

**THE CARNEGIE ENDOWMENT**

**THE CHINA PROGRAM AT  
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FOR INTERNATIONAL PEACE**

**PRESENTS**

**THE FUTURE OF POLITICAL REFORM IN CHINA**

**THURSDAY, JANUARY 29, 2004**

11:15 A.M.

THE CHANGING COMMUNIST PARTY

SESSION CHAIR: DR. MICHAEL SWAINE,  
CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

PROFESSOR RODERICK MACFARQUHAR,  
HARVARD UNIVERSITY  
“HOW THREATENING IS THE POLITICAL ENVIRONMENT TO THE CCP”

PROFESSOR BRUCE DICKSON,  
GEORGE WASHINGTON UNIVERSITY  
“IS THE CCP ADAPTING TO CHINA’S SOCIAL CHANGES?”

PROFESSOR CHENG LI,  
HAMILTON COLLEGE  
“IS THE CCP BECOMING MORE INSTITUTIONALIZED?”

*Transcript by:  
Federal News Service  
Washington, D.C.*

MICHAEL SWAINE: We need to get started. Thank you very much. My name is Michael Swaine. I am the co-director with Minxin of the China program here at the Carnegie Endowment. And it's a pleasure to be here today and to see such a large crowd to attend this very interesting seminar.

In the session we have -- the second session this morning is a particularly interesting one for me, and I hope for you as well. It looks at the whole relationship between the Chinese Communist Party and the process of political reform. And by the way, I've been told that people in the very back of the room are not hearing clearly. Can you hear me clearly?

AUDIENCE MEMBER: Yes.

MR. SWAINE: Yes. Thumbs are going up. Good.

AUDIENCE MEMBER: If you speak up. (Laughter.)

MR. SWAINE: (Laughs.) What did he say, speak up even more. If I yell any more into this microphone I will start getting distorted. So this is about -- we're at maximum volume here, I think, right now.

And to discuss this subject we have three excellent presenters today. First, immediately to my right, is Professor Roderick MacFarquhar of Harvard University, who's going to speak on how threatening the political environment is in China today to the Chinese Communist Party. Professor MacFarquhar, for those of you who don't know, has a Ph.D. from London School of Economics. He is currently chair of the Department of Government.

And Leroy B. Williams, professor of history and political science at Harvard University -- he's the former director of the John King Fairbanks Center for East Asian Research. He has many, many publications. And probably many of you know, his strength in the past has been particularly in analyzing elite politics in China. And he has an absolutely landmark series of studies of the origins of the Chinese Cultural Revolution which I certainly cut my teeth on when I was first studying elite politics in China. He has also published and authored several other works on Chinese politics. He was the founding editor of the China Quarterly and has been a fellow at Columbia University, the Woodrow Wilson International Center for Scholars, and the Royal Institute for International Affairs. He also was my professor at Harvard University, and I was his first student. (Laughter.) That isn't on his resume for some reason, though. (Laughter.)

The second presentation will be by Professor Bruce Dickson of George Washington University. And he will be speaking on the subject "Is The Chinese Communist Party Adapting To China's Social Changes?" Bruce is associate professor of political science and international affairs at GW and currently director of graduate studies there. He's the author of a very, very good book, "Red Capitalists In China: The Party, Private Entrepreneurs, And Prospects For Political Change"

and also "Democracy In China And Taiwan: The Adaptability Of Leninist Parties." He's also the associate editor for the journal Problems of Post-Communism.

And our third presenter is Professor Cheng Li of Hamilton College, who will speak on the subject, "Is The Chinese Communist Party Becoming More Institutionalized?" Professor Li is the William R. Kennan professor of government at Hamilton College in New York. He's the author of "Rediscovery In China: Dynamics And Dilemmas Of Reform And China's Leaders" and also the book, "China's Leaders: The New Generation." He's currently working on two book manuscripts, also on leadership profiles, Chinese technocrats, and also urban subcultures in Shanghai. Dr. Li was a fellow at the Woodrow Wilson International Center for Scholars in D.C. during the year 2002-2003, so I'm sure many of you are familiar with him. And he's currently member of the National Committee on U.S.-China Relations.

And without any further adieu, I will turn first to Professor MacFarquhar, who will speak for about 15 minutes. And then we'll carry on to the other two. Thank you very much.

RODERICK MACFARQUHAR: Your introduction took five minutes. (Laughter.)

MR. SWAINE: It was all of this stuff they had on my cue and on here.

MR. MACFARQUHAR: Bates Gill characterized the last panel as cautiously optimistic. I -- my remarks will be cautiously pessimistic.

China under reform is what the French call a serious country. It's a remarkable turnaround from Mao's Cultural Revolution, when China was definitely not a serious country. Though as a nation possessing nuclear weapons, it had to be taken seriously. What "serious" means in this context is that China today is run by intelligent and competent officials who seem actively committed to the prosperity of that country and its people. President Hu Jintao exudes calm. Premier Wen Jiabao, who was here recently, radiates confidence. Over the past 27 years the economy has grown by leaps and bounds, and despite the serious problems which Huang Yasheng outlined a few minutes ago, there are more prosperous Chinese today than at any time in the nation's history. And Hu and Wen have indicated they want to dispel the problems and spread the wealth wider.

Yet despite their successes, party officials are well aware that the domestic and international political environments are threatening. In a recent article, one of the previous panelists, Joe Fewsmith, quoted a vice president of the Central Party School as saying "Several incidents have made us think deeply: first, the 1989 incident;" -- that's June 4th, of course -- "second, the sudden changes in Eastern Europe and the Soviet Union; third, the Falun Gong incident; and fourth, the KMT's loss of power in Taiwan." These four incidents, in addition to a series of domestic events, especially those connected with corruption in the party, have shocked the entire party.

