957. It is a very good example to show Chairman Mao Zedong's famous line, [Foreign Audio], "Women can hold up half of the sky" and the "Women can do what men can do". And she is a worker wearing the unisex uniform, working on the bridge doing a man's job. During this era, in 1950, through marriage law, women won freedom to marry and divorce for the first time. And through land reform, women won the right to own property and land and women won the right to vote in 1953. And in 1958, seven million women were employed; 10 times more than in 1949 and with equal pay, at least that was the theory. In 1966 there was rapid growth of women leaders in government and model workers. Here the women's images, the one, Zhao Mengtao is a model worker from *fang zhi chang*, a textile factory. And this woman is a peasant, a model worker and those are like *quan guo lao muo*, they were both national model workers. And this is an image of this woman reading Mao's work at midnight, while her son...it's hard to see, it's her son or husband sleeping, okay.

Here, this period basically is Iron Maiden, from Lotus, foot-binding to Iron Maiden. And this Cultural Revolution, you can just see in the pre-cultural revolution and Cultural Revolution from *hong xiao bing*, the little Red Guard, to *hong wei bing*, Red Guards.

Here is a contrast of this little girl with foot-binding and during the Cultural Revolution, *hong xiao bing*, little Red Guard writing *da zi bao*, the big posters. And while the women's status; when Mao and the government tried to lift the women and equalize the difference between men and women

on the status; a women's status in political and financial terms. They also, at the same time, tried to wipe out the difference between the rural and urban during that period. And here is an image in 1966, the two girls in the countryside and you can't really tell...I asked a lot of people, you know, which one is the peasant girl and which one is the city girl? Everybody guessed it wrong. So most people will probably think this girl is the city girl, right? And actually, she is the city girl. So you can really see almost no difference between the city and the rural. And after educated [unintelligible], there is such a thing as actually one of Chairman Mao's policy to wipe out the difference, you know, between the city and the countryside.

In the economic reform period you can just see the gradual change of woman, back to the tradition, the feminine side, family side, value put on femininity and family and also women in science. And so this Women of China magazine is an official magazine which has a Chinese version and an English version and this apparently is the English version in 1980. This is a *lao muo*; she is a *lao muo* again, the model worker and here, usually in the past, you can see the model worker only working in the worksite. And here is the family with her son and her husband; the gentle mother, okay. And here is a girl imagining the future in science. This is in 1990, the woman designer, fashion. This is very obvious, the Pond's Cream ads in 1925 and the Pond's Cream in 1991, which during the Cultural Revolution would have been unimaginable; an explosion of ads and advertising.

And now the combo of beauty, brains and business; here is the combination of Iron Maid and supermodel and they are as hard as steel inside and they look as gentle as "Hello Kitty" and you probably know some of them. And this is the most beautiful woman Mr. Lilley talked about, and Zhang Ziyi in the movie and a super movie star and another super movie star; these are all the 10 top richest women in China. And this is from a magazine and this is a business woman.

And so just quickly, the values are changing and here is this woman; everybody wants to get into business. A lot of women, including country women, get into business to become entrepreneurs. And then the family values and also marriage values very much changed. And here is *sheng kou liu*, one is to get married is a mistake; to have a child...yeah, is an accident. To divorce is awakening and to be single is a total enlightenment and to go without a lover is a big loser. And here is the cultural emphasis on the youth and appearance here and this is *kong jie*. And if you go to Chinese Airline you don't see anyone old or ugly. It's all beauties, stunning beauties there. And they laugh at other airlines they call *kong nai*, the Grandma, Miss Grandma they all call it. But they laugh at them and *pang da shou*. This is an ad for the corset, like instantly you put them on your body will change. You become a beauty. Basically during the economic reform there's a rising middle class, white-collar and very well educated. The middle-class women can choose their career. They are more financially independent. But the rural woman is like really [phonetic] falling behind. And the figure of migrant workers, I have seen many different figures and status, so I'm not sure if it's 120 or 125, 100, 250 million. So I just picked the big one. And if there's a mistake, please forgive me, okay. And I've been, for the past three years I've been working on the Chinese migrant workers and a lot of photos are taken by me. And this is the fence, the factory sweatshops; they like to hire women to work and with very low pay and no benefits and often they are fenced in. They have no freedom to go in and out and 40 million peasants lost land.

Here's the picture of Shandong Province where I, where my father was born and you can see the

office building in the background. And this is actually my Aunt, her two sons and this is her home. They used to be all farmer and now nobody is farming because they don't have land anymore. You know, he works in the government. And he tried to do all kinds of things as entrepreneur and all failed. And two weeks ago he died of a stroke in his forties and so this is her home. And this is an empty stove. Broken family and empty village. All the children, their families, their parents are gone in the cities working and there is a rift between rich and poor, urban and rural. And 27 million children are unable to attend school, 10% of China's school age children. Girls attend at much a lower rate than boys. More girls drop out in Junior High and there are a lot of abandoned girls, which we all know. And the China traffic in to maid and sex service. And the corruption and the bankrupt parents, peasants and so some limericks and I don't have time to read English actually so I'll just read one, [Chinese audio], describing how the cadres the leaders will just come to the countryside you know just all the meetings like sleepy heads and when they return they are all drunk.

An elderly woman in economic reform and the rural women really fare the worst. I really don't have time to go in to the numbers but one thing is their income is the lowest and they have no housing insurance and often because they are not financially independent they depend on their children who a lot of them abandon them, so they take their own lives. In China the suicide rate, women's suicide rate is much higher it's 25% higher than suicide rate in the world. And there in 2004, 250,000 people took their own lives. And women were more than half, which is 25%. And there was a, sorry there is a mistake, typo on this number, money spent on poor peasant woman's health care annually is 80 yen. It should US\$10. It's growing old, the images of peasants, the women are standing up and Chinese women through 1,000 [phonetic] years foot binding they are really strong. And it's not true that they never get angry. They do and there are quite a number of female, all-female detective agencies trying to investigate men, unfaithful men. And yes, okay this is social morals.

There are six million sex workers according to the World Health Organization. And so [Chinese audio] this is all the scenes, photos [Chinese audio]. The survival menu for sex workers is no stealing, no robbing; make sure you hold a Communist leader in your bosom [phonetic]. But the prostitution is from high to low; from the senior officials to the migrant workers. But they are standing up and the women are organizing demonstrations to fight for the lost land. And they formed their own detective agencies. And also a lot of women are choosing to stay home in the village and involuntary strike which is causing a lot of factories severe labor shortage. But I say labor shortage is cheap labor shortage. They are no longer selling their labor cheap. I will read a poem. This woman I interviewed in the city of Yunchan [phonetic]. And she shines shoes. And Yunchan is a booming town in Zhejiang Province where all the heavy metal industry set but also is a city of injury and death since.

She shines shoes at the metal city of Yunchan. "No I'm not from this town; the locals are too rich for this kind of thing. Only peasants shine shoes on streets. You are right I'm from Jeung-she [phonetic] a poor village in the poorest province. My husband is here too pulling a rickshaw. My kids, the boy is working in some factory, I don't know where. Haven't heard from him in a year. He wanted to go to college but couldn't afford finishing high school. He cried so when we, when he had to quit. He was number one student since the first grade. Very smart boy. I cried too, but

what could we do? We make nothing from the soil. Had to pay taxes for everything. The crops, the house, the birth control and the school. Even for the pigs and chickens we raised. We worked hard all year and ended up owing money to the government. I escaped here three years ago; make a yen for each pair of shoes. On a better day if I'm not caught by cops I can make 30 yen that's, 9,000 yen a year. Barely enough for to pay for the college. And we have to live, that costs money. It's fate, some are born into money, to go around in Mercedes and live in mansions. Others are doomed to labor, 'til their last breath. I started working since I learned how to stand. I'm 37, have lost all my teeth. You're crying it's nothing, I'm strong, never sick, thank heavens. I roam streets rain or shine. Saving money for my daughter; a junior in high school. Her teacher said if any peasant child can go to college it will be her. We're all saving money, even my boy. She's our only hope to get out of this grime."

Report on the child prostitution by Xio Ming [phonetic], "A child prostitute is also called a babe. She wears lace lingerie, she, thighs [phonetic] already enticing. Her mother is even prettier but she is the gazelle of all the sisters. Men love such a babe. And she loves to gaze at herself in the mirror. Another child I saw, she's 12, thin, dirty an entire world has filled up her eyes, leaving no room for a single tear. Her father is a young peasant but his hair has turned gray in the passed three months, as he walked from city to city searching for his babe. Three months, almost 100 days and more than 300 men, not an easy figure for a child. She couldn't understand why these old, ugly, filthy men climbed on her stomach. She had no idea why her body became lighter and emptier. Why some parts were missing. She didn't know as a pretty babe she's not supposed to have a brain. At night she adds in her math book the number; 300 men who have no name or address. But together they become one body that devours her. And the number, like the shingle [phonetic] on the old grave evaporates before the sunrise. Reading the newspaper I tell myself I must not write the poem for this. Must not turn this into poetry. Must not hear the words or grind my teeth to chew out the disease, the surgery and the number that heaped upon a 12 year old. Poetry, bandage, photo, memory are scratching our eyes. Numbers are useless. No one cares about the damage. These are just daily facts that ruin someone's life quietly. Her 12-year-old body is nothing but a used photo. When she stands next to other children you can't tell she's missing an ovary. My eyes pick her up as a piece of news, with tons of other information that controls our pleasure as a consumer. They sweep us by just as the news about the babe. Hot minds of information, global perspectives have erased a girl's humble pain like a giant rag. We've read it, the paper crumbles, then trashed into a dark steel can." Thank you. [Applause]

PROFESSOR YANG: Well we've, certainly had some very thoughtful speeches and images presented. And let me take the privilege of being the moderator to ask some questions. And for Wang Ping obviously this is captured visually and emotionally, really sort of the dramatic changes for women. There is one statistic that suggests by the year and 2020 or so China would have a surplus of 20 to 40 million marriageable men. How would that affect the status, the positions of women in China, because of this powerful trend? Professor Cheng Li was talking about the clash between the elitist and the populist visions and the coalitions. Could you elaborate a little bit on that? Both of us heard President Hu Jintao say in Washington that there's no modernization without democracy. Would he be using something like this in this political clash that's going to come? For Dr. Lei Guang, you emphasize the rural issues. But isn't also true though that if you talk about

farmers around the world, every country you can see, the farmers are not doing well. Is China really unique except for the size of the population in the countryside?

DR. WANG: I'll go first? Okay. It is because of the shortage of women. It can make this problem of women's body as a commodity even worse. The child traffic actually is getting very serious in China. And the boys were trafficked, kidnapped and sold to families who want a boy. And the girls actually were kidnapped and sold either as maid service or sex workers. Then, meanwhile a lot of girls going to, you know either maid service or sex workers and leaving, making the problem even more serious. And so I just recently read an article about how, you know, women are becoming more precious. And it has the two sides, the more they become a commodity you know in a way the worse their situation becomes.

PROFESSOR LI: Okay, two questions: one, I would not characterize the situation between two coalitions as a clash. It's a competition. And, but again the relationship is both co-operative and conflictual. And the bottom line is both of them realize they are in the same boat. So they want to make the so-called one party, two factions sustainable. But the policy differences are quite clear. Just to give one example. Now we talk about GDP growth, talk about you know 8 or 9% growth rate. But Hu Jintao and Wen Jiabao are not so much concerned about the growth rate. They think the growth rate is too high. They want to cool down. They want to switch from single-minded emphasis on GDP growth to greater concern with social cohesion. To social fairness, so these kind of things. So in a way that is still, they had another policy called macro economic control policy has been you know adopted for the past three or four years. Basically try to cool down Shanghai fever. Cool down the coastal development. But the Shanghai leaders still have different views. You see that the Shanghai leaders actually criticized the Chinese government. You put so much resources, capital, money to North Eastern China.

It's like it's a black hole because of this lack of entrepreneurship, this new, the real market. Or there's severe corruption et cetera. They're different views. This investment is not worthwhile, not to go with the market you know logic. But the, the top of the certainly think [phonetic] that your development, Shanghai's development, not really based on market. So this is a kind of tension. But the same time they also to co-operate. Now the conflict between these leaders, sometimes open but often it's you know behind the door. Although if you go to China to talk to any taxidriver they would tell you who belongs to which faction. They would give you lots of very nice stories, some of them probably true. This is to tell you it's not completely a [unintelligible] pack. Now the question about, about democracy, I think the Hu Jintao's remark is really surprise. It's very much like a Wei Jingsun's remark. You know it's the fifth modernization [phonetic] without democracy or other formalization will not lead to you know good future. This is really a very interesting remark.

But on the other hand I think that he means what he says. He wants to pursue China's democracy. It's not a multi-party system at the moment probably not even in the 10, 15 or 20 years down the road. Now his plan is quite clear, four things, one is what I just described with party democracy to legitimize a little bit the checks and balances within the party. Secondly is the grassroots election as Professor Merle Goldman mentioned earlier. The local elections gradually going up you know township even county [phonetic]. And probably also, not too distant in the future even equal provincial competition. The area is new overall. And you see a lot of development in this area

where also for the elaborator just in one minute. Finally is the rise of NGO's or civil society. And civil society NGO previously is kind of a quote unquote "Western Conspiracy". But now they still worry about the so-called color revolution [phonetic]. But at the same time the number of NGO's increased dramatically according to official number last year is 280,000 real NGOs, not GNGOs, not government NGOs but the NGOs. And including 6,000 foreign NGOs in education, in media, in aid, women's rights and environment etc. That's a really remarkable development.

Now particularly talk about democracy, two things in relation with Hu Jintao himself, look at his close advisers. Some of them receive education in the West including Sha Yong; he is another director of a Secrecy Bureau. He studied at Harvard, two years as a visiting scholar. He's the expert of human rights, wrote ten books about human rights. He became a very close advisor to Hu Jintao. The second person is Yu Keping who taught at Duke University and also university of Berlin. His expertise is civil society NGO. And this will tell you a lot about Hu Jintao's you know mindset of thinking.

Now the other issue is you look at the Hu Jintao successors, possible successors. It is still not very clear, but we do see some you know contender, really contenders. Most of them are not trained in engineering; not technocrats, but they are lawyers. Li Kechang is a lawyer, [unintelligible] is a lawyer. Anyway it's these that got the degree in law. You know you can dispute whether they are a real lawyer or not. But they probably will want to promote this area because this is the area they can excel in. They are not good in their economics or market economy. But this is the area, they're good at it and they probably want to, want to have a legacy. So this is all encouraging development. So [unintelligible] both is, in a way it's unreal but of course you can see that democracy is not easy for China and leaders are sometimes scared but it's in despite all the problems they still want to move the direction now into new propaganda, want to legitimize this so called Chinese democracy.

I think we agree the Chinese democracy well it has unique characteristics, Chinese characteristics. Just like a Chinese economic you know development. But of course at the same time should have some universal things, such as constitutionalism, such as political choice, such as independence of media, such as institution of checks and balances. But these are all happening or making some solid progress.

DR. GUANG: Okay, I guess the point of Professor Yang's question is if the rural-urban disparity is generalized problem across all countries not unique to China. I agree to some extent because there's huge literature on the rural/urban divide and on the issue urban-biased policies pursued by countries around the world, especially developing countries. But I think the way that it manifests itself varies from country to country, from context to context. In some countries we might see an outcome of urban-biased policies that actually are in the interest of certain rural elites. For example the more powerful rural lobbies are the landlords; landholding elites, against the interest of rural laborers. In that kind of context where you see class differentiation based on land ownership you'll see a different kind of urban bias. Now in the case of China we so far, we are not seeing much of that kind of class differentiation based on land ownership yet. We do see an increasing income in equality in the rural areas. But much of that inequality is caused by all farm or non-farm related income sources.

Now because of that and I'll just point out that even in, in, in other developing countries where

the land is privately owned and then there's a skewed distribution of land, we also tend to see that the peasants or the villagers as a whole are disorganized because of their size, because of the way they work and the production system is organized compared to the urban. Now in the Chinese case there are a couple of things that are I think quite unique, one is that the state still plays a huge role in both organizing the rural and urban political economy and one might still hesitate to say that there is, there has now emerged in the urban areas powerful interest groups. But we have heard from some of the presentations that indeed such powerful groups have emerged. But even short of that we might, just want to distinguish between the ordinary urban citizens and the state bureaucratic apparatus. Because the state bureaucratic apparatus in China that are mostly based in the cities or towns are among the most organized political groups in the country. In contrast to that you don't see much of that happening in the rural areas. So, so that is one aspect I think that is unique in China.

The second thing which is maybe not unique but certainly is something that we see as a trend is that there has been an organizational decline over the reform in the rural areas which weakens the capacity of the rural population to press their demands, to articulate their interests. And that trend is more troubling than the actual situation itself. Now maybe in the end, I mean the government is trying to do something about it. The government is trying to repeal the taxes and lessen the burdens but from my perspective these are stopgap measures unless the rural peasants are allowed to organize not even politically but allowed to organize even for professional groups or to build cross-village or cross-regional ties. And you are not likely to see any fundamental change to this rural/urban situation in the near future.

PROFESSOR YANG: Thank you and we can, we are open for questions. We'll follow the rule from yesterday so each person is limited to one question and, please, no follow-ups.

QUESTION: This question is for all the panelists, last summer I was in China and I spoke with, in was in Shanghai and I spoke with several construction workers other workers from the rural and migrant workers who had moved to the urban centers. And many of them voiced concerns about corruption with local officials. And let me read a few quotes, "People like us suffer from the dirty corruption of local party officials. They collude with the rich who want to make even more money off us little people. What can we do?"

PROFESSOR YANG: Can you, can you ask the question?

QUESTION: I will, I'm almost there. And then there is also some of them went to petition locals at the, at City Hall in Tian Jin. "I once went to petition the city however when I got to city hall I saw so many soldiers with big guns that I did not dare to enter and they, some of them refused entry for me." And my question, how is China's leadership addressing this, this disdain of local party officials on the lower end by the, by the smaller people, by the regular people? How are they addressing this kind of corruption because one of the people told me that they now consider the Communist Party no different than the corruption concerning the nationalist party in 1949?

PROFESSOR YANG: Yes which, which of you would like to get started.

DR. GUANG: Start with the leader.

PROFESSOR LI: First of all corruption is not just a Chinese product and in today's world it sadly happens in many parts of the world. Secondly, what you describe is true; it's already become part of Chinese culture. Wen Tiejun is a person who also has some official status. In his one of his recent speeches he said 90% of Chinese officials are corrupted. This is a person who works for the State Council, at the development office, and it was very courageous the way he said that. And early on about 10 years ago, maybe earlier, Cheng Ying a prominent Chinese leader said, "If China does not deal with corruption, the country will be gone. If China does deal with the corruption the Party will be gone."

So probably it just tells you the dilemma. On one hand you should deal with corruption because you do not know when the revolution will occur. On the other hand you do not want to alienate the very force you want it to depend on. That's another contradictory need or concern. Having said that based on my judgment I don't think a corruption issue is the most serious one at the moment in China. If we look at some of the the major locals early on, they actually tried to fix corruption, which then became the more and more difficult. Of course it's debatable. It's difficult to say whether it's really reached peak or not. But my judgment is that on another hand it's often quite difficult and the punishment of it so severe; execution. This is another human rights issue. But again corrupt officials you know they got like US\$5,000 would be in jail for about 10 years and this kind of things.

Now I think that why I say this is not the most disturbing thing, is because the Chinese also do not to really complain of corruption that much. I think we have some different observation, not just of very much like you said you know if a person doesn't have lover there is something wrong with that person. If official is not corrupted there is something wrong with the official. So they think it's quite common, no. And also some of our propaganda also reading false image that it's a universal and also that it's because these people are smart. And of course we disagree with this concept. But they give some kinds of things that only these people smartly know how to get money. And to a certain extent intellectuals look at other parts of society and also get a lot of problems. Lawyers.

PROFESSOR YANG: Sorry I have to cut you off here. But, yes, go ahead.

DR. WANG: Well I'll just say a few words. I think that the corruption is very much related to the infrastructure embedded that allows corruption to go rampant without anything to check on the corruption. And so and I think the power of utilizing the small people the more they demonstrate the more they speak out right, the unrest will force the government to reform the infrastructure to stop the corruption from the roots. You know all the execution punishment is just you know nipped, just like nipped the head, not the roots. That's my comment.

DR. GUANG: Okay I just want to say one thing. I, I don't have empirical evidence about how widespread corruption is and in my mind that doesn't really matter that much. And I think also that I'm an optimist, I believe the most of the people who join the civil service or their government are decent people. They want to be good on their, on their commitments. Now, the perception that there is such a widespread corruption does matter. What that perception interestingly raises for me is that these people who complained about corruption must have a standard to judge these corrupt officials by. Now where do these standards come from? From a couple of sources, one is from the past days that they romanticize probably in a very nostalgic fashion that things were

not like this before. The second source, which interestingly is actually from the central government. All these corruption charges were directed at the local officials and very few people actually attempted to elevate this to the level of the entire Communist Party. So that raises the interesting question that maybe there is a widespread perception but the way that they seek to address these corruptions tend to reinforce the power of the central government and actually in that sense is a more conservative, reactive response to the contemporary Chinese problems than we tend to think. We tend to think that you know if there are a lot of people feel that if there are is that they are going to be state revolutions.

QUESTION: This question is addressed to Professor Li. You say that the Beijing consensus is gone, you mentioned this elitist and populist issue looming. This first question you have already mentioned about this.

PROFESSOR YANG: You can only ask one question, sorry.

QUESTION: Yes, directly following that, the succession crisis is the most important in any authoritarian government. What is the two term limit consensus that President Hu will step down in 2012? Is that firmly in hand? And if that is true, in the next year's Party Congress who are the most likely? Is it the system of like a cardinal voting for a pope that's the Chinese way of democracy. That's the self-perpetuating appointments for its future.

PROFESSOR YANG: Cheng can you answer the succession question.

PROFESSOR LI: Well the first one, the Beijing Consensus, is not about domestic policy it's about the way of developing China's economy and whether other countries can learn from that. This is the Beijing Consensus developed by my friend Joshua Ramo. Now your question about I agree with you that it's not following institution lines. But the term limits for president and for premier are not for the party chief, not for the CMC. But that's a norm. If he tried to change that he will face tremendous pressure from others. So I don't think he can change that. So in my view that by 2012 and 2013 he will step down from his positions. Now his possible successor is not entirely clear. It's largely based on negotiation and compromise. And probably Hu Jintao's people will have the secretary of the party, the president; the elitists will have the premier. This is not the next meeting but this will really talk about 2012. Now the leading candidates you know you mentioned two Li's, Li Qiang and Li Yuanchao and maybe the other side will be Wang. So these are the contenders. The interesting things is you also should let other facts in to accept that person. So in a way it's not really a secret that much. On the one hand, they really try to train them for a long time. I think Li Yuanchao's upcoming trip to New York is an effort to let him to be exposed to an international audience and the elites, etc. By the way, Li Yuanchao also studied at Harvard for a year as a visiting scholar. Actually, quite recently, just a few years ago. So I think it's based on compromise, negotiation that is the norm.

QUESTION: Dr Wang, given that China has sustained economic growth for quite a while and is expected to do so in the next decade at least, how do you think this will affect women's roles and status in China?

