

U.S.-CHINA SECURITY REVIEW COMMISSION

HEARING ON

CHINESE LEADERSHIP SUCCESSION AND ITS IMPLICATIONS

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Room 124

Dirksen Senate Office Building

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PARTICIPANTS:

C. Richard D'Amato, Chairman

George Becker, Commissioner

Steve Bryen, Commissioner

June Dreyer, Commissioner

Kenneth Lewis, Commissioner

Patrick A. Mulloy, Commissioner

William A. Reinsch, Commissioner

Roger Robinson, Commissioner

Michael Wessel, Commissioner

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Panel I:

Willy Wo-lap Lam, Senior China Analyst,

CNN

Bruce Gilley, Co-author, "China's New

Rulers: The Secret Files"

Professor Cheng Li, Hamilton College, and

Fellow, Woodrow Wilson International

Center for Scholars

Panel II:

Professor Shaomin Li, Old Dominion

University

Dr. Andrew Scobell, Army War College

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

CHAIRMAN D'AMATO: The hearing will come to order. Good morning.

Today the United States-China Security Review Commission opens its initial public hearing since the release of our first annual report to the Congress in July.

Last year, the commission held a total of 10 hearings. Those hearings were enormously valuable in informing the commission and the public on the evolving relationship between the United States and China, particularly the economic relationship.

The purpose of the commission is to assess the security implications to the United States of the growing economic relationship with the People's Republic of China. As I mentioned, the hearings resulted in a far-reaching report, issued to Congress on July 15th, with many important recommendations for legislative action.

And for those of you who have just joined us, the hearings have been published as a Senate document. And available outside on the table are copies of the hearings, the report, and the documentary annex on research that the commission supported during its investigation.

Today, the commission welcomes two panels of well-respected China watchers to discuss the leadership succession now underway in Beijing. The Chinese Communist Party has delayed and is holding its 16th Party Congress on November 8, about 2 months late. At the party congress, the top leadership positions in the party will be parceled out to a select group of high-ranking cadres. These men will lead the 65 million-member Communist Party, the largest remaining Communist Party in the world.

This party congress has been highly anticipated for a number of years, yet we know far too little about its implications and the dynamics leading up to it.

For a country as important as China is, particularly to the United States, and with whom we have such a growing and important economic relationship, it is stunning how little we know of its leadership transition and what attitudes and plans its new leaders have regarding the United States. In a sense, Chinese politics is a political magic show, and we don't know exactly what is going to be pulled out of the hat at the end of this party congress. Whether rabbits, rodents, or raccoons, we will be interested to find out.

[Laughter.]

There are a number of important issues to be settled at the party congress. We don't know much about the composition of the new Chinese Communist Party leadership at this time because China remains a country ruled by a very tiny, elite group of men, as opposed to by law. There are many unanswered questions concerning the future direction of China's domestic and international policies, and their attitude toward the United States and toward engagement. And it will be a while before we find out just exactly what those attitudes are.

The witnesses in today's hearings were asked to look at the broader implications of the leadership transition, at the process of how the party chooses its leadership, and how the party-PLA nexus influences the succession of politics. In other words, what is the continuing influence of the PLA in this process?

The commission asked them to analyze these issues with an eye toward the history of the Chinese Communist Party and the PLA, to identify trends that could lead us to a better understanding of the future Chinese government.

The party congress will determine who will lead China for at least the next 5 years, through what promises to be a critical period in its modernization drive.

Today we have two panels. We welcome our first panel, very distinguished observers of the Chinese scene.

Willy Lam is the senior CNN China analyst and is based in Hong Kong, and we welcome him. He has come from Hong Kong to testify here today. He is the author of a number of important books, one of which, "The Era of Jiang Zemin," is available. He was nice enough to bring copies for the commission. Willy Lam is one of the most prolific and widely read writers in the China-watching world. We thank him for coming.

The second panelist, Bruce Gilley, is the coauthor of the upcoming "China's New Leaders: The Secret Files," a highly anticipated book he wrote with Andy Nathan of Columbia. He is also the author of "Tiger on the Brink: Jiang Zemin and China's New Elite," and other works on China. Mr. Gilley is presently a doctoral candidate at Princeton.

Third, we have Professor Cheng Li, a professor of government at Hamilton College. Currently, a fellow at the Woodrow Wilson Center for scholars in Washington, D.C., he is an accomplished scholar on China. Professor Li's books include "China's Leaders, a New Generation," and "Rediscovering China."

Thank each of you for coming. The way we will do this is that each one of you will have an opportunity to give a 10-minute oral opening statement. You will see a warning signal at 8 minutes that you have 2 minutes to sum up. And after the three of you have made your presentations, we will open up the hearing for questions. This panel will last about an hour and half, so hopefully we will have a very nice, in-depth discussion.

Why don't we start off with the person who has come the longest way? Willy Lam, would you like to start? And then we will go to Professor Li and to Bruce Gilley.

MR. LAM: Thank you, chairman, distinguished members of the commission, and ladies and gentlemen. Good morning.

It's a pleasure to have this opportunity to address the commission, which I think has produced very important work and whose latest study, the 200-page report, I think has been scrutinized by the Chinese leadership.

[Laughter.]

But turning to today's topic, most of my ideas and policies have been laid out in the written submission, so here I will just give excerpts from my written submission.

There has, indeed, been a buildup of expectations concerning the 16th Party Congress. This is looked upon as a summation of Jiang Zemin's 13 years in office. The expectation is that, perhaps, both in terms of rejuvenation, restructuring the political processes, and particularly laying out new paths of reform, now that China recently joined the WTO, there are all sorts of expectations on the economic front that there will be regular steps ensuring that China's economy will dovetail with international norms.

However, as of now, whatever we get in Beijing, it seems quite obvious that, in the course of the preparation for the congress, as well as internal, factional infighting amongst different cliques in the party, there have been some problems concerning the various areas.

But first of all, perhaps, let me address the more positive element, and that is, I think, in terms of rejuvenation, there indeed will be quite a number of steps taken to introduce young and more diverse and more professional cadres into the leadership. We see the almost wholesale concession from the so-called third to the fourth generation leadership in the elite Politburo Standing Committee, which is China's highest council of governance. At least four if not five of the members of the Politburo Standing Committee will be retiring, and then we'll see perhaps 65 to 70 percent of the Politburo and also 65 to 70 percent of the Standing Committee members being replaced by younger men and women.

We also see the members of the so-called fourth generation--that means, in the Chinese context, just teenagers--the cadres now aged maybe late 30s to late 40s. These cadres, most of them have had ample exposure to the West. Some of them have advanced foreign degrees from the U.S. and other universities. They have come home to China, and some of them have been promoted to vice ministerial or vice governor positions.

So we see, indeed, a determined effort by the leadership to jumpstart the rejuvenation process. At the same time, Jiang Zemin will, at this congress, table a motion to revise the constitution, enshrining this Theory of the Three Represents as one of the guiding principles of the party.

I think most of us know what the Three Represents mean. Basically, it means that the party must represent the foremost productivity, the most of one's culture, the interests of the broad masses, and so forth.

Under the Three Represents Jiang will be introducing more members of the so-called new classes. That means private entrepreneurs, professionals returning from abroad. And we anticipate that in the coming 5 to 10 years that leads up to the 17th Party Congress in 2007 and subsequently, more members of the new classes will be not only inducted into the party but perhaps promoted to more senior positions.

And in terms of geographical distribution, I think we'll see more cadres from the central and western provinces being inducted into the Standing Committee and even into the Politburo. For the past 10 years or so, we have seen the predominance of the so-called Shanghai faction, or cadres from Shanghai and coastal areas, pretty much monopolizing major positions at both the central and regional levels. Perhaps that might be a shift to a more equitable distribution of the importance geographically. There might be more officials from the central and western provinces being inducted into the Politburo.

However, the transition in terms of age remains a bit messy because of Jiang Zemin's apparent efforts--which has been discussed at length in the media, both in the U.S. and Hong Kong, and other places--efforts by Jiang Zemin to hang on to some position, perhaps the chairmanship of the Military Commission after the congress.

So this transition remains incomplete, the transition from the third to fourth generation. And unless the fourth generation has a clear-cut mandate, it's doubtful whether they can carry out some of the reforms that the outside world expects them to do after the 16th Party Congress.

By means of the character of the fourth generation, they are very cautious, risk-averse politicians. And unless they have a firm grip on power, it's unlikely they will introduce major changes.

It's also true that at a time when China is rocked by social instability--for example, unemployment and various disturbances, both in cities and the countryside--the fourth generation leadership would not press ahead with new reforms unless they make sure that the country is stable.

So for all these reasons, unless they're given a clear-cut mandate by the third generation, this will affect the progress as well as the pace of reforms.

The other problem of the transition we have seen so far is that Jiang Zemin has really politicized the PLA. In the past few months, he has encouraged several hundred generals to write petitions to the central leadership, asking Jiang Zemin to stay, saying that, "because Jiang is such an important figure, we can't afford to do without Jiang." So we have more than several hundred petitioners asking Jiang to stay on as general secretary and head of the Military Commission.

The army has also been at the forefront to promulgate this campaign to study the Theory of the Three Represents.

So we have suggestions in Beijing that in return for doing so much for Jiang Zemin, the generals expect rewards after the party congress, perhaps in terms of a bigger budget for the army and an even bigger say in both foreign and domestic affairs.

After Hu Jintao and his fourth generation colleagues--for example, Wen Jiabao, who is the front runner to become prime minister--after they have taken over, for all the reasons I mentioned, I think they will only move cautiously in their first term. That means until the 17th Party Congress in 2007, they will be hamstrung, to the extent that Jiang Zemin will be staying in the back. Jiang will still remain the core of the military. And with Jiang being pretty much the power behind the throne, it's doubtful whether the fourth generation could get a quick start on major reforms.

Take political reform, which is the focus of interest amongst national observers. Even though political reforms in various manifestations have been discussed by fourth generation cadres, such as Hu Jintao and so forth, those are still on the drawing boards. But from what we are given to understand, it's quite likely that in the coming 5 years covered by the 16th Party Congress, they will only move cautiously on two fronts. One is the introduction of so-called elitist politics.

Elitist politics has nothing to do with democracy in the Western sense. It just means that the Communist Party would widen the pool of talent from which the top leaders would pick the cadres. So it means, essentially, injecting new blood into the party system, without changing the basically Leninist structure of the party. So this is a way to enable the party to maintain one-party rule, but without introducing real Western, democratic institutions and ideals.

So to this end, under the Three Represents doctrine, they will introduce and induct members of the private sector. They will introduce professionals and returnees from abroad and promote them to senior positions. It's quite possible that they would also induct Hong Kong and overseas Chinese, who are deemed trustworthy enough, to senior levels. As it is, already one or two Hong Kong Chinese have already been appointed to vice ministerial positions in Beijing. From about 5 or 6 years back, they have also begun a new system of open examination to recruit cadres up to the level of head of department.

All this has been done to enable the party to widen the pool of talent from which to pick leaders but without undergoing what is known democracy in the Western world.

The second thrust of political reform under the Hu administration will likely be to expand what is known as intra-party democracy. That means making the decision-making process more transparent and, to some extent, more democratic within the 60-million member Communist Party.

For example, at the grassroots level, we have seen several hundred party secretaries of villages being elected into office. And in the past, in terms of the party chiefs of counties, they were just appointed by one person, namely the head of the provincial party committee. But from now on, all members of the provincial party committees will meet on fixed intervals, and then they will cast the ballots to pick the county chiefs.

So in a sense, a slight expansion of transparency as to how they will pick lower level leaders, but not broad-brush mechanisms to ensure that the top echelon of the party--for example, the Politburo members--can be elected in any methods that can be construed as democratic.

So to sum up, it's true that the party leadership, particularly the fourth generation cadres, realize the importance to undertake thorough reforms, both on the economic and political



fronts, to enable China to meet the challenge of the 21st century.

However, it's also true that the political structure remains highly feudalistic in many respects. And Jiang Zemin's refusal to state categorically that he is giving up all positions, in the past few months, I think has indicated problems with a true transition, which will result in a hamstrung fourth generation leadership. And that would impede their ability to function properly, at least in their first term.

Thank you.

CHAIRMAN D'AMATO: Thank you very much.

We will move right on to Professor Cheng Li.

PROFESSOR C. LI: Thank you. I want to thank the commission for inviting me to participate in this panel discussion on China's leadership succession.

The topic is extremely important not only for the future of China but also for the future of U.S.-China relations. Unfortunately, there has been more speculation than thoughtful analysis regarding the nature and outcome of this power transition. As the old saying goes, ask five China experts and you'll get five different answers.

[Laughter.]

Six if one went to Harvard.

[Laughter.]

I'm sorry. That's a compliment for those who attended Harvard.

Well, the problems of rumors and the prolonged period of uncertainty prior to the 16th Party Congress are understandable. During this time of political succession, it is natural for Chinese political leaders and their various factions to build coalitions. Coalition building takes time and often involves political negotiation.

The confusion experienced by outside observers is also understandable because China's political succession has been filled with paradoxes. For example, the intra-party elections and the regional representation have gained importance in the

selection of members of the Central Committee. But the process of choosing top leaders--for example, candidates for the Politburo and the Standing Committee--is by no means transparent.

Despite institutional mechanisms that have been adopted in order to curtail favoritism, new leaders have all advanced their political careers through connections, or "guanxi" in Chinese.

While the military's influence on political succession has declined during the past decade, the Central Military Commission is still very powerful.

While keeping these paradoxical phenomena in mind, we China-watchers should look at the broad trends in Chinese politics in general and political succession in particular. An understanding of these broader trends can help us see the big picture.

Now let me outline what I see as four broad trends in Chinese elite politics: first, from "strongman" politics to collective leadership; second, from revolutionary mobilizers to technocratic managers; third, from the prevalence of favoritism to a more institutionalized selection of elites; and fourth, from the "soldier as king-maker" to the professionalization of the military. I will conclude with a brief discussion of the implications for U.S. interests.

Now, the first trend. The first trend reveals an unquestionable move from an all-powerful, godlike, and charismatic single leader to collective leadership. A comparison of political succession under Mao, Deng, and Jiang is particularly revealing.

Mao held enormous power. He treated his succession as if it was his own private matter. The omnipresent slogan "long live Chairman Mao" during the Cultural Revolution reinforced the illusion of Mao's immortality.

During the Deng era, political succession and the generational change in the Chinese leadership became a public concern. Yet, because of Deng's legendary political career, no leaders dared to challenge Deng's authority. For many years during the 1990s, people in China and the Sinologists abroad speculated about when Deng would die. Consequently, stock markets in Hong Kong, Shenzhen, and Shanghai often fluctuated widely.

Jiang Zemin is no Deng Xiaoping. He has neither the charisma nor the revolutionary experience that Deng had. When Jiang was appointed by Deng as general secretary of the party after the

Tiananmen crisis in 1989, he lacked a solid basis of power in both the party hierarchy and the military. To a certain extent, Jiang has gained in power since 1989 largely through coalition-building and political compromise.

During the last party congress, Jiang was unable to place some of his supporters on the Central Committee. Jiang's power has been constrained by new institutional rules and procedures.

For this reason, people are concerned about Jiang's scheduled retirement during the 16th Party Congress this November.

The change in political sentiment in China--from "whether Mao would ever die" to "when Deng will die" to "when Jiang will retire"--illustrates that the trend of strongman politics has gradually come to an end.

The new generation of leaders will rely even more on power sharing and consensus-building due to their own weaknesses.

Second, there is a trend away from revolutionary mobilizers to technocratic managers. Since the 1980s, the criteria for elite recruitment have shifted from revolutionary credentials, class background, and ideological purity to technical expertise and administrative skills. The PRC's first and second generations of leaders, as we know, were largely peasants turned soldiers. They were skilled at ideological campaigns and revolutionary mobilization, but they knew little of economics, management, and technology. In contrast, many third and fourth generation leaders are well educated and more capable of dealing with economic issues.

Because of a growing demand upon various bureaucratic institutions and geopolitical and geographical regions in China, the so-called fourth generation leaders are particularly known for their skills in coalition building. This is especially evident among the three rising stars in the fourth generation: Vice President Hu Jintao, Vice Premier Wen Jiabao, and the director of the CCP Organization Department, Zeng Qinghong.

In my written testimony, I have a more detailed discussion of each of them. I don't need to repeat that now. Instead, I just want to highlight the fact that these three rising stars in the fourth generation leaders are not just party functionaries. They are also capable technocratic managers who are seriously concerned about how to run a modern economy in an increasingly integrated world.

They have also heavily relied on the expertise and advice of other professionals, such as lawyers, economists, financial experts, and public policy specialists.

My third point is that there has been a trend away from the prevalence of favoritism and toward a more institutionalized process in the selection of leaders. The career paths and the political socialization of the new leaders display some paradoxes.

Nepotism in various forms has played a very important role in the selection of new leaders. Political networks such as the Shanghai Gang, the Princelings' Party, "taizidang," the Qinghua Clique, the Fellow Professionals, "tongxiang," the Chinese Communist Youth League Officials, and the Personal Secretary Clusters, or "mishuquan" in Chinese, have all served as important sources of elite recruitment among the fourth generation leaders.

In addition, some new political groups--for example, the "Returnees from Study Overseas," so-called "haiguipai"--have also emerged as a distinct elite group within the central leadership.

But at the same time, the growing diversification of political networks may contribute to the dispersion of power and highlight the need for sharing power. More importantly, in the 1990s, institutional mechanisms, such as formal regulations and informal norms, have been more effectively implemented.

Let me briefly mention six htmects of institutional development in China during the past decade.

Number one, the so-called "election with more candidates than seats," which means that if the Central Committee wants to elect 200 members, they will provide 205--but now the number probably has increased--on the list. Those who are defeated are usually the children of high-ranking officials or those who are very close to Jiang Zemin, as the past two party congresses indicate.

A second development has been the implementation of term limits of 5 years. An individual leader cannot hold the same position for more than two terms. I studied local provincial leaders, party secretaries, and none of them exceeded two terms.

Third, age limits for retirement have been set. Based on CCP regulations or norms, leaders above a certain level cannot

exceed a certain age limit. That's why Jiang Zemin should retire, because he is 76 years old and should retire from the Politburo Standing Committee.

Fourth, political norms have been established to curtail overrepresentation, the concentration of representatives from certain regions in the central leadership. If you look at the structure of the members of the Central Committee, you will see each province has two seats. This is not a regulation but a norm, so it is more widely spread.

And the fifth change that has occurred is the regular reshuffling, or the so-called "law of avoidance," in the selection of local leaders. For example, provincial top leaders should not work in their native areas and should be regularly transferred to other regions after a few years with the central government.

Lastly, the promotion of children of high-ranking officials should be confirmed by the Organization Department of the CCP Central Committee.

All these laws and norms indicate there is an increasing pressure within the CCP for genuine political institutionalization. These developments have also affected the behaviors of the fourth generation leaders. New leaders are far more interested in seeking legitimacy through institutional channels than their predecessors were.

As new leaders move into the highest level of power, as leaders move in that direction, having a princeling background or membership in the Shanghai Gang, which was previously an avenue to success, may become a liability.