In addition, there are almost daily demonstrations somewhere in China by peasants or workers who are no longer prepared to put up with what the party cadres dish out. And since in China all politics are ultimately national, any eruption anywhere is a potential threat with possible

national reverberations. And what I want to do in my brief remarks is to try to explain this conjunction of fear and success.

Thirty years ago in a path-breaking work entitled "The Passing of the Chinese Past" the British historian Mark Elvin concluded:

"The technological creativity of the Chinese people has deep historic roots and has slumbered for a while, mostly for practical considerations. As it slowly reawakens, we may expect it to astonish us. If industry is to advance rapidly enough to let agriculture and the economy as a whole break out once and for all from the old high-level trap, it almost certainly needs to enter the international market to a few greater extent than hitherto. It is capable of doing this with an effectiveness that will come as a shock if the decision to do so is taken. The consequence, however, will be a disruption of the control over information and thought which is essential to the survival of the China communist regime. Whether this latent contradiction is potentially lethal or merely troublesome is perhaps the riddle of the longer-term future of the country."

Well, the decision to enter the international market was taken. The West was shocked. And whether or not the latent contradiction is lethal or merely troublesome is what we are discussing today yet again. We China specialists talking about the PRC's political stability and possibilities of democratization have come to resemble Vladimir and Estragon waiting eternally for Godot.

But I didn't go back to Elvin's provocative book to underline the impressions of another Brit. Rather, it was because -- (laughter) -- I remembered the phrase that sums up the major thesis of the work. He sought to explain, as so many before and since, why Europe had overtaken China with the Industrial Revolution when there were no political, economic or commercial obstacles restraining the Chinese. He concluded that the Chinese economy had been caught in a high level equilibrium trap, which made invention more and more difficult. I'm not going to elaborate on this or to try and explain or justify his thesis, but rather to appropriate his phrase for my task today, which is to explore how threatening is the political environment to the Communist Party.

And I shall argue that the key problem is that the country is caught in a high level bureaucratic trap. There are many other problems of the political environment, but my colleagues already -- and in the future -- will be dealing with these.

What I mean by this phrase "high level bureaucratic trap" is that the bureaucratic system of government developed by the Chinese over the 2000 years of imperial history was brought to a new level of effectiveness under the CCP. Utilizing modern means of communication and Leninist organizational techniques, the Communist Party established nationwide control in a remarkably short time after the defeat of the nationalists. Victory in the civil war and the resulting peace and national unity did much to confer legitimacy upon the new regime. A series of brutal campaigns targeted on specific segments of the populace brought about to all the temerity of challenging the party's authority. Quickly thereafter, the party was able to launch a successful first five-year plan. So great were the party's power and authority that despite some internal dissension it easily weathered the devastating famine brought on by Mao Zedong's utopian Great Leap Forward.

The high level bureaucratic trap consisted of four elements: first, the god-like leader, Mao, from whom all wisdom flowed; second, the party -- cadres trained and disciplined to implement Mao's policies; third, Marxism-Leninism-Mao Zedong thought, which gave the party cadres the righteous self-confidence that they held the keys to a brighter future for China, that history was on their side; fourthly, the forces of repression -- the police, the Ministry of the Public and State Security, and ultimately the People's Liberation Army, the PLA. Trapped beneath this bureaucracy was society, the people, who were expected to venerate Mao, obey the party, accept the truths of Marxism-Leninism-Mao Zedong thought, and expect to be repressed if they didn't. Theirs not to reason why; the bureaucracy inspired and led by Mao and equipped with this ideological road map knew best.

To disrupt this high level bureaucratic trap a profound shock was needed. It came from the most unlikely of places: Mao himself. During the first five-year plan, the Chinese State Council led by Premier Chou En-Lai was in control of the country's economy and development program. But impatient of the government's cautiousness, Mao humiliated Chou and his ministerial colleagues, and thereafter key decisions were made in the party secretariat, whose executive arm the State Council became.

Then, during the Cultural Revolution, '66-'76, Mao trashed the party, throwing on the rubbish bin of history the great majority of his long-time comrades of the Long March, including, of course, Deng Xiaoping, who was party general secretary. The secretariat and many other key central party organs ceased to function for a few years. Simultaneously, moreover, Mao unleashed society in the form of the Red Guards against the organs of the party state with the aim of seizing power. He enjoined his youthful followers to dare to think, dare to speak, and dare to act, and they did. And that genie could not be put back in the bottle, even though the Red Guards' internecine warfare led to their suppression by the People's Liberation Army.

The PLA was left as the only institution left able to run the country, a result never intended by and totally unacceptable to Mao. In '70-'71 he hounded into flight and death one of the great heroes of the civil war, Marshal Lin Biao, whom he personally and formally appointed his successor only a year earlier. And this gave the chairman a chance to purge the PLA, too, and to start adulterating its power. By the time of his death in '76, Mao had gravely damaged the high level bureaucratic trap.

This brief history is essential for understanding the dilemmas faced by Deng when he returned as national leader in December '78 and wanted to restore the bureaucratic system which had ruled China so successfully prior to the Cultural Revolution.

First, Mao was gone. From Deng's point of view, this is all to the good, since Mao had so gravely damaged the country in his later years. Deng himself tried to liberate the party from the need for a Mao-type leader, partly by assigning blame to the chairman for launching the Cultural Revolution. Deng also refused to take any of the top posts to which he was surely entitled other than the chair of the Military Affairs Committee. Instead, he installed acolytes as premier and general secretary.