DR. WANG: Right, I think and I'm quite positive even though all the numbers are pointing to

the devaluing of women and status during the economic reform. But I think the status, the high status was kind of artificial; it was not backed by economic, financial foundation. But now even though the woman's status is down I think they are trying to fight back from the bottom. So half of this abandoned here you know when they say you know China as a lion, I say don't forget the women they are also lionesses. That's the true awakening. When they awaken just be aware of the awakening of lionesses in China. And they are very, very strong and tenacious. So I have a lot of faith in them. Thank you.

QUESTION: Hi, my question is to Dr. Wang. And I'm glad you are here adding a culture sense to this conference. We have heard a lot of economic issues, political issues. Of course whenever China comes up the first phrase that comes up in most peoples' mind is "Made in China" and the second one is the Communist Party. My real problem with that is not really much people especially here understand China as a culture but as a legend with 5000 years of history. The reason that I have thinking about this is to come up with the incident that happens in the MIT [phonetic] which Dr. I think it's Dore [phonetic] post visual arts exhibition which has about China and the Japanese war from Japanese side, which has this very graphic detail of pictures of a Chinese soldier getting beheaded. And –

[Interposing]

PROFESSOR YANG: May I ask the gentleman to ask the question.

QUESTION: Yes, the question is coming up. The reason I think behind it is it's not really that Dr. Dore is not sensitive to it. But he practically I guess knows not much about Chinese culture and its history that is going with it. I have a sort of blog to talk about Chinese culture with a lot of Chinese bloggers writing in Chinese; I try to translate them in to English but a lot of the sense is just lost in the translation. So in the things you have been writing very successfully about the Chinese culture –

[Interposing]

PROFESSOR YANG: Please, please

QUESTION: So.

PROFESSOR YANG: You already had your chance to make your statement I think can you please ask the question?

QUESTION: Yes, this is the question. What's your take as how we can introduce our culture, ordinary life, into the American society or in to other side of the world so that people when they see and hear China they actually have a sense of imagining a people of a culture, not just "Made in China." Thank you.

DR. WANG: Well I think even that "Made in China" is also a culture and once people become aware that everything they wear, everything they use is made in China, it's like real culture. What we should do is like this conference, and also writing and poetry and academic papers to erase that "Made in China"? What is behind Made in China? This is exactly what this conference is for, to

raise awareness and to bring culture of the people who actually made the projects. And what that means, you know.

PROFESSOR YANG: Yes, the next please.

QUESTION: My question is primarily for Dr Lei. You mentioned that part of your proposed solution to the Shandong problem is foreign professional organizations. But one of my observations in recent years has been that it seems like the Chinese Communist Party is very nervous about any organization, political or non-political. So do you see that forming a professional organization already or is this just wishful thinking that won't be realized beyond the Hu Jintao administration?

DR. GUANG: Well it is true that the Communist Party is wary of the organizations. Organizations you know are double edged, they can on the one hand sort of help to channel grievances and actually facilitate the government policy implementation. On the other hand they may become a real basis for organized political resistance. I think the government is aware of that. But if you read the latest party document that's packaged in this ideal building of a "new socialist countryside" you'll see that a lot of emphasis has been put on building what the Party calls the intermediary farm organizations. Of course when the Party says that they primarily mean are more economically-based or commercial-industrial cooperations. This idea of [Chinese audio] as a way of sort of lifting the rural economy and other proposals, for example, one proposal that was raised by a political scientist in China, Professor Yu Jianrong, of reviving the general purpose of *nong hui*.

The peasant association has not received as much notice. I think that reflects the ambivalence on the part of the government. But I think the government realizes that it cannot let this thing go on because it faces its own problems. First of all, in the absence of organizations, widespread peasant resistance is already very, very serious. And it also starts to see that a lot of the party organizations, local grassroots organizations are in total disarray. So it has to do something about it and it may fear possible consequences from empowering the rural organizations but it may not have another way out. So that's my sense.

PROFESSOR YANG: Because we started a tad late so we can go a little bit late. We can probably take two or three more questions but no more. I regret that's the situation.

QUESTION: I had a question for Dr Wang. In my brief stint as an ex-pat in Beijing I was surprised at how kind of open and liberal and strong willed young women were. More so than my classmates who are primarily from Korea, Japan and India. And I was also, but I was also dismayed at how some of my female co-workers described inequalities in their private relationships. And I was wondering how do you see the future role of Chinese women in both public and private spaces?

DR. WANG: Right, well inequality between man and woman I think is everywhere. Again, it's like corruption, it's not just a Chinese problem. And it's in different aspects and it comes out in different ways. And, and the industrial boom kind of put the woman's problem on the global level. And made it more public. And the Chinese woman's problem also became the world woman problem. To make woman stronger and more equal is also a global effort I think. I think there's a lot of effort to globalize this, woman's empowerment. And I hope that there's more effort to get in to it.

And I think to get more girls into education is extremely important. On one of the slides this girl carrying a child is from Baliunchang. She is nine years old, she lost her mother. She is taking care of two of her nephews and nieces since she's four. She wants to go to school, so I'm raising money to send her to school. So this kind of little effort from all of the world is very important I think.

PROFESSOR YANG: All right I've just been told that there can only be one more question, sorry.

QUESTION: This question is for Lei Guang about the complex rural situation. I'd like to mention a statistic that presents a different picture than you did of the rural economic disparity and this is from a three-inch thick book published by Hong Kong Shanghai Banking Corporation, the third largest bank in the world which knows something about China. They have pages of statistics by province and there may be 50 categories; two basic categories are average individual income in the rural area versus in the urban area. And then it's both before and after tax. In every province without exception the after tax income average individual in the rural area is higher than the urban average after tax income. And in many of the provinces the before tax income is higher in the rural than in the urban. I have asked top professors at various schools, many of them just dismiss that and say this is wrong. Burt Swanson Professor Emeritus in the agriculture school at the university of Urbana-Champaign suggested that it might be, well first of all, half of Chinese industry, which is not understood is in the rural areas. Historically and presently.

He thought it may be because of second jobs both in these industrial plants in the rural areas plus the service industry, that the farmers are holding two jobs. So my question really is do you have any reason to believe those statistics, number one. And number two I do know that China Academy of Science in the rural area has launched a major effort to gather what they see is correct empirical data on what the facts are in the rural, mainly in the farming area? Do you see that continuing? Do you think it's important? Is there a problem with the data, a serious problem?

DR. GUANG: It's important to preface my remarks by saying that the rural areas have seen tremendous improvement in terms of the number of people who have been lifted out of poverty and also general improvement in their material lives, their mobility, etc. But the data that you describe really surprise me. There might be some possibility to that data if let's say he's talking about urban and then immediate rural areas, the Chinese suburban areas and if the general conclusion is across all provinces the rural per capita income is higher than the urban I'm really surprised. I would like to see the methodology with which they came to that kind of conclusion. There have been numerous studies from government sources and from independent surveys by the Academy of Social Science Scholars involving scholars from this country, using independent sampling and analysis surveys that show that the disparity is real. And not only real but is increasing. In since the early, since the first half of the 1980's, so I would really be curious about the methods with which, that these banking people have come up with. It is –

[Interposing]

PROFESSOR YANG: I think we have to.

DR. GUANG: Okay I'll just stop it there.

PROFESSOR YANG: Okay well maybe I can give each of you 20 seconds to make a final statement if you wish. Otherwise we will just have to move on.

PROFESSOR LI: Well recently this one phrase frequently appears in Chinese media called the “Chinese Dream.” It’s the idea to lead a middle class lifestyle; good education for our children, have a car. But at the same time that would cause a lot of concern in this country. The concern is about the energy and environment. Because the slogan for the first auto industry is called “Let every Chinese family own a car”. So this translates to the American audience getting very scared.

But the point is, this Chinese dream is very much inspired by American dream. You can see the same things, middle life, middle class lifestyle, etc. So this reminds, someone said if the American dream is for America only, it will remain our dream and never be our destiny. China of course, will choose its own destiny. But I think that we should welcome China becoming a prosperous stable nation. But at the same time we should also say China’s development should be universally concerned because environment and energy are universal problems. So we should not let the Chinese dream become someone’s nightmare, but at the same time we should really encourage the country to move along with the world to become one of the most prosperous countries. This is not a small thing. This is really a fascinating development. There’s a theme of this conference rise of China, we should welcome the fact of change, so that the shared dream, this is what our intricate slogan called “One world, one dream”. Thank you very much.

[Applause]

DR. WANG: Well I want to say th Chinese women are very, very strong and that they can be obedient but they also can be tigresses [speaks Chinese]. But in a good way, in a good sense. I have a lot of hope as I said and that’s I think all I have to say, yes.

PROFESSOR YANG: Thank you.

DR. GUANG: I just would like to encourage people, although you know in Wall Street terms I’m bullish on China to start to see a pluralistic China, to see China as made up of different parts. There are two Chinas, three Chinas. And to move beyond the façade and we often see in the media and also when we visit these metropolitan cities, global cities in China to start to delve more deeply in to the Chinese society and start seeing the tensions and the problems that are, that are cropping up. And as part of that I hope that, that the government, it’s broadly moving in the right direction, but will also further its effort in building up the organizational resources in the rural areas so that these people be empowered and, and through that to improve their welfare.

PROFESSOR YANG: Well thank you and please join me in thanking our panelists.

Panel: China, the United States, and the World

PROFESSOR BRUCE CUMINGS: Welcome to our first afternoon panel. My name is Bruce Cumings. I'm in the History Department here at Chicago. Our panel today is entitled "China, the United States and the World." And we certainly have very interesting panelists to comment on this broad subject. I'd also like to thank Dan and Alex for organizing this conference and all the other students who worked so hard on it. And all of you showing up on a Saturday afternoon.

I very much envy our first speaker Ambassador James R. Lilley. He's had a distinguished career in things that have always interested me like clandestine work in the CIA. James Lilley has also had a distinguished and particularly I think important career as a diplomat. He came to Korea at a time of extraordinary crisis 20 years ago. I arrived in Korea with a foreign delegation that squired a Kim Dae-Jung dissident back from the United States to Korea in February 1985 and at the time it seemed as if the entire city of Seoul was divided between young people protesting and young people in riot gear. And for the next couple of years there were riot police by the thousands throughout downtown Seoul and a degree of virulent anti-Americanism that pales entirely compared to the current variety which is much milder. Ambassador Lilley stepped into that situation and within a year of his coming there, I don't know if it was all his handiwork, you had a transition away from the military dictatorships that governed Korea for decades towards the first direct presidential election since 1971 and then the democratization that followed that. As if that wasn't enough he arrived as ambassador to Beijing in May 1989. Just in time to confront the Tiananmen Square problem. It was escalating every day from May until early June 1989.

But what I think is most interesting about his life is that he is a genuine China hand. And in my generation of people who were educated by China hands like Jack Servis and Dorothy Borga, a number of others, I always envied their pre-1949 access to China. You can read all about it in Ambassador Lilley's memoir China Hands: Nine Decades of Adventure, Espionage, and Diplomacy in Asia. And by the way the ninth decade comes in because he was actually born a little bit earlier than 1935. He was born in Qing Dao, China the old German treaty port opposite Korea. So we're of course looking forward to Ambassador Lilley's presentation. I'm going to introduce everybody and keep my own mouth shut while they make their presentations.

Our second speaker will be John Mearsheimer, my friend and colleague here in the Political Science Department. You can read the long list of accolades that go under John's name in your program. Somewhat unusual as a Chicago academic, he graduated from West Point and also was in the Air Force for five years. He is a particularly wonderful teacher. I don't know how many students have told me over the years how much they enjoy his courses. Sometimes I wonder if they're telling me something about my own teaching. He won the Quantrell Award, which is a very valued award here for undergraduate teaching. He's also a Yankee fan, I must say a rock-rip Yankee fan. He was trying to tell me yesterday that he's become something of a Chicago White Sox fan but I don't really believe it. He is also a person who bridges the disciplines of history and political science. The history books, all of which I've read with enjoyment represent a kind of historically-informed political history and political science. The first book, Conventional Deterrence, is a very good account of something we don't think about very often which is how to deter things like

blitzkriegs as opposed to nuclear warheads. I remember that book so well. He writes very clearly. I think I could give a lecture on it off the top of my head today. The second book on Liddell Hart was also one that many historians have acclaimed and then of course his best known is The Tragedy of Great Power Politics, which came out in 2001. But John is also a public intellectual. He had a huge impact in the early 1990s with his essays and journal articles “Back to the Future” basically saying – you’re going to love the Cold War when you see what comes after it. And I must say a lot of what has happened since the Cold War might well have been predicted by John. So I also want to say that as an academic colleague and a public intellectual, John Mearsheimer is a person of tremendous integrity and fearless, really, in the things that he writes.

Ambassador Wu Jianmin is already my friend. We were sitting together at lunch. He’s had a very distinguished career. Right now, he’s President of China Foreign Affairs University. He was a spokesman for the Ministry of Foreign Affairs for three years from 1991 to 1994. He was Ambassador to the Netherlands; he was then Ambassador to France from 1999 to 2003. He’s been an Ambassador to the United Nations Office in Geneva and other international organizations. It was also appropriate that we had some Szechuan food for lunch because he was born in Chongqing. I don’t know if he had the chance to get any of that but at any rate I look forward to this panel and I’d like to welcome first Ambassador Lilley.

AMBASSADOR JAMES R. LILLEY: President Hu Jintao was just in New Haven, Connecticut, and visited Yale University. And Yale University has a long connection with Chicago. I gather one of our products, Hutchins, came in here and turned things around in Chicago. And some of my very best friends in the Central Intelligence Agency and Department of State -- Arthur Hummel who was Ambassador to China, Bob Myers who started the Washingtonian magazine, John Horton who was a great hero in World War II -- all were part of that Chicago group after World War II with brilliant war records and interest in China, studying under Harvey Creel and Morgenthau, and they were the best and the brightest.

I’m going to start off my talk with the long view. I’m an amateur historian, a practitioner. But I can’t help telling people it all started in 1916 in China with my father. I was born 12 years later. And he was there during what Mao referred it to as the semi-colonial, semi-feudal period, when we lived a very privileged life. The U.S. had concessions. The 15th Infantry in Tian Jin, the 4th Marines in Shanghai and ships coming up every summer. It was the era of the gunboats, the bible and the oil cans. And China was dominated by foreign interests. My father represented Standard Oil. And there was a sense of real humiliation and victimization on the Chinese part which they will never forget. It comes up in the strangest times, but it’s there. And I remember once when the Chinese Foreign Minister was talking to our Secretary of State after we had imposed sanctions on China after Tiananmen and he said “What you’re doing is the eighth party march on Peking.” And my leader said “What the hell he is talking about?” Well he was talking about the Boxer Rebellion. And if you ever saw 55 Days in Peking, you saw Charlton Heston, a Major in the Marine Corps, leading the troops in to rescue the hostages from the Boxers and then he turns around and rides out on his horse and Ava Gardner is waving to him and he puts a little Chinese kid on the back of the horse and he rides off into the sunset. And we’re all very proud as Americans and heroes. The Chinese see nothing in that but abject humiliation. We look at it quite differently.

But China's then-Foreign Minister Qian Qichen raised this. He raised it after Tiananmen and he raised it in the context that we were trying to get him and China to sign on to the use of force on Iraq which he would not do, which Li Peng told me a month before they would not do. And the Chinese had wanted to come to Washington and see the President and see the Secretary of State and everybody. We said, no, not unless you sign with us on use of force. Well the Chinese said no and they went back to Peking. They went to Brent Scowcroft, to the President; he overrode the State Department and they abstained on the resolution and came to Washington. But it was instructive in the tactical victory that the Chinese had, that at least we had the presence of mind when he met the President to lay before him three criteria for the future of our relationship. The first one was human rights; Dick Schifter at the National Security Council. The second was trade matters with Joe Massey at the U.S. Trade Representative and the third was proliferation with Reg Bartholomew at State. And these were carried out and actually for about two years we controlled the agenda. A short-term tactical defeat, prevailing in the longer term. That's the way things evolved in my experiences. But getting back to the period of victimization, humiliation. We went on to the horrible chaos in World War II; my brother was there in China. And cowardice, Civil War, Japanese occupation, Nanjing. It was a terrible time in China. Inflation, floods, deliberate floods. And China was torn apart. Out of this came a renewal of their great concern about chaos. And this ended of course in 1949 when the Communists won the Civil War.

The concern about chaos appears again and again in our haranguing the Chinese on issues of individual human rights. Because fundamentally they don't see it the way we do. They see it more as people spoke this morning about the Confucian, Communist legacy of collective responsibility and of individual sacrifice to the common good. And I think Jonathan Spence has written a very interesting book about this called Treason by the Book, which describes how the Chinese have rooted out dissidents.

Great mistakes were made, by us and by the Chinese, in the period of the Korean War. I was engaged in paramilitary activity against China, almost all of which failed. And the Chinese were engaged in supporting Communist parties in south-east Asia, all of which failed except for Vietnam, and you know what happened there. So we both were involved in faulty moves. I remember the leader of the American military effort against the Chinese was told that there were a million guerillas on China in 1951. We dropped people in, we tried to put boats, air drops and, he said, "if I ever find a guerilla in China I'll stuff him and I'll put him in the Smithsonian." There wasn't any resistance. Well, you know, maybe Helen wasn't in Troy, that's what Herodotus said. The idea of finding out what's going on in a country has caused us problems since.

And I was fortunate enough to be in the period of reconciliation when we -- Zhou Enlai, Mao, Henry Kissinger, and Richard Nixon, men of great vision -- re-established this relationship and it took off from there. And the reconciliation came. Anyway, I think that when you look at the past and you read what the Chinese were saying, for instance, between Mao and Stalin in December 1949. Where Mao clearly says in a cable to Stalin, that we have now, that he needs peace after the horrors of the Civil War; he needs to build up China again. And he wants peace on his perimeter. Sound familiar? Well they were at war in Korea 10 months later. Then you move into peace, peaceful development. Zheng Bijian came up with the phrase peaceful rising and it evolved into peaceful development. But in between we have peaceful evolution by John Foster Dulles in

1958 - sandwiched between Mao and Zheng Bijian is Dulles' interpretation of peaceful evolution, which means you bring down Communist systems by undermining them.

So it's a complicated business when you're talking about peace because sometimes it doesn't happen no matter what the great leader says and sometimes it's reversed. I think the other thing I would stress, and this comes up again and again, it came up in the talks this morning, about Chinese concerns with domestic stability. And that so many of their foreign moves are made largely to sustain growth in China and maintain stability. And this clearly influences foreign policy. And if you want some ludicrous examples of how domestic policy influences foreign policy, all you have to do is to turn to the fifties and see how Joe McCarthy affected our China policy. There was a freeze in our relationship with China, partially started by him though there were other factors at work. But he was the most vociferous on the subject "Who lost China?" And it distorted the whole picture on China. Some of our best men including Jack Servis, John Davies and people like this were lost. On the Chinese side they had the horrors of the Great Leap Forward and came up with the crackpot idea at that time of the east wind prevailing over the west wind. So you had both sides torn by domestic forces, really screwing up their policy towards each other.

Now I'm supposed to talk today about China, the U.S. and the world. I'd first like to say just briefly that U.S./China relationships are not always trendable. If you go through the periods that I was directly involved in, we had at the beginning of the Reagan administration the statement during the campaign that we would restore official relations with Taiwan. And then you had the long, tedious arguments that led up to the August communiqué of 1982 which quality/quantity limits arms sales to Taiwan, given a peaceful environment. But relations hit bottom. By the time Reagan came out of there you'd had the great opening of 1987 between China and Taiwan. You had Taiwan with a sense of confidence that it could deal with China, Taiwan's President Chaing Ching-kuo made this decision. We knew that he was going to open to China as early as 1982. He had this four-point plan, namely to democratize Taiwan, Taiwanese it, keep prosperity and open to China. And he did all four. And Reagan rode in on this because we could give him the confidence to carry out this program to improve relations with China. When George Bush Senior came in, within four or five months we had Tiananmen. And again relations hit rock bottom. I had the dissident in the Embassy for 13 months. They were shooting. There was a clamor from the United States to sanction China. The Chinese feeling that they were being wronged and dissembling on what had happened. But it was a period of great tension. But within two years we'd worked our way out of that. Enter Clinton and you have most-favorite nation status tied to human rights. And the Chinese frankly told him to go to hell. It doesn't happen. But Bill Clinton being the master at spin, remember [unintelligible] has a cartoon of him eating crow and he says "My that tastes just like chicken."

[Laughter]

Anyway we went through this period in the beginning and towards the end in '96 we had what Peter Rodman discussed as the close call in the Taiwan Strait with the two carrier battle groups and the live fire exercises and the missiles flying around. And there had been a previous problem in the Taiwan Strait in 1958 which is outlined in the greatest of the new Cold War files: what Mao was trying to do, the role of Krushchev, and the role of Eisenhower and Dulles. And anyway

that was taken care of. Both sides agreed after the dogfights; the MiG-15s and 17s taking on our F-86s with Sidewinder Missiles was not an equal context. But there was on and off even firing on Kimoi [phonetic] until 1979. But in any case these things have come up and it's been rocky. But it always seems to me we come out of it. The EP-3 as Peter said happened on April 1, 2001. Chris Hill last night told us that things are in good shape. And I take his word for it.

But let's look at how we interact in various areas. That's the subject of this panel. And if you look at Africa, for instance, there are alarm bells going around about the Chinese role in Sudan which Chris talked about last night. The Chinese into Nigeria. The Chinese moving on Africa. There's nothing new about this. They did this in the sixties. They built the Tansan Railroad with Julius Nyerere. They worked with Sekou Toure in Guinea. They worked with Nkrumah in Ghana. They aren't the people necessarily that we would have picked but we were working with Nkrumah too. But in any case, they did it before, and the pattern of what they're doing now is fairly familiar but the oil is added on to it. And of course in Sudan, Nigeria, and Angola, this is a factor. I don't see why this has to concern us very much. Their power projection in Africa is welcome. They are contributing to infrastructure projects. So I'll put that aside.

In Southeast Asia, this is where there is some competition. We made our incredible mistakes in Vietnam from '65 to '75. And we suffered considerable loss by what happened, and eventually we pulled out of the Philippines, as you know. But the Chinese also had a serious problem in Indonesia in '65 with the fall of Sukarno to Suharto and the Chinese were out of there for more than 10 years. And were persona non grata in that area. I can't judge the merits of the case but I'm saying this is what happened. We both suffered, we probably suffered more. But this goes back to what the Chinese tried to do after they'd supported the revolutionary movements in the fifties and lost every one of them. They then, in Bandung in '55 they took a new tack. And it started dealing with the countries in a non-aligned movement. And you saw this move down. And you saw this evolve. And you saw the Chinese coming in after some dust-ups in the Spratleys and places like that and seizing the Parasells in '74, we saw the Chinese coming to the aid of Southeast Asia, Indonesia included, during the financial meltdown of 1997. It was no-strings-attached aid. Not like the IMF. They came in and they got a great deal of credit in both Indonesia and Thailand for what they did. It was a new approach and it worked. And I think this led directly to what's happening today. Beating off the Japanese in trade in Southeast Asia, getting the ASEAN+3 working well and having more and more coming into a regional organization. And you have them again using united front tactics to establish themselves commercially and politically in Southeast Asia with success. And of course as Peter Rodman pointed out, there is nervousness in Southeast Asia and they're hedging with us. Again, both mistakes but I don't see conflict coming. Any kind of conflict.