As a result of these institutional developments, no individual, no faction, no institution, and no region can dominate power. These changes also affect the military. This is the last trend I want to discuss.

For most of the PRC's history, the military has played a crucial role in domestic politics. But during the past decade, the possibility that China's military will interfere in politics, especially political succession, has become increasingly remote. The following events and developments illustrate this point. Let me briefly go through them.

One is the establishment of Group Armies, which directly obey the order of the Central Military Commission rather than the military regions.

Second, a regular reshuffling of top officers has taken place within and between the military regions.

Third, Chinese military involvement in business was successfully banned in the late 1990s.

Fourth, the military is decreasingly represented on the Central Committee, especially the Politburo. Currently, no military figure serves on the Standing Committee.

The fifth point is that civilian leaders currently hold the top posts on the Central Military Commission.

Lastly, no strongman has emerged in the fourth generation of leadership. The fact that none of the rising stars in the fourth generation is associated with the military suggests that they will likely work together to prevent the emergence of a strong military figure.

In conclusion, I would like to address the crucial question of what are the implications of all these institutional developments in Chinese politics for the United States. I believe that these institutional developments and the political trends in China converge with the interests of the United States. The United States does not want to see either the reemergence of a paramount authoritarian Chinese leader or the rise of a strong military regime. Chinese history shows that a radical and xenophobic foreign policy often require a charismatic and sometimes paranoid Chinese leader. None of the frontrunners of the fourth generation seem to have such characteristics.

New technocratic leaders in China are probably not interested in Western-style democracy. But they also do not have an ideology fundamentally hostile to American values. As a matter of fact, the Chinese leadership is becoming increasingly diversified. More lawyers, entrepreneurs, public intellectuals, and social advocates will increase their presence in the upper tiers of power and participate in the political process and discourse in the years to come.

China's road to a more open and liberal state will of course not be smooth. But China's ongoing effort toward political institutionalization will most likely lead in that direction.

The United States should welcome this development because global peace and prosperity in the 21st century requires a stable, cooperative, and responsible China.

Thank you very much.

CHAIRMAN D'AMATO: Thank you very much, professor.

And we will move on to Bruce Gilley. Please go ahead, Mr. Gilley.

MR. GILLEY: Thank you. Thank you for having me here this morning.

Well, perhaps we just heard a thesis and an antithesis, and perhaps I will try to provide a synthesis-- [Laughter.]

--if that's possible, and buck the trend of China-watching.

I'm very happy to be here. You have heard already some of the bare-bones outlines of this transition from Willy and from Dr. Li, so I won't repeat them. But I will try to add some context to some of the issues that they raised and maybe ways of thinking about whether this transition has indeed been as smooth as some believe, and whether indeed what we're seeing here is good for Sino-U.S. relations and stability globally, generally.

The first point I would make about the succession, on whether this was a smooth succession or whether this was a succession that was rife with factionalism and instability, generally speaking, this was a smooth succession if one compares it to previous successions in communist China or, indeed, in any Communist Party globally. It is believed that this was the first succession, if it in fact occurs as planned, in a communist regime worldwide that did not require the death of an incumbent or some degree of palace coup or purge. That itself is indeed a significant achievement for the Chinese Communist Party.

And indeed, there is a new group of leaders, whose age is roughly 10 years younger than the current Standing Committee that is likely to take over. And although there is some doubt about Jiang Zemin and whether he will retire, irrespective of that particular issues, the rest of the leadership is going to be changed, and that can be seen as quite an achievement.

The issue, however, is not so much the absolute improvements in succession stability as much as the improvements relative to what China's people and China's governance requirements demand. That is to say, yes, this was a much smoother succession than

the days of Mao, but Mao is not the standard any more for what China needs and what China's people seek in their elite level politics.

My point is that although we can see this succession as being an improvement over past successions, it still was subject to significant instability, as, for example, Jiang Zemin's attempts to remain in power; as, for example, the doling out of all the Standing Committee positions on a more or less factional basis, not a merit basis; as, for example, as Willy mentioned, the use of the military to try to get involved in the last-minute succession and keep Jiang Zemin in power.

There are many htmects of this succession that do not meet the standard of smoothness at any serious level and which, of course, as a result, as we have seen, have caused a great deal of speculation internationally, have lead to a great deal of interest--of which this hearing is one example--and have led to concerns among foreign investors about projects being put on hold and respected researchers like Citibank putting out notes to their clients saying, be cautious; don't invest; things are on hold, don't expect to get any business done in China for the next 6 months.

So I tend to think of these things in terms not of absolute improvements but in terms of what is expected in 2002 of the leaders of a large and important country like China. And I think that this succession, although an improvement, failed to meet the standards that would be expected.

The issue we're all trying to address is what does this mean about the state of the CCP and the PRC regime. And my general sense is that while this certainly doesn't suggest there is imminent risk of collapse of the regime, it does suggest that the regime has failed to institutionalize itself, at least to a degree that would provide stability in its rule. The Chinese Communist Party continues to be a party that holds power very tightly and in a very concentrated fashion at the very top. The decisions on this succession were made literally by three people: Jiang Zemin, Li Peng, and Zhu Rongji, who are three senior-most members of the Standing Committee. The other four members of the Standing Committee had virtually no say in the arrangements, nor did the regular members of the Politburo. All of those people are supposed to have a say and are supposed to share in the collective decisions that were made. That didn't happen here.



That matters because, when we think about the future of any communist regime, we need to think about how it responds in times of crisis. We've been asked here to address the implications of the succession for Sino-U.S. relations, and it's very normal to try to look into the views of the new leadership on domestic problems, on foreign problems. But the history of the Communist Party suggests, in fact, that what they intend to do, and what they think, may actually not be very relevant. What may be more relevant is how they respond in a situation of crisis, to unintended events, to unintended consequences.

And when we have a leadership where power remains highly concentrated and liable to being either run around or being shifted from one leader to another, it suggests that crisis management and response to crises is not very successful.

What we have in China now, then, although we have had a smoother succession, is a regime much like any late-term authoritarian regime: The power remains concentrated; institutionalization remains weak; and the ability of the political system to respond to crisis is still quite limited.

I think that I'm going to wrap up. The only other issue I would like to address is the issue of particular policies towards the U.S. as far as the fourth generation sees it. This is certainly a new leadership that does not view the United States as a partner. It certainly sees the United States as a competitor, both strategic and economic. This is a leadership, however, that also is inheriting probably the best and strongest Sino-U.S. relationship of any previous leadership. That's largely as a result of the work of Jiang Zemin since 1989.

So on the one hand, they have a very clear view of the United States as a strategic competitor, indeed, a threat to China and to China's emergence. On the other hand, they view a close relationship with the United States as valuable and as worthwhile for China itself and its own goals. So while we can expect that this leadership will remain somewhat at arm's length and will not seek to create a new partnership that goes beyond what is established, I think we can also expect them to try as much as possible to maintain stability in Sino-U.S. relations because they see that as in their interests.

Thank you.

CHAIRMAN D'AMATO: Thank you very much, Mr. Gilley.

And thank you all for a range of provocative statements. I'm not sure they're all completely reconcilable.

[Laughter.]

But our job is to kind of plumb that.

I have one introductory question for you. One of the purposes of this hearing is the question of the United States-Chinese relationship, as it seems to be emerging from the transition. Do any of you have a view as to whether the U.S. relationship has played a dominant role in the politics of this succession crisis?

And secondly, on the question of institutionalization and crisis management, there's a certain conflict between the statements on corruption or the rule by a very small group of men versus institutionalization of the decision-making process. What is the tension between institutionalization and corruption?

This commission found in our report that corruption was playing a more important role than we would want in Chinese politics and the Chinese economy today. To the extent that we have some institutionalization, can you see the prospect that the Chinese leadership will get more serious about institutionalizing crisis management with the United States to try to avoid surprises and a lack of any kind of framework for regulating crises?

Any one of you can start. Willy, do you have a sense of that?

MR. LAM: Yes, thank you. I think relations with the U.S. have played a big role in the leadership dynamics as well as Beijing's perception of the U.S. in the past year.

First of all, until late last year, when the status of Vice President Hu Jintao, the heir apparent, was in doubt, there was much speculation as to whether the leadership--which is the Communist Party's Leading Group on Foreign Affairs, which is the highest decision-making body on diplomacy within the body--whether that group would approve of his visit to the U.S., even though late last year Washington had put out feelers to Hu Jintao as to whether he wanted to come to the U.S. So they had intense discussions as to whether Hu Jintao should go.

And finally, the decision was made by Jiang Zemin as well as the Leading Group on Foreign Affairs that Hu Jintao should go. So his eventual trip to the U.S., which turned out to be quite successful, was seen by most cadres in China as proof that there

were no longer any doubts concerning Hu Jintao's succession. He had been to Washington, he had been to see President George W. Bush and so forth, so that almost amounted to an imprimatur on Hu Jintao's succession.

The current trip that Jiang Zemin is planning to Crawford, Texas, his last trip to the U.S. as head of state, is also important. It's not a secret that Jiang Zemin regards foreign policy as one of his major legacies, and he does want to end his career on a high note of good relations with the U.S.

So the fact that he is making his very last visit as head of state to the U.S. in October I think has affected, for example, Chinese decisions on a range of bilateral issues, including how Beijing would react on the crucial question of Iraq, if that question comes up before the U.N. Security Council, what Beijing's representatives will do. And I think more or less the conclusion was made that Beijing would abstain from voting, should such a vote involving military action against Iraq take place.

So I think definitely Jiang wants to end his career as China's chief foreign policymaker on that high note of good relations with the U.S.

Concerning some of these institutions, as I briefly alluded to in my paper, I think, at this stage, the new shape and composition of China's foreign policy establishment remains unclear because China's foreign policymaking in the past 10 years has been dominated by two figures, Jiang Zemin and Qian Qichen, who is the vice premier and also the Politburo member in charge of diplomacy. And now that both of them are retiring, it's not clear who might be taking over.

The expectation is that Hu Jintao as the new general secretary as well as Zeng Qinghong, who has been Jiang Zemin's troubleshooter and who, despite his main job being personnel affairs, has, in the past several years, been taking a more and more prominent role in diplomacy, including Asian affairs in Taiwan. It's expected that Hu Jintao and Zeng Qinghong will be playing important roles in foreign decision-making.

However, in terms of the institution, I think they are now trying to work on more regular consultations with the U.S. on, for example, security issues, human rights, proliferation, and so forth. So they are hoping that there will be more institutional mechanisms to ensure that at least difficult

problems would be discussed in good time and not leave things until a crisis erupts.

And finally, to address the question of corruption, the relationship between institution and corruption, it's quite sad to note that in spite of the eruption of major corruption scandals in the past few years--for example, the Xiamen smuggling corruption case, which is set to be the worst since 1949--there is still a lack of determination on the part of the top leadership to separate corruption investigations from the party.

So until today, and this will go on for a while, the highest graft-busting organ, the Central Commission for Disciplinary Inspection, will still be vested within the party's central authorities. And there has been, in the past few months, quite a bit of factional infighting as to who will get that position.

And at this stage, it looks like it will be Mr. Luo Gan, who has been the Politburo member in charge of legal affairs for the past 6 years, and who happens to be a protégé of Li Peng, the chairman of the National People's Congress.

So until this stage, despite the leadership's apparent determination to institutionalize the handling of corruption, it is still very much tied to factional dynamics, because Luo Gan is faithful to Li Peng. So the expectation is that perhaps he would exercise a high degree of care concerning investigations about certain cases.

So the judicial process, particularly in relation to corruption, is still not free from political influence. And that is still a determination, despite lobbying both by internal groups--that means the cadres, the fourth or fifth generation officials with exposure to the Western institutional norms and so forth--and also foreign governments, who have been pressing the Chinese for the past 10 years to adopt Western political norms. In spite of all this, the legal system, including the mechanisms to fight corruption, are still tied to very much traditional party politics.

Thank you.

CHAIRMAN D'AMATO: Thank you.

Professor?

PROFESSOR C. LI: Yes, the first question, I would like to see the U.S. role as an engaged observer rather than an actor in the process of succession. Our views or positions sometimes may lead to unintended consequences. We unintentionally help the forces we don't want to help.

And as for the Bush administration, I think it has been doing it exactly right. We started contact with the new generation, Hu Jintao and other younger leaders, because eventually these people will emerge and become the leaders of China. But at the same time, we also express our concern that we want to see a more democratic, more accountable government. At the same time, we also show our respect to Jiang Zemin, during his upcoming trip.

So again, the role is not just an actor, telling them what they should do, but rather to have a discussion or dialogue with Chinese leaders and also state our position that we want to see a more democratic, more institutionalized China, a more accountable government.

So again, as I said earlier, the institutionalization is also in the best interests of the United States.

Now, for the second question about the tension between corruption and institutionalization, it's a very good question. I see it as a paradox again. It's still an ongoing process.

On the one hand, we do see the problems of corruption as both in reality and in people's perception of China. At the same time, we do see some institutional mechanisms to try to curtail this kind of problem. For example, we know that, in the past 2 years, China tried and punished high-ranking officials more than at any time in PRC history. Quite a number of ministers or deputy ministers, governors or deputy governors, are in jail now.

Also, in terms of the selection of the Central Committee members, now they have a new regulation that these candidates should release their personal income information.

The truth is that regarding top leaders, we hear a lot of rumors. I don't know whether they're true or not. Certainly, they're suspected of corruption. But for lower level leaders, at least they should have a clean public image, because otherwise you will fail in local elections, including provincial elections.

So the tension is still unfolding. I hope that institutional-building will get more momentum. In China, it's still an authoritarian regime, you really cannot eliminate corruption. And, corruption is also a problem in democratic countries to a certain extent. But the thing that's most important is whether institutional mechanisms are there, whether people still hope that institutional mechanisms can curtail this kind of corruption. Otherwise, the country will be in big trouble.

MR. GILLEY: Yes, I will try to speak briefly.

I agree with Dr. Li that perhaps the most important thing the U.S. can do, and has done quite successfully in this succession, is not to raise threat perceptions in China to, in a sense, recuse itself from the whole succession issue and ensure that U.S. policy is not an issue in the succession, which, indeed, I agree with Dr. Li, would tend to empower those with a harder line toward the U.S. And those people in the new leadership would certainly include, for example, Luo Gan, who is the protégé of Li Peng and, as Willy said, is likely to take over internal security and international espionage responsibilities. So certainly, he's not a person who you would want to empower more than he will already be.

And the U.S. has acted well; I recall, for example, one of the best examples, I believe in July, when the Taiwan president made a speech in which he suggested that the Taiwan legislature should consider legislation to govern a possible referendum on Taiwanese independence. That event, especially as I understood in dealing with the source that Dr. Nathan and I worked with, did indeed have the potential to upset the whole succession and to empower Jiang Zemin to remain in office as the Military Commission chairman.

The U.S. administration acted very quickly to offer Beijing assurances that it in no way supported the Taiwan president's plan to try to push through legislation on the referendum. It gave those reassurances to Beijing very quickly, and I think very effectively put out what potentially could have been a very dangerous fire in this succession.

So that certainly is the right approach, and I think it's being followed well.

The issue of institutionalization you'll notice not only splits us here but it splits China observers. And indeed, Professor Nathan and I are deeply divided on this issue. Having worked on

the exact same material over several months and having spent many hours interviewing the source that we worked with, we're deeply divided on this. And in fact, our differing views will be published in the Journal of Democracy in January, basically saying we reach totally different conclusions from this.

[Laughter.]

The reason for that is obvious, and in fact, the views aren't as diametrically opposed as all that. Clearly, China has achieved a great degree of institutionalization in the last 10 or 15 years, and there's no doubt about that. On the other hand, that institutionalization is far from complete, and it remains very weak in many areas. So we can talk about the glass half full or the glass half empty. Clearly, they have made progress, but there is much more progress to be made.

Perhaps the more important issue is where it will lead in the next 5 or 10 years. Can we expect institutionalization to continue to improve as it has over the last 10 years, or is there a danger of another breakdown of institutionalization?

For example, we saw in the years leading up to the Tiananmen protests and in the years immediately after, when the whole institutionalization of the first years of reform was essentially thrown out the window, the designated successors were purged; the elders of the party who were supposed to be retired came back into power; power was immediately reconcentrated right at the top.

The history of the PRC since 1949 suggests a cyclical rather than a linear process of institutionalization. It tends to improve; it tends to break down. And that has been the case ever since 1949.

Now, Dr. Nathan is not here to disagree with me, and he would suggest that what we are seeing now will in fact continue in the next 5 years. My belief is that we will enter a new period of institutional breakdown and that the norms we are seeing now may in fact be a high point of institutionalization.

The issue I'll mention about corruption, as Dr. Li has said, there has been improvement. And the point I will make on this, just as with other issues, is the improvement needs to be seen in light of what China's people expect nowadays, not what they had to put up with 20 years ago.

One of the most salient images for the Chinese people in the 1990s was the sight of two former South Korean presidents being put on trial and having their trials held on national television. And those two ex-presidents were tried for corruption. That event is still remembered and Chinese people will still talk about it, how impressed they were that newly democratic South Korea was able to arrest and try two former presidents for corruption.

That is the expectation and that is the level of expectation in China now. So when there is a failure to prosecute high-level officials in China who are roundly believed to be corrupt--for example, the official who was in charge of Fujian province when the Xiamen smuggling case erupted, which Willy referred to--when there's a failure to prosecute those individuals, those are the cases that are remembered popularly. And those are the cases that make people feel that there is not enough being done, even if there are greater numbers of lower level officials being prosecuted than in the past.

CHAIRMAN D'AMATO: Thank you very much.

Commissioner Wessel?

COMMISSIONER WESSEL: Thank you, Mr. Chairman and members of the panel. It's been very interesting.

I'd like to open up a question about what this regime transition is going to mean to the Chinese people. Many of your papers have talked about what it may mean in terms of opening up some political rights, in terms of provincial and other elections opening up. But what will it mean for the economy and the economic rights of many of those people, which has been a huge problem?

In your paper, Mr. Gilley, I guess the New York Times book review, you quote Wen Jiabao on indicating that the expansion of domestic demand is one of his priorities. We anticipate, as I understand it, from demographic information, that over the next 10 years the Chinese workforce will increase by roughly 12 to 13 million workers per year. So over the next decade, China will replicate the entire size of the U.S. workforce, which brings with it tremendous productive capacity. It's hard to see how China will be able to absorb that productive capacity. Will it change from being an export-led growth model to a domestic demand-led growth model, which is I think what the WTO accession approach anticipated?



So I'm trying to understand what this change is going to mean with increasing turmoil in the provinces around the shutting down of state-owned enterprises. How does the new leadership address what could be worker turmoil, and what does this mean for the rights of the people?

MR. GILLEY: Yes, I think actually there is quite a lot of room for optimism on the issue of economic policy, because I think that economic policy has now, in a sense, been removed from the political arena, to a large extent. There is no ideological division of any real significance now on the value of marketization and of integration with the global trading community. There is some division about what to do with the remaining state enterprises. But what in fact you have in China is a kind of de facto privatization over the last 20 years anyway, so that the state enterprise issue is slowly taking care of itself in terms of having those enterprises privatized.