A healthy change for China, but not necessarily for the party. The party had lost the legitimacy and authority it had won 30 years earlier. From being the restorer of peace and unity to China it had failed to prevent anarchy, chaos and what even Mao called civil war. Most of the great revolution leaders who had stood on the Gate of Heavenly Peace before the Cultural Revolution to celebrate National Day had been publicly humiliated, beaten and imprisoned by Red Guard mobs. Some had died as a result of their treatment. And with their disgrace inevitably, the party they had led lost much of its authority. Deng rebuilt the party, rehabilitated disgraced and dead leaders; he could not repair the damage to the party's standing. By refusing its formal leadership, he deprived it also of whatever legitimacy he could have conferred as a revolutionary hero.

Thirdly, as part of his reform program, Deng deprived the party of the self-confidence of ideological certainty. He effectively shelved Marxism-Leninism-Mao Zedong thought, substituting for it the slogan "The practice is the sole criterion of truth." Cadres could no longer tell the broad masses to do something because it was decreed by doctrine; they had to prove that their measures would lead to success, a competence mandate which is difficult for any government to sustain.

To make it even more difficult for the party, Deng, like Mao, also unleashed society. His opening was designed to liberate people's mind from the inward-looking obscurantism of the later Maoist years, so they could explore and emulate the economic advances made elsewhere, even under capitalism. Deng's aim, unlike Mao's, was to strengthen the party, believing that only with economic success could the party reestablish its legitimacy after the horrors of the Cultural Revolution. He ignored the warnings of conservative colleagues that he was going too far too fast. Moreover, Deng in part blessed the burgeoning social activism left over by the Cultural Revolution by giving ex post facto legitimacy to some of their activities.

Only with the student protests of December '86 and the democracy movement of spring '89 did Deng realize that his conservative colleagues had been right all along. In his eagerness to dispel the miasma of Maoism and free people's mind for reform and development, he had given too much leeway for the admission of Western political ideas. A student occupation of Tiananmen Square and the spectacle of student leaders Wuer Kixi, Wang Dan et al lecturing Premier Li Peng on national TV underlined just how much prestige and authority the party had lost.

Additionally, its top leadership was totally split. A five-man Politburo Standing Committee divided three ways on the imposition of martial law: two for, two against, and one abstaining. The use of the military to brutally suppress the movement on June 4th, '89, revealed that the party was no longer capable of solving political problems by political means. The Tiananmen Square massacre was supposed to teach a lesson that the populace would not forget; it did not. Ten years later, in April of '99, 10,000 members of the Falun Gong, summoned by cell phones, the Internet and word of mouth, turned up on the steps of the Zhong Nan Hai, the headquarters of party and government, and totally unexpected by the Ministry of Public Security, exposing the bureaucracy's slippage of control over society. As eventual pursuit of Falun Gong members since then has shown, the party can still mobilize against a known enemy. The problem for the party today is in a vast country like China it's impossible to predict where, when or what social forces will erupt again.

So what is the high level bureaucratic trap into which the Chinese have fallen? The party had the authority and the elan to run a tightly controlled communist country, as China was in the '50s, towards what seemed like a certain future. Party members enlisted in a cause in which they believed. Today the party no longer has the authority nor the conviction to run a loosely-controlled country which is in a process of rapid economic and social change and heading to an uncertain future. There were sixty-plus million party members, but many, perhaps most, of careerists who have joined as if the party were a rotary club.

As I said in the beginning, the party is a serious enterprise, and as that quote from Joe Fewsmith's article showed, party officials are well aware of the challenges that they face. The trap is, nobody knows how to transform the serious enterprise so befitting the past into a serious enterprise more befitting the future. Some Chinese say they don't want the economic and social upheavals coupled with regime collapse that followed from Gorbachev's political reforms. Some intellectuals shudder at the thought that just when the party leadership had shifted from peasants to technocrats, democratization would mean the return of peasant power. Party members are reluctant to surrender privileges, status, and in some cases the opportunities for corruption that membership confers.

And suppose some group within the leadership -- say, Hu Jintao and Win Jiabao -- had a plan for radical political reform. Would it have the courage and the clout to try to convince Politburo colleagues? Probably not. Moreover, in China politicians insist that the people feel the same way.

In fact, there's a striking contrast between how Chinese leaders take over and how American leaders strive to take over. As we've seen in the last two primaries, all the Democratic candidates for president promised some form of radical change from the policies of the Bush administration in the conviction that's the only way they can beat the incumbent president. In China it's been very different. Heirs apparent always insist that they are loyal to the previous leader. Only Deng Xiaoping really, after Cultural Revolution trauma, was able to make a radical break with the past.

And so, after reading about, listening to, and participating in many debates and discussions about political reform for over two decades, I've come to the conclusion that REAL political change as opposed to tinkering at the edges will only come as a result of another shock to the system. Fortunately for China, the shock would not have to be as serious as the Cultural Revolution, because between them Mao and Deng ensured that the party they bequeathed was enormously weaker than the party they built together. (Applause.)

MR. SWAINE: Thank you very much, Rod.

Bruce?

BRUCE DICKSON: Thank you, Michael, for the introduction, and Minxin, for inviting me and everyone else here today.

My topic for today is whether or not the Chinese Communist Party is adapting to the social changes that have come about with the rapid economic development of the past 15, 20 years. There

are two elements of evaluating how well the party has adapted. One is from the party's own perspective: what it is most concerned about is how well it is able to carry out its policy program. And I'll talk a bit about some of those changes.

However, what we think about in terms of adaptation is how much more responsive is the CCP becoming to society, not just being able to carry out its own agenda, but having its agenda shaped by the wants and needs of society. But let me begin with the first issue about how it is become -- or tried to become -- more effective at carrying out the reform agenda of the past almost generation now.