In Latin America; again, this is our backyard - the Monroe Doctrine. We kept the Chinese out of there in the sixties. We ran some operations against them that got them kicked out in certain countries. And we did it. But now we see the Chinese coming back in. Argentina, Brazil, Chile, Venezuela, Mexico, all with potential slightly left-leaning governments, that are moving away from the free market formula to a form of I would say intrusive socialism and [unintelligible]. The Chinese are working with them. We also know the mistakes that we had in Latin America and I go right back to the Bay of Pigs of 1961, when we tried to invade an island off our shores about 100 miles

away with paramilitary forces and we lost badly and this has hurt our position in Latin America very much. Chris Hill used the word “catastrophic” to describe China’s possible military approach to the island 100 miles off their shore. Maybe there’s a lesson in there.

Anyway I think again we talked about Central Asia. You have a Shanghai Cooperative Organization. I was there in Shanghai when Yeltsin came in in ’96 to get it going. This big blimp of a soviet with the sophisticated people in Shanghai was quite a mix. But Shanghai was instructed by President Jiang Zemin “turn on the dog”. Well it started off on a wrong foot because here’s the Portman Towers, 44 stories soaring into the sky by [unintelligible]. Right down here is a little wedding cake of the Sino-Soviet Friendship Association, then the Chinese Exhibition Hall. The dynamics, the imagery was something. But the little wedding cake was all decked out with red carpets and chandeliers and booze and everything. And great motorcades and Russian businessmen running into Shanghai looking for work. And Yeltsin got drunk. And they wanted to show him the Bund, which in the old days was some sort of an imperialist symbol. And he uses some Russian expletive to describe the Bund and staggers off with his wife up the stairs. The Soviet businessmen go the sophisticated Shanghai businessmen and say “How do you screw the Americans?” Well I don’t think you quite approach it that way in Shanghai. They may do it but they do it their way. And the Russians took one look at those lovely split skirts and they were off in to the neon area and you didn’t see them again for 24 hours. That was the beginning of the SCO. Well it wasn’t a great start but we are now in the great game. You’re back to Peter Hopkirk, you’re in McCartney in the young husband and Tibet, Kyrgyzstan - all these names are coming back at us and a lot of it’s about oil. Excessive oil. But it isn’t the kind of thing you’re going to fight each other over. Because we’re building a great pipeline from Azerbaijan from Baku to carry the oil from that terribly rich area in there through Georgia and Turkey down the Mediterranean and the Chinese are building their pipeline from Kazakhstan down into Lanzhou area of China. So we’re both at it. And Azerbaijan is playing it off quite well. Chinese companies hire American lawyers. We even work towards joint ventures. I don’t see that becoming a place where we’re going to be getting into trouble.

Afghanistan is there. The Americans have been asked to leave Uzbekistan, we still got the base in Kyrgyzstan, and the Russians have one too. SCO asked us to leave but they didn’t ask the Russians to leave. So we thought that wasn’t - I think that’s what Chris was talking about last night. They aren’t really doing all that good. But the gas lines are going. China’s getting one from Siberia down into China. The Japanese are competing for the oil line there. It’s happening. If you go to the South Pacific and the South China Sea I think that’s not really high-stake stuff. The Americans do control the seas. And when you get down into Panama too or Fiji or Papua New Guinea, you either go by water and there the Americans are as they are in the straits in the Malacca where 80% of the Chinese oil goes through now. So here we are. We’ve got the seas. We’ve got dominance as we have on the East China Sea and I don’t think we have to worry about it. If the Chinese want to put \$300 million into [unintelligible], fine. That’s okay. The South China Sea is a little more serious. The Chinese in their NPC law of 1992 claimed the full South China Sea and they got some dust-ups after that. But basically today it’s being handled by joint ventures with Indonesia. It seems to have simmered down and the peaceful development has caught on and the military aspect has been subordinated to economic development. The question always then comes up, “How about Japan and India?” Here is Japan in a fight with Korea on the Tokdo Island with the

Russians and the Kurils, the four islands there, and with the Chinese and the Senkakus. These are lingering problems and the Chinese have basically taken care of an awful lot of their problems in Burma, India, Kyrgyzstan, other areas on the periphery, Russia, so that Japan's highlight that goes along with the Yasukuni shrine, etc, is this trouble with these neighbors over territory.

But the U.S. is linked to Japan. We have a long-term security treaty. We admire their progress since 1945. Whereas the Chinese tend to look at Japan prior to '45, we look at the Japan after '45. And it's been a good experience. We got rooked a bit on commerce from time to time, but we were able to adjust this. They still have a very large trade surplus with us and they got big hard foreign exchange. But as we move into Japan and as Japan begins to build up its military, as it will inevitably do because China is identified for the first time in its White Paper as the threat, the provision that concerned the Chinese the most was when the Japanese were going to cooperate with us in saying the security range covered Taiwan. And of course, that set off alarm bells in Peking. Since we were not going to let Japan back into the Taiwan situation; that was decided in 1972.

In any case, you see this going on with India and Peter Rodman talked about India. I won't go into that again, but I do think it's a healthy arrangement. India has come out of its socialist straitjacket, is one of the software centers of the world, it's lifted out of its problems. We have a strong military relationship with India and conventional arms sales and we have the nuclear agreement. But on the other hand, you have China and Russia. And you get China, Russia and I think Haushofer would applaud this arrangement. Although Alfred Mahan might like what we're doing with Japan.

You have the great landmass of Asia and a long and tumultuous relationship between Russia and China. Fifties, sixties - fine; sixties - confrontation, leading to the American opening to China and China opening to the U.S., and out of this comes the links that made our relationship really work. And I put this, my personal involvement watching the northwest sites develop to cover Soviet strategic weaponry, which was quite successful.

We had the beginning of modernization of the Chinese economy when George Bush talked at Deng Xiaoping in 1977 and proposed cooperation in offshore oil. So we were at the beginning of Chinese offshore oil and on shore we wanted to be involved and modernize it. And again, we worked with the Chinese and the Saudis and the Pakistanis to defeat the Russians in Afghanistan. I say defeated. And anyway, the reconciliation came after the Soviet Union broke up and now you have joint exercises at Shandong last year.

So anyway, I go through that history and I see many good signs. One of the good signs: I was looking at the American Chamber of Commerce in Shanghai, which has 2,000 members in it now, 100 new members coming in a month, 70% making a profit. And there are 22 MBA programs in Shanghai alone, two-year programs, no quick fixes any more. These programs are linked to Syracuse, Tulane, Europe, across the board, Sloane. Something's really happening in China that's gripping into the educational field.

Let me just finish on this note, and here I'm going to touch very briefly on a controversial area: Taiwan. Rhetorically, in terms of the language used in the three communiqués, etc, the Chinese have the advantage. I don't think there's any question about it. They have the advantage. We can fight an action on the basis of non-use of force, democratic forces, preserving Taiwan's prosperity,

etc., etc., but when you get down to it, they have the advantage.

If you look at this geo-strategic situation, we have the advantage. We have the most powerful Navy in the world. You don't take us on lightly, especially with the - I wouldn't say commitments - the obligations of preserving Taiwan from military takeover. But where we have the advantage. The place where you really have the biggest chance of success is of course in this incredible globalization between Taiwan, China, the U.S., Korea; everybody's involved. It's a huge operation. I saw it happen in Silicon Valley, out to Hsinchu up to Zhongguancun: legal help, capital, technology, moving Tsinghua graduates working with Caltech graduates from Taida - it was altogether and it was globalization and it was all under government. It was done by experienced businessmen who knew the business, knew the technology, knew the distribution centers and worked together.

And the force of globalization is so big, it involves so many powerhouses in Taiwan - Jimei [phonetic], Evergreen, Formosa Plastics, Taiwan Semiconductor - these are big, big companies with huge commitments to China in terms of their investments, the operations they run, and they must have some kind of a guarantee from China of the security of their investments.

We don't know about this. All we can do is to speculate, but it's a tremendous power, that it's a win-win-win situation and it seems to me the more we understand about it, the more we can work with it, the more we can develop the sort of integration you need and the political fallout of China's association with the Guomindang, the new election's coming up in Taiwan in 2008. You have a momentum there that seems to me that makes a lot more sense than to get into rhetorical and geo-strategic games.

Thank you.

[Applause]

PROFESSOR CUMINGS: Thank you very much, Ambassador Lilley. I'm a little worried about the 30% of Americans who aren't making a profit in Shanghai. What are they doing wrong? Anyway, our next speaker is Professor John Mearsheimer.

PROFESSOR JOHN J. MEARSHEIMER: Thank you, Bruce, and thank you to the organizers of the conference for inviting me to be up here with such a distinguished group of panelists, both ambassadors and my colleague, Bruce Cumings.

Like Ambassador Lilley, I would like to take the long view as well, only I'm not going to look backwards at all. I'm going to look forwards and I want to talk about the question of whether China can rise peacefully. And here I'm talking about what the world is likely to look like in 20 to 25 years. I'm not talking about today or the near future. And my basic argument, as many of you know, is that China cannot rise peacefully. If China continues to grow economically and therefore militarily, there will be an intense security competition between the United States and China, with a serious possibility of war. And my argument is that that's inevitable and I'm going to explain to you why in a minute, but before I do that, I want to make two preliminary points.

First of all, I'm simply assuming that China will continue to grow economically and effectively turn into a giant Taiwan. I'm not making the argument that that will happen. It's a debatable issue

as to what the future looks like on that score. I'm just assuming China will grow. Second point I would make is that the only way you could talk about whether China can rise peacefully is with a theory of international politics.

Lots of folks like to say "I was in Beijing last week and I was talking to person X, Y or Z and he or she told me such and such and that leads me to believe that China can rise peacefully." I would just say that is all utterly irrelevant. The people that you talk to in Beijing today are not going to be in power 20 or 25 years from now. We have no idea who's going to be in power in Beijing 20 or 25 years from now, and we have no idea who's going to be in power in Washington 25 years from now. And we have no idea what any of those people are going to think. Furthermore, how China behaves when it has a lot more power than it has today is very hard to predict. As you know, when you grow muscular, you tend to behave differently than when you're a weakling. So for all those reasons, I think the only way to assess whether China can rise peacefully is with a good theory.

Now I'd like to lay out my argument in three parts. First, I'd like to give you my basic theory of great power politics that talks about rising great powers like China. Second thing I'd like to do is talk a little bit about American history in a way that is commonly not heard here in the United States, and then third, I'd like to talk about the rise of China and how the United States is likely to react to it.

First, on the theoretical side: my basic argument is that states, especially great powers, want to be hegemonic. They want to dominate the international system. And my argument is that they want to do this because it is the best way to survive. Given the structure of the international system, it makes really good sense for a state to be a hegemon. I argue it is impossible for any state to be a global hegemon and in fact, the United States, I think, has gotten itself into trouble in recent years because it's gotten too big for its britches. It's tended to think that it is or it can be a global hegemon. The world is simply too big and there's too much water out there for any single state to dominate all of the globe.

My argument instead is that the best any state can do is to dominate its region of the world and to make sure that there is no other state that dominates its region of the world. Now, why is that the case? The reason that you want to dominate your region of the world is because then no other state is capable of getting at you. Geographically it is very difficult, if not impossible, for another state to invade you because you dominate your region of the world.

Furthermore, if in other regions of the world, where there are great powers, there are two or more great powers, those states have to concentrate on each other and are not free to focus on your backyard. Let me put this in terms of the United States. The United States is the only regional hegemon in modern history. We dominate the Western hemisphere. Because we dominate the Western hemisphere, because there is no other state in this region that could seriously challenge the United States, we are free to roam all over the world and cause all sorts of trouble, in case you haven't noticed.

[Laughter]

If we had a major great power rival in our hemisphere, we would be much more constrained with

regard to projecting power around the world. At the same time, if you're the United States and you're looking at Europe or looking at Asia, what you want is a China that has to worry about Japan; a China that has to worry about Russia; or a Germany that has to worry about France or Russia, because that Germany and that China is then not free to fool around in the Western hemisphere.

So again, my bottom line - and I'm going to explain to you how I got to this bottom line in a minute - my bottom line is that it is an ideal situation for any state to be a regional hegemon, number one, and number two, to make sure that there is no other regional hegemon in the world, to put it in Pentagonese, to make sure we have no peer competitor. Now, how did I get to this set of conclusions?

I start with a simple set of assumptions about what the world looked like. My first assumption is that states are the principal actors in the system and there is no higher authority above states. My second assumption is that all states, and here we're talking mainly about great powers, all great powers have some offensive military capability. It obviously varies from state to state, and it obviously varies over time, but all great powers have some offensive military capability. My third assumption, which is a very important one, is that no state can ever be certain about the intentions of other states.

That's certainly true when you're talking about future intentions. There is nobody in this room who can tell me what the intentions of Chinese leaders will be in the year 2025. There is nobody in this room who can tell me what the intentions of American leaders will be in the year 2025. They may have benign intentions, they may have malign intentions, but you cannot know. So I'm not saying that you can be certain that other states will have bad assumptions or evil assumptions or malign assumptions - I'm simply saying you can't know whether they will or will not. So again, my first assumption is that the system is anarchic. That means there's no higher authority that sits above states. Second, states have some offensive military capability, and third, states can never be certain about the intentions of other states.

Now, these three assumptions create a situation where states fear each other. The reason that states fear each other is first of all, they can never be certain that another great power in the system won't have offensive intentions plus offensive capabilities. If you live next door to Germany, you can never be sure that at some point in the distant future, there won't be a second coming of Nazi Germany. You just can't be sure. Or a second coming of Imperial Germany, if you like. You can never be certain what will present itself with regard to a neighbor.

The other reason that states fear each other is because if you get into trouble in the international system and you dial 911 or to put it in slightly different terms, if you dial for help, there's nobody at the other end. There's no higher authority that can come to your rescue. After all, it is an anarchic system. In a world where states fear each other, they very quickly come to understand that the best way to survive is to be the most powerful state in the system.

Let's just take China for a second. If you're China and you have two choices - one, you can have 20 times as much power as Japan, or two, Japan can have 20 times as much power as you. Which do you choose? This is not even an interesting question. China knows from recent history what

happens or what can happen to you when you're weak in the international system. It's in China's interest to be as powerful as possible. How many Americans in the room go to bed at night worrying about Canada or Mexico attacking the United States?

[Laughter]

The answer is none and the reason is because the power gap between the United States and every other state in the Western hemisphere, especially Canada and Mexico, is very great. And therefore those states would never contemplate attacking us. And if you're interested in surviving in the international system, that's the ideal situation.

So again, my point to you is that in an anarchic system, a system where there's no higher authority, no night watchmen, and where you can never be certain about the intentions of other states, it makes very good sense to be very powerful. It makes very good sense to be the hegemon in the system. But as I told you again, it's impossible to be a global hegemon. The best you can do is be a regional hegemon, number one, and number two, make sure you have no peer competitor.

Now, let me go to the second part of my talk and talk a little bit about the United States of America and how it's behaved over time in terms of the theory that I just laid out to you. The United States started out in 1783 when we won our independence from Britain as 13 measly colonies strung out along the Atlantic seaboard. Between 1783 and the end of the 19th century, the United States, the Founding Fathers and their successors went to great lengths to create the most powerful state in the Western hemisphere. They marched from the Atlantic Ocean to the Pacific Ocean. They murdered huge numbers of Native Americans who got in their way.

They decided that they wanted the Southwest of the United States for us. It then belonged to Mexico. We went to war against Mexico and took it from them. The United States had its eye on Canada throughout the 19th century and one of the principal reasons it went to war against Britain in 1812 and invaded Canada was because we wanted to conquer Canada for ourselves. We also had our eye on all sorts of territory in the Caribbean, but could not manage to take that because of the slavery issue. The fact is that the United States was bent on attaining a very powerful stake in this hemisphere.

But there was a second task that the Founding Fathers and their successors faced, and that is that there were these large European empires in the Western hemisphere - the British empire, the Spanish empire, the French empire. In 1823, President Monroe announced the famous Monroe Doctrine. He basically told the Europeans in so many words: "We're not powerful enough to throw you out of this hemisphere now, but we intend to throw you out of this hemisphere and once we throw you out of the hemisphere, you're not welcome back." By 1898, in the wake of the Spanish/American war, the Spanish empire was eliminated from the western hemisphere and the United States had established regional hegemony. This was done on purpose.

The Founding Fathers and their successors clearly understood that it was imperative for the United States to create a situation where it was by far the most powerful state in the western hemisphere. Why? Because this is the best way to survive. I also told you when I laid out my theory the great powers have a second mission, which is to make sure that they have no peer competitor.

The United States had four potential peer competitors in the 20th century - Imperial Germany, Imperial Japan, Nazi Germany and the Soviet Union after World War II. All four of those potential peer competitors are now on the scrapheap of history and the United States played a key role in putting all four of them there.

[Laughter]

When the Cold War ended, the Pentagon wrote a very famous document, referred to as defense guidance, which was leaked to the New York Times in 1992. It basically said that the United States is number one in the world and it has every intention of remaining number one in the world. When the present Bush administration announced its famous Bush Doctrine in the fall of 2002, much attention was focused on the distinction between preemptive and preventive war, but in that document, it was made clear, as it was in 1992, that the United States was the most powerful state on the face of the earth and it had every intention of remaining the most powerful state on the face of the earth. This is not because the United States is an evil power - it is because the United States understands very clearly, as do other states in the system, that the best way to survive in an anarchic system where you can never be certain about the intentions of other states is to be the number one state in the system.

Now, let me talk about the rise of China and how the Chinese are likely to act and how the United States is likely to respond to Chinese behavior. Many people believe that if China becomes democratic and it gets hooked on global capitalism and it gets embedded in all sorts of international institutions that the United States now belongs to, that the Chinese will behave admirably, that they will never behave aggressively because then they'll look like the United States and as we all know, the United States never behaves aggressively. It always behaves admirably. We are the good guys and of course, if they imitate us, they can only behave as good guys, and in a world populated by good guys, how can you have any trouble?

If you just listen to what I said about how America has really behaved over time, you'll know that's not the case. I do believe the Chinese are going to try and imitate the United States, but they're not going to imitate the story you hear every day from President Bush and other politicians and from the media - they're going to imitate the United States in the ways that I just described, how the United States has behaved over time, which is to say the Chinese are going to try to dominate Asia the way we dominate the Western hemisphere. And they would be fools if they didn't try to do that.

As I said to you before, from a Chinese perspective, it makes eminently good sense to be much more powerful than all of your neighbors. From a Chinese point of view, you want to emulate the United States and make sure that you have neighbors that look like Mexico and Canada, and not neighbors that look like Japan and Russia. This makes eminently good common sense. Furthermore, it is likely that the Chinese in the year 2020 or the year 2025, and here again we're assuming that China continues to grow, it is likely that China will have a Monroe Doctrine of its own. Do you think it's likely that China will welcome having the United States running aircraft and ships up and down its border? Do you think that China will be happy about having a large-scale American military presence right next door?

Well, you know, the United States cannot stand the idea of another great power coming into the western hemisphere and monkeying around in our backyard. Many of us in the room are old enough to remember when the Soviets put troops in Cuba. The United States went ballistic. “Who are these Soviets to think that they can come into the Western hemisphere, and with military force, no less? This is our hemisphere.” Well, what’s good for the goose is good for the gander. Why do you think the Chinese won’t feel the same way?

If you’re Chinese and you have two choices - one, you could have the United States of America’s military parked across the Pacific Ocean in San Diego or Hawaii, or you could have them on your doorstep - which choice is best from a security point of view? The answer is obvious - to have the United States military parked far away. So I would say to you that if China gets to be very powerful, economically and militarily, it will have a very powerful incentive not only to dominate its neighbors, but also to go to considerable lengths to push the United States out of Asia. In other words, I expect the Chinese to imitate the Americans.

Now, let me conclude by dealing with the question of how the United States and China’s neighbors are likely to react to an increasingly powerful China. The historical record is very clear here. The United States does not tolerate peer competitors. We’ve proven this in the 20th century and the Bush administration has recently said essentially the same thing. So what will happen if China continues to grow is that the United States will move in and do everything it can to contain China, much the way it contained the Soviet Union during the Cold War.

Furthermore, China’s neighbors are now and will in the future be increasingly worried about a powerful China. It is no accident that India and the United States have become extremely friendly in recent years. Most Americans of course when asked “Why is that the case?” rely on their old reliable explanation. “It’s because India is a democracy. The United States and India are now friends because India is a democracy.” But of course India was a democracy during the Cold War when the United States and India did not have good relations. So democracy can’t be the explanation because a constant in democracy is a constant in both cases and cannot explain variation.

The variation that explains the change in policy is number one, the end of the Cold War and two, the fact that India and the United States both fear China. So you can see the balancing coalition beginning to form. It’s going to be Japan, South Korea, Vietnam, Indochina, India, Russia and the United States balancing against China, much the way the great powers and the middle powers balanced against the Soviet Union during the Cold War.

The picture I have painted here is a depressing one, without doubt. I wish that I could tell a story that has a happier ending, but the fact of the matter is that international politics always has been and always will be a nasty and brutish business. And any time there is a potential hegemon in Eurasia, it invariably leads to intense security competition. And I think with the rise of China, there will be no exception.

Thank you.

[Applause]

PROFESSOR CUMINGS: Thank you, John. I don’t know if John gave us anything to think

about, so let's move very quickly to Ambassador Wu.

[Laughter]

Thank you.

AMBASSADOR WU JIANMIN: Thank you, Bruce. Let me first express my appreciation to Dan and Alex at Chicago Society for your great initiative. Last night, I was interviewed by the Chinese press. They asked me about my initial impression of this conference. I said this: "I am very pleased to see that young people are interested in U.S./China relations. Young people are our future. When they understand better the dynamic of China/U.S. relations, I think we will have a better future."

Ladies and gentlemen, I am supposed to talk to you about China's foreign policy. China's foreign policy is an extension of its domestic policy. Let me first share a few thoughts with you about China's rise. First, I believe that China's rise is still in its initial stage. Why do I say that? Because in the late 1970s, when Deng Xiaoping came to power and he suggested this to the party, then to the People's Congress - he said that China's modernization scheme is a huge undertaking and we need a good strategy to realize modernization. Then he suggested a three-step strategy to China. According to him, the first step is to double the GDP in 1990 from the 1980 GDP of China. The second step is to double the GDP of 1990 by the year 2000. The third step is to catch up with the average level of industrialized countries by 2050.

What's the result of the implementation of this strategy? We realized the target, the first step, by 1990. Then in 1995, we realized the target of the second step. In other words, we succeeded in quadrupling the 1980 GDP of China in 1995. It means we were five years ahead of schedule. Then we decided to modify this target by adding two words - per capita - by the year 2000, to quadruple the per capita GDP of 1980. Please do not underestimate the weight of these two words because between 1980 and the year 2000, the net increase of the Chinese population was 300 million. By the year 2000, we realized the modified target of the second step.