I think that the reason for the shift toward the domestic demand is really a pragmatic one that they believe is the real source of future economic growth in China. And I think they're right. This is a large continental-size country. It's not a country that can grow through external demand any longer. And it also has tremendous pent-up domestic demand. And what has held up the domestic demand in the past has really been political issues that peasants have been limited from migrating freely from the countryside into cities; housing has been controlled in state hands and has not been privatized. Those types of ideological barriers are now falling away.

And so Wen Jiabao, who will be the next premier, is in a position to focus economic policy on stimulating domestic demand. That will include a lot of urbanization by peasants that will include marketization of housing of remaining state enterprises.

And I think it's through those processes that he hopes to absorb the growing numbers of laborers who are either entering the workforce newly or being laid off by state enterprise reform. And I think it's a strategy that deserves support. And I think its strategy that has a lot of merit.

PROFESSOR C. LI: It's a very good question. I want to reject two extreme views or interpretations of the leadership change. On the one hand, some people believe that there will be no change when the new leadership comes into power, which I disagree with, based on the historical record. Each individual, from Mao to

Deng to Jiang and probably to Hu, each has his own personality and also policy preferences.

And I also don't want to go with those other extremes, that there will be fundamental changes or a change occurring very quickly and dramatically. I don't think, particularly in this succession, that we will see that, because these fourth generation leaders are really participants in China's political process. And they are very active in many areas. Some of them are already in the Politburo.

Now, my view is, there will be some important changes in both the economic and political arenas. Now, as we know, Jiang Zemin's power base is from Shanghai. And under his administration, Shanghai developed very rapidly. To a certain extent, people, even inland, liked this kind of development, because Shanghai is the showcase for China's coming of age. But at the same time, it also caused a lot of resentment, because really uneven development became an issue.

Now, look at the new generation; Hu Jintao and Wen Jiabao, both have a solid background in China's inland. For Hu Jintao, he spent 13 years in Gansu, 4 years in Tibet, 3 years in Guizhou, and he frequently visits China's inland.

Now, certain economic policy changes, in terms of more even development and paying more attention to the social safety net to help those whom are called the weaker groups, they all become part of a new agenda.

So what I see is a spillover of wealth to try in an attempt to reallocate the resources to help those people inland.

Now, we also know that there's a heated discussion, a very dynamic discussion, in China about the political reform. And the inter-party democracy is one of the topics. And both Wen Jiabao and Hu Jintao will engage with the Central Party School to create some kind of a reform program.

Now, their agenda is to first have party democracy and then probably have a general democracy; first have institutionalization, and then have transparency; first have economic development, then have political development; first have local democracy, then expand to the upper level.

But they haven't faced the real challenge. Sooner or later, they need to face the moment when the Chinese intellectuals realize this time is real. Then the challenge will be overwhelming.

So we can see two scenarios. On the one hand, because of this institutional work, they probably can prevent what happened in the other communist countries, the collapse of regimes. They probably can still maintain the Communist Party's rule because of this kind of process. And eventually it will lead to, perhaps, transparency of the factions within the party. Well, we see some evidence, because, again, Zeng Qinghong probably represents the coastal area, Shanghai, and Hu Jintao may represent the interests of the inland and backward region.

But at the same time, again, if the pressure is overwhelming, there can be a major challenge. It largely depends on the capacity, the wisdom of these leaders.

But one thing we should remember is that this generation of leaders grew up during the Cultural Revolution and they went through a lot of difficulties, a lot of hardship that is really beyond the imagination, to a certain extent. I don't think they really believe in communism anymore. And they were very disillusioned by Maoism. Originally they participated, and sincerely believed in Maoism.

So I think this will be probably a most capable, most diversified leadership. But again, the challenges are overwhelming. Unemployment, economic disparity and environmental degradation, all these challenges are real.

So we don't know the answer, but these are two scenarios.

MR. LAM: I would just like to add, briefly, two points. One is yes, there is quite a good consensus amongst the various factions or different divisions within the party and the army, and that is to meet the challenge of the 21st century, challenge of China's accession to the World Trade Organization, they have to maintain this high growth rate, what is known as the 7 percent solution. That means at least a 7 percent GDP growth rate year after year.

When Zhu Rongji first became premier about 5 years ago, he saw very clearly that Beijing could not depend on exports to generate that level of growth. So very quickly, he decided on the strategy of trying to stimulate domestic consumption. However, he began quite radical budget deficits as well as

fiscal deficit financing as a means to gear up the spending to arrive at this 7 percent growth rate.

And at this stage, after 5 years of deficit financing, the measure of public debt versus GDP, by most Western estimates, is close to 50 percent. And there's been controversy within the government economists this year as to how long they can go on.

However, by the recent statements of Vice Premier Wen Jiabao, it looks like in the first at least 2 or 3 years of this new government, from next March onwards, they still have to resort to deficit financing to maintain the 7 percent growth rate, because the fact of the matter is that they must generate at least, on a yearly basis, 8 to 9 million new jobs, in order to maintain stability.

So this is one problem that the new Wen Jiabao administration has to tackle, how to continue maintaining the country's fiscal stability in the face of deficits, as well as the allied problems of the nonperforming loans and the banks, which have not been solved very satisfactorily over the past decade or so.

The other question I would like to address very briefly. The question of political reform also enters into the picture because quite a large number of cases involving both labor and peasant unrest have to do with the fact that there is no dialogue between the various levels of government and the workers and the peasants, despite China's having acceded to various international covenants on cultural, labor, and social rights. They have insisted on the fact that Beijing doesn't have to allow nonauthorized, nongovernmental, or non-party-affiliated labor organizations to come into being.

So to this day, there are no nonparty or nonofficial state unions in China. But in the absence of such labor unions, it's very difficult for the government to conduct real dialogues with the workers. And this will only exacerbate the problem of labor unrest, in the absence of a real dialogue between the government and the workers.

The same is true for the farms because, actually, the problem of unemployment is much more serious in the countryside. The lowest estimate is that at least 150 million farmers are either out of work or severely underemployed.

So I think these are the problems that the new administration and Vice Premier Wen Jiabao will have to work with in the coming 5 years.

Thank you.

COMMISSIONER WESSEL: Thank you.

CHAIRMAN D'AMATO: Thank you.

Commissioner Robinson?

COMMISSIONER ROBINSON: Thank you. I join fellow commissioners in very much appreciating your coming today and what I think have been a very illuminating set of discussions thus far.

My principle concern is one that's been raised earlier, which is the notion of potentially flawed crisis management as it pertains to regional challenges that will likely involve the United States directly. There are ingredients, to be sure, on both sides. Mr. Lam talked about the repoliticalization of the PLA by Jiang in an effort to, if you will, secure the kind of role that he is seeking in the transition. The harder line views of Li Peng as one of the three primary players that Mr. Gilley discussed, and how he fared in the course of the transition, particularly through the future role of Luo Gan, which I understand to be, if you will, an individual in which his sentiments are probably most reflected.

On the other hand, you do have the ongoing desire for bilateral stability with the United States. Professor Li talked about the benefits of diversified views at the top, the more collective leadership structure.

But when I look back at the EP-3 incident, there was no small measure of paralysis, delay, even miscalculation that allowed that incident to ramp up into quite a significant crisis in the bilateral relationship, despite greater institutionalization, collective leadership, and the like.

So I'd just like to sound out each of you, if you have a sense in what is an uneven transition, albeit net positive, I think is the consensus, but still uneven, to the point where I was even impressed by the Citibank remark that they were viewing this as not a period when things were going to be moving smartly on the business front.

All that said, if we had another EP-3 equivalent, can you discuss that in the context of the succession as you see it now, and whether we would get crisp, properly configured debate that would lead to less miscalculation rather than, arguably, more?

MR. GILLEY: I think the short answer is no, you won't. It's not any better. It won't be any better. And it's not an issue of the individuals; it's an issue of the system.

In a system in which power is not institutionally delegated amongst various parts of the government or state apparatus and given to groups that have responsibility to make decisions in their capacity of handling foreign affairs or military issues or whatnot, in a crisis situation, what tends to happen is the power immediately reconcentrates at the top.

That's what happened in the EP-3 case. Nobody anywhere within the Ministry of Foreign Affairs or at any level below the Standing Committee was in a position to do anything or say anything. There have been proposals or there's been talk about the establishment of something called the national security council in China that would deal with crisis decisions like this. The problem, as we understand it, with that proposal, and the reason why it has never really been given any serious consideration, is because it would suffer from exactly the same problems that the current system suffers from, which is that lower level officials appointed to that commission would simply not have the responsibility, would not be given the power to stop the buck and say, "Here's the decision on this issue."

Anytime a crisis erupts, the power tends to concentrate very rapidly at the top, and you get the sort of paralysis, like you had in the EP-3 days. And I don't see any signs that this leadership succession is going to change that systemic problem.

MR. LAM: Well, I think Jiang Zemin, to his credit, has made some efforts in this direction, at least in coming up with new institutions or ways and means of deterring military intervention in civilian affairs. I think Jiang Zemin himself suffered personally from some excessive interference by the generals, in terms of the Taiwan Strait crisis in 1995, 1996. At that time, as you might remember, the crisis was caused by former Taiwan President Lee Teng-hui paying a trip to Cornell University in 1995.

At that time, President Jiang Zemin's grip over the top brass was not very solid. And during subsequent internal discussions,

Jiang Zemin himself as well as the foreign minister at the time, Qian Qichen, was subject to criticism by the generals. So afterwards, Jiang, to give him credit, he did come up with ways and means to ensure that the generals would not be in a position to wade in too heavily on decision-making concerning foreign or current affairs.

However, I agree with Bruce totally that, at that this stage in time, in spite of the fact that Jiang Zemin and the senior leaders regularly attend lectures on modern management, modern public policy, and so forth, they still do not have a set of institutions to handle foreign policy and, even worse, foreign policy crises.

At this stage, they still have a very lopsided, top-heavy management system. That means a very few secretive bodies, like the Leading Group on Foreign Affairs or Leading Group on Taiwan Affairs, would have major input on foreign policy.

So in the case of, for example, a recent crisis like the NATO bombing of the Chinese embassy in Belgrade in May 1999 or the EP-3 incident, what happened was, a few hours after those happened, the Politburo Standing Committee would convene in emergency session within the Zhongnanhai Party Headquarters. And on a fairly ad hoc basis, the Politburo Standing Committee, as well as Leading Group on Foreign Affairs, would just call up the relevant experts. So they convened an ad hoc emergency session to discuss those issues. That is clearly a lack of institutionalized mechanisms to handle such crises.

That's why, about 2 or 3 years ago, Jiang Zemin, as well as his aides, did propose a national security council kind of institution to try to coordinate different national security agencies, including the army, foreign affairs, internal security, and so forth.

However, the creation of this body itself has been bogged down by bureaucratic infighting. And there is also opposition to this because many cadres fear that if such a body is created, then it's likely that Jiang Zemin would become the chairman. And this would actually torpedo the intended pace of the handover of power, because Jiang Zemin staying on as a national security council chairman would mean that he would be the ultimate arbiter of things. And that would just delay the orderly transition of power.

So institution-building remains very far behind the requirements of China at this stage of coming up with more institutions and processes, particularly to handle hostile situations in the Asia Pacific region.

PROFESSOR C. LI: Well, I believe that a Chinese regime, to be on the verge of collapse, should meet all these conditions, together: one, the domestic problems will be out of control; secondly, a very serious international crisis directly affecting China; and thirdly, a vicious power struggle within the top leadership or a leadership crisis. That makes our observation of the current power transition particularly important.

Now, look at what has happened the past few years. We do see a remarkable trend that the Chinese leaders actually have put their personal tensions or problems really behind the scenes. We do not see much. We only hear rumors and these are not really confirmed.

We even still do not know how many people attended the Beidaihe meeting and what the decision was. We don't even know why or whether they really postponed the 16th Party Congress, which means that the party leaders under this kind of pressure, they probably will unite rather than divide, and be in the same boat.

Now, we heard a lot of things about the military coming back. I do not see this kind evidence. I haven't read the letter that was sent to Jiang Zemin, asking him to remain in power. From how many people? How many military officers? It's also in the military's interest to see a peaceful transition of power.

And again, what I see is a general consensus that the military should not interfere in domestic politics unless there is some real crisis.

So my answer to your question is that the most important question is crisis management. And no one knows the answer.

But if the three forces converge together, yes, the regime will collapse. If not, however, it can survive.

CHAIRMAN D'AMATO: Thank you very much.

Commissioner Lewis?

COMMISSIONER LEWIS: Thank you all very much for coming and helping educate us on these subjects.



I'd like to talk about the army and the role of the army. I understand that six of the nine people on the top military commission are scheduled for retirement now also. What are the implications for the Chinese relationship with Taiwan and the Chinese relationship with the United States? There seems to be tensions now between the desire to democratize more and have more western representatives and have more people representing the farmers and get away from Shanghai. And yet, the army seems to be playing a significant role now, with all these letters going out and the politicization of the army and the deification of Jiang Zemin right now.

If in fact there is this tension between the technocrats and the people who are now leaving power, and perhaps if Jiang Zemin stays on, Zhu Rongji and Li Peng may also want to stay on in some role of power. Maybe you could discuss that relationship.

But if the army plays a role in Jiang Zemin staying on, won't this cause the army to have more power in the future than they now have, because if Jiang stays on, then there is a natural corollary for army leaders to stay on who are also slated for retirement? And how can Jiang dismiss the army if he intends to stay on? Is that one of the key questions?

Erik Eckholm wrote this article in the New York Times yesterday: "If you force out all the generals over 70, then why should Jiang himself stay on as supreme military leader?"

So I was wondering if you would discuss those issues of the tensions between the technocrats, the representatives from outside Shanghai and the western provinces, and the army, and what this means for future army budgets and what it means for the relationship of China with the United States and the relationship of China with Taiwan, and also the princelings.

The princelings don't seem to be part of the army, and they don't seem to be part of the technocrats. And if the new people go after the technocrats, what will this mean in terms of the technocrats' benefactors right now?

MR. GILLEY: Yes, thank you. It's a very good and important question.

The leadership transition in the military, as you say, six of nine are retiring. I think we would probably all agree that our best estimate is that General Cao Gangchuan will take over as the executive vice chairman of the Military Commission. Guo

Boxiong will become the new chief of staff. And I believe Xu Caihou will become the minister of defense.

The first two of those, General Cao and General Guo, are both very much technocrats, in the real sense of the word. They are not considered to be allies of any political faction, which is a very important move forward for professionalization in the military. They are both advocates of a continued slimming down of the numbers of the PLA. It now stands at 2.5 million. We understand that General Cao would like to see that number fall to 1.5 million or even 1 million, although maintaining--

COMMISSIONER LEWIS: Creating more unemployment.

MR. GILLEY: Well, maintaining budget levels at the same or higher, at the same time, in order to facilitate rearmament. But he's envisaging a very different type of military.

So from that standpoint, it's a good sign there is a more technocratic military leadership coming into position.

Their views on foreign policy issues are typical of people in national security positions. They tend to emphasize threats. They tend to emphasize the need for preemptive action to avert threats. Now, that's not unique to China's national security system.

[Laughter.]

Their views on Taiwan, of course, are quite orthodox. They believe that the PLA should be ready to go to war, if necessary, to recover Taiwan. They do view the U.S. as very much a threat to China's emergence as the preeminent power in Asia, which it would like to be.

At the same time--and we always come back to this idea of their intentions and their unintentional, or how they would react in a situation that they may not have anticipated--there is a lot of evidence that the Chinese military, although it has been employed at the last minute for some political purposes, is truly becoming a depoliticized body. I think we may debate that, but I think there's a lot of evidence that that's the case.

And it is a group that is beginning to view its own corporate interests as separate from those of the party. And indeed, if you comb the bookstores in Beijing, you'll find, interestingly, quite a lot of books these days written by military people on

the need for political reform, on the need for liberalization, because they're viewing their corporate interests as being whatever is necessary to maintain political stability in China. And if liberalization is necessary, then they will be behind liberalization.

In the dossiers that we used to write our book, we found a quote by Hu Jintao where he worries openly about what's called departization of the army. And that, essentially, means an army that is starting to think for itself and is no longer thinking of itself as a sort of personal bodyguard of the Chinese Communist Party.

So that side of the military transition I think is important in ensuring that the military is not necessarily a force for political hard-line views. It may in fact be a force for liberalization in China.

COMMISSIONER LEWIS: And, therefore, the impact on China-Taiwan relations would be moderate or would be extreme?

MR. GILLEY: It would be moderate, I believe. Although they maintain orthodox views on the Taiwan issue, at the same time, in a situation of crisis where it might become apparent that any action against Taiwan would lead to a response from the outside world to intervene on behalf of Taiwan, and that the repercussions of that may be quite negative domestically in China itself, the PLA may believe and may see three moves ahead on the chessboard that although its views on Taiwan aren't quite orthodox, it might take an enlightened view on that issue.

COMMISSIONER LEWIS: And do you expect wholesale change in the top army leadership?

MR. GILLEY: Yes.

COMMISSIONER LEWIS: Thank you.

MR. LAM: Just very quickly, I think Jiang Zemin has been a very underrated politician. Actually, he's a very skillful politician. And I think he has been able, even though when he first became head of the army in 1990, he had no previous military experience. In the course of the past dozen-odd years, he has been able to have a stamp on the top brass. And that's why he has been able to rein in the generals, particularly after the 15th Party Congress, when the two octogenarian generals retired. So Jiang

has been able to promote quite a number of his protégés to senior positions.

So that's why he has been able to persuade all those generals now on the CMC who are about 70 to retire, even though he himself being 76 might still hang on for a few more years.

And in terms of the distribution of the power to the generals, we expect them to maintain perhaps close to 10 percent of the seats of the Central Committee, and there will be no more than two generals on the Politburo. So in terms of their existing positions in the Politburo, I think it remains unchanged or slightly less than before.

I don't think that at this stage the generals are in a position to influence politics, including Taiwan policy, in a big way. Jiang has been able, in a sense, to buy them off with generous promotions. Jiang has promoted a record number of generals of different grades, and he has given them big perks, big houses, big limousines, and allowed them to keep their secretaries and so forth.

I think there are only two dangers. One is the younger officers, not the generals. The generals are pretty much in Jiang's pocket. But the younger officers, the colonels, or young officers in their 30s, late 30s, up to late 40s, they have more nationalistic inclinations. And, therefore, should a situation with the U.S. or another part of the world get worse, and should they perceive a threat to China or a cause for saber-rattling, these younger, nationalistic colonels might make some trouble, particularly soon after Hu Jintao takes over. He doesn't have Jiang Zemin's clout. He doesn't have Jiang Zemin's grip over the army. So the colonels are a problem.

The second potential for a new crisis is something that may have nothing to do with foreign affairs or the army. It may have to do with an internal crisis.

For example, if Hu Jintao or Wen Jiabao cannot control the domestic situation, if unemployment were to get much worse, and if there were something which happened in Russia, if there were 200,000, 300,000 miners on the streets, if the leadership cannot handle a domestic crisis, then the temptation comes up for a major foreign venture to divert the attention of the public.

And at that stage, the generals may come up with a "solution" for Taiwan, which would achieve the goal of national

reunification and at that same time, more importantly, solve the domestic problem by diverting attention away from something that the new leadership is unable to handle.