As the party has shifted away from the Maoist goals, away from class struggle in favor of pursuing economic modernization, it undertook rapid changes in its recruitment of new members and its promotion of officials. The rise of the generation of technocrats that Cheng Li's work has documented so well, whether at the central level, the local level, or among the rank and file members, is a familiar story now. Probably the best example of this trend is that workers and farmers, who used to be the mainstay of the party, now make up less than half of the overall party membership. The single-largest group within the party today are cadres and managers.

But in addition to finding new members and new officials that were better qualified, that are capable of carrying out this new agenda, economic changes also brought about new social groups that the party felt obliged to incorporate in various ways. The most controversial aspect has been the relationship between the party and the private sector. As Yasheng Huang mentioned in the first session, local officials recognized that the private sector was responsible for the vast majority of new jobs, new economic growth, and increasingly tax revenue. And at least some local officials felt obliged to be more closely connected with the private sector and wanted to recruit entrepreneurs into the party. This proved to be a very controversial trend, however; the party itself had banned recruiting entrepreneurs, since the party recognized, in good orthodox Marxist fashion, that capitalists don't belong in a communist party. (Scattered laughter.) And oddly enough, both people within China and foreign observers have increasingly argued that the more capitalist influences are present within the party, the system itself is more likely to transform or perhaps simply collapse.

Jiang Zemin tried to finesse this controversy by his enunciation of the "Three Represents," the key part for Jiang at least being that the party not only represented workers and peasants and soldiers, but also represented the new urban elites: the entrepreneurs, the technical elites and so on who were responsible for Chinese modernization.

It is believed that approximately 30 percent of private entrepreneurs are now party members. This is in contrast to the overall population, where only 5 percent of the population belongs to the party. So a much larger percentage of the private sector belongs. Most of them were already party members before going into business, but there's a substantial number who were co-opted into the party because of their success at promoting growth, creating jobs and currying favor with local officials.

After Jiang's famous Party Day speech of 2001, it was expected that with the lifting of the ban on recruiting entrepreneurs and other new social elites that there would be just a huge



groundswell of these people moving into the party. The organization department identified several cities to be experimental sites to recruit these new social elites, but the results never seemed to pan out. We never found out how many people were joining. All the anecdotal evidence suggests that entrepreneurs and other elites were not responding the party's call. It is not clear if it was because local officials were not enthusiastic about carrying out this new policy, or for whatever reason the social elites decided it wasn't in their interest to do so.

The organization department continues, however, to push the idea of incorporating these social elites into the party. A year or so ago, it announced a new effort at experimenting with this policy. In true Leninist fashion, it encouraged local officials not to set the bar too high to prevent these elites from joining the party, nor too low so that anyone could join. Don't set the bar too high, not too low; not too hard, not too soft. These are standards that Goldilocks can appreciate, but for local officials trying to figure out what to do, it wasn't very helpful.

In general, the party has been fairly successful at incorporating the kinds of people it wants into the party to pursue its agenda. The more challenging issue, though, is whether the party has been more responsive to society and been more ambiguous in that area. Under Jiang Zemin, the party was focused on the elites in China., Jiang's own Three Represents was designed to justify the inclusion of these people into the party.

In recent years, the private entrepreneurs have been more assertive in seeking more representation within governing bodies, greater protection of property rights and legal rights, embodying them in the constitution not just in regulations that can be withdrawn at any time. And the party has been generally responsive to these types of demands, best seen perhaps in the third plenum's decision last fall to revise the state constitution to promote and protect the private sector.

Under Hu Jintao and Wen Jiabao, however, there has been a shift away from this elitist orientation that characterized the Jiang era toward the third of the Three Represents, which is the interests of the vast majority of the people. Many people, in particular these new leaders, seem to believe that the pendulum had swung too far under Jiang, focusing too much on the elites and ignoring the growing trends of inequality, hardships, and job loss that were also characteristic of the late 1990s. And it is also true that Hu and Wen also wanted to distinguish themselves from Jiang Zemin. So it is convenient on the one hand to uphold the Three Represents, but at the same time give a different emphasis than what Jiang had perhaps intended.

So far, it is not clear if their attempt to create a more populist image for the party is simply symbolic or if there is a true substance to it, but in a variety of ways they have been trying to show that their orientation is towards the people lower on the social ladder than whom Jiang had been courting. In addition, they appear to want to seem more representative or at least more sympathetic to the people who have been generally on the losing side of the economic reforms, but without actually encouraging organized interests to try and influence the party in different ways. Joe Fewsmith mentioned in the first session about the ongoing experiments with elections of various kinds, not just in villages, but increasingly in townships and cities, for people's congresses, mayors, and so on, as a way of having at least a veneer of popularity, if not a true sense of having the people directly influence the party through those elections.

At the same time, the new leadership seems to be inclined to shift away from the elitism within the party itself, again that Jiang had promoted. Examples of this are the continuous media coverage of Politburo meetings, which is not unprecedented but during the Jiang era was largely unheard of. Hu Jintao himself gave a report to the third plenum on the work of the Politburo, to show that even the Politburo needs to be accountable to the group of people that at least nominally elected them into their positions. And indications are that the central leadership expects lower level party secretaries and party committees to also regularly report on their work. Another example is the cancellation of the August Beidaihe meetings, which in part had been a way for retired elders to influence incumbent officials. With the leadership transition still under way, the cancellations of the Beidaihe meetings was perhaps one way of eliminating Jiang Zemin's efforts to lobby personnel there.

Even though the party has talked about these things as perfecting inner-party democracy, what we see is an attempt to create greater transparency in what the party does, greater accountability of leaders to a more collective body, and greater emphasis on the formal processes over informal politics. The CCP calls it inner-party democracy. We would normally talk about this as being greater institutionalization, or at least an attempt at it. And Cheng Li will talk more about that larger trend of institutionalization in just a minute.