Starting from 2001, we move into the third step, and the third step is divided into several sub-steps. First, by the year 2020, we have to quadruple the GDP of the year 2000. That implies an average annual growth of 7.3%. From 2001 to 2005, the average annual growth was 9.5%. As you can see, we are on the right track.

Before I reach the second point, I have to add one thing - you know, by last year, China's GDP amounted to US\$2.2 trillion. It's not bad. China's rank is number four in the world. But in terms of per capita GDP, China lags behind more than 100 countries in the world. Last year, per capita GDP of China was only US\$1,700. We have a long way to go. This is why I say China's rise is still in its initial stage.

My second point is the about philosophy of China's modernization, which is "reform and opening up." We Chinese put these two words "reform" and "opening up" together. It's by no means accidental. You know the Chinese debated among themselves for over a century about the root cause of China's drastic fall. Until 1820, China's GDP accounted for roughly 30% of the world's total GDP. But in 1978, China's GDP accounted for 1% of the world. Such a drastic fall. Why?

What's the root cause?

The Chinese debate among themselves. Some say this: "Look, China used to be a leading country in the world, but we were victims of the following aggressions." True, major powers all came to China. But others say, "Look, why are you not in a position to defeat this aggression? Because you are weak. You are weak." That's true. Then others say, "Look, the feudal system in China is too old." True, it is more than 2,000 years old. I think the feudal system in China's the longest in the world. But other people say, "Look, why did the feudal system disappear in Europe and not in China?" You know, then we realized that we were marginalized by the major trends in the world.

In the Ming dynasty, China was open until Emperor Zhu Di. Zhu Di was emperor of China from 1402 to 1424. Under him, Zheng He undertook seven overseas expeditions. When Zheng He went abroad, China had the largest fleet in the world: altogether, 62 vessels. The capacity of the flag vessel - 1,000 men on board. Just imagine: in 1405, China had such a capacity. But afterward, the Ming emperors made a fatal mistake for China. They decided to close the seas. The largest fleet in the world, the Chinese fleet, disappeared in Chinese waters.

So then Deng Xiaoping came to this conclusion: the self-seclusion led China to backwardness and to catch up, we have to open up to the outside world. So opening is crucial for China. That is the meaning of the reform. Reform means we have to change ourselves. Where does China's strength over the last 28 years come from? I think the main reason is we changed ourselves. We decided to change the planned economy. We like to embark on the market economy. We changed a lot in China. We decided to enter the WTO 2001.

I think two things: opening up to the outside world and reform - these two key words - constitute the philosophy of China's modernization. Then I come to the third point on China's rise. I think opening up to the outside world and reform make the sharing, the growth with the rest of the world the most important feature of China's rise. Let me explain it to you.

You know, foreign direct investment played a very important role in China. Let's compare FDI stock in China, Japan and Korea. In 1980, the stock of the FDI in China was US\$1 billion. In Japan, US\$3.2 billion. In Korea, US\$1.3 billion. In 2004, the stock of the FDI in China: US\$560 billion. In Japan, US\$96 billion. In Korea, US\$56 billion. In other words, the stock of FDI in China in 2004 is six times that in Japan and 10 times that in Korea.

What does this mean? The Chinese are sharing their growth with the rest of the world. Look at the relations between China and the U.S. According to JP Morgan's study, in the last 10 years, because of imports from China, high-quality low-cost imports, American consumers saved more than US\$60 billion a year. That means altogether more than US\$600 billion. We are sharing that with you.

You know, people say today there are two driving forces for world growth: the U.S. and China. The GDP of China is very small; it accounts for 4% of the world total. The U.S. GDP is six times that of China, but China is one of the driving forces. Look at Japan: Japan's GDP is twice that of China, but the Chinese contribution to global growth is larger than Japan's. What does this mean? We Chinese are sharing the growth with the rest of the world.

My last point is: where does China go from here? The objectives that China pursues are triple. We'd like to make China a prosperous, democratic and civilized country. By prosperous, we mean we have to catch up to the average level of industrialized countries by 2050. By democratic, we mean that we are committed to the universal values of democracy and human rights. By civilized, we mean that Chinese civilization would be much enriched by the way of opening up to the other civilizations.

My four points are my thinking about China's rise. I'd like to respond to Professor John Mearsheimer. If you listen to him, he fails to understand the philosophy of China's modernization. China's modernization is a huge undertaking. We have a long way to go. There are two preconditions for China's modernization. The first is peace, the second is international cooperation. Should China embark on expansionist behavior, what will happen? These two conditions, peace and international cooperation, would be wiped out. The whole process of China's modernization will come to a halt. The Chinese are not stupid - they will not shoot themselves in the foot.

[Laughter]

[Applause]

I'm coming to the second part of my talk - China's foreign policy. I have several points. First, China's foreign policy is peace-, development- and cooperation- oriented. Why do I say this? Peace, development and cooperation - I think the world needs these three elements. So does my country. Why peace? You know, peace is the precondition for modernization. Please understand the Chinese mentality. We Chinese are facing for the first time a chance to develop ourselves since the Opium War, since 1814. We would not let this chance pass. This is why China's foreign policy is peace-oriented. We stand for peaceful resolution of international disputes.

Development: you know, the world needs development. So does China. More than a third of the world population are poor people, with less than \$2 a day. The whole world is getting smaller with globalization, but more than a third of the world's population is poor. We need to address this issue, the issue of development. And China is facing a lot of problems. I think a solution to these problems lies in development. We need development.

You know, a few speakers mentioned the issue of energy. I'd like to make a point. True, China is consuming a lot of energy, a lot of resources; but be fair. We Chinese consume this energy, a lot of resources not only for ourselves, but for the world. Look at the major manufacturing industries. These giants have moved into China, taking advantage of the cheap labor and also the potential market. Yes, we are producing a lot of things and people say a lot of things are made in China. I dislike this term. It's not made in China. It's assembled in China. That's it.

[Laughter]

Japan used to have the number one trade surplus with the U.S. That position has been taken by China. Why? Japan's major manufacturing giants moved into China, so we took the blame for the Japanese. That's it.

[Laughter]

So this is my first point. In that process, we are very much attached to the development. And also the outside world should understand China's situation.

My second point after peace, development and cooperation. Why do I say cooperation? Because we Chinese understand in a globalized world, no country is able to develop itself in isolation. We need international cooperation. This is why in Chinese foreign policy, we stand for international cooperation. We are in favor of all measures which are conducive to international cooperation.

Getting to Sino/U.S. relations, let me say this: I think we Chinese pay a great deal of attention to trends. A major trend is growing between China and the US. What we are seeing in the past 27 years since we established diplomatic relations in 1979, is that our common interests are growing. Yes, we have differences, but we can see one thing - our common interests outweigh by far our differences.

I happened to be a junior member of the Chinese delegation to come to the U.S. in 1971 after the UN General Assembly vote. Then I stayed on. I spent more than six years in your country, many in New York. In the 1970s, I saw no products made in China in New York. Nothing. Then I come back to your country in 1985, always in New York. I saw some Chinese products, not in big stores, maybe in very small stores. But yesterday I visited Chicago. In many, many shops, many supermarkets, I saw a lot of goods made in China or assembled in China.

[Laughter]

What does this mean? It means our relations are growing on a mutually beneficial basis. Let me address this issue - trade surplus. You said we have a trade surplus of over US\$201.6 billion, but you forget several things. First, sales of American companies in China to the Chinese market in 2004, US\$75 billion. These same companies exported their products to the US in 2004, US\$75 billion. Altogether it makes US\$150 billion.

Two: we pay a great deal in brand fees. You know, 99% of Chinese textile exports have no Chinese brand. You know, the brand fee is much higher than the labor cost. Take the Barbie doll as an example. The market price is \$20. We Chinese got 35 cents. You have got the lion's share. You are not happy. We Chinese got 35 cents - we are happy.

[Laughter]

I don't know.

[Applause]

I don't know. How can we Chinese make American senators and Congressman happy? It's very difficult. Then trade surplus - so what? It comes back to the U.S. to buy your treasury bonds to fill the hole left by your deficit. It's a win-win, but you keep complaining about it.

[Laughter]

That we don't understand. My last point is about Assistant Secretary Rodman's quotation of Deng Xiaoping. You said Deng Xiaoping has a 24-word strategy, but I disagree with you about

the translation of *taoguangyanghui*. You translate it this way: “Hide your capacity and wait for the time.” But there is some contradiction between that quotation and the last sentence. “Do not seek hegemony.” Now, “Wait for the time.” What for? If we do not seek hegemony, you know, to my understanding, *taoguangyanghui* should be translated that way. “Keep a low profile.” What does that mean? Basically speaking, we do not want confrontation with the U.S. This is, I think, the substance of it. “Do not seek hegemony.”

I am contradicting Professor Mearsheimer. You know, look at Chinese history. China used to be the leading power in the world, not only for a few centuries, for more than 10 centuries. At that time, Chinese, we had more superiority: military, technological, cultural and political. We did not use these superiorities to invade other countries. Why should we do it now? It’s impossible.

[Laughter]

[Applause]

About hegemony, I’d like to quote Mr. Deng Xiaoping. You know, in 1974, I was at the UN. Mr. Deng Xiaoping went to the UN. He made a very powerful statement. He said “We are opposed to hegemony. Should China one day seek hegemony, I call the people of the world to bring down Chinese hegemony.” This is a very powerful statement. I’m just wondering what leader in the world made such a commitment before the United Nations, before the international community. We Chinese mean it. We do not seek hegemony. We’d like to develop cooperation with all countries in the world.

I thank you.

[Applause]

PROFESSOR CUMINGS: Thank you. Thank you very much. We’ve run a little bit over time. It’s rather difficult to control two ambassadors and a bombs and bullets guy, but we still have 15 or 20 minutes for questions and in their wisdom. So let’s just start with the first question. Number one; let’s have questions, not statements. And number two; please direct your question to one of the panelists.

QUESTION: I really want to hear Professor Mearsheimer’s response to Ambassador Wu, so my question is addressed to Professor Mearsheimer. It’s actually a theoretical paraphrasing of Ambassador Wu’s question. You laid out a comprehensive picture of great power politics in the past and, based on your general theory, you predict the same to happen in the future. If there is an intervening factor, which is unique and never happened in the past, then your theory may not fare well for a new era. So the possible intervening factor is globalization, which Ambassador Wu has talked a lot about. So do you think that globalization is such a unique factor in history that will change substantially the nature of international politics?

PROFESSOR MEARSHEIMER: Thank you. Couple of quick points: first of all, I think that there’s no question that at this point in time, China is interested in peace and it is interested in growing economically. It would be foolish in the extreme for China at this point in time to confront the United States militarily, but again, I’m not talking about the situation today - I’m talking about

what the situation is likely to look like in say 20 or 25 years. And the point I would make is that how a state behaves when it has a great deal of economic and military power is very different than how it behaves when it is effectively a paper tiger. China today is militarily a paper tiger. It would be foolhardy for China to pick a fight with the United States over Taiwan because the United States would win the military battles that ensue.

The question is: how are the Chinese likely to think when they are very powerful? And my argument is that the Chinese will then think very differently than they do now. Finally, the point about globalization: many people argue, and I think Ambassador Wu was pushing in this direction, that globalization or economic interdependence produces peace because everybody gets hooked on capitalism, everybody gets richer and richer and who would kill the goose that lays the golden eggs?

But the problem with this argument is that first of all, it assumes continuing prosperity and it is possible you could have an international downturn, even an international depression. But the much better reason to doubt this theory is that you had significant economic interdependence before World War I. You had globalization within the European context before World War I and there was no depression before World War I - the depression was before World War II. And despite all that economic interdependence and despite the fact that Germany and Russia and England were all getting richer and richer, you still had World War I. So I would not be too sanguine about the consequences of globalization.

PROFESSOR CUMINGS: Yes?

QUESTION: I have two questions also directed to Professor Mearsheimer. The first question is: the jury is still out in Asia Pacific on whether Japan or China will emerge as the dominant power. Now, would you, in the case Japan might rise to become the dominant hegemon in the region, predict an inevitable war between the two countries, Japan and the U.S.?

Question number two is: I agree with you that it's impossible to decide on the intentions of individual leaders, but there are collective cultural intentions that one might infer from analyzing these countries. So is there room for the strategic culture of these individual countries in your theory, especially in light of what Ambassador Wu has talked about? Because in a way, your theory makes perfect sense, but perhaps only in this American-centered strategic cultural framework.

PROFESSOR MEARSHEIMER: Okay, thank you very much. With regard to your first question, there is no possibility that Japan will be a potential hegemon in Asia. Japan faces a very bleak future because it is the most rapidly aging population in the world. Japan now has roughly 126 million people. Most people predict that by the year 2050, it will have 100 million or less people. Japan is not going to be in a situation to dominate Asia the way it was in the 1930s. There's only one country in East Asia that stands a chance of achieving hegemony and that is China, not Japan.

With regard to the second question, when I went to China in the fall of 2003 and effectively gave the talk that I gave to you about 25 or 30 times, I constantly heard Chinese say that "What you don't understand is that we are different. We have this Confucian culture, which basically means

that the Chinese never behave aggressively. It's just you Americans." My response to that was "I've heard this somewhere before. I think it was in the United States. I think we call it American exceptionalism." This is a story that we tell ourselves, "Well, we're always noble, we always behave like the good guy and it's everybody else who misbehaves." And again, as I was saying when I spoke before, if only the rest of the world looked like us, we would live happily ever after because of course, we're good guys and everybody else would then be a good guy.

Well, I would say these cultural arguments about China are as wrong as the cultural arguments about the United States. The fact of the matter is that when you live in an anarchic system, which can be very, very dangerous, you have no choice, if you're interested in maximizing your prospects for survival, but to be as powerful as possible. And the Chinese have not behaved very aggressively in recent years or in recent decades or in recent centuries, largely because they have been so weak. When they are very powerful, I would not be surprised to see that they behave very much the way the United States has behaved in recent times because we are so powerful. So for me, structure not culture is determinate.

PROFESSOR CUMINGS: Next question?

QUESTION: Hi John. I hope you don't mind having a third question targeted at you. Thanks for the articulate speech, but I totally disagree with you.

PROFESSOR MEARSHEIMER: I'm shocked.

[Laughter]

QUESTION: I think your speech is based on the assumption that in a world without central authority, there cannot be any cooperation. I think that assumption is fundamentally wrong and I can cite the book titled Evolution of Cooperation, authored by Robert Axelrod. In his book, he convincingly illustrated that in a world without central authority, cooperation can and does emerge, so if you don't mind, I would turn your question around.

You had a question about, you know, how many Americans go to bed at night worrying about attack from Canadians or Mexicans because they are weak. That makes sense, but let me just turn it around. How many Canadians or Mexicans go to bed at night worrying about a military attack by the Americans tomorrow? The answer is the same: zero. In the prisoner's dilemma model, it's easy to explain. Why? Because it's not in American's best interest to do such a thing. And how do you explain such a thing in your theory?

PROFESSOR MEARSHEIMER: Yeah, those are very good questions. I'll try and answer them as best I can. First of all, I would argue that you can have cooperation, even in a competitive world. I always like to point out when I lecture about the pre-World War II period that Stalin and Hitler got together in August of 1939 and concocted the Ribbentrop-Molotov Pact, where they cooperated to divide up Eastern Europe. And then there was extensive economic intercourse between the Soviet Union and Nazi Germany right up to June 22, 1941, when the Third Reich invaded the Soviet Union.

So you can have lots of cooperation, even in a competitive situation. But my bottom line is that the

world is fundamentally competitive. And it has to be competitive, especially when it comes to the great powers, because of its anarchic nature.

With regard to your point about tit for tat and Robert Axelrod's very famous book about the evolution of cooperation: this is an argument that says that you should take a chance and cooperate and not compete. You should not cheat on the other side. You should cooperate. And if the other side does not reciprocate, if the other side cheats and stabs you in the back, then you retaliate by stabbing it in the back. It's tit-for-tat. The problem with the logic is that in the realm of international politics, you can't afford to let your guard down and have somebody get the best of you in any particular one situation because you may not survive to fight another day.

International politics is a very dangerous business and therefore you cannot afford to play tit-for-tat. You can do that in an economic situation, you can do that in personal relations, but in international politics, it's just too dangerous to let your guard down at any particular point. So I think the theory does not tell you a whole heck of a lot about how relations work among the great powers.

With regard to his very interesting question about Canada, the reason Canadians and Mexicans do not worry about the United States attacking either of those countries today is because the United States has now established hegemony in the western hemisphere and it has no need to worry about Canada or Mexico. You remember what I said in my presentation. I said it was in 1898, roughly the end of the 1800s, the end of the 19th century that the United States established hegemony. And once we had hegemony, we no longer had to worry about Canada, and Canadians no longer had to worry about us.

But the point I would make to you is that if you go back into the 19th century when the United States was in the process of establishing hegemony, Canadians worried greatly about the United States attacking Canada. And just one quick anecdote: I was recently up in Canada talking to folks in the Foreign Ministry and they were explaining to me why Ottawa is the capital of Canada and why Toronto is not the capital of Canada. And it's because of Toronto's proximity to the United States and the fact that Ottawa was much further away.

So the argument that I'm making about Asia and in particular about China is that over the course of the next century, if China continues to grow economically, it will attempt to dominate Asia, much the way the United States in the 19th century worked to dominate the Western hemisphere. And that will scare the living daylights out of almost all of its neighbors, the way we scared the daylights out of the Canadians and the Mexicans, from who we took the Southwest in the middle of the 19th century.

PROFESSOR CUMINGS: Next question?

QUESTION: Do you think that China will present the leading moral example for the world in the lifetime of these University of Chicago students? And if so, why?

PROFESSOR MEARSHEIMER: I'm not going to say anything on this one.

AMBASSADOR LILLEY: I suppose we'd call that question pedantic moralism. That is a feature of the exchanges we have with China. It's been there before and it will always be there. I don't

think a country can be a moral example until it proves that the Great Leap Forward and the Cultural Revolution are not part of the Chinese system. This kind of thing in their past gives people great concern, except for Edgar Snow. Even Teddy White called it the root of madness, and what took place certainly deeply affects the people of Taiwan.

And you can have your moralisms and your commitments to peace and peaceful development and peaceful solutions and people will listen to that, but I think one also has to lift up the rug and take a good hard look at some of the battles that China has had on its periphery. You can look the other way and say that these were all defensive moves, that they were responses to provocations from neighbors, but I think you'd want to say, "Tell that to the Indians" of the 1962 struggle. "Tell that to the Vietnamese" in 1979 with the taking of the Paracel Islands in '74 from a very weak Vietnam.

There is a problem in justifying with words actions that belie those words. And my sense is that since roughly 1979, it has been relatively peaceful and China's tactical moves in the South China Sea, Southeast Asia, and in other areas indicate that the emphasis clearly right now is on a tactic of peaceful development. There's no question about it, but if you take a strategic look, I think you've got to come to grips with other facts, whether you absolve China of any misbehavior, you've got to look at those things and you've got to examine very carefully other areas.

As a practitioner rather than an intellectual, I tend to look at examples, and I've been aware and personally involved in some of those examples, where it wasn't peaceful at all. You can give China every benefit because of the extraordinary things we've been able to do with China in breaking the Soviet Union, in helping them develop the oil industry, and now in the key role the United States plays China in developing the financial sector. Certainly that was front and center when I was in China and talked to the Party.

It was not Korea, it was not Taiwan. It was the financial system. What went wrong with Japan, what did they do wrong? After being the greatest number one power in the seventies to becoming a power in recession, almost permanent recession. What did they do wrong? Our expert said there are two basic things among many that went wrong, and one was the construction industry went wild and it went wild because of subsidies from government, political kickbacks to politicians, and paving over Japan. It was a bubble that went on and on and on.

And the second thing was the bad loans. The brother-in-law gets it, not the company that makes a profit. And this got into the whole Japanese system and of course, when our friend was talking to the Chinese, you can see that if the shoe fits, wear it. The Chinese very quickly sent people to us to sit down and draft papers for the State Council on recommendations that we would make on how they could do things based on our experiences and reading of the Japan situation. One question that was very much on their mind was "How do you control your states?" The problem of dealing with the provinces in China outside the party dictate, that was a real problem. How do you answer that question?

You start with the Federalist Papers, the arguments between Thomas Jefferson and Alexander Hamilton. You fight a civil war over it. You have the whole trust-busting added problems that Teddy Roosevelt ran into. Our ability to manage our states is still in question in some ways, but it

took a long time and I think that China was deeply concerned about the response of the provinces to government desires to slow down construction. And we certainly found that in Lanzhou out in Gansu. There seemed to be a movement in the government saying, “Really, we know what’s best for Gansu.” Anyway, that’s a long story.

PROFESSOR CUMINGS: Ambassador Wu also wants to answer this question. Ambassador?

AMBASSADOR WU: Let me say this: I think it’s too early to tell whether the Chinese will be able to set a moral example for the world. It’s too early, but I believe that in the future, the Chinese civilization will be in a position to give a greater contribution to the world. At this international conference, I’ve been asked a question about the most important feature of the Chinese culture. I say this: we Chinese believe in harmony. It’s very important. And then when I said that, I looked at the audience. They didn’t quite understand what I was saying, so I think it’s better for me to quote a case.

I quote the case of the Jugulian. All the Chinese know Jugulian and Mung Ho. Jugulian used to be the prime minister of the kingdom. He went down to the south of China. He had a battle with the minority general Mung Ho. The first time Mung Ho was caught, Mung Ho was brought before Jugulian. Mung Ho said this: “You played a trick. If you let me go, I’ll beat you next time.” Then Jugulian said, “Okay, you are free. You can go back. Let’s have another battle.” The second time Mung Ho was caught again and he said again, “You played another trick. It’s not fair. Should you let me go, I’ll beat you.” So Jugulian let him go. Again and again until the seventh time.

You Western people, you Americans, you don’t do that. Europeans come to the American continent. I mean vis-à-vis the Indians; the sheriff, the marshal, the general – once they are caught, they are killed. We Chinese don’t do that because we believe the best solution lies in harmony. After the seventh capture, Mung Ho said, “Look, let’s make peace.” Then an advisor of Jugulian said this to him: “Maybe you have to leave some troops here.” Jugulian said, “No, no way. It’s not a good solution.” Other people suggested to Jugulian, “Maybe you have to leave a few advisors here.” Jugulian said, “No.” His kingdom enjoyed peace with this minority for more than 30 years. This shows how we Chinese believe in harmony.

I believe in the world today there are two approaches facing so many issues, so many problems. One is by force, another one is through dialog. We Chinese prefer the peaceful solution of international disputes. I thank you.

PROFESSOR CUMINGS: Thank you. Two quick questions. Why don’t we take both questions and then we’ll have the panel answer them?

QUESTION: I shall direct my question to Ambassador Wu. I believe that there is a recent controversy over a possible multi-billion dollar arms deal with Taiwan that is being supported by President Chen Shui-Bian but is being blocked by the Guomindang. Would China be willing to consider reducing the number of missiles and slow down the growth in its military budget in the spirit of mutual cooperation and harmony if President Chen Shui-Bian were willing to stop insisting on the arms deal? Thank you very much.

PROFESSOR CUMINGS: Okay, thank you and we’ll have the next question and then we’ll go

to the panel.

QUESTION: What kind of relationship would you expect between the US and China in the next 20 to 25 years? Thank you.