So that would be the other possibility for the army perhaps interfering in domestic affairs.

Thanks.

COMMISSIONER LEDEEN: Thank you.

PROFESSOR C. LI: I just want to very quickly add two points. I agree with everything that my co-panelists have said.

One thing is Jiang Zemin's tactics in dealing with the military, he used the promotion of the generals. So if we look at the profiles or dossiers of these generals, we find an interesting phenomenon. Those in the top level, the members of the Military Commission, are usually in their late 60s or early 70s, and some of them are even in their early 80s. They are quite old.

But if you look at the next level, the military region commander or commissioner, they are pretty young. But often they retire. How does that happen? Jiang Zemin just makes them three- or four-star generals. This is the highest military career they can achieve. Then after a couple of years, they just move on.

So those at the top are really very reliable, the military officers, and will agree with the party line, in general.

Now, the second point I want to make is that you mentioned the New York Times article. I think my colleague, David Shambaugh is quoted. I very much agree with his assessment.

I think that if Jiang Zemin remains as the chair of the CMC that causes problems, because it sounds like the army will mostly control the party. So my sense is that I agree with him that probably Jiang also will resign that post as well. At the maximum, within 2 years he has to resign, to let the party be the real boss, the leader. Otherwise, it will cause them a very serious structural problem.

COMMISSIONER LEWIS: And the implication to China and Taiwan is what?

PROFESSOR C. LI: Well, I agree with what they said. I think that the new leadership probably will follow the same line.

One thing I want to add is that the new leadership under Hu Jintao probably will more frequently play the political card. If you look at the previous leaders, Mao played the military card. Deng Xiaoping played the diplomatic card. Jiang Zemin played the economic card, in dealing with Taiwan. I think the fourth generation leaders probably will play the political card.

One major issue in China-Taiwan relations is that the Taiwanese think that China is an authoritarian regime. "We are a democracy." Now the new leaders say, "Yes, we are moving toward democracy." So it has become a political card they will probably play and, to a certain extent, play effectively.

COMMISSIONER LEWIS: Thank you very much.

CHAIRMAN D'AMATO: Commissioner Dreyer?

COMMISSIONER DREYER: I was very interested in Professor Li and Mr. Lam talking about the growing importance of provincial leaders. It seems to me that there's a very interesting possibility here, and that is, to what extent do provincial leaders represent provincial interests?

Now, we know that the central government went to some efforts to get the Ye family out of Guangdong politics. Ye Xuanping was brought to Beijing to head the People's Political Consultative Conference and so on.

So we know the central government is vigilant, and there's a law of avoidance and so on. But sometimes what you think you can prevent, you can't prevent.

One of your papers, I think it was Professor Li's paper, dealt with: Below the level of the province, you have local leaders emerging. And of course, if you have a so-called "foreigner" as governor or first party secretary, he or she is very dependent on the people below him or her for some kind of guidance and just all-around support.

So to what extent do you see this perhaps developing into a more bargaining relationship of the provinces with the central government, and the implications for the strength for the central government out of that?

I'm sorry. It was a very lengthy question.

PROFESSOR C. LI: It's an issue of national integration and regional autonomy. It is a very important issue that is emerging in China today.

And I do think that you're absolutely right, that the central leadership will shuffle the top leaders, as in the Guangdong case and in many other cases, to undermine this kind of localism and very strong economic debate.

At the same time, we also see that these leaders are more concentrated in their own region, and we already see that phenomenon. For example, Hu Angang, distinguished economist in China, he even said a few years ago that one province should have one vote in the Politburo, this kind of idea.

Hu has not been popular in the coastal area, but he is very popular inland. We do see that inland provinces, based on the yearbook of China's Statistical Bureau, there are only 11 in coastal regions, including Beijing, Shanghai, a city. But there are 20 inland provinces.

So these inland provinces have formed a kind of coalition, to a certain extent, during the party election of a Central Committee member or even for a Politburo member. So if you look at previous records, those members of the Shanghai Gang always got the lowest votes.

So that process is very dynamic. It is fascinating in many ways. It does demonstrate the trend that the local leaders have become more important.

These local leaders--China's provinces are very much like European states. One province has over 100 million people.

So they, like the European leaders, are dealing with the problems of social justice policy, implementation, all this kind of thing. So they have limited experience when they move to the top.

So what I'm saying is that probably we will see this kind of bureaucratic politics. Where you stand might depend on where your state is.

But the thing that we will see, with the pattern of the reshuffling, is whether more coastal provincial leaders move inland.

Now, one commissioner just mentioned that princelings usually, actually, do not have much experience in the inland, because they love to go to the coastal regions, rich cities like Qingdao, like Dalian, like Yantai, like Fuzhou. There they can quickly become very successful, because the resources are huge.

So we do see these kinds of tensions. Again, it's an unfolding drama. But on the other hand, there is no attitude even among local leaders that they want to have a real kind of political autonomy. There is no such thing. It's still economic negotiating about getting more resources, human resources, economic resources. It's a healthy development, I think you would agree.

COMMISSIONER DREYER: Although, first of all, I guess the presence of the princelings does not necessarily mean a country isn't institutionalized. I could swear, in the last election in the United States, I had my choice of two princelings, for example.

[Laughter.]

And not to mention the latest gubernatorial Democratic primary in the state of New York, that sort of thing.

And I guess you'd also agree that princelings are not necessarily incompetent; I mean, Bo Xilai, et cetera.

But, I'm sorry. Go on.

MR. LAM: I would just like to add that very likely, because of intensive lobbying by the provincial members of the Central Committee as well as the delegates to the 16th Party Congress, we'll have more Politburo members representing the provinces than last time. The current Politburo were for--but most of them are from the coastal provinces. So it's quite likely they will have more, at least one or two, from the central and western provinces and cities.

The representatives from the central and western provinces do have a lot of grievances against the center. One is, of course, resource allocation, the fact that, particularly in the case of Shanghai, so much in the way of national resources have been lavished on Shanghai and close-by cities in the last 10 years.

The other grievance is WTO because prior to Zhu Rongji's negotiations with the U.S. and EU, there had been no thorough



discussions with the local leaders. And after the agreements had been concluded, Zhu and his ministers had a hard time selling the package to the provincial party secretaries, as well as governors and mayors in the different cities and provinces.

So that's why the regional officials have been crying foul over the fact that they have to suffer the consequences in terms of growing unemployment. There had been no prior consultation, and they're now asking the central government to give them compensation after entering the WTO.

There is also the element of factional dynamics, just because of the "monopoly" of political and economic power by the Shanghai faction for so long. I think for the new crop of leaders, Hu Jintao and Wen Jiabao, who do not come from the Shanghai faction, they have a hard time fighting against the dominant influence of the Shanghai faction. So for their political survival, as well as the strength of their own factions, they are now working very hard to bring in new leaders from the central and western provinces to the top, members of the Communist Youth League faction, as well as the cadres who used to work in the central and western provinces.

But we will see how this plays out, how the Shanghai faction versus the Youth League faction or the cadres from the central and western provinces, how the balance of power will play itself out in the coming 5 years.

COMMISSIONER DREYER: Yes, because you mentioned before that, actually, despite the fact that there are, let's say, seven people in the Standing Committee, the decisions are made by three. So I suppose you could have a situation in which there are members from the central and western provinces, but they don't really make the decisions?

MR. LAM: Well, I think Hu Jintao, after 2 or 3 years, assuming that he has consolidated his grip on power, he has to do something to change the situation, because the institution, these seven people on the Politburo Standing Committee, decide everything. Relatively recently, it was basically a Jiang Zemin position to pretty much marginalize the full Politburo, because Jiang Zemin for the past 13 years that he has been in power has systemically marginalized the full Politburo. They don't meet very often, and sometimes when they meet, it's just for rubberstamping the decisions already reached by the Politburo Standing Committee.

Particularly when under Hu Jintao, within the Central Party School, there have been studies done by professors and cadres in the party school attacking precisely this tendency to centralize powers in a handful of people.

So if Hu Jintao succeeds in getting the support of other cadres, it is possible that, after a few years, when perhaps Jiang Zemin's influence becomes less predominant, that Hu Jintao might be able to reform the system of concentrating power in just seven people, and also sometimes just three out of the seven.

CHAIRMAN D'AMATO: Thank you.

Commissioner Mulloy?

COMMISSIONER MULLOY: Two years ago, about this time of the year, there was a debate raging in this town on whether we should grant China PNTR and whether they should come into the WTO. Those opposed or concerned felt that the economic relationship between China and the United States was quite unbalanced and that we're running huge and growing trade deficits with China. And they were concerned about the human rights and the authoritarian rule in China, and the fact that their coming into the WTO would get them more investment and strengthen themselves economically and technologically.

The argument in favor, which won, was that the WTO would help open their market and, two, that it would lead to political liberalization in China, which was in the U.S. national security interest.

Professor Shaomin Li, who is going to be on our next panel, in his testimony that he submitted, he said: "China's economy has been growing rapidly. The prevalent view holds that this economic development will be spontaneously followed by political change in the form of democratization. The international business community, especially executives of multinational corporations doing business in China, clings to this view." And then he says, "While economic liberalization is a necessary precursor for political liberalization, it does not guarantee the latter. History provides copious examples of economic development that did not lead to democracy."

Then I read this article in the Asian Wall Street Journal by Bao Tong, who apparently was the highest-ranking Chinese official in prison for opposing the Tiananmen Square massacre. There are people who say the Three Represents means the party is

broadening and it may be a sign of political liberalization. He says, on the contrary, what it does, you are admitting the rich and powerful to the party.

And ends by saying--he calls these people the "red capitalists." He says Chinese communism will begin to be transformed to more democratic tendencies. He says: I believe they're going to be disappointed, for it is like asking a tiger for its skin.

He says that what the red capitalists have done so far, they are simply joining the party to strengthen their own privileges.

In other words, I think he's saying that the party is going to become more authoritarian because you're going to have more people who are benefiting from the one-party rule, and they're going to stay in power. Obviously, that isn't what the premise of what WTO liberalization was.

Mr. Gilley, you mentioned that you and Mr. Nathan had some differing views on where all this was heading. I just wanted to get this panel's view on what Mr. Li said. Is this going to lead to political liberalization or don't we know? Or are there a lot of risks, and what do people see the tendencies to be?

MR. GILLEY: Factually, let's put it this way: China is now increasingly alone in the world community as a nondemocratic regime. I think, at last count, roughly 125 of the world's 190 countries are democracies that choose their leaders through fair and free elections. And population-wise, I believe China's people are about 60 percent of the total population of the world that cannot chose its own leaders.

So there are unprecedented pressures on China to move toward democratization right now, quite aside from what its leaders want. And that's a very important thing to keep in mind.

It is very rare in the history of democratization, whether we look at Latin America, Eastern Europe, Southeast Asia, north Asia, it's very rare for democratization to come about through deliberate moves by those in power. Typically, democratization comes about through a crisis of governance of an authoritarian regime, which may or may not lead to mass protests but which typically leads to a split of the regime, and to a certain group taking over and saying the only way we are going keep the country together and the only way perhaps for our party to stay in power is to begin introducing changes.

The issue of PNTR and the impact of granting it to China can indeed be seen as perhaps strengthening the Communist Party in giving it more resources in being able to buy off the population with economic growth.

At the same time, it introduces a whole range of new resources to Chinese society, whether it's economic or informational or international exposure, which are exactly the kind of resources, which typically around the world have led to democratic breakthroughs.

I agree with Dr. Li Shaomin that the Communist Party as presently constituted has no intention of introducing democratic reforms. And I believe they will do everything in their power to prevent that. On the other hand, history shows that eventually authoritarian regimes face that crisis, and typically they do move to that democratic breakthrough.

COMMISSIONER MULLOY: Professor Li, can you comment on that, please?

PROFESSOR C. LI: Yes. Certainly, the issues raised by Dr. Li Shaomin and Bao Tong are legitimate concerns. And certainly it's debatable, when the Party becomes a party of the rich and powerful, whether you can still consider it a Communist Party or if it still has legitimacy. These are real issues.

But having said that, I do believe that economic openness will lead to political liberalization. And the fact that Bao Tong, who was Jiang Zemin's personal secretary, his highest ranking official, could be openly interviewed and frequently appear on BBC, VOA, Radio Free Asia, that itself also tells us that a kind of openness in China has emerged.

And, yes, there's a real worry that the Party has become a representative of the rich and powerful. But at the same time, the other forces criticize this kind of phenomenon. Social advocates, other social groups, entrepreneurs, public intellectuals, they all emerged at the same time, not just the technocrats.

Actually, the peak of the technocrats' rule, I would say, is under Jiang Zemin's regime. Look at the seven members of Politburo's Standing Committee; six are engineers by training. I think in the future, still, the technocrat's dominance will last a while, but the peak has already passed, in my view.

COMMISSIONER MULLOY: Mr. Lam, can you also comment on that?

MR. LAM: Actually, within the latest so-called Beijing Spring in Beijing, which is a term we use for a brief period of intellectual brainstorming and so forth. Unfortunately, the last one took place quite a while ago. It was in 1998, the year former President Clinton was in China.

During that period, actually 1997, 1998, there was a fair amount of experimentation and brainstorming on new ways of perusing political reform. And one aide to Jiang Zemin, one of the members of Jiang Zemin's personal think tank, did come up with a timetable for expanding and upgrading the elections. He had a clear-cut timetable for raising the level of elections, which, as you know, have been held in China but only at the village level, from the late 1970s onward.

So his timetable called for incremental expansion and upgrading of elections, from the village to the township to the counties to the small towns, the cities, and the provinces and so forth, so that by perhaps the end of the second decade of the new century, some national level figures would be elected into office by universal suffrage.

So we have had some such proposals by think tank members working for senior leaders coming up every now and then. It's just that most of these proposals have not been adopted by the leadership.

So I don't think it's too farfetched to suggest that the fourth or the fifth generation leadership, perhaps 10 or 20 years down the road, if they see a domestic or an international crisis taking place that cannot be diffused by existing means, then if there is a good consensus within the party that they should maintain one-party rule, maintain the Mandate of Heaven, it's possible that they might resort to some such new ideas, at least to preserve party rule for the near term.

Internal studies have been done saying that even if there were open elections, even if there were multiparty elections in China, there's no question that the Communist Party would win for the first and the second time, but the third and the fourth time is highly questionable.

[Laughter.]

But at least they will win the first and second time. And some such measures will at least buy the party some time, rather than

having a big crisis which would drive the party out into the streets. They would be out of power and perhaps driven into exile immediately.

So some such proposals have been done, but whether that would be adopted I think depends on the fourth and fifth generation, and it depends on the kind of crisis, domestic and foreign, which they have to face.

And my own prediction is that they would indeed come up upon some serious domestic crisis and so forth.

Thank you.

COMMISSIONER MULLOY: Thank you.

CHAIRMAN D'AMATO: Thank you very much.

Commissioner Bryen?

COMMISSIONER BRYEN: Thank you, Mr. Chairman. Thank you to the panel for an interesting presentation this morning.

I'm more troubled about this than you are, I think. But I want to come back to what I would like to propose is a major problem.

It seems to me that when we look at the former Soviet Union, one thing that was relatively stable was understanding the chain of command, understanding who was in control of the military, who was in control of the strategic rocket forces, and with a lot of predictability and a lot of regularity.

First of all, in the various crises we have seen in respect to China in the 1990s--I'm more focused on the 1996 one, but even the latest incidents--we see a lot of confusion on the Chinese side about how to manage crisis and also what looked to me like a lot of bad information reaching the Chinese leaders from their own people, their own military people about the actual situation, for example, what the events were, what the facts were, as just one example.

Now you have a situation where we have a transition of sorts. The current leader is going to stay as head of the Military Commission, which essentially creates a great question as to what is the chain of command in respect to crisis, in respect to nuclear missiles, in respect to overall decision-making in war or peace. It's a big deal to retain the current leader in the

position of essentially running the military and then have another leadership come in. It's a conflict waiting to happen, if it hasn't happened already.

I would like to get your thoughts on that, but I'm not very happy about it. And I think it poses some risks that didn't quite come out in your testimony.

I leave this to the panel, and please feel free to respond. Mr. Gilley, do you want to start?

MR. GILLEY: Yes. I guess it depends on what actually happens with the Military Commission chairmanship. My belief is it will be handed over, and it will be handed over immediately in March of next year when they--there's actually a party and a state military commission, so they tend to hand over the chairmanships at the same time.

And as Dr. Li has said, it would represent a major rupture in Chinese politics if Jiang Zemin were to retain the Military Commission chairmanship, not only because Hu Jintao has been groomed for that position as vice chairman of the Military Commission, but also because Jiang would be sort of the power outside of the Standing Committee of the Politburo, and it would create terrible fluctuations in politics. And I think it's because they know that, that he will indeed hand it over.

The question still arises of who is in charge. Hu Jintao is the new chairman of the Military Commission, someone who has no military experience himself and who has been given virtually no responsibilities on the Military Commission in his four years as vice chairman now.

The only responsibilities he has ever been given as vice chairman of the Military Commission, as we have counted them, are to preside over the ceremony for the Chinese fighter pilot who was killed in the EP-3 incident and to occasionally take pictures with promoted generals. In other words, he's had no power.

So the issue of who is in charge is indeed very important, and also important in the sense that we know there is some instability in the chain of command, even in China's nuclear forces. There is a book that is wending its way through the censorship process right now, written by a former, I believe, Pentagon official who studied China's nuclear forces. June probably knows what book that is.

One of the revelations in that book is that, after 1989, the PLA leadership sought to acquire what are called, I think, PALs.

COMMISSIONER WORTZEL: Positive action links.

MR. GILLEY: Positive action links, which prevent, I guess, unauthorized use of nuclear forces.

So we know there are chain of command problems in the PLA. But I don't think the leadership succession makes those necessarily any worse. I think a smooth succession even to a weak Military Commission chairmanship is better than a ruptured succession, which creates high-level political instability.

So the solution, in my view, is exchanges with the PLA, increasing transparency, military-to-military exchanges.

COMMISSIONER BRYEN: We've been working on that.

MR. GILLEY: Yes. But I think that's where the solution lies. The interest of stability in China's chain of command certainly lies with a smooth succession, even to Hu Jintao.

COMMISSIONER BRYEN: I don't think I was asking a question about a smooth succession. I'm really asking about the aftermath of the succession if you have a split in management of the overall military system, and where you don't know who really has responsibility. First of all, it's a huge problem for us. And it's certainly a huge problem for them, and it can get them in war.

MR. LAM: First of all, just briefly, within the army itself, which is the party's perhaps oldest institution, because you had Mao Tse-tung's Red Army before a lot of the party apparatus came into being, so the army actually in some senses predates the party. So this thing with personalities is very forbidden in the CMC and commission. And as Bruce mentioned, even though Hu Jintao was appointed vice chairman of the CMC in 1990, I think he has been deliberately kept out of the loop because he's not from Jiang Zemin's faction. And Jiang Zemin has been very jealous, guarding his turf, not allowing Hu Jintao to be engaged in policymaking within the army.