But as I mentioned, there are still obvious limits on how responsive the party is going to be. There is still no tolerance for organized groups outside the party's control. There are sporadic examples here and there of attempts to form labor unions or other groups, but they're largely squashed once they become known, much less effective.

So it is not clear at this point whether we're seeing the start of a more benevolent form of authoritarianism, or if these are indications that will be more clear in the future of the beginning of a trend towards a more responsive as well as a more effective, adaptable party. For the moment, – there are clear indications of what the new leadership wants to or intends to do, and now we wait to see whether there will be actions to back up the rhetoric that is now being promoted throughout the media.

Thank you. (Applause.)

MR. SWAINE: Thank you very much, Bruce.

Cheng Li?

CHENG LI: First, I want to thank Minxin for inviting me and for providing intellectual leadership for the conference.

I'm honored to speak in front of such a distinguished audience, and I'm here today to address the question: Is the CCP becoming more institutionalized. But before directly responding to this question, I would like to explain what I mean by institutionalization, why it is important, and how we should assess the institutionalization in China.

John Gershman, a commentator for the journal *Foreign Policy in Focus*, once asked jokingly -- he said, I quote here, "What is the basis for the comradely feelings between Jiang Zemin and George W. Bush? The answer is both were selected by a handful of people for their nation's highest office." (Scattered laughter.) In Jiang's case, we have learned from the Tiananmen papers that he received five out of eight votes from the Chinese communist veteran leaders in 1989. Similarly, Bush received five of nine votes from the Supreme Court justices. (Scattered laughter.)

Well, the reason that I bring up this anecdote is to demystify the notion of political institutionalization, not to trivialize the differences between the political systems of the United States and China. The U.S. is a democracy; China is not. The U.S. has an institutional mechanism in place to resolve a political crisis or deadlock such as the one that occurred in the 2000 election, but China has not developed such a mechanism. The Bush White House has a mandate derived from political legitimacy by the people -- although Al Gore might still disagree with that -- whereas the CCP and its leaders, like all other single-party regimes, are vulnerable and uncertain about their legitimacy.

However, these differences do not suggest that we should perceive China in an ideological and a stagnant way. China has chosen the path of evolution rather than revolution to transform its political system. But these evolutionary changes are important -- for example, both the way in which Hu Jintao was elected as top leader and the basis of his authority differ significantly from Jiang Zemin's rise to power. Hu Jintao is more interested in formal power than informal networks. In my opinion, Chinese gerontocracy is dead. Not surprisingly, the Chinese term for institutionalization (*zhiduhua*), has become one of the most frequently used words in the political vocabulary of present-day China.

In the next 10 minutes, I will elaborate on three major areas of institutional development in the CCP during the past few years. I will conclude with a brief discussion about the limitations of Chinese institutionalization and what we may expect in the near future.

When we political scientists talk about institutionalization, we often place this term in the context of the relationship between individual power and institutional restraints. These restraints can apply to three areas: 1) political norms and attitudes; 2) formal rules and regulations; and 3) institutional checks and balances. In all three of these areas, China has made profound progress.

Now first, China has made a transition from strongman politics, with an all-powerful -- God-like, the term used by Professor MacFarquhar -- charismatic single leader to an institutionalized collective leadership. Several months ago when I was in Hong Kong, a colleague of mine asked me whether the cover design of my old book, the 2001 book "China's Leaders," was intended to express an opinion -- I'm sorry for giving myself a plug, You see that there a lot of Chinese capitalists nowadays. (Laughter.) Well, indeed, the cover was intended to express two observations to the reader.

First, I predicted three years ago -- actually, about four years ago when I wrote that book -- that the four leaders on the bottom line, the fourth generation, would become the major players in Chinese politics after the 16th Party Congress, and all these predictions proved to be correct. All four of these leaders -- Hu Jintao, the president; Zeng Qinghong, vice president; Wen Jiabao,

premier; and Li Changchun, the propaganda czar, all made it to the standing committee, and they are the most powerful figures in today's China.

The more important assessment, however, is that –comparing four generations of party leaders show a trend toward increasingly collective leadership, from one man -- Mao -- to two men in the second generation to three men in the third generation to four men in the fourth generation. Mao, as a God-like figure, wielded enormous power and he could have turned the country upside down. That's why I would call him a God-like figure. Deng Xiaoping was only a strongman, never a God-like figure. In fact, his power was often constrained by another strongman named Chen Yun. And for many years during the 1990s, people in China and sinologists abroad speculated about which of the two leaders would die first because this might have an impact on the trajectory of China's economic reform. Such speculations caused the stock market in Hong Kong, Shanghai and Shenzhen to fluctuate widely.

Jiang Zemin was never a strongman. Jiang's strength was derived from his ability to balance Zhu Rongji's liberal wing and Li Peng's conservative wing in the Party. As a top leader who lacks charisma, a vision, and legendary political experience, Jiang is desperately trying to hold on to the chairmanship of the Central Military Commission. Had Jiang failed to retain this formal institutionalized position, he would have already disappeared from the center stage of Chinese politics, as already has happened to Li Peng and Zhu Rongji.

This collective leadership and this so-called fourth generation leadership has become even more institutionalized, and compromise, negotiation, power sharing, and consensus building take place more frequently. The collective style of the current leadership is reflected not only in political actions, norms and behaviors, but also in administrative procedures. One important feature of the so-called inter-party democracy is to reduce the power of the number one and the number two person -- leaders at the various leadership levels, especially county and municipal levels. This new procedure -- actually, as Professor Joe Fewsmith just mentioned earlier -- will allow members of the party committee to use their votes to make policy decisions, whether for a personal appointment, foreign investment or resource allocation.