PROFESSOR CUMINGS: So I think that question was to John, so let's first hear from Ambassador Wu.

AMBASSADOR WU: On the Taiwan issue, we wish really a peaceful solution, peaceful reunification with the motherlands. This wish is very dear to the Chinese people. The arms deal: I mean we don't want the US administration to give the wrong signal to Chen Shui-Bian to encourage the separatist movement because should the US government encourage that kind of trend by sending a lot of weapons to Taiwan, it's no good. We regard this as sort of encouragement to the separatist movement. Thank you.

PROFESSOR CUMINGS: And our last answer will come from John.

PROFESSOR MEARSHEIMER: Thank you. My argument, as I made clear in the talk, is that over the next 20 or 25 years, if China continues to perform economically the way it has over the past 20 years, the political or the strategic relationship between China and the United States will be increasingly competitive. And I'll put three facts on that: first of all, I think that the United States will form an alliance with a number of Asian states to put together a balancing coalition against China. I think that will happen and I think that will make the Chinese very angry and they will go to great lengths to resist it.

Secondly, I think the problem with regard to Taiwan will only get worse with the passage of time. The Chinese are deeply committed to getting Taiwan back, but both the United States and the Japanese will tell you in private that Taiwan is of great strategic importance and there's no way that the United States and Japan in an intense security competition with China are going to allow China to get Taiwan back, and that will be a source, I believe, of significant tension.

And the third source of tension will be the competition over oil. It's very clear that the demand for oil from the Middle East is skyrocketing and the scenario we're describing is likely to continue to skyrocket over the next 20 years, and that China is likely to have interest in securing access to oil from the Middle East. This means that China is going to continue to lay pipelines and roads in Burma and in Pakistan. As you all know, the Chinese are helping the Pakistanis to build a Naval base at Gwadar. The Chinese will eventually build the blue-water navy and sail into the Indian Ocean and they'll go to great lengths to make sure that they have access to Middle East oil, the same way that the United States does that.

So I would argue that there will be an intense security competition between the United States and China, as well as India, Singapore and a handful of other countries regarding oil from the Middle East. So there are a number of good reasons to think that in the decades ahead, if China continues to grow, the competition between the United States and China will grow as well.

PROFESSOR CUMINGS: Ambassador Lilley has a comment too.

AMBASSADOR LILLEY: I just wanted to congratulate our Chinese friends as being world-class diplomats. The Hu Jintao trip was a smash. They went to Seattle and they sewed up that great powerful American constituency, American business. It was a love feast.

[Laughter]

Bill Gates, Boeing, Starbucks - it just went on and on and on with superlatives. Then they come to New Haven and they sign up that other great powerful American constituency - the intellectual academic community.

[Laughter]

And it's a love feast in Spring Hall - everything goes right. Commitments are made. In between, there's a stop in Washington, DC.

[Laughter]

And with all due respect to my friends in Washington, the Keystone Cops take over.

[Laughter]

And you have a series of gaffes sandwiched between the powerful, huge business community and the very powerful, influential academic community. Sandwiched in there is this little thing in Washington - yattering and looking for areas to challenge China. Actually, in Washington, nothing is accomplished. The purchases made of soybeans, planes, Lenovo, and software, take place in Seattle and other places. And the deals with the academic community that could spill over into the whole community are made in New Haven. The trip was a tour de force. Congratulations.

PROFESSOR CUMINGS: Let's thank our panelists for a very interesting presentation.

Panel: U.S. Business and Government - Responding to the China Challenge

PROFESSOR ANIL KASHYAP: Thank you very much; I want to thank Dan also for inviting me. You all have programs that tell us about the panel that has been assembled here, and I must say one of the reasons why I was delighted to be invited to moderate was to hear such different perspectives. Often, faculty serve on these kinds of panels, so you read somebody's bio and after you've been in enough conferences, you've seen pretty much every possible academic vitae. So I was impressed when I found, here's a sitting congressman that has flown combat missions over Iraq and Kosovo. That's not the usual type of person that I find myself introducing or being on a panel with. But Congressman Kirk is also the co-chair of the U.S.-China Working Group in the House, and China is one of his main issues. So we're very pleased that he could be here.

Tony Lorusso -- I keep looking at you and expecting to see the former White Sox manager -- he is the Director of the Minnesota Trade Office, and they have got a very active program promoting interactions between the state of Minnesota and China, and he is going to give us that perspective.

And then our cleanup hitter is Ted Schaffner from Motorola, who, if you hadn't looked at your program, you'll be impressed to see the many ways in which Motorola has been a leader in China. Ted has been one of the central players at Motorola in making that goal for the company.

All right. So without further ado, I'm going to introduce the panelists. Each will speak briefly for 10 minutes, and we will then have a question-and-answer period. I'll say it now and again: I'm sure there's going to be excess demand, we don't have prices, so it's going to be difficult to accommodate everybody, so I'll ask you to step to the mike if you have a question. Take one question, no follow-ups, and then move along.

CONGRESSMAN MARK S. KIRK: Xiexie and ni hao.

[applause]

CONGRESSMAN KIRK: First of all, can I get a round of applause for Dan Michaeli and the student-led team that put this together.

[applause]

I'll briefly start by quoting from a great political leader from my congressional district, Governor Stevenson, who, after an eloquent speech, was met by an elderly woman who said, "Governor Stevenson, I felt that your remarks were simply superfluous." [laughter] Not knowing if she had a complete command of the English language, he said, "Thank you, madam; I'm thinking of having them published posthumously." [laughter] And without missing a beat, she said, "The sooner the better." [laughter]

So in that vein, let me be brief and direct about why I founded the U.S.-China Working Group, a bipartisan group of now about 50 members of Congress, to work on this relationship.

I went on an intellectual journey that started with de Tocqueville, who wrote in 1835, "Americans

are already able to make their flag respected, and soon they will make it feared.” And when we look at the history of the United States we see tremendous cultural arrogance, by Europe towards the United States, and so many people who missed the rise of America and did not understand how their world was changing. It was an easy mistake to make, because in conventional European eyes, as recently as 1900, the Belgian army outnumbered the U.S. army. And I saw a gap between how the public sector, prime ministers and presidents in Europe, denigrated Americans, their poor little colonial cousins.

And yet, in the European banking sector, and especially the city of London, they understood the rise of the United States. In fact, they bet their entire companies on it, bankrolling things like the Union Pacific railroad. And in my own work here, representing the North Shore suburbs about Chicago, I was struck by a similar gap. Because when I am in Washington, especially the Washington of today, when we discuss foreign policy we generally focus on two countries: Iraq and Iran. And yet when I was in my own congressional district, especially talking to people that employed a vast number of the families that put food on the table in my congressional district, another country loomed large across our future that was rarely discussed in Washington. And that was China.

It’s no accident that political leaders from the state of Illinois are leading on the subject of China. Because when you look at our large employers, they include Motorola, the best recognized trademark in China, and a country we should focus on if we are to make cell phones, because there are more cell phones in China than any other country in the world. We’re home to Boeing, and while Boeing is very excited about the change in the Indian market, hoping to sell over 200 double-aisle airliners to India, they plan on selling 2,000 double-aisle airliners to China. Or United Airlines, a troubled airline, our hometown flag carrier, being pulled out of bankruptcy on the strength and profitability of the China gates. One United official told me, “Congressman, you ask me what the top three issues for the long-term future of this employer are in your district, and I’ll tell you what those top three issues are: access to China, access to China and access to China.”

When we look at the U.S. government right now, we see three tribes, all of which have very different views towards China. I would describe in general the White House view, whether it’s run by a Republican or Democrat -- the White House view towards China is nuanced and sophisticated. I would describe the view of the United States Senate towards China as at least multifaceted. And I would describe the view of the House of Representatives toward China as ignorant and relentlessly negative. And that needs to change, because China looms so largely across our economic, our diplomatic and our military future of our country. To put it in short: if relations between Washington and Beijing are poor relations, then the chances for a happy century are very low. And if relations between Washington and Beijing are good and strengthening, the chances for a good century are very good.

I formed the U.S.-China Working Group. We are probably one of the most active groups related to one country of any I have seen in the House of Representatives, meeting weekly, and we meet on a whole range of issues showing the broadening agenda between the two countries. We don’t just talk about Taiwan, we also talk about the outbreak of Asian flu. We talk about the need for the expansion of third-generation wireless technology. We talk about not just the critical role of Chinese foreign policy and resolving the nuclear crisis with North Korea, but in resolving the nuclear

crisis with Iran. We talk about a whole range of things and, yes, we talk about what is the most important issue before my constituents right now: the rising price of gasoline. And the role that China can be playing with a new environmental policy that also helps them diversify their energy supply as we diversify our energy supply.

For all of us, then, it's to take short-term, medium-term and long-term objectives and put them firmly in our grasp. On the short-term, I was one of three members of Congress meeting with President Hu Jintao in his visit to Washington last week. We tried to break up and have simple, achievable things that we outlined in the mission that I led to China in January. I was the first foreign delegation to visit the Jiuquan Space Launch Center. I was with the congressman that represents the Kennedy Space Center, and when we walked into the vehicle assembly building for the Chinese space program, he gasped, because it's so much more modern and nicer than the one at Kennedy Space Center, showing the commitment of China to a manned space program.

We talked about achievable ideas like a defense telephone link between the Pentagon and the Ministry of National Defense to resolve problems. We talked about how we should have a joint rescue capability between the manned space program of China and of the United States: achievable things to make happen.

But in the long run, in the long run, we need to close a cultural and linguistic gap between the United States and China. And let me close by focusing on that problem.

Two hundred million people in China are studying English. Twenty-four thousand Americans are studying Chinese. It's a great gap that we need to close, which is why Congressman Rick Larsen, Democrat of Washington, and I this week introduced the U.S.-China Engagement Act: \$20,000,000 of additional resources to expand Chinese language, not just at university, but at high school and at middle school. We kicked off this effort by highlighting the work of New Trier High School in my district, which started a Chinese language program eight years ago with 30 students. This fall, we will welcome 175 in the second largest language program at New Trier after Spanish. To do this, we need to more to expand our embassies and consulates to build the diplomatic infrastructure, all leading, for me, to a vision I hope in five years' time, that the United States decides, as the Japanese have, that their primary diplomatic relationship in the world is with the government of China. Anyway, thank you very much.

[applause]

MR. TONY LORUSSO: Thank you. It's a pleasure to be here at the University of Chicago, and thank you, Dan, for the invitation. To be honest, I'm really puzzled and surprised to see so many people here tonight. After all, it's Friday and it's happy hour. I can only hope that my fellow panelists and I can make it worth your while to forego a couple of cheap cocktails.

[laughter]

But it's reported that Napoleon once said, "Let China sleep. For when she wakes, she will shake the world." Well, it may have taken several centuries for China to awaken, but awaken she has. I'm not sure it's completely accurate that China is shaking the world, but China rightfully is commanding a great deal of attention as she assumes her new role on the world's stage.

As the debate about China's rise continues throughout America, focus often is placed on what federal government and multinational corporations are doing to shape our interaction with China. While these entities indeed are major players, we should not dismiss the role that states can and, in fact, do play in determining our country's relationship with China. For that matter, cities and individuals also play a crucial role in determining the future landscape of U.S.-China relations. But again, I'm here to attest to the state's role, especially as it relates to Minnesota.

Although it has only been in recent years that China has become the hot topic of conversation, Minnesota's relationship with China actually dates back more than a century, when the first Chinese immigrants came to our state from California, and they did so primarily to flee persecution that they were experiencing in California in the economic downturn after the Gold Rush. Minnesota's relationship with China also took a major step forward in the 1880s, when one of our renowned business leaders, James J. Hill, completed the rail link between Minnesota and the West Coast. He said that the new rail link, coupled with the shipping lines to Asia, was intended to expand trade between the Midwest and China. In fact, he erected an arched pagoda in downtown St. Paul -- regrettably, it is not there anymore -- inscribed with the name of his railway, and the words, "Connecting Link between St. Paul and China." Pretty visionary for 1883. But I think James J. Hill's vision in regards to China has been alive and well in Minnesota ever since.

In 1914, the first Chinese students traveled to Minnesota to study at the University of Minnesota, and today, the University of Minnesota claims to have the largest concentration of Chinese students and faculty studying in the U.S. Throughout the years, numerous other Minnesota colleges and universities established relationships with Chinese universities as well. Today, the U of M has six alumni chapters in China; my state also has seven sister cities and a sister province in China, and we have a trade office in Shanghai. We even have a Minnesota Club in Shanghai, which is made up of Minnesotans, people who have been to Minnesota and people with a curious interest in Minnesota. [laughter] And, believe it or not, they actually have 150 people on their mailing list in Shanghai. So there are a lot of curious people.

Although Minnesota is fortunate to have a great many historical connections with China, it would be correct to characterize these connections as somewhat disjointed, uncoordinated and often uncooperative. Recognizing the potential power of collaboration and synergy, as well as acknowledging the rise of China, Governor Tim Pawlenty exercised great vision last year when he launched a bold new strategy to shape Minnesota's future with China.

Our new strategy, called the Minnesota-China Partnership, is a major milestone in our longstanding relationship with China, and is a nation-leading initiative. For the first time in our state's history, the state has adopted a strategy that embraces more than just a trade relationship with China. Our new strategy acknowledges that our relationship with China is greater than trade; it acknowledges, celebrates and encourages a broad-based perspective that includes trade and investments, science and academia, arts and culture, friendship and humanitarian endeavors.

The Minnesota-China Partnership strategy is also different in that it is founded upon the principle of collaboration. Our state is blessed with a great many organizations that offer programs and services related to China; but in all honesty, most of those organizations haven't always worked well together. With the state's leadership, we are encouraging a collaborative spirit. We are now bring-

ing these various organizations together to share information, to collaborate on projects of mutual interest and to identify other opportunities to advance Minnesota's relationship with China.

Our new strategy is also very comprehensive, and I don't have enough time tonight to run through the entire program, but please know that it includes a great many initiatives that focus on developing this broad-based perspective. By adopting the Minnesota-China Partnership, my state hopes to achieve several objectives. First of all, we intend to increase economic activity between Minnesota and China. Second, we will provide extensive training and international business development activities to make Minnesota companies successful in their pursuit of relationships with China. We are not Pollyanna about this; we know that there are challenges that businesses face, including the protection of intellectual property, transparency of laws and procedures, corruption and market access barriers. Third, we also have an objective to promote greater understanding of U.S.-China relations.

From our perspective, it's incumbent upon all Minnesotans, and, in fact, all Americans, to have a more enlightened perspective of the issues shaping our relationship with China. From our perspective, we have a choice: we can choose to be friends and partners or we can choose to be enemies and competitors. We hope to make that choice in our state from an enlightened perspective rather than from a perspective of fear. We also want to strengthen existing relationships and develop new initiatives linking the people of Minnesota and China; and finally, we intend to raise Minnesota's profile among prominent Chinese leaders.

One element of our strategy includes a very aggressive program to bring more Minnesota government, business, academic and civic leaders to China. To inaugurate this initiative, Governor Tim Pawlenty led a remarkable mission to China last November. Indeed, it was a mission of historic proportion. With 218 delegates, it was the largest trade mission to China ever organized by any state. We visited four cities over six days, and organized 101 events. The governor had his itinerary, the First Lady had hers, and then there were seven other delegations primarily focused on industry sub-sectors, with separate itineraries, all that had to be executed with military precision. And that's where my military training came in quite handy.

Our mission also included a very novel initiative. We brought a contingent of seven high school students that were paid for through corporate sponsorship. We included the student contingent for two reasons: first of all, we wanted to stimulate interest in China throughout our schools, so conducting a state-wide contest to select the students helped us do that. But second, we wanted to send a clear signal to the Chinese that the state of Minnesota is encouraging our next generation of leaders to be prepared for a world in which China will play a major role. Since returning from the mission, the governor directed our commissioner of education to develop a model for Chinese to be taught in every school in Minnesota. Is it realistic? Probably not. Is it visionary? Absolutely. Will it enhance my state's view of China? Without question.

The governor's mission also unleashed an extraordinary conversation about China in every corner of our state; in our schools, in our homes, in our workplaces, in our media and in our communities we are having enlightened discussion about our future with China. It's a powerful force, and I'm hopeful that it will result in making the citizens of my state more globally literate.

While the governor's mission rightfully received a great deal of national and international attention, it is again important to note that it is really only one element of a much larger strategy, the Minnesota-China partnership. This year alone, the state of Minnesota has scheduled nine different missions to China, in addition to numerous other visits being planned by various colleges, universities, cities and private organizations. Additionally, the state and its many partners are organizing countless business seminars, round tables, cultural exchanges and more. Each initiative prepares us for a world with China as a major power.

In this era of trade deficits and in this climate of blaming China for the loss of manufacturing jobs in the U.S., I stand before you today to say that, in Minnesota, we are choosing a different path. While not blind to the challenges, we see the rise of China as an economic benefit, and I'm proud to report that in 2005, Minnesota's manufacturers exported a record 1.2 billion dollars in goods to China, which was more than 42 other states in the U.S. And that doesn't even take into account agricultural and service exports. That's a phenomenal increase of 71% in just one year, and that's a growth rate of more than four times the U.S. growth rate of exports to China.

Although I'd love as the trade director to take full credit for that rise in exports, I'm not that naïve, because I don't sign contracts. We leave that to Motorola and other companies like that. But what the increase does tell me is two things: first of all, it validates my state's emphasis on China and second, it tells me that there are tremendous opportunities for U.S. manufacturers to export to China, should we choose to pursue them. Certainly if we don't, other countries will. I could go on for hours to talk about China, but I'm sure my time is probably up. As a final thought, I'd like to say that what my state is doing with the Minnesota-China partnership strategy is really not rocket science. We're simply focusing our limited resources, marshalling the talents of China-minded organizations in our state and facilitating enlightened discussion. And sometimes the simplest of actions can change the course of the future. Thank you.

[applause]

MR. THEODORE W. SCHAFFNER: Let me make a few remarks, first of all, from a company point of view and then, perhaps, from an experience point of view, and then try and surface what I think are some interesting things for this group to think about. Motorola has had a wonderful relationship in China; we have grown with the country. We have tried to behave as a good citizen there, I think we are a very good citizen there. China has been very good for us, there has been great expansion. We've localized our leadership there; it continues to be a place that we expect to be doing very positive business for the foreseeable future.

In the time that I've been doing work in China, I've noticed kind of a change over time. I remember in the early periods of time that I was going to China, there was a great deal of caution that China had about admitting U.S. companies to its market. They had realized that, under their prior economic system, the industries within its boundaries had not developed to the same extent that industries outside of their boundaries had, and there was a great concern that, if immediate access were given to U.S. companies, many of their companies were not going to be prepared to compete effectively. Part of that was from the kind of technology they had deployed; part of it was a social organization issue. And so when we were first there, I think that the Chinese said, "Okay, we will open the door, but we need to be careful a little bit. We need to impose some conditions to make

sure that we can bring our industries up to a level to be world-competitive, so that – and these are my words, and I don't mean to be inflammatory – so that we're not re-colonized economically in a way that we were perhaps once colonized militarily, politically. So at that time, there were many rules to comply with.

I think that in a very brief period of time we have seen a huge amount of change in China. And I think that the fears that opening up might result in inadequate industries within China have largely been proven to be false. In fact, very quickly, the nation has been able to change, and has kind of world-class manufacturing. It's expanding beyond that into the development area with the emphasis on education, emphasis of education of technologists. And I think that because of that success there has been more openness within China, which, I think, is very positive.

Let me give you my thoughts as kind of an amateur economist – I never got over, I guess, my undergraduate liberal arts sort of education. I think that where we are now is that we've made this great start. We've got a great relationship with China, I think that the U.S. has been very open as far as how we work in China. And right now we're working on kind of a variety of models, some of which are saying that together we can produce a lot of value in a very cooperative, inter-related way. So very often in business we look at various things that you do within your business, various blocks of value add. And we have gone to a position where there are substantial blocks of the value within western companies that have been moved into China. That has all worked very positively, and I think it's what is kind of driving the expansion, one of the things that is driving the expansion in China.

I look somewhat with humor – perhaps I shouldn't say this, either – at some of the U.S. complaints that the Chinese are creating, that they're somehow fully responsible for this trade deficit. In fact, it has been so attractive for U.S. companies and other Western companies to move manufacturing to China that I think if someone needs to be scolded, perhaps it's U.S. companies, not the Chinese. But having said that, in the business world, when we form contracts, we form joint ventures, form relationships, we try to look for kind of win-wins and sustainable models. And again, purely my remarks, I think that there are challenges currently about the sustainability of where things stand now. As I said, things have proceeded very, very well, and from a business point of view, most American companies view themselves as multinational. So we can do business very well with outsourcing and balance of trade doesn't immediately impact us. But if we don't kind of figure out how to make this model that we engaged on sustainable over a long period of time, there will be ruptures, there will things that go haywire. And let me talk about a few of those. And let me also caution you, our corporate economist is just down the hall from me, and he says that I always come and say, "Well, logically, this goes here, this goes here and this is where we'll be next week." And he says, "You gotta remember that in economics everything kind of proceeds much more slowly, and there might be trends that you're identifying, but they'll take a long time to unfold."

But if we talk a little bit about the trade deficit, a trade deficit of this magnitude can't go on without some sort of major adjustment. And so I think it's incumbent upon both systems to try and figure out how do we address that in a way that will ensure that the good success that we're both having is more sustainable over a longer period of time. And part of that may be bringing up more consumption in China, one thing or another ... I can't tell you I've got a silver bullet that tells you what

the answer to that is, but I will say that if this continues, there will have to be some sort of adjustment, and the markets may make that a wrenching adjustment if we put it off too long.

Another point that I'll make – again, purely my views – I think that both the United States and China are out of kilter in the way that they fund their social programs. In the old state enterprise system, very often the social services provided the individuals – be it hospitalization, education, care of the elderly – were taken care of by the large state-owned enterprise. The new companies that are arising don't have any of that legacy cost, and I think that right now how that is readjusted in China is, again from my observation, kind of a critical issue.

At the same time, we in the United States have relied on funding a great deal of our social service system through our companies that now are appearing as kind of legacy costs. Even if the cost of labor were the same in both countries, our legacy costs would make our industries somewhat not as competitive as China. So I think that there is a need that I'm not sure has been particularly well embraced in the United States, to think about how we fulfill what we believe our obligations are in our social system, in a way that's financeable in this whole ongoing cooperative relationship we have together.

And the other area that I'll touch upon just briefly is intellectual property. And on intellectual property, we in the United States have our own formal rules about protection for people who create intellectual property. Because it's only if you get that protection that you can build a business model where people can rationally put the effort forward to do those developments. And I think that if we as leaders of China and the West, the United States, want to continue to drive forward technology, bring technology to people, we have to figure out a way that there is a sustainable model for people to do that work and capture value for having done that work.

If I were to touch on kind of a different way to look at it is that I don't see ... one of the complaints frequently heard about China is that software is not protected and a great deal of software has violated piracy rules. I don't think China is going to be in a position to develop a robust software industry of its own unless it tries to provide those types of protections. Because it wouldn't be a good model for a Chinese company to enter into and try to push forward if, in fact, there's no way to capture the return on doing it.