But from what I've heard and what has been reported, Hu Jintao and his people are trying to come up with ways and means to ensure a more rational decision-making process in the army. For example, introducing more civilians into the top command,



expanding the role of the Defense Ministry, because, as you know, in China, the Ministry of Defense is just basically a public relations setup. It has no real power in decision-making.

So there are plans afoot to try to put more civilians as well as Western-style or at least international norms, as far as the decision-making across the chain of command is concerned.

But Hu Jintao and his colleagues I think of course face a daunting challenge, because from day one, he doesn't enjoy the trust of the generals just because he has had no military experience. And I think it will be a few years until he has won their support, either through hard work or, more likely, through buying them off through big budgets and so forth. With that, some of the generals might agree to go along.

COMMISSIONER BRYEN: Stop there a second. Is there a civilian control over the military in real terms? Or are we just guessing?

MR. LAM: No, no, no. It's just that in the current CMC structure, you have Jiang Zemin who is a civilian, and then Hu Jintao as the first vice chairman of the commission. So there are two civilians at the top.

But further down in the hierarchy, there is much more civilian participation. But there are proposals being made along this line, of trying to, in a sense, civilianize the military command, so that they can apply more rational management methods.

COMMISSIONER BRYEN: You see what I'm trying to get at. If there's a conflict among the couple of civilians that you have, such as they are, over who is running this place, and then you have the military left free, you can have endless problems that will rapidly go out of control.

MR. GILLEY: I think they're aware of that, which is why there is such great momentum and pressure for a complete handover.

PROFESSOR C. LI: Well, the question is, who is in charge after the 16th Party Congress? My answer is, yes, Hu is in charge.

[Laughter.]

The issue and the concern you raise also really was lively debated on Tuesday, last Tuesday, at the Woodrow Wilson Center, of which I'm a fellow. One of the participants at the conference, Lyman Miller from Stanford actually discussed that issue. He

said it's like in the United States, some governors running for president; people just talk about foreign experience.

In Hu Jintao's case, he has a lack of foreign experience, lack of connection with military, no experience with the military.

Then Lyman miller said that it does not bother him at all because our president did not have foreign experience or military experience. He was referring to Bill Clinton.

I think that, relatively speaking, yes, Hu Jintao's lacks this background. But on the other hand, if you look at his personality, his capacity, and his sensitivity--of course, there's still a question mark--but based on what we have read, I think that he could do an equally good job as Jiang Zemin has done. But of course, it also depends on the international environment, to a certain extent.

COMMISSIONER BRYEN: Thank you, Mr. Chairman.

CHAIRMAN D'AMATO: Thank you.

Commissioner Becker?

COMMISSIONER BECKER: Thank you, Mr. Chairman. I have just a couple of very quick questions that hopefully won't take too long. I've been keeping my eye on our clock, and I was hoping that we would be able to get to me.

I have a question on domestic security, and specifically labor protests in China. It's becoming increasingly common, either from workers or redundant workers that have been terminated, retirees, to lead large protests. The government has largely responded to these events by arresting the leaders, if they can identify them. And very often, with the protestors themselves, they accommodate them, acquiescing to some of their demands, paying them off, however you want to rationalize that.

But under this fourth generation of leadership that's going to be emerging, this is a very difficult problem for you, because I don't think we're even in agreement as to who this fourth generation of leaders is going to be. But under this fourth generation of leaders, do you expect this kind of heavy-handed activity on the part of the government to repress labor, to arrest their leaders, imprison them, to continue? There's been some hope that it is a move forward toward a more open society,

that this would ease up in some form or fashion. I'd like to have your opinion on that.

Let me just lay the second question out. It's on the WTO. The WTO commitment and the driving force behind it was the chairman. And he's going to be gone. Do you feel that this same commitment is going to be there, to the WTO and to what China has committed itself? Do you expect to see this continue under this new leadership, in this same form or fashion?

MR. GILLEY: Let me answer the second question first. The simple answer I think is yes. The WTO commitment and the broader commitment that WTO is part of, which is opening and marketizing the Chinese economy, has a very strong consensus. It may be, in fact, stronger among the new generation than among the outgoing one. Premier Li Peng is gone. He was the only serious sort of old-style Stalinist planner on the outgoing committee. There is nobody of his ilk in the new committee. So I think that seems to be pretty clear.

Handling the labor protests will probably be under the person we've mentioned before, Luo Gan. Luo Gan is Li Peng's protégé. He is in charge of the internal security and external intelligence gathering of China.

Luo Gan is what might be called sort of an enlightened autocrat. He does not believe in widening the scope for protests or for allowing protestors to hold negotiations with the government. On the other hand, he also believes in very properly followed procedures for police in protest situations, for courts in dealing with protestors.

And I think what you'll see is certainly not a lessening of repression but perhaps a more transparent, if you want to call it, sense of repression. I mean, a Malaysian- or Singaporean-style repression, where people are charged by the book, according to law, in full public light, and charged with disturbing public order, according to certain provisions, and have a trial. Certainly, the results may be the same, but the process is perhaps not as erratic or arbitrary as it might have been in the past.

MR. LAM: I think we might see a qualitative change in the labor movement in the coming 20 years. Judging by the latest wave of labor unrest, which took place in the northeast, centering on oil fields last March, for the first time we have seen some inter-provincial linkages amongst the labor organizers. And also

for the first time we have seen that the wildcat labor unions have become more active, or the underground labor unions, which the leadership has prohibited and has been trying to stamp out.

So the leadership is very worried. However, I don't see, at this stage, that the fourth generation would adopt basically new approaches. What they will do, I think, is a continuation of the carrot-and-stick approach, the current approach. Basically, that means beefing up the existing social security payouts. And Zhu Rongji just last week said that he will pull out all stops to ensure that, at least in the urban areas, there will be subsistence-level benefits for jobless workers, just perhaps enough to keep them having a subsistence-level livelihood.

At the same time, there was also a series of high-level meetings on job creation. And Zhu Rongji and Wen Jiabao have vowed that no matter what happens to the economy, they will at least create something like 8 million, 9 million new jobs a year. So this is the carrot part of it.

The stick part of it is that, even though as a whole the establishment of the central government has been shrinking--owing to a big reform effort by Zhu Rongji, where he has been trying to streamline administrative structures and so forth. In terms of recruitment of police and state security people, there has been a dramatic increase in the recruiting of police as well as the paramilitary police.

So the strategy remains that, as far as possible, they will try to adopt a conciliatory approach through offering social security and so forth, and perhaps a partial compensation of the salaries or pension funds for the workers. However, if this partial compensation doesn't work, then I think for the near future, they will still resort to what is known as the proletariat dictatorship to ensure that most of the outbreaks of disorder in the various provinces do not converge into a national crisis.

As for something that I mentioned earlier, and that is the permission to allow workers to form their own trade unions, or for farmers to form similar agrarian unions, which might facilitate dialogue between the authorities on the one hand and the farmers on the other, I don't think there's any possibility of this taking place in the near future.

PROFESSOR C. LI: Well, the two questions are interrelated in many ways. The first one about the labor, I think the Chinese

government faces a dilemma. On the one hand, it's in their interest to reform the party to make it more accountable. At the same time, in reality, you have to deal with the opposition, this kind of organized labor protests. How will you deal with it?

Right now, they just fire the local leaders, the mayor, the county chief, et cetera, probably even up to the provincial leader. But if there's a national crisis or protest, I don't think they're ready to deal with this kind of problem. It's a major challenge they are going to face, particularly when they move in that direction.

The second question about the globalization and WTO, there is also a lively debate in China among intellectuals about whether China can benefit from WTO globalization. There's some kind of criticism that's emerged from the so-called new left to challenge that kind of U.S.-led globalization.

But I do not see that the leaders share these kinds of views. Unless things become terribly wrong, particularly with the Chinese farmers, if there's a major crisis, I don't think this is going to happen. Why? It's related to China's Cultural Revolution when things were really bad. This generation grew up during that time.

And also, let's face it, China is going to benefit from openness to the international system, unlike some countries that probably aren't going to benefit that much. But China greatly benefits from globalization, openness, during this time.

Now the disparity becomes a major issue. The new leaders, as I described earlier, are sensitive enough to deal with that kind of problem in terms of more even development, establishing a social safety net to help with the so-called inland development. I think this is very much in line with reducing tension or preventing future criticism.

CHAIRMAN D'AMATO: Thank you.

Commissioner Wortzel?

COMMISSIONER WORTZEL: Thank you, gentlemen, for your written comments and your remarks here.

I was under the impression that the State Military Commission is simply a paper organization. I've got a few questions, but it

(the State Military Commission) has no meaning whatsoever, as far as I'm concerned. I'd like any of your responses to that.

Mr. Lam, I note that the Chinese Communist Party, as you did, describes the 1995 and 1996 use of force against Taiwan as having been caused by Lee Teng-hui. But many of us in the United States, including most of the Members of the Congress who pretty well made sure that Lee Teng-hui got his visa to the United States, and that President Chen Shui-bian has been able to stop through, and that Chen Shui-bian's wife will be honored here tonight at Twin Oaks, feel that Lee Teng-hui was not the cause of the crisis. The cause of the crisis in the Taiwan Strait in 1995 and 1996 was the intransigence of the Chinese Communist Party and their seeming inability to deal with democracy. So I differ with you on that one.

I'm interested in just how much flexibility we can expect any of the new leaders to have in the Communist Party, given that Jiang Zemin, Li Peng, Zhu Rongji, and especially Zhang Wannian will be standing right behind their back looking at what actions new leaders take. Whatever policies the new leaders may prefer or not prefer, how much can they do?

Professor Li, you talked about more democracy in the party. I'd really be interested in hearing how a Marxist-Leninist party that depends on democratic centralism can become more democratic. I'm kind of mystified by that.

And as this process of leadership transition goes on, can we expect at any point that the people who ordered the Tiananmen massacre will be brought to justice? Is the new Communist Party leadership going to be able to deal with what they did to their own people? And how will that affect future large demonstrations?

I think Mr. Lam talked about 300,000 people demonstrating in the streets over jobs, and how the party may divert attention to Taiwan. How are they going to deal with those 300,000 people in the streets? Are they going to be able to deal with an artificially created crisis in the Taiwan Strait and ignore the 300,000 people? Will those 300,000 people in the streets grow to the proportions that it did in 1989? There were a million people marching around Beijing at the order of one element of the Communist Party. So I have questions about that.

Both Mr. Lam and Mr. Gilley talked about young colonels, what's going on in the military, a less party-oriented, more professional, kind of a democratized military. I'd be really

interested if either of you could tell me the percentage of officers in the PLA or the leading cadre--you know, the squadron leader, platoon leader level--who are not members of the Communist Youth League or the Communist Party and what that says to a military that is under less party control.

And finally, for any of you, but it's in response to a comment from Mr. Gilley, what current Central Military Commission leader appeared at virtually all of the flood relief events, side by side with military people, working, lifting sandbags? And what did that do for that leader's image, not only among the populace but the civil-military relations, how the military was perceived by the Chinese populace? That leader was Hu Jintao.

CHAIRMAN D'AMATO: Which question are you going to take first?

[Laughter.]

PROFESSOR C. LI: First of all, the Military Commission, is it a paper tiger or a real institution? I think it's a real institution. Actually, the Ministry of Defense is the paper organization, because there's no office, no staff. It only has one minister. And the Military Commission is a real institution. It's the only institution where the military and civilian leaders have contact and negotiate. And ultimately, it's the decision-making body.

COMMISSIONER WORTZEL: How does the state Military Commission differ from the party Military Commission?

PROFESSOR C. LI: They're the same.

MR. GILLEY: The state body is on paper only.

PROFESSOR C. LI: That's right. Yes.

Now, the question about the contradiction about democracy within the Chinese Communist Party, I mean, we see many contradictions. I mean the Communist Party recruited capitalists into the party. Don't you think that's a contradiction? What about the Chinese policy of being really heavily engaged in the stock market? Is that a contradiction?

[Laughter.]

Yes, I don't care whether the Chinese Communist Party can survive or not. I don't care at all. What I care about is

whether China can avoid chaos, can really produce a political system that is more accountable, more democratic, more liberal. This is the real issue.

The Chinese Communist Party may fail. But what's the alternative? We should find a better way.

As I said earlier, there are two scenarios. One is due to their effort, they're probably completely out of touch, and they'll be forced out. The other scenario is a gradual change; more factions become legitimized and eventually lead to a multiparty system. Of course, we're talking about the near future, but I think this is 20 years down the road.

Now, the question about the military, yes, they tried to gain popularity, a new image, largely because the problem of Tiananmen, as you just mentioned. So the antifraud campaign, and the Chinese government just recently reported on participation in disaster relief, et cetera. So they are trying to change the image of the military.

And at the moment, actually, they're doing it quite successfully because of the professionalization of the military. Also, the military officers receive a good stipend now.

MR. LAM: Just a brief comment. On the Tiananmen issue, I think even though it's more than 13 years after June 4th, 1989, it's still very much an issue. And actually, one dynamic in the deliberations, which they had on picking the Standing Committee members, as has been reported, Li Peng is said to be opposed to Wen Jiabao becoming prime minister for the obvious reason that in May and June 1989, Wen Jiabao, being at that time the head of the general office of the Central Committee, accompanied Zhao Ziyang to the square to see the students. They were quite close at the time. So Li Peng actually, this time around, has quite vociferously opposed the candidacy of Wen Jiabao to become prime minister.

However, I think his opposition has been shot down, so Wen Jiabao remains the frontrunner.

It's possible, similar to the example I quoted earlier, if there were a domestic crisis, which the new leadership, Hu or Wen Jiabao, could not handle, it's possible that they could throw out Tiananmen Square to divert attention to buy some votes, so to speak, from the public. It's possible that if such a domestic crisis were to occur, then they might make public statements,



selectively correcting or revising the official verdict on Tiananmen Square.

I don't think a full-fledged apology is possible, but they will say, for example, that the PLA used excessive force, and so forth, and mistakes were made in the execution of the matter, and that compensation will be paid to victims and their families, and some such process will be put into the new version of the verdict.

Concerning the PLA, it's unfortunate that Jiang Zemin, in order to turn the PLA into a bastion for support for his personal ambitions of staying on for a few more years, we're seeing a repoliticalization of the PLA; in fact, efforts to build a cult of personality around Jiang Zemin, which is reminiscent of the Cultural Revolution, reminiscent of Mao Tse-tung.

As for the mid-ranked officers, the colonels in their late 30s and 40s and so forth, we're not very sure about the exact ideological or personal inclinations, simply because it's very difficult to get information from the public media. But from what has been reported from Beijing through diplomats and personal interviews, they are unhappy with the situation, unhappy with this structure, and they are also very wary of the command structure within the PLA. They are anxious for a faster pace of reform, perhaps through international, professional standards. So this is one thing.

The other htmect, as I mentioned earlier, they tend to be more nationalistic than the older generation of generals, than the generals in their 50s and 60s. Perhaps for no other reason, if there were no national crises, if China lives peacefully and okay for the coming 20 to 30 years, then the status of the army will decline, and it will be more difficult for the army to get a bigger budget.

The impression is that the young turks, the so-called young turks, the younger generals, tend to have more nationalistic inclinations, particularly on Taiwan and the U.S. And this, I would posit, would be one of the problems that Hu Jintao, who is an inexperienced CMC chairman, will have to contend with in the coming 5 years.

MR. GILLEY: I'll just try to address an issue which they haven't, one of the questions you asked about, democracy in Taiwan and to what extent that is or is not the reason for the intransigency toward Taiwan.

You're right that the fundamental issue that the Communist Party has to deal with in Taiwan is that it is a democracy and that its duly elected leaders do pursue policies, which are those generally supported by its population. And there is a kind of reluctance to see those policies as genuine manifestations of the views of the Taiwan people and a tendency to view developments in Taiwan as very much a kind of strategic policy being pursued by the United States using Taiwan.

However, because of that view, because they view Taiwan as essentially a pawn of the United States, rightly or wrongly, I do think it is still accurate to say 1995, 1996 was prompted by the action of the United States in granting Lee Teng-hui a visa, because they view the Taiwan issue entirely as an issue of Sino-U.S. relations. And, therefore, when Chen Shui-bian, for example, was elected as president, that itself did not prompt missile exercises.

Now here's the head of an avowedly separatist party coming to party as the president of Taiwan. They were standoffish and cold, but they did not react the way they did when Lee Teng-hui came to the United States.

I mean, we can argue normatively that it is good and correct for the United States to provide security for Taiwan so that they may pursue their democracy, but I think it's also important to see how the CCP sees it, which is that, were it not for the United States, they could have resolved the Taiwan issue long ago.

CHAIRMAN D'AMATO: Thank you very much. And we have one more question.

Commissioner Reinsch?

COMMISSIONER REINSCH: Thank you.

Mr. Gilley, do you think that the institutionalization of the succession issue tends to produce risk-averse leadership?

MR. GILLEY: Yes, I think it tends to certainly create a more collective leadership, because what institutionalization there has been, at least in this succession, is going to create a new Standing Committee that is fairly equally balanced among the different factions. And, therefore, I think that, as Willy said, in the first 5 years, they're going to be a very cautious leadership.

COMMISSIONER REINSCH: That's a comment about the present situation. I'm asking a more philosophical question: Can it ever be any other way than leading to a risk-averse result?

MR. GILLEY: Well, I think that in the absence of a strong leader, you get more collective decision-making.

COMMISSIONER REINSCH: Right. Can this process produce a strong leader? That's the question.

MR. GILLEY: Will it in the future produce a strong leader?

COMMISSIONER REINSCH: No. Can it, just by its nature?

MR. GILLEY: Well, it can. Jiang Zemin came to power in 1989 with very weak powers. And through processes that were admirable and not admirable, he emerged as a strong leader within the Chinese political context. And I think there's a good reason to believe that Hu Jintao will also pursue policies to enhance his own leadership and be more than just one among equals.

COMMISSIONER REINSCH: Professor Li, do you want to comment on that?

PROFESSOR C. LI: I think it's a very good question. Actually, there have been Chinese writings on that subject. They want to have a strong leadership, but not a strongman leader, not strongman politics. They want to make a distinction. Sometimes you have trouble making the distinction. Jiang Zemin is too weak, too soft, in many ways, and this comes from left wing intellectuals who are arguing that.

And that, to a certain extent, is worrisome because it's also likely that Hu Jintao certainly is weak in terms of his power, but he probably will be popular with the Chinese public. To a certain extent, Jiang Zemin has never been popular in China.

I just gave a talk at the Wilson Center. In China, people said that Jiang Zemin is no Michael Jordan. "You want to come back? No way. Your performance is not that great."

[Laughter.]

This is many people's attitude about it. Jiang Zemin is no Deng Xiaoping, to some Chinese. Particularly in Shanghai, they say he's no Michael Jordan.

So, again, because he received a lot of criticism, sometimes he has been very cautious. Of course, I should say, he did not make a major mistake, largely because of his power, largely based on coalition building.

Having said that, again, whether Hu Jintao will be a popular leader, what will that lead to? Only time will tell. But the one thing that is clear is that I think Hu Jintao's power will be restrained by many factors, by his previous experience, by his lack of expertise in foreign affairs and economic affairs, and also the coastal areas will have their own say.