Now let me turn to the second area of CCP institutional development, the establishment of formal rules and regulations. There are of course many rules and regulations. Some are only lip service and never implemented, but also others are remarkably well implemented. The term limits and age requirement for retirement first introduced by Deng Xiaoping in the early 1980s are now enforced at all levels of leadership, with the exception of the very top echelon. The term limits specify that an individual leader cannot hold the same position for more than two terms of five year each.

The age requirement dictates that leaders above a particular level cannot exceed a certain age limit. For example, ministers, governors, provincial party secretaries and the top military officers in all types of services and military regions should not go beyond age 65. Their deputies should not be over age 63. Now, my research suggests that all 38 ministers and members of the state council, all 62 provincial party secretaries and governors, and all 196 top military officers have attained their current positions within the past 10 years, therefore all following the term limits rules. With respect to age, 95 percent of the ministers and the members of the state council, 100

percent of provincial party secretaries and governors, and 99 percent of the top military officers are under the age of 65, therefore meeting the age requirement.

These two regulations, especially when applied to the provincial and the military leadership, have profound implications. These regulations not only engender a sense of fairness and the regular rotation of elites, but also undermine appeals for regional autonomy and have prevented emergence of a strong military man.

Now let me turn to the third area of the CCP institution development, institutional checks and balances within the CCP leadership. Without a doubt, China is still far away from a multiparty system. It is unlikely that a strong political organization will emerge in the near future that will compete against or restrain the power of the Chinese Communist Party. A reasonable alternative is to look for checks and balances taking place between various factions within the CCP.

This is exactly what has begun in the CCP during the past few years: two factions, or more precisely two coalitions, presently balancing one another. One might be called an elitist coalition, as it is a term frequently used in the past two hours, led by CMC Chair Jiang Zemin and the vice president, Zeng Qinghong. Many prominent figures of this elitist coalition are members of the so-called Shanghai gang and are princelings. Many have advanced their careers in the areas of finance, trade, foreign affairs, IT and oil industries, and education. Some are Chinese returnees (*haiguipai*) from study abroad. These leaders often represent the interests of economic and cultural elites and economically advanced coastal regions. The elitist coalition occupies more seats on the Politburo than the opposing coalitions, but for the Central Committee, actually, the populist coalition controls the majority of the 356 members of the Central Committee. Due to Jiang Zemin's ties with the military, the elitist coalition carries more weight in military affairs, at least at the present.

The other faction can be identified as a populist coalition, led by President Hu Jintao and Premier Wen Jiabao. Most of coalition members have advanced their political careers through local and provincial administration. Many have worked in the fields of party organization, propaganda and legal affairs. Some were officials of the youth league. They often come from less privileged families and the less advanced regions, similar to the backgrounds of Hu Jintao and Wen Jiabao. Members of the populist coalition are concerned with the need for more balanced regional economic development, social justice and the greater political institutionalization. These three elements are what's called Hu Jintao's "new deal," (*xinzheng*). Because they are more popular with the public, these leaders are not worried about their prospects in future elections, which is often a concern of elitist coalition members.

Of course, there's a great deal of overlap between these two coalitions. Despite all the differences just mentioned, these two factions are united by a common ground to ensure the survival of the CCP at home and retain China's status as a major international player abroad.

Factional politics in China is, of course, not new. What is new is the fact that the competition between factions in China is no longer a zero-sum game. The prominent political figures are willing to cooperate, not because they are motivated by democratic ideas or ideals, but because they recognize their own limitations, and therefore the necessity of sharing power.

One interesting phenomenon is that during both elections of the 16th Party Congress and the 10th National People's Congress, Hu Jintao and Wen Jiabao enjoyed almost unanimous support. They received almost complete votes. But Jiang Zemin and Zeng Qinghong each lost about 10 percent of the votes. There are about 2,000 delegates. They lost about 200 votes each. This means that even Jiang Zemin's supporters all voted for Hu Jintao and Wen Jiabao, presumably many of Hu Jintao's supporters also voted for Jiang Zemin and Zeng Qinghong.

What is new is the fact that the various tensions -- factional, regional, generational and social -- and the conflicts of interest that come from these tensions are being recognized by the public.

Finally what is new is the fact that despite all the differences between Hu Jintao and Jiang Zemin's policy orientations, both positions can peacefully coexist by balancing one another and avoid any single-minded policy approaches.

Now, there are two limitations. One is that this kind of factional politics, although not completely opaque, still lacks transparency; but more importantly it lacks legitimacy. So future changes will make it more legitimized. A very important limitation of China's political insitutionalization is that the relationship between the party, the state and army continues to be poorly defined.

Finally, what can we expect in the future? The CCP cannot survive indefinitely, partly because societal forces will increasingly become active in the Chinese political process, as you will hear in the afternoon sessions -- Liz Perry will mention that social changes, social demand, and pressure -- partly due to this institutional development, will lead to further political changes.

For example, while Jiang Zemin and Zeng Qinghong supporters voted for Wu Jintao and Wen Jiabao in the last election, I predict that they will not do so in the next election, in the year 2007, partly because of the need to constrain Hu Jintao and Wen Jiabao's power, and mainly because Chinese politicians will be more familiar with the rules of a new game.

If my predictions are correct, we will soon witness a more interesting and dynamic phase of China's political institutionalization, which will eventually lead the party to split into two parties.

Thank you very much. (Applause.)

MR. SWAINE: So ending on that very interesting and provocative note, we have, unfortunately, not a whole lot of time for questions, because we're running a little bit late, and we really need to start the luncheon portion of the day's events. But I -- we can take -- we're probably a little bit less than 15 minutes -- so please be brief in your question or statement, and identify who you are.

Yes, sir?