So, I look at a lot of these problems as being neutral problems, and I think the problems of leadership going forward are to kind of take this wonderful opening, expansion of the market, world growth and try and figure out how it is managed in a way that it continues to be sustainable. And I do think that will require changes in both countries. But I also think that it's the responsibility ... you know, in business, a lot of people look at business as being kind of fairly mundane stuff, but in the technology world, I kind of view that what we're doing is taking the new technology and making these innovations available to people. And as leaders, kind of developing society and causing the world to be developing in a sustainable way I think is a very important objective. And I think that the people who are kind of at the leadership positions in both societies need to provide that leadership so we don't end up in a situation where we're not trying to cooperatively develop solutions and make it sustainable, but are relying on some sort of calamity that can occur from strong economic imbalances to right the ship.

[applause]

PROFESSOR KASHYAP: All right, we're going to invite people to ask questions now. As I said, I'm pretty sure once this gets started we're going to wind up with more questioners than we can accommodate. So if you have a question, come up to the mike, and please try and ask one question and then let us respond.

I guess I'll take my prerogative as chairman to ask one as we're getting organized here, which is: One of the things that at least some academics have observed about China is that part of the transition that is going on right now is one from where the center used to dominate everything, to one where power is devolving to the provinces. And since we have a United States province here represented, I'm curious – maybe this is for Ted – how Motorola sees this and whether or not you worry about having to essentially cut the same deal two or three times. Because in a centrally-planned system, maybe you bribe one guy, or you convinced one guy, or you have one set of approvals, and now you face multiple layers and sometimes competition if you want to just move things across provincial lines. I don't know if that's a real thing, but it's something that academics have certainly commented on.

MR. SCHAFFNER: One of the experiences that we've had is that very often the province where you are is very much your partner. As I understand the Chinese system, and you know, I'm just a business guy, so I've certainly not made a study of it, but very often political leaders are given goals that they are encouraged to meet to develop jobs and economic growth. So there is a phenomenon where, if you're located in a particular province, there is a great deal of receptivity to you. And having that province buy your products. And if you go to a province where a competitor is making his product there is, again, because of the way these people are judged and graded, there is a bias there. But I don't think that we have seen it as a terrible problem. It's one that we didn't wish existed, but I don't think it has been a real impediment to our business.

MR. LORUSSO: If I could add to that, I'm not sure that it's really any different from the U.S. from that perspective. I mean, various states around the country offer various incentives for businesses, and I think that's probably true of various provinces in China as well. I know that we just returned from our sister province of Shaanxi where we were well received by Governor Chen Deming from that province. And he made it very clear that since we have a sister state relationship with that province, that he would show great favor in terms of incentives to Minnesota companies. So, from our perspective, that also offers a great opportunity for our companies that are looking for establishing relationships in that particular province. But you know, we're all very different in the U.S. as well in terms of incentives that states offer. I don't think that's any different from China from that perspective.

QUESTION: Congressman Kirk, you spoke of the possibility of “a happy century” through greater relations with China. With the skepticism of an undergraduate, I ask, for whom will the century be happy? Who stands to gain the most?

CONGRESSMAN KIRK: Both sides. We see a world today in which U.S. exports to China are growing by 15% a year, and in the state of Minnesota even faster. China is a country in which one of the central issues before the National People's Congress is investment in western China and

trying to close the gap between the income of eastern China and western China. If we engage in an arms race and a competition or, disastrously, a war, China will have no resources to develop her west, and we will have an incredible problem on our hands in the Pacific.

On the other hand, if there are good relations built and understanding, especially long-term planning to build the diplomatic infrastructure, then we will not have a vast arms race in the Pacific, and China will have the resources, extra resources, foreign resources, to develop her west. And I see Mao Zedong as not the greatest leader of the 20th century in China. I see Deng Xiaoping as the greatest leader of 20th century China, because China has lifted a hundred million people out of poverty under his policies. And for the whole world, that is a very good thing. An isolated and poor China can be a dangerous China. A rapidly middle-class-izing China is highly connected to the world, sophisticated in its foreign policy and one that, over the long term, buys more from the United States.

QUESTION: I am a reporter from World Journal. A question for Congressman Kirk: you mentioned that the Congress is mostly negative and ignorant. After your trip to China and President Hu's trip to the U.S., how's your reaction? I mean, how do you think this trip improved Congress, not the Senate, and your working group relationship with the Taiwan caucus in the Congress?

CONGRESSMAN KIRK: President Hu's summit in Washington last week did not significantly affect the Congress, because the Congress was not in session when he came. So the entire congressional interaction with President Hu was three senators and three congressmen at Blair House, which is limited indeed. The problems that I saw, for example last summer, were when we debated the issue of CNOOC's bid for Unocal. I think most members of Congress believed that Unocal ran a large number of gas stations in the United States. Which they no longer did. They believed that Unocal was a large U.S.-based company. But Unocal's primary assets are actually in Asia. And they believed that there are no U.S. oil company investments in China. Which is entirely incorrect. And so, I felt that there are upsides and downsides to the China relationship. But it is very important to *accurately* see the upsides and downsides, and not to invent problems which don't exist.

With regard to the Taiwan caucus, it's one of the most historic caucuses, long ones, in the Congress. I would just say, from what I have seen, it has not been that active. In the U.S.-China Working Group we deal with the State Department or with the government of China almost on a daily basis, and events for members of Congress weekly, because the number of issues we are dealing with on Beijing are so many. Now we mentioned intellectual property rights, which, I think when you delve into the trade problems, you spend less time talking about Senator Schumer's bill, which I don't think is a serious piece of legislation at all. It's mainly a New York Times media phenomenon. [ripple of laughter] And as you delve into this, you find that a mortal danger to many U.S. companies is the stealing of intellectual property in China. And the realization that, for example, leaders in Shanghai and the Shanghai community cannot develop a service sector, and cannot be a center for software development and intellectual achievement unless those intellectual property rights are defended as well. China has a danger right now of being an enormous schoolhouse for mathematicians and engineers. But unless those mathematicians and engineers are protected by the government of China in an effective way, China will simply train these engineers and export

them. And for the long-term future of China, that's not good, either.

QUESTION: This is a question for all the panelists, but once again, I'm going to sort of address it to Congressman Kirk: you made the point that we should learn the lesson of our own rise in terms of understanding the rise of China. And you pointed out that foreign firms, especially in London, poured millions of dollars into the American economy when political forces in Europe weren't worried about the Americans. But there were significant global ramifications for Europeans when we experienced the Civil War, a high level of social unrest, to say the least, especially for global cotton markets. With a nation like China that is an authoritarian nation and is at risk of social unrest, whether from the peasants, or if their growth rate should slow from upset members of the middle class, how much do you worry as a player in a Fortune 500 company, as an economic advisor for an individual state or as a congressman, how much do you worry about putting too many of your eggs in one basket in what could potentially be a tinderbox?

CONGRESSMAN KIRK: Just very short, I think people have predicted the end of China's economic expansion every year since it began 25 years ago. And it is real, it is happening, and it is a historic shift. I may be entirely wrong, but I do not think China's current government needs to fear its peasants. But does need to fear its middle class. Right now there is an alliance between the middle class and the government of China that, as long as the government of China can deliver 9% growth a year, it's in the interest of the middle class. If ever the Chinese government represents a danger to the middle class, I think the middle class will replace that government. And that day is something that we should all contemplate. Because for a new generation of kids raised on the Internet, well exposed to foreign ideas, and especially the freedom that comes of that life, I don't think a totalitarian system is well suited for that generation. And there will be a choice for China's leaders to make to adapt and change, or to be changed.

MR. SCHAFFNER: One thing I'd say is the half-full half-empty situation is one thing that is worth looking at. There has been a huge amount of very positive change that the leaders of China have made over this period of time, and one could be critical that they haven't done more, or that they haven't met some standard we would find attractive. But I think that you have to give them a great deal of credit for the very positive reforms that have occurred over a very brief period of time, and be hopeful for the future of the kind of ongoing engagement that we have together.

MR. LORUSSO: I certainly don't have a crystal ball to figure out how China's going to potentially deal with social unrest in the future. But from a perspective of advising Minnesota companies, we certainly don't advise Minnesota companies to put all their eggs in one basket. China is our third-largest export market; Canada is number one for our state. We actually export to 180-some countries around the world. So it's just one major market that we encourage Minnesota companies to go to. And it's not the first market that we would encourage new exporters to go to. You need to be a bit more experienced. So why we focus in China? We don't ignore the fact that there are great opportunities, and encourage to consider other markets as well.

QUESTION: This is a question for all the panelists: How should, or *should*, practices that are considered not in line with U.S. values be prevented from being practiced by U.S. companies in China?

MR. SCHAFFNER: The way you asked that question, it's a little hard to ... I almost need to have kind of practical examples of what you're talking about. So if you're saying in the United States we have wage and hour laws ... well, let me take something even more simplistic. In the United States we have a minimum wage law. Should we pay the same minimum wage in China? I'm not sure that that's the case. I also don't think that we should be building sweatshops over there and treating people poorly. So I think it's a bit of a balance; I think that one needs to live in the culture that you're in, one needs to treat people ethically and try and move towards advancement, but I don't think that just copying what you do in the United States to that culture would be appropriate.

MR. LORUSSO: If your question was more direct in terms of how we deal with corruption? Certainly, U.S. companies are legally bound by the Foreign Corrupt Practices Act, and they are expected to follow that act. And we certainly would not encourage them otherwise. How companies deal with those particular issues when they arise? You know, it's a challenge. It truly is a challenge, and it's not easy to consult or to advise companies how to deal with that. But you know, from our perspective, if you're finding yourself in a situation where your potential partner is expecting something in return that would in our view be considered corruption, we would encourage companies to find another partner.

QUESTION: Mr. Schaffner, I have a question that is a follow-up on your comment about the need for protection of intellectual property rights in China, and I would view that as one example of a whole spectrum of property rights. From the standpoint of American companies interested in investing in China and I would say also from the standpoint of the welfare of the middle class in the entire nation in China, to what extent do you, and others on the panel if you want to answer, feel that the Chinese leadership is recognizing the need for development of real property rights in order to establish a stable relationship with the United States and a stable long-term economic growth?

MR. SCHAFFNER: Well, you know, it's clear that there's kind of a long history to ownership of property in the history and development of China. Certainly at one point in their development when they collectivized a great deal of property that was in a way to ... I think the people who did that thought that was in the best interest of their citizens at that time. Being kind of a Western economics sort of guy, I do see there being more rational allocation of property if it's priced and transferable, but I also don't believe it's the position of a separate nation or a company that's headquartered in that nation to kind of say, "We're not going to play football until you re-clone yourself towards us. I think over time the Chinese might find it to be very much in their in their interest to provide more private ownership.

QUESTION: Mr. Schaffner, I also have a question for you. This is a general legal question; you know, everybody here knows that China and America have different legal systems. So in the practice of your company, is your company negatively bound by all the local laws, or a company which has a mechanism actively encouraging your people to involve the construction of the Chinese legal system and policy-making, especially when you face these local laws, which are totally contrary to your morals and your cultures? Thank you.

MR. SCHAFFNER: You know, in business ... if you look at a spectrum of law, you've got laws that are adopted that govern the behavior of people in one way or another. In business, you tend

to be making private arrangements with other companies to the mutual benefit of the two parties. So in the area of business, there is more often an absence of law rather than a contradictory law that you have got to worry about when you're doing something.

I off-hand cannot think of a situation that I've encountered that would be a law where I thought it would be immoral for us to deal with, that we did deal with, but I'm also not an operational guy in China. Or maybe there's just a blank spot in my mind as far as what it is that you're referring to. But I don't think we've found that to be a problem. We have found some archaic regulations, but what tends to happen in China in that situation – and it's partly because we have good access to senior leadership there – we can kind of go in and talk it through and solve the problem. So, for instance, we had built a semiconductor fab at a time that we, from an organization point of view, had decided it was better to limit our semiconductor wafer fabs and outsource more of that. So we had excess fab capacity, but we met with the government to build out this plant that wouldn't have made economic sense for us to do. So what we did is we tried to find a company that would take it over for us, would build it out so that the government would have a functioning plant that filled their needs, yet we didn't do something that had not been economically sensible for us to do.

And we ran afoul of some laws that were trying to prevent corruption and protect Chinese companies where you had to have certain ... there are certain prohibitions of transferring Chinese assets -- and we were deemed to be the Chinese company – to an international company, and we were dealing with a company that was organized in the Caymans, but had all of its resources in China. So we had come up against a prohibition that I think was trying to protect local companies from being taken advantage of, and didn't make much sense in our situation, and we were able to get a waiver of it to move forward. But that was just kind of the economic logic versus a law that didn't really make as much sense as it should have.

CONGRESSMAN KIRK: You sort of brag about Motorola, you said you had access to the highest level of the Chinese government; I will say at the summit, at the lunch at the White House, I was sitting over this bowl of something called “essence of mushroom,” which I've never had before [laughter] and the President had invited a Louisiana Cajun band to play, which didn't seem to be communicating that well to President Hu. [laughter] So he had that sort of bored moment where he leaned back in his chair, and he snuck a look at his cell phone, which was a Motorola RAZR phone. [laughter]

QUESTION: A half dozen or 10 years ago, the Chinese asked a couple of bright young Chinese telecommunications scientists to go in a room at Peking University and develop a new 3-G system, which they did. So they shopped it then to Ericsson and Nokia and Motorola, all of whom turned it down. Then they went to Siemens, and they found out to their surprise Siemens had actually independently developed the same CDMA system, and I'm told by an Ericsson technology guy that one unique feature of this is that it combines both a land line and a mobile system. I don't know myself if that's unique, but he's pretty knowledgeable, and that's what he said. Anyway, a couple months ago the Chinese telecommunications ministry came down with a regulation that this now will be the standard in China. Well, they have all the IP with Siemens.

And, so, I have two questions in this regard, a narrow one, a practical one and a larger one. The narrow one is: when this becomes the standard, how are Ericsson, Nokia and Motorola, if Mo-

torola doesn't buy Siemens phone assets, how are they going to compete when don't have the IP? And secondly, it seems that this is an example, China has talked about in these news areas, China will set up its own standard in a new technology area, different from the rest of the world. How will the rest of the world then compete in China when the Chinese are developing their own technology for their own country, and then with economies of scale, that likely becomes the standard for the rest of the world as well?

MR. SCHAFFNER: Is that TDSCDMA that you're talking about?

QUESTION: Yeah, I don't know all the acronyms, but it is CDMA and then it has a bunch of acronyms after that ...

MR. SCHAFFNER: There's kind of a self-regulating process that I think will prevent that from being too great of a problem, which is that there is no carrier left on the face of this earth that will lock itself into a proprietary standard. So the carriers will only implement standards that multiple manufacturers can manufacture to. This problem really ... we've seen this problem before.

When mobile telephony was developing very quickly, many companies had patents that were potentially blocking of other people. So when the GSM standard was adopted in Europe, the approach that was used is that you are mandated by law, in the countries in Europe that adopted it, if you are going, that you are required to license what they called essential patents, on fair and reasonable terms. So if you were to have blocking technology, you had to license those on fair and reasonable terms so that there could be multiple people who could develop to that.

And I think that the TDSCDMA situation is a very interesting situation; I think that, and I don't want to name names here, but I do think that there are – and it's not just the Chinese – I think that there are a number of countries and companies that feel that there have been some abusive practices coming out of the U.S. IP system, where people are demanding unreasonable royalties for their technology. I would guess that there is going to be a business solution on royalty rates that may result in more general technology being adopted in China, and not that TDSCDMA standard, if I were a betting man. Which I am. [laughter]

QUESTION: A larger one is where the Chinese system becomes the standard, and then the Chinese have a lot of companies in a lot of these fields themselves.

MR. SCHAFFNER: So you postulate a position perhaps where a standard was adopted and was only implemented in China. I don't think that's ...

QUESTION: Where it was different from the rest of the world. I mean, the 3-G system was different in Europe, was different in the U.S. and different in Japan, and now different in China. It's different in each ...

MR. SCHAFFNER: There are a couple of flavors. But where the industry is going, is people want ubiquitous connections, and right now, you can have a phone in the 2G systems, and the 2.5G systems that will work every place but Japan. And I don't think anybody in the industry wants to step back to a situation where you need to have a China phone and one thing or another ... I hear what you're saying, they could do that. I don't think they're going to do that. As a matter of fact, I

think that if there is a local standard, I think it will be licensed, again, on fair and reasonable terms. I do worry a little bit that I think there are some in China who want there to be local champions in China that are the leaders throughout the world in everything. But I think that the calmer heads in China are looking for a much more cooperative world going forward. So I don't see that happening.

I do take your point, that you could kind of re-isolate China with the technology that exists now, but that would almost be a repudiation to the benefits that they drive from the openness and the positive cooperation they've had with the west to date.

PROFESSOR KASHYAP: I'm sorry, but we've hit pretty much our budget constraint; I'm going to give each of the panelists a moment or two to go ahead and conclude or toss in any final remarks, and then we're going to adjourn.

CONGRESSMAN KIRK: I'll just say one last thing that I'm very excited about is that we have the Olympic Games in China in 2008, and then the World's Fair in Shanghai in 2010. We are now working on the gap with Mayor Daley on declaring 2009 as the Year of China in Chicago, at the Art Institute, at the Field Museum, at the museum sites such as the Adler Planetarium, etc. And I think it's a great way for us to build connections to China, but most importantly, for the mayor to show why we invested \$15 billion in O'Hare Airport, and to market it as the North American China port.

MR. LORUSSO: I guess I would conclude again by saying that what my particular state has been doing, and we're very proud of what we're doing in the State of Minnesota; again, it's not rocket science, and I encourage other states to adopt similar strategies. But my hope is, as other states adopt those strategies, that Minnesota is on to the next level. I'm not sure what that might be, but we're very proud of what we're doing in our state and we're very optimistic of a very mutually beneficial future with China.

MR. SHAFFNER: I think that we're experiencing a very positive situation of world economic growth, with China being a very important driver of that economic growth; and while we have problems now, I think that there are problems born out of what has been a very successful path for both nations, not born out of a failure of the way we're acting together. So that is the nature of development, that the world changes as we advance. We're building on good success; I hope we grow the success; I hope we address the problems and the ongoing cooperation between China and the United States, and China and the West continues to grow to the benefit of everybody.

PROFESSOR KASHYAP: Let me thank again the organizers of the conference for having us, and I want to especially encourage Congressman Kirk. Last summer I found myself on Chinese TV with the equivalent of Lou Dobbs. It was unpleasant; Senator Schumer was kicking dirt all over. We had spent half an hour trying to disabuse him of that being the representative views of typical Americans. I hope you can keep working in Washington to try and get Congress out of the way so this can proceed smoothly. All right, thank you very much.

Panel: China's Future in the Age of Globalization

PROFESSOR PRASENJIT DUARA: I hope the long day has not yet taken all the energy out of you; this is the last panel but by no means the last event, so you are all aware that there will be our final, closing keynote speaker, His Excellency Wang Guangya, the permanent representative of China to the United Nations.

But before that we have our panel and I'm sure our final panelist will show up soon enough. Oh there he is, excellent. I'm very pleased to be able to moderate this panel which is called "China's Future in the Age of Globalization." I think as some of you might be thinking, maybe some of these terms should be reversed, and I think one of our speakers will do that.

I just wanted to make a few comments because I'm sure there will be a lot of questions and I won't get a chance to pose my questions or comments. Just to introduce this topic, to say that this morning in particular but throughout this session we've had this very interesting dual image of China. On the one hand of course as a powerful, progressive, rich, enriching, peaceful, sort of going towards international cooperation and all of this indeed a very legitimate and factually correct part of what we see happening in China, but then there was also the other image which came up particularly in the morning of stratification, of continued poverty, of corruption, of the women's condition and all these were considered negative aspects.

It seems to me that this kind of dual image actually is intrinsically part of the whole globalization process and that it's something that not only China but all other countries in the world are dealing with at some level or the other. The Chinese case may in fact be much more acute because of course it's in the leading front of this globalization process. And I think what we see is that within the world and with China increasingly, the division between rich and poor is cutting across national lines, across regional lines and this is something I expect and hope that our panelists will also reflect. The fact that this division that is being produced is still happening however within a nation-state framework, I think produces certain very interesting consequences as well.

Now our panelists; I'm very pleased to say are people some of whom I have known for a long time and would consider my good friends. Our first speaker is not going to be Ted Fishman because of technical issues, but is Professor Zhang Jun, who is a Professor of Economics and the Director of the China Center for Economics at Fudan University in Shanghai, and is a very prominent professor, a very prominent economist in China and of globalization he has written many books which you can read about in the introduction here and he will be talking about economic growth and development and the relationship with globalization.

Our next speaker will be Ted Fishman who is a writer and a freelance journalist and author of the bestselling book, *China, Inc: How the Rise of the Next Superpower Challenges America and the World* and this has been making a lot of waves, not just in the US and China but in the rest of the world as well. So that's the way to write a book that will refer to all parts of the world and we will be hearing from him as well about these issues.

Our final speaker is Professor Wang Hui who is a research professor in the School of Humanities and Social Sciences at Tsinghua University in Beijing. Professor Wang Hui needs very little intro-

duction to most people I expect in this room. I think he can be considered certainly the leading intellectual in China, in the humanistic businesses and he's the editor of the very important public journal, Dushu that comes out of Beijing and he has been, I believe now editor for over 13 years, is it? And we hope that he will continue to lead this.

He's also the writer of China's New Order, it will be translated into China's New Order, Society, Politics and Economy in translation, as well I should say the author of a very major, four-volume work on the rise of modern thought in China, or that at any rate is one translation of that work.

So without further ado, let me go on to the session.

PROFESSOR ZHANG JUN: Hi, it's pretty much an honor actually to be here. I thank the organizers of the conference for getting me here, being at home with economics. Actually I think a lot of people talk about the economics, Chinese economic growth and development since the reforms. This morning I stood in the bookstore and I randomly found the book, The Balance Sheet of China. I opened the book and I found the chapter on the explanation of why China has so successfully promoted economic growth. And the authors actually outlined the five factors: the high saving rate, the opening up of some of the fundamental factors, but I just think they're missing out on a very important factor, which I'm going to touch on in my talk. I hope to make sense in the way that we look at China, not only through the factors of the production, but also the way the Chinese politicians look at the economic developments and try to marketize the economy in a way that they learned from the past.

I have to confess, I'm not really an expert on politics, but I tried to convince myself there is a systematic change of the Chinese politics in the way that tries to promote economic growth; especially when you put China and India in the same context; you will find there are a lot of differences between India and China.

Three years ago I was in the capital of India and I was meeting with a lot of companies in India and government officials came to the opening ceremony of the events and as he made his speech, he mentioned three things being reflections of the contrasting features of the Chinese economy. He mentioned firstly the democratic constraints in India that have been making the economic progress and reform programs difficult to implement. Secondly, he said in India, the indigenous private sectors play a very important role in the economic programs as well as the economic transformation.

But he certainly said Indians very much depend on their own resources, which are generated within the Indian economy; it's not really from foreign participation in the development of the Indian economy.

Then we followed long discussions about the politics and economic growth in India and it seems to me that a lot of economists in India believe that the Indian political system imposes the constraint on only economic transitional growth. But we know that India's economy has been growing faster in the last couple of years, beginning from something like the 1980's. I think the Indian economies grow because they globalized the services sector in the IT industry because of the legacies of the Indian institutional assets, because they speak English which makes it easier for Indian people to

actually globalize the IT-enabled servicing industry.