So because of these constraints, particularly in the first few years, I do not think that the scenario that you hypothesize will happen. So in a way, I hope that we will see a strong leadership not become incapable, nor make the country become chaotic, but not be led by the strongman politics.

COMMISSIONER REINSCH: Mr. Lam, do you want to comment on that?

MR. LAM: Well, by their nature, I think fourth generation leaders, including Hu Jintao and Wen Jiabao, even though they're well-educated technocrats, they tend to be risk-averse, partly because the transition of power is not very clear. And if you look at the current record of Hu Jintao and Wen Jiabao, neither of them has had the national stature; neither has had some major achievements that could really impose their personality on the nation.

So particularly given the recent troubles in the transition, the fact that Jiang Zemin is said to be trying to hold on to power, and that even after the party congress, he may still be the power behind the throne for 2 or 3 years, all these factors will dispose them to be more risk-averse.

On the other hand, there is another way of looking at it, and that is, particularly in their second term--that means after the 17th Party Congress, from 2007 to 2012, in the second term--it's possible that because whatever legitimacy that Hu Jintao and Wen Jiabao will have, it will have to come from people. They will have to do something dramatic to win the support of the people, to win legitimacy, as well as to expand the Mandate of Heaven.

So it's also possible that they might be more inclined to take risks, just to have that public support. For example, even in political reform, because it is this one area in which neither the second or third generation has done anything. So it's

possible that, perhaps as a gamble, when they are having some other problems, they may contemplate taking bigger steps in political reform. There's a high possibility.

And we have already seen some of these signs emerging. That is, the think tanks under Hu Jintao and Zeng Qinghong--the Central Party School, the Chinese Academy of Science, and so forth--in the past 2 to 3 years have done some quite thought-provoking and quite ambitious papers and proposals for political reform. They may see this as a possible means, even though it's a gamble, but a possible means to win public support, so that finally they will have legitimacy running the country. Obviously, they don't have legitimacy through the ballot box, nor now do they have legitimacy through very clear-cut blessings being won from the forbearers.

So it's possible that they may be less risk-adverse in those areas for those reasons.

COMMISSIONER REINSCH: Thank you. That's a very interesting idea. But since we're running late, I think I'm going to pursue it with the next panel.

Thank you, Mr. Chairman.

CHAIRMAN D'AMATO: Thank you very much.

I want to thank all three panelists for your very extensive and valuable testimony. It was a terrific session. And we will be getting around a transcript to all of you, in terms of editing your remarks for purposes of inclusion in another publication by the commission.

And I thank all commissioners. Now, we are running a little bit late. We do have another panel, so I suggest we take a quick 3-minute break, and then we will go ahead and begin our second panel.

Thank you, again. Thank you, Willy, for coming from Hong Kong. Bruce, thank you very much. Professor Li, thank you so much.

[Recess.]

CHAIRMAN D'AMATO: We're a little bit late for our second panel. Is our second panel out there? You were very patient, thank you. I'm going to turn the proceedings over to my co-chairman,

Professor Dreyer, who's with us today and ready to go. Professor Dreyer?

COMMISSIONER DREYER: Thank you, Chairman D'Amato. I am very pleased to co-chair this meeting, and we certainly thank all of you for appearing today. There's been a lot of speculation over the makeup of the future and who will be the new Chinese leaders and what affect they're going to have on institutions whose manner of functioning we are also only dimly aware of.

And this, of course, is because the structure itself remains fundamentally opaque. And in China, as elsewhere where hard information is lacking, gossip rushes in to fill the vacuum. We are agreed that it's critically important to understand how the Chinese Communist Party selects its leadership. This demonstrates what traits and worldview are crucial to the gaining control of the Communist Party and the Communist government.

Merle Goldman often refers to party/government, and we understand that there are differences between them, but it is the similarities that we notice the most. And one can say that China has changed only if one says that because there isn't a leader among the present group, like Mao Zedong, who can mobilize the Chinese nation to carry out any whim. That is certainly the case; although I imagine if we were able to have Mao himself as a witness, he would probably tear what little hair he had left and say it wasn't really as easy as all of that.

Now, aware that China has changed quite a bit in certain ways, the leadership would have us still believe in the absolute authority of the Communist Party, and despite the fact that most of the population, at least the ones who talk to me, would certainly not espouse that attitude. But nonetheless, they are committed to using the powers of the state to beat back any attempts to move against that authority.

I am particularly pleased to welcome our two experts here today, Professor Li Shaomin, who's Associate Professor of Management at Old Dominion University. And that's a relatively new position for you. We all followed your drama of being accused of spying last year. And some of you may not know that when Professor Li was finally released and he got back to his university, he found that they had docked his pay for excess holidays for the time he spent in prison. True.

PROFESSOR S. LI: Yes.

COMMISSIONER DREYER: Which may tell you something about one country, two systems. And Professor Andrew Scobell, who is a valued member of the Strategic Studies Institute of the Army War College and co-editor with our own commissioner, Dr. Larry Wortzel, of a book. And you are having a book-signing event later this afternoon at the American Enterprise Institute.

Again, Dr. Scobell must be feeling quite exhausted with all of this because only last week, he ran a conference at the Army War College that many of us were privileged to attend. Let me start with Professor Li.

PROFESSOR S. LI: Thank you, Professor Dreyer. Thank you, Mr. Chairman, and honorable commissioners for having me here today to provide my observations on China's political and economic development.

As Professor Dreyer mentioned, I have studied the political economy of China for many years, since the late 1970s, and worked as an academic and as a director at AT&T in charge of China's market development. So I have both an academic and business perspective.

I think what's really different for me is last year I had the opportunity to conduct what I called a "participatory observation" of China's legal system, you know, for five months.

[Laughter.]

Which is not always very legal, even by their own definition.

The topic of our panel is "China's Leadership Succession and Its Implications." There are a lot of studies. We just had a very insightful and distinguished panel before us to talk about personalities and everything. I will try to take another direction, another perspective by talking about more of a historical macro perspective of U.S.-China relations.

I have three points. The first point is that economic development does not automatically lead to democracy. At least we don't really know time-wise or how long that would take. There are many examples. I use the example of Japan and Germany before World War II, when both countries had more effective economic revitalization measures that enabled them to have a faster economic growth rate than other Western countries. But that doesn't really lead them to democracy. That, along with their rising nationalism, leads them to war.

So in China, after 25 years of economic reform, the economy now is about 30 times as large as it was a quarter century ago. But still, it's ruled under a dictatorial party. And if you look at recent events, we don't really see any signs of loosening up or improvement in their violation of basic human rights.

But interestingly, at the same time, the Chinese leaders have a compelling desire to develop a better relation with the U.S. and especially to develop some sort of alliance with the U.S. Jiang Zemin has been trying to achieve this very hard, and we can see that really reflected in their foreign policy. However, they do think they can achieve an alliance or close relations with the U.S. without democratization.

The U.S. takes certain values as very fundamental--democracy, rule of law, and human rights. But the mentality of the Chinese leadership is that they think everybody is a pragmatist. Nobody really clings to their principles. History shows that they are wrong. The China-Taiwan-U.S. relationship now to me is very parallel or analogous to the U.S.-Japan-China relations before the World War II.

At that time, Japan invaded China. But then Japan still relied on the U.S. for trade and economic ties. So the message of Japan to the U.S. is, "Well, leave me alone about my invasion of China. Just renew our relations and maintain our economic ties." Of course, that didn't really work. The U.S. had a very clear response. "You have to withdraw from China. This is not tolerable. This is against our very principles." And eventually, that led to Pearl Harbor and war.

But now, China is trying to develop cozy, close relations with the U.S. at the same time, as they want to say, "Leave us alone." Taiwan is internal. I will reserve the right to use any means and force to take Taiwan if it claims independence." That's very similar to the U.S.-Japan relations during World War II. Before the World War II, China is the thorniest point between the U.S. and Japan. And now, Taiwan is perhaps the thorniest point between China and the U.S. as well.

Now, the forthcoming 16th Congress of the CCP and the leadership change offer us an opportunity, both for the Chinese leader and for the U.S. government, that we should clearly indicate that without the process of democratization, it's impossible for the Chinese leaders to develop close relations with the U.S. Political reform is really the key to U.S.-China relations.



This is my second point. Well, here I think Taiwan's example is interesting. Because Taiwan achieved high economic growth and economic development without democratization until late '80s. Since the early 1980s, the U.S. Congress has passed many resolutions urging Taiwan to democratize. Taiwan was resistant under Chiang Ching-kuo.

The resistance culminated in the assassination of Henry Lu, who was an American citizen, who wrote a Chiang Ching-kuo biography, which Chiang Ching-kuo didn't quite like. So Taiwan sent agents to kill him in '84. This is the trigger event, a crisis that changed Taiwan.

The U.S. strongly condemned and demanded that the Taiwanese officials who were responsible be brought to trial. The message the U.S. sent to Taiwan is very clear: "Democratize or lose our support." So in '87, '88, Taiwan lifted the ban on freedoms of the press and opposition party. And that eventually led to Taiwan's democracy.

My third and last point is that we should pay more attention to institutional change, which when we have questions and answers, I can elaborate more. We have been studying the leadership change and their personalities. But for obvious reasons, such studies are not very productive.

Number one, everything is so secretive, as we know, that we cannot do much better than relying on rumors. We still don't know what is a fact, what is a rumor. And secondly, the political selection process in China makes that all the people who succeed have to conceal their true identities. This makes studying China's leaders even more unproductive.

Another important point is that all the Chinese Communist leaders are opportunists. They do not have any principles. The best example is probably Deng Liqun. Deng Liqun, now is the leader of the conservative camp or the anti-reform camp. But many people probably do not know that he was a vanguard of the reform. He was one of the most open-minded reformists in the late '70s and early '80s. He visited the U.S. He visited Japan, and he went back to China and said, "Well, socialists failed. We have to learn from them."

He became a conservative only after he lost the bid to become the party secretary-general. And the leader of the reform camp. He then had a 180-degree turn and became a conservative leader. So my point is that it's really not very fruitful to study

personalities in this sense. We may want to emphasize more on institutional change.

I think one of the most important institutional changes yet to happen is the constitutional reform. Because China's constitution is not really a constitution. It's just a set of by-laws to lead China to socialism. There is no formal ratification process to change it, and it has the so-called "four cardinal principles"--Marxist ideology, party's rule, socialist road, and the people's dictatorship. It doesn't protect private properties as it protects what they call "socialist public properties." With such a "constitution," politically you will see all the persecutions or violation of human rights. It's all under the four cardinal principles.

And economically, it's just systematic exploiting private property rights and private businesses. Most of the private businesses are banned from many key industries. And they have to pay a fee that is so high that they either have to bribe the officials or go bankrupt. The economic reform is only part of the overall constitutional transition. The party delays constitution reform to buy time to have this temporary stability. But this kind of temporary stability and temporary economic growth will be outweighed by the long-term stagnation, corruption, and the violation of human rights.

So I think that in conclusion, first, people in China have to push for democratization. It doesn't really come automatically following economic growth. Secondly, for a close relation with the U.S., they have to have political reform. And thirdly, I think we should pay greater attention to the constitutional change.

Thank you.

COMMISSIONER DREYER: Thank you very much. Dr. Scobell?

DR. SCOBELL: I was going to say good morning, but I just looked at my watch. I have to say good afternoon.

I want to thank members of the commission for inviting me here to testify today. I just want to issue a quick disclaimer. Any of the remarks that I make today are my own. They don't represent the views of the U.S. government, the Department of Defense, or the U.S. Army.

I'd like to elaborate on a few of the themes that I address in my written comments. With the exception of Jiang Zemin, I don't focus on personalities. Instead, I try and look at the overall picture. But obviously, I do discuss Jiang Zemin, and I think perhaps the title of my testimony should be shortened to "The Twilight of Jiang Zemin." And in fact, I think the key question is how long that twilight is going to last? It could be a matter of months or it could be a matter of years.

The Commission has spent a lot of time this morning talking or speculating about the upcoming party congress and the turnover of leaders and so on. And of course, we've touched on how that might affect the People's Liberation Army. We tend to expect the process to be relatively smooth and the outcome preordained. But surprises are always possible.

And if studying China for a few decades now teaches me anything, it's expect the unexpected, or at least be prepared for the unexpected. At the present, of course, one can only engage in informed speculation. But one thing I can say without fear of being wrong--if this leadership transition occurs, it will be an historic event. There has never been a peaceful, orderly, crisis-free power transition in the People's Republic of China.

Previous transitions have either been aborted or taken place in a climate of uncertainty and crisis. The imminent leadership succession is being stage-managed by Jiang Zemin, and his prestige will be enhanced if this succession proceeds more or less according to plan. In fact, he will have succeeded where Mao failed and Deng Xiaoping had tremendous difficulty.

Even if this process proceeds peacefully, orderly, and largely according to plan, it doesn't mean the complete disappearance of Jiang Zemin. Jiang will remain on the scene. While he will very likely step down from his position as party leader in November and retire as president of the People's Republic next spring. Jiang will continue to hold significant power and wield it from behind the scenes.

I think he is unlikely to step down as chairman of the Central Military Commission, and he's likely to stay on for at least a few more months if not years. But I don't necessarily think that Jiang Zemin's continued presence is a bad thing. He could provide important continuity in two significant respects. One in China's foreign policy, and the other is civil-military relations.

In foreign policy, Jiang can claim considerable experience, if not expertise. And his influence is particularly vital to ensure continued cordial relations with the United States. Again, it's no mere coincidence that Jiang will be visiting Crawford, Texas, next month as a guest of President Bush. Jiang has staked his reputation on his role as an elder statesman and his ability to manage China's stormy relationship with the United States. An extended Jiang Zemin twilight will increase the likelihood that China and the United States will be able to overcome the inevitable tensions and crises that will periodically emerge.

Jiang's continued presence will also be a stabilizing influence in an era of transition in Chinese civil-military relations. While the abstract principle of civil control of the military goes unchallenged, in practice it has yet to be institutionalized in China. This principle really continues to rest on the strong personal relationships that have existed between paramount leaders--Mao, Deng, and now Jiang Zemin--and the top leaders of the armed forces.

The military credentials of Mao and Deng were cemented by their participation in the legendary Long March and decades of involvement in defense and strategic matters. Jiang had to play catch-up. But he had the advantages of being a quick study and the built-in prestige of being Deng's chosen successor.

The PLA leadership certainly is not opposed to Jiang's putative successor, Hu Jintao. But neither can it be characterized as being overly enthusiastic. In many ways, Hu remains largely an unknown quantity to China's generals, much as he remains an unknown quantity to many Americans. Of course, as was already noted, Hu has been on the Central Military Commission for three years now, but he has largely operated in Jiang's shadow.

One thing is for certain. Hu doesn't have a strong power base in the military. Again, this is not an insurmountable obstacle. Jiang didn't have much in the way of military credentials when he was anointed by Deng to succeed him. What will be important is that Jiang, by staying on the Central Military Commission, can ease Hu's transition in this crucial dimension for any paramount leader-htmirant in Communist China.

And for the next five to 10 years, Jiang Zemin htmires to be senior minister without portfolio, functioning much in the same way as the former prime minister of Singapore, Mr. Lee Kuan Yew, does today in that city-state.

Indeed, it is interesting to note a reported conversation that Jiang Zemin had with Lee Kuan Yew earlier this month. Jiang Zemin reportedly told Lee Kuan Yew, "Although you no longer take up the highest post, you're still very busy. People of our age should keep their brains working ceaselessly."

To wrap up, I think Jiang's twilight is likely to last years, not months. Thank you.

COMMISSIONER DREYER: Thank you very much, Dr. Scobell. I was reminded when you asked the question how long Jiang Zemin's twilight would last of a Rand Corporation analyst for Eastern Europe who was telling me that he had written a book he called "Yugoslavia in the Twilight of Tito." And actually, Tito did not relinquish power for 12 more years. And so, let's hope it won't be that way with Jiang Zemin.

Questions? Commissioner Mulloy?

COMMISSIONER MULLOY: Yes. In this article written by Cheng Li, who was one of our earlier panelists, he talked about the institutional methods, such as age limits for retirement, term limits, the law of avoidance, regional representation, intra-party elections, and regulations for reshuffling, all of these institutional things that have come in to try and govern how the leadership of China comes into power.

The question I have is who makes these rules in China that then bind the leadership? How do they come about? Who wants them, and how are they made, these so-called institutional restraints?

DR. SCOBELL: Well, it's a very good question, and I don't claim to have the best answer. But these rules are the result of a process of negotiation and give and take amongst senior leaders in China who recognize that it's important to have an orderly institutionalized mechanism of succession at various levels and not have a bunch of old fuddy-duddies sitting around forever in positions of power.

At the same time, of course, these leaders don't want to be in a situation where they are abruptly forced out of power at a certain age. But along with that, if there is some guarantee that they can ensure that their own followers get appointed and promoted to positions, then they're a lot more comfortable retiring. And in fact, I think that that's what you see in a number of cases. For senior leaders, older leaders, a condition

of their own retirement is that their subordinates get promoted and that people of their own generation of leaders also retire.

So you've got people cutting deals all the time. And to the degree that those sorts of standards that you just mentioned are adhered to, of course, further institutionalizes those things. But I think that the consensus of the previous panel was that such rules are being institutionalized in China, but there is still a long way to go.

PROFESSOR S. LI: I think we have been talking about institutional change or institutionalization a lot. We should be clear about what is institutionalization? What is institutional change? Well, the question is a very good question about who is making those rules, how the rules are made. I think if we know that, probably we don't really need this panel. The Chinese regime doesn't give us any clear rules of making "institutions."

Institutions are rules of the game, whereas an organization will take advantage of these rules and play the game. In China, precisely there are not much of the rules of the game. Everything is obscure and secretive.

Institutions could be bad institutions. There are examples of bad institutions, and so I would think China needs good institutional change, such as democratization. In terms of rules, I think that the current China is not really better than the imperial China, the emperor determines which of his sons will be the next emperor. But the Communist Party doesn't even have that kind of rule.

When we talk about institutional change, there are two things we should pay attention to. One is the institution includes both the formal constraints like regulations and laws and the informal constraints. That's culture. You mentioned they have the regulation of avoidance, law of avoidance. But there are many exceptions.

Take the case of Li Keqiang, who is the governor of Henan. He's a Henan native. He works in his own hometown. So the informal constraints (legal culture) were not there to support the formal constraints (laws). Even in my own case, they are just constantly violating their own law because their culture is, "Oh, we have grabbed you, so you must be guilty." Their mentality, their mindset is still the old way.

COMMISSIONER MULLOY: Here's what I need to know. The standing committee of Politburo, I think these are the top seven guys that kind of--and are these things that get imposed on them by someone else, or are these things that they agree that they want to impose on themselves and on others? These institutional restraints, or whatever we call them, do they have to be adopted by the standing committee of Politburo, or are they somehow imposed on the standing committee of the Politburo?

PROFESSOR S. LI: The question is who are the decision-makers? Who are the rule makers?

COMMISSIONER MULLOY: Yes.

PROFESSOR S. LI: I would think that the rule makers in China are 12 people, the seven standing members of the Politburo and the other five octogenarians. I wouldn't think that somebody can impose on them. There is a kind of informal process among those 12 people who decide this.