Q: Thank you. Blair King from the National Democratic Institute. Professor MacFarquhar, I wanted to ask you. Your closing remark about a systemic shock coming as the source of change sort of echoes a little bit Joe Fewsmith's focus on tectonic shifts, rather than sort of incremental change. I'm wondering if you could tell us a little bit about what forms -- what possible forms you think that systemic shock may take. Thank you.

MR. MACFARQUHAR: If I knew the answer to that, I'd be more popular with Chinese officials than even Huang Yasheng. (Scattered laughter.)

After 1989 it seemed clear to most of us that students would be unlikely to go on the streets again and invite being clubbed or even shot. And most people, I think, thought that the next tectonic plate moving would be that of the unemployed workers, the workers who had thought that they were the aristocracy of labor and that they would be looked after forever, and found that their state-owned enterprises were sacking them or retiring them on half pay or whatever.

In fact, that didn't happen. What happened was something that no one expected, including, as I said in my remarks, the Chinese government. And that was the sudden eruption of the Falun Gong.

So I think that we should wait until perhaps Liz Perry has told us about all the social forces, and then we can maybe make a determination.

MR. SWAINE: Other questions? (Pause.) They've solved all of your questions, have they?

Steve?

Q: Steve Schlaikjer here, with the U.S.-China Economic and Security Review Commission. The phrase "institutionalization of the party" really struck me, because I flashed back immediately to Shenzhen in 1988, when there was a conference on 10 years of reform. Wang Jang (sp) was the man who came to bless the assembled conferents.

And tectonic plates were already shifting, but we didn't know it. In retrospect, we did. The phrase then was "institutionalization of reform." That's 15 years ago. We're talking about a political system that was contemplating how to institutionalize the reforms that were pretty well dead already by late '88, and we didn't even know it yet.

My question for Li Cheng is, is this a step forward or a step backward? Is this institutionalization of the party an attempt to recreate the halcyon past of the Leninist effectiveness that Professor MacFarquhar described or that perhaps Minxin often describes?

CHENG LI: It's two -- Chinese politics is always two steps forward and one step backward, it's this kind of process. So we experienced one step backward, you know, after the 1989 Tiananmen. But now we are in the period of two steps forward.

So, of course, some of the concept is not entirely new, but again, it depends on whether they were incremental or not. And a lot of great ideas did not come from Jiang Zemin but came from the Deng Xiaoping era, but they largely failed.

But now the major change is societal change. China now has a sizable middle class, as Bruce's work has indicated. And also, people are not so nervous about political reform or democracy. And the new leaders have come to understand and really they have to -- if they want to survive, they have to change. So these all make the current debate or discourse on so-called institutionalization or intra-party democracy real. So I remain optimistic about this.

MR. SWAINE: Yes, sir? No, Tom Robbins.

Q: This may be an instance of fools rushing in, since you have no other questions, but it seems to me that there is a tendency in all of these sessions on Chinese politics, the domestic situation in China, to ignore the foreign and the international element. And I wonder if in fact we should include them. And just let me run down a very quick list of things internationally that might well influence the situation inside China.

For instance, pressure from other countries -- being the United States and the European Union and so forth.

The example of the success or failure of countries' democratization or not abroad, Taiwan being the obvious example there.

Developments abroad that we should expect that -- but in fact would influence what happens in China, the North Korean situation being a good example of that.

Foreign participation in China. Businessmen, students and others -- foreigners -- in China that influence the Chinese situation and Chinese people and the party from the inside.

The need to appeal -- the Chinese need to appeal to international norms, the Olympics being a good example of that.

And finally, Chinese returnees from abroad -- education and so forth -- all these, when they add up, it seems to me, ought to have some kind of influence upon the Chinese political situation. And I wonder if any of the panelists would want to address how we work on that set of influences. Thank you.

MR. SWAINE: Rod?

MR. MACFARQUHAR: Well, Tom, Mark Elvin said in his book that it was in fact the historic mission of the West to cause the shock that broke the Chinese out of their high-level equilibrium economic trap.



I think that if you look and see what happened in Paris when President Hu Jintao was received by President Chirac, the idea that pressure from France or other European countries is going to be changing China is sort of rather optimistic.

My own view is that all these things are important -- all the things you've mentioned. And my grounds for cautious optimism, if I may change my tack slightly, is that -- (laughter) --

MR. : (Chuckles.) Oh!

MR. MACFARQUHAR: -- wait --

MR. : Oh! (Laughter continues.)

MR. MACFARQUHAR: -- wait -- is that precisely because of China's internationalization, because there are people who want China to be respected, because they are part of international organizations, WTO and all sorts of other international regimes, in which they know what international norms are and they want China to be respected for maintaining those norms, there is, at a sub-leadership level, a vast group of people, I think, who do understand what it means for China to move forward politically and to reform.

But I return to my cautious pessimism. The idea that the party will be influenced by that to give up the privileges and to give up the leadership for an uncertain future, I think, is highly unlikely without a major shock. And I don't think the outside world's going to administer that outside shock.

MR. SWAINE: Any other -- yes, over here in the corner.

Q: Thank you. Harvey Feldman, Heritage Foundation. Extending on Professor MacFarquhar's remarks, I think that were China to actually fulfill its WTO obligations, this might indeed administer the kind of economic shock that would require a total rethinking.

MR. MACFARQUHAR: Well, I think you're absolutely right. I mean, the point about WTO obligations is that there has to be a rule of law that people respect. But there can be a rule of law in one part of the economy and not a rule of law in whole other ranges of social and political life.

So I think that the -- bringing China into the WTO will have very salutary effects, especially on the kind of people I've just mentioned. But it will not be the final shot.

MR. SWAINE: Way in the back.

Q: Hi. My name is Janet Powell. I'm from the Global Business Policy Council at AT Kearney. And my question is about Hong Kong.

