

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.