COMMISSIONER LEWIS: Who are the other five?

PROFESSOR S. LI: Let me see.

COMMISSIONER LEWIS: The five members of the whole Politburo, rather than the standing committee of the Politburo. The whole Politburo I think is 12 people.

CHAIRMAN D'AMATO: Oh, I see.

COMMISSIONER LEWIS: So the other five.

CHAIRMAN D'AMATO: Right. Right.

COMMISSIONER DREYER: No, it's 25, like 25.

PROFESSOR S. LI: The other five are the retired, but they're--

COMMISSIONER WESSEL: Elders.

PROFESSOR S. LI: Senior leaders. Yes.

COMMISSIONER WESSEL: Who are the elders?

PROFESSOR S. LI: Qiao Shi, Song Ping, Liu Huaqing, Wan Li, and Bo Yibo. Those are the kind of retired heavyweights. Those five

and plus the other seven standing members are making rules and everything in China.

DR. SCOBELL: Something that I talk about in my testimony is this concept of different lines of leadership. This concept is very important to understanding what may be about to happen and certainly what has happened in the past. What we might call the paramount leader--the Mao, the Deng, or the Jiang Zemin--is someone who, over time, gradually steps back from the day-to-day conduct of business in a formal position in the "first line." This individual steps back to the so-called "second line" of leadership, where they look over the first line of leadership's shoulder and sort of step in or whisper in their ear at the appropriate time.

And I think that's fairly well institutionalized. Now the question is what happens this leadership succession go around will have an important impact on whether that two-line system of leadership will continue or go by the wayside.

COMMISSIONER DREYER: Another caveat to the law of avoidance, to continue what Professor Li said, is the autonomous regions. And there, you typically have a native of that autonomous region as governor. There's another question, of course, how much power these people have. But it is definitely not included in the law of avoidance.

Commissioner Wortzel?

COMMISSIONER WORTZEL: I want to thank both of you for very, very clear, concise written and oral statements. They were great. Appreciate it.

Professor Li, one of the things that intrigued me that you said and wrote about it in your testimony is that Chinese leaders tend to view the United States government as fellow pragmatists who will conveniently discard principles.

That certainly didn't happen when President Bush talked about Taiwan. The current national security strategy published last Friday--I don't know if you have read it -- but it's got some fairly central things on China in there that are very heavily based on principle. So I guess then my question to you, even if you haven't read the strategy, is do you think that the current Chinese leadership is as confident that the Bush administration will betray its own principles as they have been about other



administrations? And what does that mean in terms of the way they behave in Sino-U.S. relations?

And then, for Dr. Scobell, you talked a great deal about Deng Xiaoping having picked Jiang Zemin as the new leader. My understanding is that Deng Xiaoping also picked Hu Jintao. Jiang Zemin didn't have much choice in the matter and might prefer somebody else. But what does that say for Jiang's continued influence and Hu Jintao's status as he comes into power?

Thank you.

PROFESSOR S. LI: Well, thank you for the question. And the question to me is a very tough question. I don't think I can really answer that to your satisfaction. I read some reviews of that strategic plan, but I just haven't had time to read the whole text.

I think it's time for the Chinese new leadership or the existing leader to realize this as I mentioned in my written testimony and I briefly mentioned here, that the political change is the key to the U.S.- China relations. We don't have enough data to analyze or to do any systematic analysis of what they think about whether the U.S. government or the Bush administration will stand by or uphold our principles.

COMMISSIONER DREYER: Andrew, did you want to answer any of that?

DR. SCOBELL: It's a good point to raise about who actually selected Hu.

Certainly, I agree with you. I don't think that Jiang Zemin was particularly enthusiastic about Hu Jintao, Hu is a compromise candidate. The senior leaders of Jiang's generation are cutting deals. "All right. I'll back your man for the top if you agree that my man will also get on the Politburo," albeit in a lesser position.

It's also true that Deng Xiaoping was not wildly enthusiastic about Jiang Zemin. But he felt in a bind after June 1989 and needed to come up with someone who would be acceptable to a wide spectrum of people --Jiang Zemin fit the bill. In the same way, Hu Jintao fits the bill because he's been the master of not annoying anyone, of going through the system and coming out with no egg on his face. Hu has handled some pretty tricky assignments. Although he did not distinguish himself, on the other hand, he did not take the fall for anything in particular.

Definitely the leadership system in China is evolving from rule by one man. Even though there is a paramount leader, over time the paramount leader's power has weakened significantly. So Jiang Zemin is much weaker than his two predecessors, and I think it will be very interesting to see how long he lasts on that second line of leadership. He may fade away, literally fade away into the twilight rather than staying right behind the so-called first line of leadership the way Deng Xiaoping did in the 1980s with first Hu Yaobang and then Zhao Ziyang.

So the jury is out, but I think you raise an important point.

COMMISSIONER DREYER: Commissioner D'Amato?

CHAIRMAN D'AMATO: Thank you, Madam Chairman.

I have a question for Professor Li. You've written a lot on management and economic reform, and I'd like to know if you have a view of the relationship between the provision of economic resources in the way of massive trade receipts, investment, transfer of technologies from the United States to China and its impact? How does it impact the question of the development of political reform and openness?

And the backdrop to this is the constant analysis we see of the huge amount of corruption that dominates the Chinese system. You have this article in Foreign Affairs by Pei Minxin, which says that corruption has stalled political reform substantially, that opportunities have been missed. Massive historic opportunities have been missed for openness because of the huge amount of corruption.

My question is, does the provision of economic resources at the level that we are now providing as a nation to China feed the corruption and stall economic reform? And in the absence of that, would you get more economic reform and openness?

PROFESSOR S. LI: Again, this is a very--

CHAIRMAN D'AMATO: A tough question, I know. But you have a feeling for that. As someone who's looked at the economic system and management, someone who might have a feeling for the impact of these things.

PROFESSOR S. LI: Okay. I think the macro background picture would be in China transitioning from a relation-based society into more of a rule-based society, both economically, legally,

or politically. And this process puts China in a chaotic situation between rules and relations.

Of course, we would like to see more rules and less corruption in relations. I think your question can also be put like what is role of China joining the WTO with more international investments? I think there are a few schools of thought. The SOEs, state-owned enterprises, those managers, they are against WTO because that means their demise.

And some leftists will argue that the WTO will help core capitalists exploit the periphery of a Third World country like China. A third school would see this as an opportunity to change China's constitution, which I tend to agree. We should use the WTO as an opportunity to see if China can become more rule-based, more fair, and transparent.

American business or in general FDIs (foreign direct investments) in China, have an interesting role. Certainly the corruption will make their costs higher, and will hurt their business. So in the long run, of course, they want to see a more rule-based, clear system so that they can reduce their costs. But in the near term, if company A can bribe to get a lower tax rate, company B will be at a disadvantaged position. So company B will be forced to do the same.

So there's a competition, unfortunately, among all the business people to bribe the officials to get a better deal in order to get ahead of others. So I see two forces there. In the long run, of course, everybody wants to improve the legal institution. But they tend to want a free ride there and let somebody else push for the better rules. Of course, if there are more good players, the path can change and then collectively people can push for better rules.

But if there are too many people who really take advantage of bribing to lower their cost, then I see that corruption will not go away. It probably will get worse.

CHAIRMAN D'AMATO: It will get worse?

PROFESSOR S. LI: Get institutionalized. That's the kind of institution we don't want to see.

COMMISSIONER DREYER: Commissioner Robinson?

COMMISSIONER ROBINSON: Thank you, Madam Chairman.

The difference between the panels concerning the destiny of Jiang I thought was really quite striking. I took away, at least, from the previous panel, certainly Professor Li, but I thought others as well, that Jiang's ability to successfully preserve his chairmanship of the Central Military Commission would be a fairly clear signal that a smooth transition process had been, at least to some extent, disrupted and represent a potentially serious challenge to China's leadership structure going forward.

Now, I don't know if I've correctly characterized that across the board. But I certainly came away with that impression. Dr. Scobell, on the other hand, describes Jiang hanging on perhaps for some years as net beneficial from the point of view of stability, continuity, and I think predictability.

Now I suppose it's the commission's task to determine which it is and more likely that it's some of both. But to advance that process, I was wondering, Dr. Scobell, if you could share with us some of the specific markers, milestones, or basis on which you think that Jiang is going to be able to successfully hold on, the role that his efforts to recruit PLA generals and other officers may play were he to succeed in that undertaking.

And Professor Li, whether you have a take on that or agree with Dr. Scobell that, indeed, we may see somewhat of a surprise there, at least I think given the predictions of the previous panel?

DR. SCOBELL: It's a good question you raise. One of the distinguishing characteristics of the new leadership lineup in China in the party is that, as was pointed out earlier, in that these people do not have significant military experience or military credentials. And this is very different to Mao's generation and Deng's generation. We don't have what was sometimes referred to as "dual-role elites," people who have had positions of power, authority and experience in both the civilian and the military sphere.

And so, we are entering unknown territory in a sense. It's not necessarily a bad thing that a leader doesn't have any military experience. There was discussion about that on the previous panel, too. But it does tend to make it a little more difficult, or potentially difficult. So Jiang Zemin can make a pretty good case that his staying on as chair of the Central Military Commission for a relatively brief period of time is a good thing.

But if he stays on too long, then that the consensus will be that this is not a good thing. How Jiang conducts himself during that interim period, if he continues to overshadow Hu Jintao, then that will not be a very good thing either. So it's a question of how Jiang conducts himself.

PROFESSOR S. LI: Dr. Scobell's point that if Jiang stays a little bit longer probably will add to the stability or predictability of the Chinese regime, I have some thought about stability in China's perspective. Since the 1989 massacre, the Chinese government has been saying, well, we need stability to develop, and become a kind of a popular belief among the Chinese. In terms of U.S.-China relations, we also need stability.

But I think the current issue is, as I mentioned in my written testimony, corruption is a bribe for the officials to carry out the dual-track reform, which is buy off those cadres so that they will be willing to push the reform a little bit.

And among the Chinese people, there was a school of thought saying China is better than Russia because Russia did not have this stability. But Russia now has a better stability. We can say that because the political and economic change already occurred in the early '90s, and now it's stabilized into a democracy and a free market, whereas China is still trying to get stability. But this temporary stability probably will be outweighed by the long-term instability because the former is brought by corruption.

So, I think China needs an event or even kind of crisis to trigger substantial political change or political reform for the longer-term stability.

COMMISSIONER ROBINSON: Thank you. I would only argue that Russia is not there yet on either score. But that's just a small difference. Thanks.

COMMISSIONER DREYER: Commissioner Bryen?

COMMISSIONER BRYEN: Thank you. I thank both of you for really intriguing testimony.

I want to come back to the question of stability and your point. What are the risks to a stable China going forward? Leadership succession is at one level. But in the overall structure of things, there's a lot of rumbling that we see--labor unrest, for

example, violations of human rights. Fear seems almost out of proportion, fear of things like Falun Gong.

Do you sense that whoever the leaders are in the next decade that this is going to be a very shaky proposition, or do you see it as one that's predictable and will be stable? I'd like to get both of your reactions to that question.

PROFESSOR S. LI: Your question is about?

COMMISSIONER BRYEN: I'm trying to understand are there forces at work in China, fundamental ones? One that comes to my mind most is wealth distribution or the failure to properly distribute wealth, which is more accurately, I think, the situation in China. And you know, with the growth of an economy, you also create expectations that get across the whole society, but people can't quite reach that.

And if you have a corrupt regime, one that is insensitive to process and to legal forums and that violates human rights like yours were violated, one can see a brewing crisis, at least that's my sense. But you're the expert, so I wanted to hear from you on that subject.

PROFESSOR S. LI: I think that we can only project or build some different scenarios. To me, the scenario that can lead to stability will be the constitutional change. The constitutional change can be if triggered by the WTO compliances. Or maybe there will be significant opposition voices that can be incorporated into the process of drafting a better constitutional constitution, rather than this unconstitutional constitution.

Another scenario would be the dual-track reform will go on. By dual-track reform, I mean that different players will follow different rules. The privileged cadre will follow one set of rules, whereas others will follow another set of rules. That can be even implemented with the WTO. The foreign companies can follow a set of rules that the nationals cannot enjoy, which is already happening. The foreign company can get into telecom, whereas private Chinese firms cannot. That has not been solved yet.

If that is prolonged, I think China is going to be increasingly unstable.

COMMISSIONER BRYEN: You may want to look at the example of Iran, at some point, in the '70s. You were studying in the '70s in China as well, and you may want to see the parallel there, where foreigners got some benefits, significant benefits over the local population. But it didn't last very long, and it led to quite a revolution.

DR. SCOBELL: I actually think the corruption is institutionalized. It's endemic in China, and I think the leaders of China are not stupid. They realize this is a big problem, if only in terms of perceptions, popular perceptions of this. And so, they are trying to deal with the problem. But I think they're destined to fail to resolve it because the measures that they need to take increase accountability that they're not willing to go that far.

It's interesting this year, the Chinese Academy of Social Sciences was tasked to undertake a study looking at how other countries deal with official corruption. I think that tells you something about how concerned China's leaders are about the problem, in addition to the periodic crackdowns you have on official corruption. But the problem is not going to go away.

Along with the inevitable economic challenges that will continue to face China and the problems that these will lead to in terms of popular unrest, one thing China's leaders have got to make sure of in a situation like that the party controls the gun. And I don't think there's too much doubt that the party does control the gun, but I'm convinced that China's leaders are, shall we say, uneasy, unsettled, if not paranoid on this matter. They want to be 100 percent sure of this.

That is one card Jiang Zemin can play. Jiang can tell his colleagues, "you want to make sure that the party has the complete loyalty of the army, then it's a good idea to have me at least ride shotgun, so to speak, with Hu Jintao for a few years to make sure that this, indeed, happens." Indeed, if there is a crisis in the next year or so, I will wager some money that all eyes will not turn to Hu Jintao. They will turn to somebody else, and that someone else will probably be Jiang Zemin.

Therefore, it's particularly important that there be some mechanism, whether it's a person or something more institutionalized, whereby the party leaders can feel confident that in a crisis there will be no doubt that the army will obey orders to crack heads or worse, if need be.

COMMISSIONER BRYEN: Thank you. I just think that in your studies that you may want to look at the parallel of Iran and see how that plays out in the Chinese context because I think there's a lot of similarity, and that leads to a kind of frightening future.

Thank you.

COMMISSIONER DREYER: You know, if there is a crisis, as you've posited, in the next year and all eyes do not turn to Hu Jintao, but turn to Jiang Zemin, I would argue two things. First of all, that that means that power has not been institutionalized and, second, that it's idle to talk about whether the party controls the gun if, in fact, the party is splitting.

So with that said, Commissioner Wessel?

COMMISSIONER WESSEL: Let me follow on the line of questioning, if I can, because we've been talking about stability and predictability. We've talked about rampant corruption. We've talked about violation of human rights, not only generally, but specifically. The dramatic economic inequity that is occurring. We have not talked about proliferation of weapons, et cetera, et cetera.

How much interest do we have in stability and predictability if we have problems with existing policy? Do we want the transition to a new power structure that's simply going to continue that, raising the issue of whether someone retains power, whether they would exercise it forcibly? Does that mean that change that has been part of the guiding light you raised in your paper that many believe that economic growth will bring democracy? We haven't seen that yet in China. But how do we get change, if we want it?

The Bush administration appears to be following a preemptive strike doctrine of believing that where we have vital national interest at stake that we should take action. Should we be taking action in any way, and I don't mean military strikes, but politically otherwise with China to try and derail the predictability and stability?

PROFESSOR S. LI: Well, I guess I'm not really a military or a foreign affairs strategist. But I can only answer from a kind of institutional change perspective. What's the stability we're looking at? We are looking at a stable regime that is



systematically corrupting and systematically violating human rights.

Corruption can be only cured under democracy. Under democracy, there are still corruptions. But with a dictator, you have to have corruption to give the dictator the incentive to run the country better. Deng is better than Mao. Mao did not corrupt, but Mao's China was worse than Deng's. And Jiang Zemin's China is a lot more corrupt than Deng Xiaoping's, but Jiang Zemin's China's economic growth is better.

Look at Suharto's Indonesia or Marcos in the Philippines. You need to corrupt a little bit. That's really in the system of dictatorship. Dr. Scobell mentioned that China now is increasingly learning how to cure corruption from others. I just wrote an editorial in The Wall Street Journal evaluating their effort at learning from Hong Kong. How Hong Kong cured corruption.

And I evaluated all of Hong Kong's successful factors, and then I realized that from none of them China can learn. What Hong Kong did is separate the body that corrupts from the body that is supposed to clean corruption, namely the police. The body that is corrupt in China is the party, which is supposed to clean corruption. How can you separate that?

And also, the governor of Hong Kong has checks and balance back in England, which is a democracy. Where is the checks and balance in China? So all of the things put together just at the end of the current regime, corruption just cannot be cured. Heavy punishment can only raise the price of corruption.

It doesn't really cure the root cause of corruption, as I mentioned, the competing among officers, officials are corrupt because to get there, you have to pay. And secondly, companies bribe them to lower their costs. Those are the root causes of corruption.

COMMISSIONER DREYER: Commissioner Reinsch?

COMMISSIONER REINSCH: Thanks. I'd like to come back to a term that Mr. Lam raised, legitimacy. I don't want to put words in all the panelists' mouths, both this panel and the previous one. But at least several of you implied, I think, that the party and therefore the current government doesn't have any or doesn't have very much legitimacy. Is that a fair statement?

Professor Li is nodding his head. Do you want to--

DR. SCOBELL: I think that the current leadership does have legitimacy, but it's shifted. It's a different kind of legitimacy. I would say it's a performance-based legitimacy. And specifically, in terms of economic performance. So in other words, as long as China continues to enjoy reasonably good rates of economic growth, and most people see in their own daily lives that they're doing reasonably well, then by extension the leadership will garnish some support from that.

But it can be rather fleeting, obviously, because inevitably economies go through cycles. And China is bound to, if not have a crash, it's bound to have an economic downturn. And of course, in some sense, we're seeing that now. So that begs the questions, of course, are there any other sources of legitimacy?

Well, it certainly isn't ideological anymore. But one other source of legitimacy, which many scholars have discussed, is nationalism. And so, appeals to nationalism, we see those more and more, and of arguably the ultimate nationalistic cause is that of unification with Taiwan.

So I'm not suggesting that China's leaders will manufacture a crisis in the Taiwan Strait simply to deflect criticism at home or waning legitimacy. But I think certainly that there are different ways in which you can wave the Taiwan flag or some other nationalistic issue to shore up what you see as your own shrinking legitimacy.

COMMISSIONER REINSCH: I'm glad you said that, although that really preempts all of my other questions.

COMMISSIONER DREYER: You have 10 minutes left.

COMMISSIONER REINSCH: I think you're right on target. Your comment about economics is well taken. I guess my perception is that each succeeding generation of leadership has been less legitimate than the one before it, as ideology and other emotional factors of the '40s and '50s and the people that were involved in them fade. What is left is what you said, economic growth. And as you pointed out, nobody has an unremittingly positive upward curve of growth over generations.