In the media, at least, Hong Kong has been heralded as kind of a thermometer for China's process of democratization. So lately several political figures who are supposedly the Chinese

government spokespeople in Hong Kong have said that full, direct elections in Hong Kong will happen in the timeline of, you know, decades, rather than years, which was very surprising to me. In your opinion, how would institutionalization or this tectonic plate movement in China change the timing of this?

CHENG LI: Well, I was in Hong Kong during the district election in November, and certainly it was very encouraging to see some activities. Sounds like a real democracy -- the different groups, the lobby and a search for votes.

And I gave a talk for the Asia Society. I said what happened today in Hong Kong will happen in China tomorrow. And because it's a societal demand -- the society has changed, you know, in a fundamental way, -- I do believe that the middle class will lead to democracy. And I also do believe that the checks and balance within the political system in China will lead to further political changes

Now Chinese sent its top leaders, including Zeng Qinghong, who has been in charge of Hong Kong affairs, and he is quite cautious about what's happening in Hong Kong. And they did not -- certainly did not crack down. And they still send one team after another to look at Hong Kong.

And there are two reasons. One is that Hong Kong could serve as a perfect experiment, you know, a lab for China's political reform. They chose Shenzhen as an experiment -- but actually China should look at Hong Kong, the mainland can benefit from Hong Kong's political development.

The second reason is about Taiwan. They want to use Hong Kong as a showcase for the working of one country, with two systems. This is another impact, the external impact to China's domestic change. And of course we disagree with Chen Shui-bian on a lot of things, but he was right. He said that Taiwan is a democracy, China is not. So the thing is, this sends a very important message for China for any kind of peaceful unification across Taiwan Strait it should take place after China becomes a democracy. And so that can have a strong impact. Hong Kong certainly provides encouraging signs so far.

MR. MACFARQUHAR: Li Cheng, I'm going to have to disagree with you, because I think that the idea that Hong Kong would provide a model and a sort of temptation for Taiwan to join up with the motherland was something entertained by the Chinese leadership. It was something entertained perhaps in Hong Kong, but it was certainly never entertained in Taiwan. And if anything has happened since '97, it's the conviction that Taiwan is not going to copy Hong Kong if it can possibly help it.

MR. SWAINE: I guess one comment, if I could just interject on this, that interests me is whether or not, in the current era in China, there is an effort to think about these problems in a deliberate and a systematic way.

And what I mean by that is, rather than sort of holding up models in a very general sense, whether they be Hong Kong or Western countries or somewhere else, do you see indications within the party itself that there are efforts, as there were, to some degree, during the Zhao Ziyang era, of trying to think through the process of how China can transition itself to develop into a situation where you don't just have factions balancing each other within one party, but you can actually cede some level of authority to groups within society and then be able to use that as a basis for eventually evolving to something that even begins to approximate some kind of political competition within the system? Is there any kind of thinking along those lines in the party today?

CHENG LI: --The Central Party School has been doing the research about this. They want to change Zhao Ziyang's approach, basically -- largely based on the separation between the government and the party. They thought they could not do that because the party will become irrelevant, will be marginalized, if that happened.

The so-called local grass-roots elections, the village elections, actually went nowhere because these people -- the rich entrepreneurs can win all the votes. The grass-roots party organization becomes completely irrelevant.

The CCP leaders called Zhao Ziyang's approach, these elections, a failure, the new leadership actually, both third- and fourth-generation, want to try different paths. The path is to make changes within the party first, then spread to other areas. So it's different --

Q: (Off mike) -- what's your opinion, Michael?

MR. SWAINE: Well, this is not an area that I've been focusing on a lot, but I don't see a whole lot of evidence of that kind of systematic thinking. I mean, the kind of impression I get -- and it's very anecdotal -- is that there's a sort of logic within the party, which is, when times are relatively good, there's no need to pursue these issues. It's too dangerous to do so. When times are bad, it's too dangerous to do so. (Laughter.)

And so, you know -- so you don't have an incentive within the party system itself, because nobody will -- is willing to stand up and take the risk.

CHENG LI: Very quickly --

MR. SWAINE: There's always a risk involved.

MR. : Then they need a shock.

CHENG LI: The concept -- there's a concept called a ruling party (*zhizhengdang*). It's a new term in Chinese politics. They use that term, saying the Chinese Communist Party is a ruling party. So this is a term derived only about four or five or six years ago. They try to legitimize this one-party rule. It sounds like the Republican Party, the Democrat Party -- of course not. But they want to present it that way. The governance is through that ruling party. So in order to avoid separation between the party and the state, they use that term.

Again, I don't know whether they could work or not. But no matter whether this works or not, eventually the party has to view its challenges from the organized labor, religious groups -- migrant workers, --, farmers -- -- unemployed workers and the intelligentsia. They all will come to challenge the legitimacy of Chinese Communist Party.

If you said that the party usually enjoys intra-party democracy, why ordinary people cannot enjoy democracy? So this challenge was overwhelming.

But for the moment, it will not happen. Of course, we know that the party -- no party can survive forever. But the question is when. My answer is, well, not in the near future, but probably within a time frame -- about 15 years, because generational change and further integration with the outside world. And that's important, because -- and like some people predict the China collapse or power transition of the 16th party congress would be a killer for the Communist Party. That never happened. If SARS cannot destroy the Communist Party, what else can destroy the party in the near future? So the question is timing.

Q: (Off mike.)

MR. SWAINE: I think with that, we've -- we presented actually two theories here of -- there is the evolutionary theory, and then there's the big bang theory. (Laughter.) And with that, I think we'll have to conclude. This has been a very interesting session. I'd like to -- please join me in thanking the panel for their interesting comments. (Applause.)

(End of 11:15 a.m. panel.)