But in China I think the politics induce and facilitate the rapid economic growth by encouraging more capital formation, especially the capital investment in infrastructure. So I think if you ask the Indian people what the most important thing is that China's done very well but India doesn't really do well, I think most Indian people would say infrastructure.

We need to understand why the Chinese government has done very well in the infrastructure and the development of manufacturing, especially the manufacturing related to foreign export.

I think the Chinese economic growth can be better categorized by several things; first of all we have a very rapid increase of the trade participation in China. Actually if you look at the Chinese growth of the trade in terms of exporting and importing you could say it's much higher growth than the GDP.

But most of the Chinese exports are from manufacturing, which I think contrasts with many of the economies in Latin America because they are exporters of commodities, but China has been the demander for the commodities rather than exporter of commodities, and China has been the exporter of the manufacturing goods, which has been largely a result of the developments of the manufacturing industry.

China has done very well in terms of the trade. If you look at the export GDP ratio, I think you can't find out of the high performing economies in Asia one experiencing a similar pattern of expansion of the trade sector. It's extremely high. If you take the input into consideration, you definitely can double this for the scales of this picture.

70% of the Chinese GDP yesterday is related to the trade. This is unusually trade-dependant.

This picture has been highly correlated with the distribution of FDI in China. You know I think that China has been very much the destination for FDI because the attractions have been outperforming the competitiveness of Chinese industry; the increasing in the FDI to China, especially after the 1990's when Deng Xiaoping made the famous speech in 1993.

So we have very, very rapid growth of foreign investor firms in terms of the manufacturers in China, in terms of the trade and generation of the export from China. This is a very impressive change in the distribution of the Chinese manufacturing export. This is the life for the foreign investor firms in China that would come here for much of the Chinese export since 1990.

Whereas in China, the domestic firms, both absolutely and relatively speaking of the export of manufactured goods, there has been decline in terms of percentage of the manufacturing exports.

Another characteristic of the Chinese high performance is related to the rise in regional disparity. I put the picture here because this picture actually can be measured by different indicators. You could measure in terms of the trade participation. You could measure in terms of the coefficient of income, you could measure by the distribution of foreign investment in China.

So there's huge geographic variation across the border of provinces in the last 15 years. So there

are several things I am presenting so far: this very rapid growth of Chinese exports. The exports have been very manufactured-goods dominated, and third, there is a high correlation with the distribution of the influx of FDI in China.

So the question here is: what is the linkage? What is the possible link between the phenomenon of the Chinese economic growth? Why has China done so well, getting the investment done in China? Why is China doing so well in promoting the Chinese exports and the manufacturing goods.

I think the economic growth in China has largely been the result of the globalization of the manufacturers, which is quite contrary to the Indian case where they haven't really globalized the manufacturing so far, though they put the service sector on the globalization process.

However I think the globalization of the Chinese manufacturers has been facilitated very much by the influx of the FDI. So without FDI coming, there wouldn't be so much left behind of the Chinese manufacturing industry, which cannot really compete in the international market.

The question here is: why can China actually attract so much FDI? I think people would say this is because of the supply of the cheap labor and other preferential policies which the government has created. This is true, but I think if you compare China's experience with that of India, they would say it's the politics rather than the economics of the economy that actually provide an answer to the rapid growth of the foreign investment firms in China, especially in the promotion of the trade and manufactured goods.

So both India and China have different endowments in terms of the supplies and the factors of production, but it's because they have different politics to vote for the FDI.

I think in terms of the economist's point of view, I think China has changed a lot in the politics, even though there isn't so much change in the political system. I define a change in the politics in two dimensions; one, having experienced the process of successful government transformation. This morning I was talking with some of this audience. They come from very low-level government in middle Chinese provinces and have been studying here. I think that this is good. It's better than the money being spent on the banquets; they finance the students or Chinese officials, very young, very energetic, smart, and have been studying here and they come back. It changes their life, it changes their attitude and perspective on the future of the Chinese economy. So this is a really good thing.

I think China began this process of the government transformation as early as something like the end of the 1980's. Secondly, I think the government, the Party understood much better than any other government in the world that they needed to innovate, renovate the human capital of the Chinese government.

This is very important for the component of change in the political governance in China. Even everything really changed much over the system, but there's a lot of change in the way they govern the economic reform and economic growth.

I just want to make some of the quotations from Deng Xiaoping. You know I think today a lot of people mention Deng Xiaoping, he's a great man. Deng Xiaoping said several things. I think

firstly he said, “It doesn’t matter whether the cat is black or white.” I think everybody knows this, because it’s a black and white cat, okay? Which I think has changed the basic principle of the Party in voting for the economic developments.

It’s a very pragmatic principal that’s being introduced into the fundamentals of the Party, fundamentals of the government. Secondly I think it is particularly essential that you can pan against the leftists, because in China I think before Deng Xiaoping being the left-wing is safer in China because it’s rooted in the ideology of the party, so people always chose to be the left because it’s much safer.

But Deng Xiaoping understood much better the idea of that. We needed actually to contain the growing up of this leftist soul within the party because he wanted to pave the way for the marketization of the economy. He wanted to pave the way for the intellectuals who can speak out for the market economy. They pushed very hard to change the ideology within the party without really changing much of the political system.

Thirdly, I think they say that we have to renovate the college system in China. We have to give more opportunity for young people, or a smart guy, for the professional, knowledgeable to be quickly promoted to the high positions of the governmental party.

So a couple of years ago I was in Harvard University. I met a lot of Chinese high-level officials from Chinese provinces and municipal cities, and they’d studied in Harvard Kennedy School of Government here. I think this is good, I mean they just wanted to turn over the government of officials with more of the replacement of the old with the young energetic guys.

I think this is really, if you visit China, if you met with the local officials you would be fascinated to know what they think about the future of the Chinese economy. Though, they spend much time on the banquet, but they didn’t really do a lot of good work. When I met my friends, with the government officials, I really can’t understand why they’re so diligent, why they’re so hardworking because they didn’t really spend a holiday; when they’re awake, they work. They have to be in the office and usually people criticize the Chinese officials for having very deluxe cars, but I think they definitely need these car because they come in between the villages, they come in between the cities. After the office hours they have to drive something like 100 miles away to meet foreign investors.

So they spend too much time on this, but I think that it gets things done. Deng Xiaoping’ made very important speeches and they tried to change the fundamentals of the party, the fundamentals of the government. They wanted to let the people who really are young, professional, and knowledgeable to be in charge of the economic affairs.

So that’s much of the political wisdom; this pragmatism, it’s dominated the orthodox in the party, in the government and it also provides a lot of legitimacy for the people who promote the market and promote the business and who actually speed up the change of the human capital of the Chinese official.

I think if you visited Russia, if you visited some of the transition economies in Eastern European blocs, you can feel how important the change of the human capital has been, and how it is playing

a role in the Chinese economic development. I mean in Russia, they changed the government and they changed the party, but without really changing much of the human capital of the officials.

And another reason the government has done so well is because they're getting the incentives right. A lot of the economics in the transition-economies would begin with looking at something like getting the price right, but in China I think they didn't really get the price right, but they got the incentive right within the party and within the government. The governance within the party to make the combination of the market performance and the political control consistent created very strong incentives for the local government officials to emphasize economic development and change the quality of the infrastructure.

So in terms of this kind of change I think that Mao is different; I think that Mao burst the market but Deng knows how to use the market to serve the party, to serve the country.

Did anyone recognize Deng Xiaoping? This is Deng Xiaoping, right? He always comes behind Chairman Mao, right? But in China I think that because of the change of the politics, especially the politics of inducing the local officials to focus on the economic performance in order to receive safeguarding from the party, they definitely created the incentive for the rapid economic growth by putting much emphasis on the change of the infrastructure, and they tried to get the people happy locally and to fulfill the opportunity for their own promotions.

Studies have been carried out by a lot of economists that say there's a positive correlation between the probability of promotion of the local government officials to the relative performance measured by the economic growth, which has changed the quality of the infrastructure. So much of the Chinese economic growth has been coming from below rather than coming from Beijing.

So in China we have some of the legacies from the past combined with the introduction of the market forces, so that you've really got one government which is very different from India's. India has too many governments which have different political interests, so they can't really get things done, even the federal government which wanted to change the infrastructure in Bombay but could not do so because of the resistance from the local government and from the local party.

So in order to get the FDI done and to promote economic growth, they have to emphasize the investment in manufacturing, which is a very important part and objective of the political governance in China. So the local government has committed itself to improving the quality of infrastructure, which I think paved the way for the rapid economic growth.

If you talk to the local Chinese officials, you would be fascinated to see how smart they are. They are very much like CEOs of the big companies and they're running the local economies; they have a very smart way to get financed, not only from the local banking system but actually they know how to build up the strategic license with the private sector. We can actually elaborate in detail how they actually get the infrastructure done with the participation of the private sector, especially in the big cities.

You know success in marketing in the city is the concept created by the local officials, rather than created by intellectuals. They know how to get the infrastructure done, they know how to build up the visionary □ picture of the local economy, the local city. They want to make people happy and

they want to make the party happy as well.

In looking ahead, I think if we should talk a little more about the comparisons of India and China; I think in India faces a fundamental challenge and that is that they have to raise the investment because they have a lot more to do. But the question appearing in India is that it's difficult to raise the investment. But in China I think the trouble is you've got too much investment, so the capital is a cost of zero, but in India they've got zero capital.

China has too much liquidity. You could say this is a big problem, it's a big change, I mean a big challenge. That is also the challenge for the future of developments because you've got too much liquidity so financially you didn't really put your infrastructure on the efficiency on the investment. But I mean that also, it's a positive contribution actually to the rapid economic growth because of the liquidity; the government financing actually makes the economic growth more rapid through the financing the investment project.

So the investment here in China is quite high; you've got 35-40% of the GDP not being consumed, but saved and actually is going to finance investments.

China in this case shares the commonality with most of the dynamic economies in Asia. They're all the investment-driven economies because they have to put a lot more investment in infrastructure.

If you look at the incremental capital operation definitely China has been demonstrating the very typical case where they've got a diminishing marginal return of investment because you've got too much investment.

So I just want to conclude my speech by pointing out some of the possible challenges facing the Chinese economy. I think China will still need to be on this kind of economic growth pattern because they have a lot of gaps that need to be filled out by investment. I think a lot of people criticize the economy by saying that they got too much investment today but I think we shouldn't actually neglect the fact that we've really got big gap in the capital build-up.

But given the political system, the political governance, I think China will definitely sustain rapid economic growth because under this system they've still got very important sources for the rapid economic growth and the financing; the land and the social welfare is quite cheap and can accommodate this rapid economic growth instead of the rapid growth of investment.

But China we're, I think in the long run, we have to think about how to get the price right. Getting the incentive right is the first step after more than 20 years of being centrally planned; you have to have to begin somewhere, with the marketization of the economy. But then you have also need to think about how to get the price right, which relates to the development of private property rights, not only in financing but also in real estate or other things.

So I have to stop for the other speakers, but I'm willing to take any questions afterwards. Thank you.

PROFESSOR DUARA: Ted Fishman?

MR. TED FISHMAN: I want to thank the conference for having me here. I'm a Hyde Parker, no exotica here. I just walked over this afternoon. Actually I walked over this morning and I've enjoyed the whole day here and I have to say, if this were a group of mostly the kinds of students I went to school with, which is just to say, not so many Chinese students, I doubt this room would be so full on a late Saturday afternoon. And I'm just so glad I'm here with so many people who are so intensely interested in this subject and have the stamina to last it to the end of the day.

I'm also delighted to be here on a panel hosted by Professor Duara who is one of the very first people who was recommended to me when I began my book project. The university has been a particularly supportive group for this project and I'm very lucky to live in Hyde Park. Sometimes I have this nightmare where somebody knocks on my door and I wearily answer the door and I open the door and there's a Chinese journalist who speaks no English and he says through a translator, "Mr. Fishman I've been recommended to you. I've a year to write a book all about your country, what should I do?"

And I say, "Good luck, I'm going back to bed." But that is not what happened to me. I had so much help and I have to admit that I am not self-educated - far from it. I am the beneficiary of so much expertise that I found in and around me and also talking to hundreds of people in China, out of China, around the world. The project began at a time when it didn't look like there was much of a China story to tell. I began it right before the SARS epidemic. I thought I would never get to China. It was story over, game over and to my editor's credit he said this too will pass. I was thinking about the title of this conference which is "China and the Future of the World."

You know that narrows it a little bit. And I was thinking, when I started my book I actually was pitching around a book about the entire world. It's going to be about how financial systems change in the entire world; but the story of the universe had already come out, so I thought I would narrow it. And then I went to my editor and I said, I'm going to do this story about the world and he said, "narrow it to China." And I said, "okay, I'll do that" and it turned out that the story of China really is the story of the world and increasingly the story of globalization is the story of the world.

So Professor Duara warned you that I was going to switch around the title of this panel, which was called "China's Future in the Age of Globalization." I wanted to change it to "Globalization in the Age of China," which I think is a better title.

We've heard a lot about the changes that've happened in China, and since the discussion on that has been so complete, I've completely revised my remarks and I'm going to talk to you instead about what are the effects of China's rise on the lives that are led here in the US and around the world. And it's something that I learned when I was doing the book, when I traveled throughout China and to Germany, Japan, around Europe and the US. Since the book came out I've been lucky enough to talk to groups all over the worlds and have a stack of business cards this high with all my new best friends who I'm going to stay in really close touch with.

And the story changes depending on where you go. For some reason I'm asked to talk a lot in Canada. In Canada, people are just ecstatic about China's rise because they are a resource-selling economy. They have oil, they have minerals, they have wood, they have all kinds of things that feed China's internal economic boom. And so I go there and they want to hear about how rich they're

going to be because China's rising.

And then I went to Spain, and Spain is also a good news China story. Why is Spain a good news China story? It's kind of not the country we think most about when we think about the EU, but it turns out that Spain has its own vibrant economy. One reason Spain is booming is because Latin America is booming. Spain provides a lot of the infrastructure investment in Latin America: telecom, financial infrastructure. And why is Latin America booming, or at least doing better than it has in a long time?

It's because the resource countries in Latin America are doing very well selling to China and as a result Spain is doing well in Latin America because of the China boom. And of course you go to China and people are very, very happy about it; I remember going to Rudong late at night, which is about an hour and a half outside of Shanghai, and we were asking the local cab driver, "how big is this small, sleepy town?" It's 1.5 million.

And I said, "Well what do you think about it? How's it going?"

And he goes, "Oh I'm really excited, things are really happening here." If the cab driver thinks it, it's got to be true. I know we're going to hear a counterview because one of the first books recommended by Professor Duara that I read was China's New Order, and I know there is another view there.

Then you go to Mexico. On Wednesday, as you all may be aware, you're going to be stuck in Hyde Park because there about between 300-500,000 Mexicans and Mexican-Americans who are going to hit the streets of Chicago about immigration reform. You know every year about 500,000 Mexicans cross the border into the US. Surprisingly this is partially a China story because if Mexico was undergoing the kind of economic boom that China is undergoing, people would be crossing the border the other way.

When we were discussing NAFTA, it looked like everyone feared that Mexico would have the kind of economic boom that China's having and that there would be a great sucking sound. Of course, China has created a sucking sound where it relates to Mexico, but it's from those people being drawn here because the Mexican economy has lost 2 million manufacturing jobs because low-cost manufacturing goes to China.

And of course in the U.S. there's the China story and the title of my book is China, Inc.: How the Rise of the Next Superpower Challenges America and the World. And sometimes people read the title and they say it back to me and they say, "how the rise of the next superpower threatens America and the world". And I say, "That's not my title. My title is challenges America and the world," because it is a challenge. But of course with all challenges there's the way to win the challenge and there's the way to lose the challenge and there's the way to just drift.

So in the US when you go around this country, there are very, very different stories. In southern California, where most of the quarter of a trillion, let me say that again, most of the quarter of a trillion dollars of Chinese goods that come into the American economy – think of that number, that means that one out of \$8 in the Chinese economy cycles through the US. A quarter of a trillion dollars worth of goods comes into the US, much of it through southern California and it's creating

whole industries there.

Half a million people are employed in southern California in the business of lifting Chinese things off of ships, putting them on trucks and trains and sending them around the US. This is creating jobs all around the US because those things get shipped to other places that want to be local centers, and you might think about this when we talk about job loss in the US, that this trade is also creating these other jobs.

And today in southern California the business of lifting Chinese stuff off of boats is now bigger than the entertainment industry. Chicago happens to be the largest container port in the world. We're not a sea port, but we do get trucks and trains, and about 11% of our economy is in the business of moving things. Wal-Mart is building a warehouse on the outskirts of Chicago in Will County which is bigger than the US Pentagon, and it's creating all kinds of jobs that relate to following those goods and putting radio tags on things, software centers, bulletproof data centers. It's a whole industry.

I should say there's a lot of talk about how big the Chinese economy is and we get fearful about it. The economy in Chicago's economic orbit is about 1/4 the size of all of China, just to put things in perspective.

And then you go to the southeast of the US, to the Carolinas where there are furniture manufacturers and textile manufactures and more importantly former furniture manufacturers and former garment workers and former textile workers who are now out of work because their jobs have migrated abroad to low-cost centers, primarily to China, and those areas are decimated.

Even in manufacturing in the Midwest we feel this and I'm going to come to that in a little bit.

How many people in the audience are in the US with a foreign passport? Raise your hand? How many of you have traveled outside this big city into some of America's smaller towns? Not enough I would say, not enough. You see a different kind of America.

You know everyone in China tells that you if you want to see the real China, get out into the country. If you want to see the real America, you can open your eyes anywhere because it's very hard to think of what the real America is. Everybody is a different constituency and how we feel about China is defined by where we live. But if you go to a different sized place, you'll see a different reaction to China.

In the book I did one of these trips where I went to a place right in the middle of America. It happens to be in our state and I went there because the name of the town is Pekin, Illinois. Pekin, Illinois is named after Beijing, China because it used to be called Pekin on old maps and then Peking and then Beijing. And 1830, when the woman who laid out the town gave a name to the town, she thought if she drilled a hole straight through the earth she would end up in Beijing, China.

20 miles away there's a town called Canton, Illinois because the man who laid out that town in 1850 thought if he drilled a hole straight through the earth he would end up in Canton, China, which in China is about 1,200 miles from Beijing. It shows that Americas were a little math challenged even then.

So I thought I would go to Pekin, Illinois. For 130 years of this town's history it had virtually nothing to do with China, except for the fluke of its name and some lame-brained, dunderheaded idea that the women who laid it out thought would happen if she drilled a hole straight through the earth. I should say one thing, which I say a little reluctantly but I say it to show what blockheads Americans were about China before 1980. Until 1980, the name of Pekin, Illinois' varsity sports team was the Pekin Chinks.

Now imagine, if you go to any other town in the US which is named after a world capital, whether it's France or Berlin or Jerusalem or Cairo, and you picked the worst name, the worst kind of ethnic epithet for that group and gave that name to your sports teams, we would recognize what it was, right? But Americans were so clueless about China, felt so disconnected from China before 1980, that they can use this awful name for their sports teams and not even give it a second thought.

In 1980, as Ambassador Wu pointed out, in Pekin, Illinois you could not find or buy a single good that was made in China, and so China did seem like a far away place. But what happens if you go to Pekin, Illinois today? Where you get to the outskirts of town and like a lot of medium sized towns in America, there is a big welcome mat to the Chinese economy at the edge of town. This is known as Wal-Mart.

But Pekin, Illinois just doesn't have a Wal-Mart, it has two Wal-Marts. It has a giant Super Wal-Mart and then across the street there's a beat up, old Wal-Mart which Wal-Mart has moved out of, which is about a third of the size of its new one. And why does Wal-Mart have a store that's three times bigger than its first store in Pekin, Illinois? Because it figured out China.

I was at a meeting with some senators, and the other guy who was invited there, really I thought just to crash my party, was a Vice President at Wal-Mart. Thankfully he said he had read Ted Fishman's book and everything in it sounds true, except for one thing. He said Wal-Mart's going to do \$15 billion in business with China in 2005. Actually, it's closer to \$20 billion, which is about 1% of the Chinese economy. It's about 12-13% of our entire trade with China. It's a big number.

Wal-Mart deals with about 8,000 factories directly in China and if you think how factories work, they usually have 10 or 20, or in the case of a cell phone, 200 companies that make things for that factory to put into products. So Wal-Mart's reach into China is probably 100,000 factories or more and that's why they have a store that's three times bigger than their first store in Pekin, Illinois.

And what does Wal-Mart deliver with these Chinese goods? Ambassador Wu also alluded to this; he said that the Chinese economy saves Americans money. But it doesn't just save Americans money because of the goods we buy from China. China has a way of putting pressure on goods that are made all over the world. If they're made for a low price in China, the rest of the world has to meet that price.

So if a good is made in Mexico or Brazil, it has to match the Chinese price and Wal-Mart is the place that brings in all these goods, as you know, everyday at low prices. Economist Garry Hufbauer at the Institute for International Economics did the calculation for me and he said for every American on average, the China price saves Americans about \$600, which with apologies to our friends from the administration, is a bit more than the Bush tax cuts, and we don't have to deficit

spend to get it. It's real savings.

Of course there's another side to that. If you look at the manufacturing economy in the Midwest in which Pekin is very much a participant, wages in Illinois since the year 2000 are down on average \$6,000. And you could take Chicago out of that equation because wages are not down in Chicago but they're down in most of the industrial parts of the rest of the state, which shows you the real depressing effect of globalization on manufacturing wages in the American Midwest.

In Michigan the figure's closer to \$8,000, so that \$600 per person can be matched against those numbers in our part of the country.

So what's across the street from the Super Wal-Mart now and the old Wal-Mart? Well it's Sears. Sears has moved into this beat up old Wal-Mart because it didn't get China soon enough. It was slow in moving manufacturing to China, so now like a hermit crab it has to move out of its expensive mall space into a beat up old Wal-Mart and try and compete across the street as best it can.

So you know what happens when these big box retailers move to the edge of town; the middle of town gets hurt. And when you drive into the center of town you come to Pekin's former vibrant main street with a lot of empty stores or stores that fill in vacated places, which are cafes, used book stores and antique shops which sell the kinds of things America used to make. That's where you can buy an American pan, that's where you can buy American enamelware, that's where you can buy American made dishes; only in the shabby antiques stores in the downtown of these beat up old towns.

But Pekin, Illinois also has a Bavarian history which accounts for some of its manufacturing. It is a town with a German heritage and has a Christmas festival every year, and this Christmas festival is a beautiful thing. The whole downtown has gorgeous trees that are lit up and hung with ornaments and those ornaments, guess where they come from? China, right? They didn't come from China 20 years ago, but now they do and one of the stores downtown turns itself into a Christmas store

I was interested in the Christmas business, so I went to the world's first Christmas store which happens to be in Rotenberg, Germany on the Romantic Road. Anybody been there? It's a really beautiful place. It's one of these old medieval guild towns with stucco walls and houses put into the wall and something that looks like a castle and a gorgeous church, and it is the home of this store called Kathy Wolfarts which is the first Christmas store.