These things are cyclical, and one question may well be what happens in the inevitable downturn. I mean, it seems to me that the term--this may be semantics--but you're really talking about

survivability and not legitimacy. The regime doesn't make itself legitimate by promoting growth. It allows people to acquiesce in it by virtue of the growth because they don't see anything better.

DR. SCOBELL: Well, also not to belabor the point, but legitimacy is a relative concept in a sense. The way China's leaders have successfully done it to date is, well, okay, if we're not legitimate, then who is? I mean, if not us, then--

COMMISSIONER REINSCH: Well, they've eliminated everybody else.

DR. SCOBELL: Right. There is no alternative, and the best case that China's leaders can make is, well, okay, you want no more Communist Party, then the alternative is chaos.

COMMISSIONER REINSCH: Yet if you look at the precedent in Eastern Europe and even Russia, what was so interesting about that was the speed with which they collapsed. It wasn't uniform in every case. But it was almost like a house of cards. You just push, and all of a sudden, they're sort of gone. And other people emerged that weren't there before because they were unitary states.

Do you see any possibility of that same kind of playout in China?

DR. SCOBELL: Well, certainly I think China's coercive apparatus, China's party-state, if you will, party-military-state might be a better way to put it, not to neglect the military, I think it's certainly strong. But it's probably a lot weaker than we think it is. I'm not predicting it's going to collapse tomorrow -- I think under certain circumstances that the sort of constellation of forces, if you like, an internal crisis, a foreign policy crisis, and leadership divisions, I think it's quite possible that you could see some kind of collapse at some point in the future.

But I think it's also possible, especially if the economy continues to chug along, that you'll see the powers that be remain the powers that be.

COMMISSIONER REINSCH: Professor Li, do you want to comment on that?

PROFESSOR S. LI: Well, I agree with you that legitimacy is almost completely gone from Marxist ideology. So I think that the fourth generation will have a lot less legitimacy than the

previous one unless, as Dr. Scobell pointed out, maybe economic performance will give them some.

Well, the Chinese Communist Party has not been ruling based on that kind of legitimacy. It's based on the legitimacy of the ideology. If that's gone, you have to really turn to something else like a police state just to control. That, I think, is many people's fear that it will turn from a legitimacy-based rule into a lot more control-based.

COMMISSIONER REINSCH: Thank you, Madam Chairman.

COMMISSIONER DREYER: And of course, it should be mentioned that nationalism is a two-edged sword. It's very dangerous. The leadership stirred it up and now has to keep it under control. Because if they perceive that their government is not doing enough to take back the Senkaku Islands, or whatever, then people become restive. And it's necessary to remember that a lot of these kids in the military have parents who have been thrown out of work by reforms.

Commissioner Lewis?

COMMISSIONER LEWIS: Professor Li, I would just like to ask you one preliminary question. When you said at the very beginning economic development doesn't necessarily lead to democracy, did you mean capitalism doesn't lead to economic development because economic development can occur in many ways? Did you mean that capitalism doesn't necessarily lead to democracy?

PROFESSOR S. LI: I should add a modification. Capitalism may not necessarily lead to democracy.

COMMISSIONER LEWIS: Okay.

PROFESSOR S. LI: It can remain in authoritarianism for a while.

COMMISSIONER LEWIS: I just wanted to clarify your use of the words "economic development."

PROFESSOR S. LI: Okay.

COMMISSIONER LEWIS: You meant capitalism.

PROFESSOR S. LI: Right.

COMMISSIONER LEWIS: Okay. Good.

PROFESSOR S. LI: I mean more than capitalism, but even under capitalism there are cases that economic development does not lead to democracy.

COMMISSIONER LEWIS: Right. Thank you. I want to ask you another question in a moment.

Professor Scobell, David Shambaugh said that in terms of the party commanding the gun--I don't know if you saw the article in yesterday's New York Times, but he said he expects Mr. Jiang would be replaced by Mr. Hu as party chief and immediately after that as military chief. For the military commission to be headed by anybody but the party leader would make a mockery of the much-vaunted principle that the party commands the gun.

And I understand what you were saying was that it would be good for stability if Jiang Zemin stays on because he's respected by the military, and Hu may not have the same influence with the military as he would. But yet, he's drawing a kind of a different conclusion that the person in command of the party apparatus would not be the person who is in charge of the military commission. Would you comment on that?

And also, the role of the military in China.

DR. SCOBELL: I wouldn't put it in such stark terms. David Shambaugh is a friend of mine and a respected colleague who is very knowledgeable about China's military and civil-military relations. But you know, experts can disagree.

COMMISSIONER LEWIS: Of course.

DR. SCOBELL: And I think that he's dramatically overstated the case. However, as I said earlier it certainly could become a problem if Jiang doesn't know when to quit.

COMMISSIONER LEWIS: What you're saying is that his staying on would be, contrary to what David Shambaugh is saying, would be the party still controls the gun?

DR. SCOBELL: Yes, absolutely.

COMMISSIONER LEWIS: Okay.

DR. SCOBELL: How you operationalize the party controlling the gun is that it's the personal power of the paramount leader. That's the way it's been since 1949. In fact, even before 1949.

And so, who is the paramount leader of China? Is it Hu? Well, at some point, hopefully it will be for a smooth succession to take place.

But up to a point, it will remain Jiang Zemin. And it will definitely remain Jiang Zemin for at least the next few months.

COMMISSIONER LEWIS: If he stays on, the military would have played some role in his staying on. Do you see the military playing a greater role in country politics in the future? And if nationalism asserts itself, does this have any implications, A, for Taiwan and, B, for China's desire to be the center of the world and get us out of the Pacific?

DR. SCOBELL: I think it's important to not think in terms of, well, the military can only exert its political influence in one way, in terms of some sort of political coup or diktat on whatever policy that they choose to give voice to. I think it's better to understand the military's influence as being somewhat more subtle and on a more perhaps mundane level, and it may be an implied, an understood pressure.

For example, I think Jiang Zemin has clearly understood this and I think Hu Jintao will understand that you need to keep giving the military money.

COMMISSIONER LEWIS: Well, I guess the point--

DR. SCOBELL: You have to do that. And so, if you don't, then you have to worry about the military not being behind you. To sum up, I don't think that the military takes as much of an activist role as some people would paint. But I do think they are a force to be reckoned with, and you have to take their interests into account. And any leader of China has to take their interests into account.

COMMISSIONER LEWIS: I guess the point I'm making is all the generals in the United States who have spoken out on Iraq are expressing some kind of caution, and the non-generals are not expressing as much caution as the generals. Do you think the generals or the military in China would be more activist or they would be more cautionary?

DR. SCOBELL: I've talked about it in some of my writings. I think I would characterize the PLA, especially on Taiwan, as hawkish.

COMMISSIONER LEWIS: As?

DR. SCOBELL: Hawkish, meaning that they are very hard-line. I mean, they think this is a critical issue, a core issue of China's national security. And so, they're not willing to back down. They're not going to compromise on Taiwan. But that doesn't mean that they are bellicose or belligerent. It doesn't mean that they are eager to go war next week or next month.

In fact, I would argue quite the opposite. They don't want to fight over Taiwan if they can help it because they know they're going lose. They're probably going to lose. But that doesn't mean that if they are ordered to move, they will hesitate or disobey.

Quite to the contrary, I think China's military leaders are professional--I don't really like the term because it means different things to different people. It certainly means very different things in the Chinese context, I think. But China's military leaders will salute and obey the chain of command if they're given an order, especially if it's on a military operation at China's borders or beyond China's borders.

COMMISSIONER LEWIS: Thank you.

Professor Li, we haven't had many people who have come before us who have had the experiences in life that you've had. Would you feel comfortable in telling us why were you experiencing what you experienced? How long did you experience that? How were you confined? What were the conditions? And how were you released and why? And how were you informed?

PROFESSOR S. LI: Okay. Boy, that's probably a long story. Still, I don't really know why they did that. I think one of the reasons is that in state terror there's really no rules. There are no systematic rules you can follow. It has an element of randomness in that.

I was active in the '89 student movement when I was at Princeton, and even my family background makes me a good target. My father was a senior aide to Hu Yaobang. And my father was at Tiananmen Square demonstration in 1989. The government asked my father to go there to persuade students to leave because my father was respected by the students.

Of course, he failed. And afterwards, they arrested my father and put him under house arrest for 10 months, actually the same

location where I was put. So my family background is really kind of a counterrevolutionary to them.

I can see one of the basic reasons is that there is no repercussions if they wrongly accuse someone. There are great incentives for the people in the security apparatus from the low end to the top to grab big fish, grab people and see if they can get something. If they don't, there's no harm for them.

So in this kind of a system without checks and balances, you will find that those things will happen. And when I was detained, even by their standards it's an illegal detention. They didn't show me any paper. And there was also another incidence --EP-3, don't know whether my case was influenced later by EP-3.

COMMISSIONER DREYER: What was the timeframe between your arrest and the EP3 incident? That was April 1, 2001, right, the EP-3?

PROFESSOR S. LI: Right. Yes.

COMMISSIONER DREYER: And your arrest was on?

PROFESSOR S. LI: I was a month earlier.

COMMISSIONER LEWIS: How long were you confined?

PROFESSOR S. LI: Five months.

COMMISSIONER LEWIS: Five months.

PROFESSOR S. LI: Yes. Well, immediately after I was detained and they knew that I was an American citizen and I had the right to see a U.S. consulate.

COMMISSIONER LEWIS: Was this at the airport as you were leaving or while you were still there?

PROFESSOR S. LI: No, I was entering China, before I entered checkpoint gate. As soon as I showed them my passport, they arrested me. So technically, they arrested me before I entered China.

COMMISSIONER LEWIS: And what was the reason they gave you?

PROFESSOR S. LI: At that time? They didn't give me any reason. They just said they had an order from Beijing. And then when the Beijing secret police came, they said, "You are endangering



state security." And then they said, "We know that you're an American citizen, but it would be better for you not to talk to your consulate."

[Laughter.]

They did say that many times. And I was quite angry. I said, "Well, you are a state, and I am an individual. You are trying to persuade me to give up my right as a U.S. citizen. Why do you do that? If you have evidence, just show me the evidence. You don't have to really do this kind of low thing." But, well, they do all this.

COMMISSIONER DREYER: Did they ever give you an answer to that?

PROFESSOR S. LI: Well, they said, "don't cause any international attention, and then we can solve this quickly." They always say that. And I told them I have a class two days later, so I need to go back. They said, "Well, if you don't tell your government, you probably can go back very soon. Otherwise, it will be very messy."

COMMISSIONER MULLOY: Did you tell your government?

PROFESSOR S. LI: I cannot talk to the consulate directly. I must ask the Chinese Secret Police to see my consulate.

COMMISSIONER LEWIS: And did they comply?

PROFESSOR S. LI: They complied. I think they violated the hours. They should let me see American consulate within 72 hours, but it's maybe the fourth or fifth day.

COMMISSIONER LEWIS: And then tell us about the confinement. Was it physically overbearing, or was it not?

PROFESSOR S. LI: Well, at the beginning, I was kept in the house under 24-hour surveillance. They have two police following me everywhere I walk. I really have nowhere to go. I have one room and one bathroom. Even when I go to the bathroom, they have to follow me, 24 hours.

This is, under the Chinese law, called "living under surveillance." My father also ended up in the same situation 12 years ago.

COMMISSIONER LEWIS: During your period of the five months, did you have constant discussions with them about what they were accusing you of, or they just kind of ignored you?

PROFESSOR S. LI: Well, they will interrogate you fairly intensively for a while, and sometimes they ignore you. This is kind of like taking turns of intensive interrogation or just leave you alone.

COMMISSIONER LEWIS: And why do you think they finally allowed you to leave, and how were you informed?

PROFESSOR S. LI: I think it's really the U.S. pressure. It's definitely -- I don't want to say 100 percent because many other countries or international communities were extremely concerned and supporting me, like a couple thousand scholars signed letters. But it's really the U.S. pressure. I can tell very clearly they were extremely concerned about the U.S. reaction-- if there is any country they still take seriously it's the United States.

COMMISSIONER LEWIS: Were you fearful that you would not be able to leave?

PROFESSOR S. LI: At the beginning, yes, because really there are no rules. There are no laws. And I asked them to show me their security law because I am supposed to be violating security law, and they said, "Well, you're not allowed to read those."

[Laughter.]

COMMISSIONER DREYER: That's classified.

COMMISSIONER LEWIS: Well, thank you both very much. Thank you for telling us about this period. Thank you for your information.

COMMISSIONER DREYER: The very patient commissioner.

COMMISSIONER WESSEL: If I could just make one quick comment because Professor Li's predicament is not unique. We have our good friend Harry Wu in the audience here, who was subject to imprisonment for 19 years.

COMMISSIONER LEWIS: He's sitting right behind you.

COMMISSIONER WESSEL: Sitting behind. So we have others with similar and more horrendous stories as well, so our heart goes out to you, though.

COMMISSIONER BECKER: Yes, thank you. And I appreciate your written comments as well as your verbal remarks, Professor Li. My comments really are directed to both of you. But your comments about democratization of China and some of the references intrigues me very much.

At the last panel, I had asked about this oppression of the trade union movement and whether this was likely to continue with the fourth generation of leaders that was coming about, particularly with the trade union leaders who are singled out-- anybody who seems to either gravitate to the top to lead something or it's thrust upon them.

Many times, I think leadership of workers is thrust upon someone. But they're the ones that are singled out, and they don't have the resources that you had, and quite likely they wind up like brother Harry Wu, to the contrary, who did not have that kind of resource for many, many years, and people can virtually disappear from the scene.

But I guess what intrigues me about your written testimony and both of your comments, and virtually everybody's comments, is that very few people talk about the suppression of the trade union movement and their role in fostering democracy in China, if that's really our goal. Most often, we find that the seeds of democracy are sown by the free trade union movement, freedom of association, and in the workplace. And democracy grows from the bottom up rather than looking for some magic formula or that the impossible person gets elected or selected to lead the country that just voluntarily turns to that. It doesn't happen.

And as an example of what I'm talking about is the free trade union movement in Europe and Eastern Europe and the role they played in bringing down Communism in Poland, and the Eastern European countries, and eventually Russia itself. The people struggled, the workers struggled for years trying to build a free trade union movement. And when they did, then as they said, all hell broke loose. And they did the impossible. And you brought democracy to those countries.

Your comparison to Germany--during those periods of Germany's strong growth, Hitler had eliminated himself of the burden of a free trade union movement. The leaders were incarcerated or

killed or disappeared from the scene. And even in Taiwan, the movement of democracy to Taiwan, there was a free trade union movement in Taiwan that was advocating strongly for democracy within that country.

I guess all of that's by way of statement. But I guess really what I'm asking both of you, should the United States or should other free democratic countries advocate more strongly that the trade arrangements with China include some kind of mechanism to build a free trade union movement? This figured strongly in PNTR, and the United States backed down from insisting that this be included in the provisions of permanency on trade relations with China.

What role do you think this could play in bringing democracy to China, and should we, as a commission, be taking some kind of a position in that regard? That's my question.

PROFESSOR S. LI: I think that there are two issues. A broader issue should be about any organized movement, any organized activity, how they are viewed or what's their role in China. One thing, the Communist Party is very, very swift and brutal to put down any organized force. Take the case of Falun Gong. When they see tens of millions of followers, that's something they have to put down.

There are many cases during the Cultural Revolution. Youth, radical revolutionary youth, they follow Chairman Mao's lead and call to form Marxist study groups, and they were put in jail as counterrevolutionaries, and they couldn't understand. The point is the party does not want any organization, spontaneous organization, autonomous organization outside of the party, which has any potential to eventually become a threat, including trade unions.

I think those nongovernmental organizations or civil groups, they are vital in the role of China's democratization, which I think that's probably one of the hopes that eventually there will be a genuine constitutional reform in which different groups can have their views, can produce a real democratic, constitutional constitution. COMMISSIONER BECKER: Dr. Scobell?

DR. SCOBELL: I think China's leaders are particularly concerned about worker unrest. You know, what they call the "Polish disease." And so, as Professor Li just pointed out, it's unlikely that they're going to give ground willingly on this front. And actually, if you're interested in some of the

parallels or the similarities and the differences between the situation in China and the situation in Poland in an earlier time, there's a very interesting article by Dr. Jeffrey Wasserstein in the September 2002 issue of Current History with an explicit comparison between Poland and China.

And the author concludes that the differences are significant enough that we're not going to see a Lech Walesa emerging in China in the immediate future. But the closest we have is Han Dongfang, an amazing man, who is, of course, currently based in Hong Kong. And I think we can certainly do all we can as Americans to ensure that he is allowed to continue to operate in Hong Kong. Along with the treatment of Falun Gong in Hong Kong, the status of Han is a key indicator of whether that "one country, two systems" policy is really working.

An autonomous worker movement will emerge when conditions are right, and that's not a pat way of saying let's not think about it today. We can help this along simply by continuing to trade with China, continuing to invest in China, continuing to encourage joint venture operations to go into China. The best working conditions in China today tend to be in joint ventures. It's those joint venture operations that show up the appalling conditions that exist elsewhere. That is the way, I think, to stimulate the kind of free trade movement that we would hope to see.

COMMISSIONER BECKER: I guess I was focusing more on since trade is so vital to China and to the United States and to the other democracies in the world, do you believe that if the democracies that are trading with China, that if they insisted more, if they took a stronger position to create worker rights, to end the suppression, that this could bend the Chinese leaders? Do you think that this kind of pressure could bear fruit to build a free trade union movement in China? Do you think that this could possibly happen?

DR. SCOBELL: You mean by--

COMMISSIONER BECKER: The United States taking a stronger position with China and insisting, and France and Germany and England and the other trading partners, Japan. If they would put pressure on China, would China cave on that?

PROFESSOR S. LI: If all the Western countries can do it collectively, I think that would have an effect. But if it were

only an individual country, the effect would be a lot more discounted.

COMMISSIONER BECKER: He's got something. Go ahead.

DR. SCOBELL: I think there will be an effect, but I think it will be limited because, as I said, China's leaders are so concerned about worker unrest getting out of hand. But I still think the U.S. should do this.

COMMISSIONER LEWIS: I think the point George is making is that in Fascist Chile, labor unions were called Communist. In Communist East Europe, labor unions were called Fascist. So wherever the leadership is nondemocratic, they label the labor unions as something that's contrary to the system they have. Now, if our government is truly interested in having democracies in other countries that are not democratic, shouldn't we be negotiating for labor rights as well as for economic rights and intellectual property rights?

DR. SCOBELL: Absolutely, but we also ought to encourage societal developments that naturally inevitably produce free trade unions and continue pressure for free labor trade movements that force the government of China to respond to face realities. Because they're not going to concede much without pressure, even though rhetoric from abroad is very important. The pressure will have to come from society. Is there anything we can do to help that, I think, is a very good thing.

COMMISSIONER DREYER: Thank you both very much. This has been very enlightening, and we thank you so much for taking your time and coming to talk to us. And for Professor Li, I think two generations being put in detention is enough, and I hope you will warn your child about this.

CHAIRMAN D'AMATO: This concludes today's hearing.

[Whereupon, at 1:20 p.m., the hearing was adjourned.]