You see them in outlet centers all over the world now. And you go in and there are gorgeous Christmas ornaments, Bavarian style crystal, carved wood. There are Santas that go up and down on springs and make you jolly, and those are made mostly in Germany and Czechoslovakia.

But then you go to the edge of Rotenberg and what do you see? Similar Christmas stores with similar ornaments but they sell for one third of the price. They're made in China because today China controls or supplies 95% of the Christmas ornament business in the world.

You know in 1980 there wasn't a single Christmas ornament made in China. Most of these companies have come up in the last 10 years and yet the value of making those ornaments in China is so great that now 95% of the world's Christmas ornaments supply comes from China.

Continue through Pekin, Illinois and you get to the edge of town. To do that you have to go through soybean fields. Well we heard that soybeans are a big market for American farmers in China and this is true. In fact the farmers in Pekin, Illinois are looking at the global price of soybeans all the time. They're looking at how their soybeans are priced against those from former soviet states in Brazil because they're all vying for the Chinese market and the farmers in Pekin, Illinois are doing really, really well.

We heard earlier today about the plight of the Chinese farmer; one farmer in Pekin, Illinois can do the work of about 20,000 Chinese farmers. If the Chinese currency were to be revalued so that American soybeans were to be 40% cheaper than they are today for Chinese consumers, and one farmer in America is so much more efficient than even the poorest among the world's farmers who farm in China, then these 800 million Chinese farmers would have an even greater need to migrate to Chinese cities.

In the Midwest if you go to farm towns, often behind a hill or past a stretch of tress, there's a factory. The most industrial states in the U.S. are actually Wisconsin and Indiana, even though you think of those as farm areas. They're really heavily industrial areas. And one of these factories makes big, forged cylinders and screws that are used mainly in big, earthmoving machines and mining machines and it's run by this guy named Doug Parsons and Doug is a smart guy. He sells his machines to Australia and Chile and he learned about five or six years ago that there was increased demand for the replacement parts for these giant pieces. And he called his customers and he says, "why are you guys ordering so much more lately?"

And they said, well because there's enormous demand for our mining products in China. So he invested and increased the size of his factory, getting better machines in order to serve his mining clients around the world who were serving China. But he went one better; he said, "I know China's building a lot of roads too and I had this idea on how to create a machine that crushes rock better than anything else in the world." And he patented it and it's being used for the paving of roads in China. So he found his China future.

And then of course near Pekin, Illinois is Peoria, Illinois, and Peoria is the home of Caterpillar. Caterpillar makes the giant earth moving and construction machines. And what does Caterpillar do? It tries to sell these big machines for China's infrastructure projects including its giant dam projects, and every time the U.S. makes a political move with China, they get nervous because they're afraid that business is going to go to Japan, which it frequently does.

Caterpillar did very badly in supplying machines for the Three Gorges Dam because of political problems. But they're doing very well now, not just because they're selling machines to China, but because they've moved their supply chain for the machines they make for everyone in the world to China, and now these big, big machines that they make for a huge amount of money and which there's a big demand for, they can make in greater numbers and at lower costs because their factory suppliers have moved to China.

And so here you are in the middle of America, in a place that looks quintessentially American with a band gazebo in town, green parks and kids in the swimming pool. It doesn't look like China has anything to do with life there on the surface, but you just scratch a little and it's everywhere.

I wanted to say something about what the effect of China's growth is on the psyche of these places, and I'll conclude with this remark. There is something about China which is dangerously beyond American's comprehension and maybe beyond the comprehension of other people in the free world.

You know for the last 20 years, we've had this idea that the world could better itself by liberalizing, democratizing, finding the rule of law, and opening up for trade. Of course in Latin America there has not been a recipe for success and incomes in Latin America are just about approaching where they were in 1980, which is the beginning of an era where the U.S. was pushing this plan quite hard. Yet since 1980, the Chinese economy has zoomed and incomes in China are up between four and fivefold, and yet the country is an authoritarian country. It's a country where ideology is substituted with nationalism today. It is a country where dissent is not taken lightly, and yet when the rest of the world looks for a blueprint for its development, there's a good chance it's looking less hard at the US and harder at China.

And it's hard for us to grasp this here in the U.S. because we love our system, but if we think back into the history of Europe, there was a time when very similar regimes captured the imagination of much of the world, including China, in which governments that were authoritarian at the top used nationalism as ideology, connected the government very closely with business, and had a militaristic side to them. These governments captured the imagination of the whole world and we paid the price for that dream. And I think it's something we should all think about because it has a powerful pull on the imaginations of governments in the former Soviet States, in Latin America, in Africa and even in Southeast Asia. Thank you.

PROFESSOR WANG HUI: Thanks Prasenjit and thanks Dan and Alex and the Chicago Society for inviting me to participate in this very fascinating discussion. They even allowed me to speak in Chinese, but in order to have more direct communication, I will still speak in English.

I was asked to talk about the intellectual debates in China in the last decades and how China's economic reform since the end of the seventies has brought about tremendous achievements; Ambassador Wu gave us a general map with accurate numbers about how those achievements have been made. But at the same time many participants are also talking about disparities, social differentiations between the poor and the rich, between the urban and the rural and between different regions.

So during all these years, China's intellectuals have been debating how to explain such contradictory phenomena. So we know that after the middle of the 1970's, the discourse of developmentalism centered on neo-classical economics gradually started to dominate in many countries, with ideas such as private property, free market and a formal democracy. These discourses criticized state interference of the traditional welfare state, like in Chinese socialism and the command economy system. The dualism of the framework for the interpretation of these contradictory phenomena sometimes leaves many Chinese intellectuals unsatisfied.

It is a phenomenon where we are talking about the intellectual debates. Immediately we thought about some terms and concepts that we used to use to describe the Chinese situation like authoritarianism and the restrictions price. But in these situations still we can find that there are huge

intellectual debates in China which actually shape our responses to many important issues within the last decades. So what happened to that? Explain that to the public space in China.

On the one hand we're talking about a public space between the state and civil society. However even when we're talking about the restrictions or limits on public debates, we really have intellectual debates which developed in the public space which addressed different aspects of the social developments in China. I think we need to understand the real dynamics of that intellectual debate.

For example, Dr. Lei Guang talked about the debates on agricultural policy which started from internal discussion within the regime. These scholars from within the regime are not that influential, and only after they have participated in the public debates and the intellectual debates did their ideas prevail. It spread through the intellectual debates to the public media and then influenced policy making.

So that's why I think it's a new dynamic; Chinese leaders are tending to the public fairly and that appeals to public opinion. You can find that there was some capacity in the leadership to respond to the public opinion. So you can find a paradoxical phenomenon. On the one hand you have a lot of the restrictions; I have been editor of Dushu for 10 years and I know how often that has happened, but on the other hand, through the last decades many issues have been raised. I think most of the important issues raised through the intellectual debates are the agriculture crisis, peasant crisis, migration issues and also the privatization of the state owned enterprises, property rights and even the political reform, along with some international issues.

So what's new for intellectual and public debates in China? I think compared to the intellectual debates in the eighties, there was something new. Generally speaking, in the eighties, most of the intellectual discussions and so-called cultural heat at that time is from domestic discussion. But after 1989, so many Chinese intellectuals got the chance to be trained in Western universities. So there were overseas Chinese scholars evolving the Chinese intellectual discussion; very active, many issues were raised from them.

So that's a study from the beginning of the nineties, that's one phenomenon which was very different from before.

Secondly, I think there was interaction between public intellectual debates and scholars from within the regime itself, the state itself. So there was interaction between the public debates and the policy making. We know that this year and last year there was a lot of change for the policy making in rural reform, right? And before that we know the story about the [unintelligible] was the main voice for rural reform.

Actually in the late 90's he was the researcher in state council and he criticized at that time the agriculture policy. Because of his criticism he was forced to retreat from his position. So he turned to publishing articles in Dushu magazine and other media.

There he and his issues became very influential. That influenced the policy making and there was a rapid change. In the last two years, so many things happened following the so-called construction of the new countryside. Many things happened, so you can find the interaction between these public and intellectual debates and the policy making.

Many debates happen in China now not only among Chinese intellectuals, but also among those intellectuals together with some scholars from outside. For example, Professor Li Cheng mentioned that [unintelligible], is a Beijing consensus and Joseph Stiglitz is opposed to Washington consensus. And all these lectures and the publications in China invoked a lot of the debates about the Chinese reform.

So all these things form a kind of new mechanism for public debates and public displays, which I think is very important in seeing why the Chinese intellectual debates and the public debates can touch upon so many very important and sometimes very sensitive issues in China.

I tried to describe what happened with the Chinese intellectual debates and its interaction between the intellectual debates and the public debates and the policy making process.

Now I'll try to give some general descriptions of what happened to these debates. Generally speaking, these intellectual discussions from the nineties can be divided into several stages. After 1989, it's very difficult to organize a substantial discussion in China, so at that time many important discussions happened in Hong Kong and among Chinese intellectuals overseas.

Like a lot of issues, reflection on the spontaneous privatization in Russia and Eastern Europe started in 1993 or 1994. After that it spread to China because after Deng Xiaoping's visit to southern China, China's situation changed. Then we have a lot of the discussions about the new markets and many problems happened in the new round of the Chinese market reforms.

So generally speaking I think a new round of debates started in 1997. At that time some intellectuals raised many issues. Actually, it's related to the earlier debates about the role of the state and how to evaluate its mechanisms and whether the problems with China only came from its past or the new programs, its emerging in the process of privatization or marketization.

At that time there was a very sharp debate among the Chinese between the new left and the new liberals. So it's very interesting because at that time not many intellectuals claimed that they're leftists because the term, the left, was a dirty word. When you were labeled leftist it means that you're associated with the Cultural Revolution.

These people were labeled as the new left because they were talking about the whole process of privatization, marketization, and the role of the state and the legacy of modern China. They even talked about the socialist legacy and equality issues.

At the same time people claimed that they were liberals interested in political reform. However, after 1989, direct involvement in political reform became very difficult. So most of the Chinese economists and intellectuals believed that marketization was the only way to lead China to the democracy.

In the late nineties, on the one hand you have the great achievements of economic reform, but on the other hand there is polarization between the poor and the rich, between different regions and especially between the rural and suburban areas.

There were tendencies in the nineties for most debates to focus on economic issues, but after the

year 2000, we found some changes in the intellectual debates that developed from the issues of economic reform and the social reform. Last year, for example, even the government publicly and openly admitted the failure of the healthcare system reform and the reform of the educational system and also the agricultural crisis.

It's not only about the economic issues, but also the social issues. You needed to focus on how to evaluate the role of the state, how to evaluate the issue of property rights; these terms gained some new meanings and connotations in that process.

Let me briefly discuss the debates about the role of the state; China's marketization is carried out in a process with the division or the decentralization of governmental powers. Therefore, the relationships between the different levels of the government and different political mechanisms interact with the market, including its special interests in economic growth, which are extremely intricate. There are many conflicts between central government, local governments, and the different state departments.

Each branch of the state apparatus connects with domestic and international markets and other social groups. These different connections also lead to multiple relations of shared and conflicting interests, which in turn are demonstrated as political gambling and multiple orientations in public policy making.

We can detect a large number of contradictory orientations in so-called state activities, and we can also detect in the decision making at different levels different institutions that coherence and conflict exist at the same time. In this sense, regarding the state as a homogenous unit vis-à-vis the market for analysis is more like an ideological construct.

Secondly, based on necessity for legitimacy, the Chinese Communist Party radically negated the Cultural Revolution but didn't radically negate the Chinese Revolution and the value of socialism, or Mao Zedong Thought, which is the historical consummation of these modern traditions.

These practices produced twofold results; first, in terms of state reform, these socialist traditions became an internal, confining power; each important decision and the transformation of the state party system must be established by a conversation and struggle with these traditions, or at least a special rhetoric must be used to establish a harmonious relationship between the transformation and these traditions.

The second result is that for workers, peasants, and other social groups these traditions became a kind of legitimizing force. They can make use of these traditions to fight against and to negotiate with the unjust marketization and privatization, especially of the state enterprises.

Because state reform practices seriously clashed sometimes with its own ideology, there exists internal conflicts between the reform and the operation of the ideological state apparatus. Because of these internal conflicts, the ideological state apparatus has already transformed into, or is transforming into, a general state apparatus which is a mechanism to control through administrative powers. There was no such thing as ideological campaigns in the eighties, only administrative restrictions on the publications.

All of the above three aspects only briefly state the complexity of the question of state in contemporary contexts. This complexity at least demonstrates that a homogenous notion of state cannot construct an analytical category. Multiple explanations of the state at least assure us that accounts such as “the retreat of the state” is an ambiguous statement.

Against this kind of background people are talking about the transformation of the role of the state, especially the development of the government into a social service government in order to force the state or the government to take responsibility for education, healthcare, poverty, and environmental issues.

Another issue in intellectual debates is the transfer or the privatization of property rights; they're critical, but some people suggest that it's better to understand property rights from the perspective of social relations and to regard them as a sort of bundle of rights. This debate regarding the privatization or the clarification of property rights is not a general debate in regard to property rights.

It is concerned with the redistribution of the state property in the process of nationalization and its fairness. So the debate cannot be simplified into a question of whether private property or state property is better. Nor can it be simplified into a question of whether market rules or state interference is more rational.

One pivotal point is how state property becomes socialized property. For instance, labor property rights are in reform because we know that for the last two years there have been big debates on the so-called MBO, which was the management buyout and privatization of the state owned enterprises. So it's very corrupted and most ordinary people have no rights participating in that process of the transformation of their factories.

It's not simply that privatization is the way for reform, but on the other hand, it seems a lot of the factories work well whether or not the ordinary workers can share in some of its property, so some people used the idea of so-called socialized capital which can be regulated in a market economy.

So it's not something like the dichotomy between market economy or the planned economy or the state ownership or private ownership, but actually in that process we need to imagine some new category for the fair, democratized process of these transformations.

Professor Lei Guang also touched upon the issue of the privatization of land; actually now it's not that urgent but is still a very important issue for the economic and intellectual debates. Li Chang-ping argued that once you privatized the land, many peasants lose their land overnight because of their debt structure.

So in that case, if you only focus on the property issues there could be more corruption and unfairness. In the mid nineties, most of the Chinese intellectuals, together with many scholars, interpreted the problems in China in terms of the dualistic framework of capitalism/socialism, but now all these dualists take the framework which itself needs to be questioned. In these debates there were some effects on policy making, and the public discussions helped many intellectuals change their intellectual perspective. So that's another tendency.

A new phenomena emerged with many intellectuals involved in social movements and doing work

with the NGOs. After the year 1998 the NGO emerged in China as one of the very important phenomena, especially in rural areas. And many intellectual scholars work with the NGOs.

Especially after the 2000 debates about the rural crises, many young students together with some intellectuals went to the countryside and created more than 100,000 experimental sites for agricultural reform; that's not only from the top down, but from the bottom up.

And they attracted a lot of people, visiting the countryside to work with peasants and to try to resolve the issue of poverty, water, environmental issues, education and so on.

That's the interaction between practice and the academic discussion, or intellectual discussion. Somehow it's very interesting because it's more productive, with many issues to be put on the table. In the nineties, most of the intellectual debates remain on more or less theoretical issues, but now they focus on many concrete issues.

These kinds of developments are significant for Chinese society because when we are talking about Chinese democracy and Chinese political reform, we can find out from daily life how ordinary people can participate in these kinds of movements.

For example, last year there was a very strong movement in southwest Yunnan province for anti-dam construction. At that time the UN held a water, electricity, and power conference in Beijing. Some intellectuals involved in that public discussion came together with those policy makers from the State Council. At the same time some peasants from Yunnan province came by train to Beijing. They went to the conference room and had a direct debate with the officials from the National Committee of Development and Reform.

Today I found newspapers with coverage of these events, and the main figure was a peasant who was speaking in the conference. That's a really new phenomena. I think it's through these kinds of processes that there were real public debates.

So even in the early or mid-nineties, it only remained in a few circles. Some intellectuals, they debated, and then they developed the public debates and now there is more participation from different people. I don't want to exaggerate the function of these intellectual debates, but I think it is a real question of how to think about the mechanisms of such kinds of public and intellectual debates when considering the nature of Chinese society. Thank you.

PROFESSOR DUARA: We'll only have about 5-10 minutes for questions, but I see that the line is not very long. Yes, please?

QUESTION: There's a big gap between the rich and poor in China; this is the same issue the U.S. faces, so what do you think the obstacles are? And would you think the government is putting enough effort into shrinking the gap, or even enlarging it? Thank you.

MR. FISHMAN: In a way, China exports its income gap to the US. This is one of the features of globalization. If you live in the States and you have any kind of job which is reproducible in a Chinese factory or in a Chinese service center, your job will most likely migrate there. And so the most vulnerable people to globalization are the people who live in the part of the economy where

jobs are commodified.

But if you're somebody who can lasso your fortunes to China's economic miracle and figure China out, whether you're in China or in the US, then you're going to move up. And when you say that these two dynamics are interlocked, I think that's very true. The only solution to this is providing high-value jobs to the people whose jobs have migrated and that relies on how you invest in your own educational infrastructure, job training infrastructure and also your social safety nets.

PROFESSOR ZHANG: I think much of the original disparities accounting for the rural urban divide cannot be solved without the rapid industrialization of the rural economies. So I think the direction for resolving that issue should toward industrialization of the rural economy. In the latter part of the decade or so this should help to narrow the gap between the rural and the urban.

The question is whether we can actually change the price of the costs of the economic development, especially in the industrial sectors, because you definitely need to consider whether it should be compensated for out of the resources that are being taken away by industrialization. I think now the government responds to that very positively by giving more compensation packages to the residents, especially in the rural areas. They also want to increase the mobility of the labor forces to get more and more people away from the rural community and toward the industrialized sectors.

That would be the way out of regional disparity.

QUESTION: In regards to the recent interest rate increase in China, some American analysts see it as a step in the right direction of introducing market incentives as opposed to administrative fiat from the government. I'd like to have the panel respond to how this interest rate increase is viewed from China.

MR. FISHMAN: Well of course it's not really a market-driven interest rate increase. It's still very much the result of central planning and it's just one part of a piece of a whole puzzle in which the financial system is controlled from the top. A lot of these things that look like gestures towards the market are nothing of the sort. If you look at currency for example, China now has this basket of global currencies which the Chinese currency is supposed to float against; it just so happens that statistically it's more than 98% the dollar, right? And I think China's going to move very, very slowly on any kind of market reform that you want to have.

There's going to be lots of talk but China is not going to move fast on any of these things because its game plan for now is working very well for it.

PROFESSOR ZHANG: The interest rates came up because there's unusually high economic growth in the first quarter. You see the 10.2% growth rate and the Chinese commercial banks accumulating a huge gap between the saving and the loan issues. They want to give credit to the developers in real estate, and most of the cities in China in the last couple of years have been content with the government policies to cool down the investment in real estate. But now they're beginning to lose a little bit of control over the development of the housing sector.

So that increases the economic growth in the first quarter which is unusually high, so I think the central government responds to this kind of record of economic growth by adjusting the interest

rate up a little bit to send the signal to the market that the government wants to keep its eyes on the development of the real estate in the major cities.

QUESTION: My question is for Professor Wang. I think the public debate has raised a really interesting phenomena that a lot of the crises that the government cannot press down by force is solved or brought out into the open by media and by newspapers. It seems like there's much more freedom to allow this public debate and also media coverage, or the so-called freedom of speech.

So it seems like all this is forcing the government to open up more and have more democracy and also to force them to change the infrastructure and the structure of politics. And also I just wonder how much freedom the government will allow for this public debate and media coverage. I've been going to China for the International Book Fair in Beijing, and the economy and the market seem very open to foreign money, but not in publishing, although there has been a lot of talk that they are going to open this up.

So I just wondered if you know when they're going to open it up because it would be a tremendous impact on the freedom of speech and public debate.

PROFESSOR WANG: What a question. I think there are several issues we should mention in order to understand this. I mentioned that there were crises with the ideology itself. You don't know what the real government orientation for the restriction is. For example, sometimes there were simultaneous different restrictions in different directions because of the ideological crisis in China.

Secondly, because of the boom in the Chinese economy and also the change in social structures, there was a lot of government restrictions, especially the mainstream media. However, the intellectual debates still enjoy some space. So there is not so much restriction on the scholarly discussions.

Then if you go to the media, they have many restrictions there; we complain a lot in China, but if you look back to the last decades, even though there were many restrictions, many discussions emerged from time to time. That's why on the one hand as an editor sometimes I complain, too, but on the other hand I look back to the last decades when some very sensitive topics were discussed.

And then most of the important issues we touched upon ranged from the economic reform to the political reform, and even to freedom of speech. And also I think the Chinese scholars and intellectuals have developed their own techniques to use their rhetoric to address these important issues. It's a very interesting phenomenon.

So I raised the question of how to understand these kinds of mechanisms. It simply cannot be defined clearly where the bottom line is; there is no such thing. Sometimes you can discuss everything and sometimes you have confounded problems. That's the phenomenon, at least.

PROFESSOR DUARA: Last two questions.

QUESTION: In a lot of the speeches we've been hearing this afternoon concerning the future of China, there's been this assumption that China has this phenomenal GDP growth rate of 9-10%

a year and that it will be sustained for the next 20, 30, maybe even 50 years.

To what degree is this a rational assumption? And is this kind of development, this kind of growth sustainable, especially considering how growth requires more energy and a large portion of China's energy right now is coming from Sudan and Iran, which right now have somewhat questionable international reputations?

If this growth is not sustainable, what will be the impact of lower economic growth for the economy and the population? Thank you.

PROFESSOR ZHANG: Well I think this is a big question actually, to assess the sustainability of economic growth. We definitely need to understand the flexibility of the Chinese system, especially the flexibility that's been showing up in the last decade or so because many, many times people figured that China was going to collapse. But eventually they survived because they're going to change, or modify the basic principles of the Party to try to overcome the problem.

When the Party defined the market/social economy, people were puzzled by how you can put the market in the socialist system.

I remember Margaret Thatcher meeting with Deng Xiaoping early in the 1980's. She said, "what is the market socialist economy?" And Deng Xiaoping replied, "whatever, who cares?"

I think the same thing is going to happen today. If something is going wrong, I mean to make the economic growth slow down, there would be danger for the legitimacy of the party. So I think the party can be much more flexible in actually leading the economy forward. Last year we got a big gathering at Fudan University and a very great number of the distinguished scholars from China talked about this, and then the Japanese economists challenged this, asking who can actually explain what socialism combined with the market economy is. And Justin Yifu Lin said, "Who cares?"

I believe there is no really big constraint politically to not make the economy sustainable, but you're talking about the energy issues. I think this is definitely the fundamental challenge for high-performing economies like China's, but I think we have to realize that there is an estimated 40% of Chinese energy consumption being wasted. It's not really being used efficiently. I think the system is moving to the more efficient utilization of energy, which helps a lot, not only strategically, but also with the government focused on the security of the energy supply.

Trying to get more efficient usage of the energy is also the way out, especially in sustaining the growth of the Chinese economy. Thank you.

PROFESSOR DUARA: Thank you. Let me conclude by thanking these very distinguished and enthusiastic presenters for their very illuminating discussion.