

Hu's Opportunity? Our Opportunity

Seeking Common Interests at a Time of Mutual Suspicion

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Thank you, Steve [Orlins], for that overly generous introduction. I wish my mother were here – she would believe every word.

I am honored – and a little overwhelmed – to speak to such a distinguished audience. I want to applaud the National Committee on U.S.-China Relations for organizing this discussion on the eve of President Hu Jintao's visit to the United States. In my view, the significance of President Hu's visit should not be judged in terms of whether or not two countries can reach some specific agreements in trade, security, energy, and education, but instead should be understood from a long-term strategic perspective.

China presently stands at a crossroad on both domestic and international fronts. Internally, the country is in the midst of a developmental strategy shift, as I will explain shortly. Externally, Chinese policy-makers and their advisors are in the process of rethinking both China's medium-term priorities and long-term objectives in foreign policy, especially in its relationship with the United States. On the U.S. side, a similar strategic reassessment of Sino-American relations is also taking place within government, business, and scholarly communities. Arguably, no bilateral relationship in today's world causes more confusion or anxiety – and will have more profound impact on global peace and prosperity – than the one between the United States and China.

For a long time, however, the majority of the people in the United States have woefully misunderstood the Chinese leadership and its dynamic strategic outlook. Misperceptions, false predictions, sensational mystification, and wishful thinking have often outweighed thoughtful analysis and well-grounded assessments. Inaccurate perceptions of the Chinese leadership could make our policies toward China less effective. If our sights are distorted, our policies will be too.

In the following 20 minutes or so I will cover three major issues. First, I will discuss some widely circulated misconceptions about Hu Jintao, especially in light of his accomplishments since his last official trip to the United States as Vice President of China. The second part of my presentation will offer a detailed description of who Hu is, how his policy priorities differ from those of his predecessors', and the direction in which China under his leadership is likely heading. Third, I will outline President Hu's principal agenda and objectives for this visit, as well as some of the likely outcomes.

1. Western Misperceptions and Misjudgments about Hu Jintao

Let me begin with a quick review of some widely circulated misperceptions about Hu Jintao. For several years, especially during his last official visit to the United States as PRC Vice President, many China analysts characterized Hu as an "incompetent or ineffective figurehead" who would

long be under the shadow of Jiang Zemin; some analysts called Hu a “mysterious leader” who was “famous for being unknown.” In the China-watching communities of the West, the most frequently asked question regarding Hu has been: “will Hu Jintao become China’s Gorbachev?” But this question completely ignores the Chinese perspective. Characterizing Hu Jintao as “China’s Gorbachev” generally implies failure rather than success. This does not necessarily mean that Hu is a conservative hardliner who rejects real political reforms, as some China analysts have described. In my judgment, Hu is interested in political reforms, but these political reforms will be incremental over time and manageable in scale.

Today, as he is about to begin his official trip to the United States as the PRC President, Hu Jintao likely feels a great sense of accomplishment in reviewing what he has done over the past four years. Let me highlight five of his most impressive accomplishments.

- First, he has gained popularity among the Chinese public due to his effective leadership in fighting SARS, an unexpected and devastating epidemic that was frequently labeled “China’s Chernobyl” by the foreign media.
- Second, he has transitioned smoothly into his position as Party chief and president, the first peaceful and institutionalized political succession in PRC history.
- Third, President Hu and Premier Wen won a remarkable endorsement from the National People’s Congress last month, with a 97 percent majority vote approving the 11th Five-Year Plan. The implementation of this plan will profoundly remap China’s economic landscape in accordance with the new leadership’s political vision and policy priorities.
- Fourth, Hu’s warm reception of Taiwanese opposition party leaders during their recent visits to the mainland suggests that a war across the Taiwan Strait can, and should, be avoided. This new wave of so-called Chinese panda diplomacy has dramatically reduced tensions across the Taiwan Strait.
- Fifth, Hu has formed powerful patron-client ties in the Chinese political leadership. The most crucial power base for Hu Jintao is the Chinese Communist Youth League, the so-called *tuanpai*. Presently, *tuanpai* officials occupy 70 seats on the 356-member Party central committee (constituting about 20 percent of this decision-making body). It is expected that *tuanpai* officials will occupy more seats on the next Central Committee, including its Politburo, which will be formed in the fall of 2007. Increased *Tuanpai* influence suggests that Hu will most likely – and even more effectively – run the country for the next six or seven years.

Ironically, President Hu will likely receive a somewhat colder reception in Washington D.C. than he did four years ago. Despite months of effort by the Chinese to have Hu’s visit treated as a “state visit,” guess what, *Hu is still not coming for dinner* at the White House. Rightly or wrongly, in the view of many Americans, China should be blamed for things such as the skyrocketing price of gas, air pollution in Los Angeles, the 200 billion U.S. dollar trade deficit with China, and the outsourcing of American jobs. The U.S. media continues to portray China as a country where people kill baby girls, eat dog meat, torture Falungong, and ban any form of political dissent.

The lack of enthusiasm about Hu’s visit on the U.S. side is understandable. Some Western politicians and strategic thinkers no longer see Hu Jintao as “China’s Gorbachev,” but instead conceptualize him as a leader who opposes Western democratic ideals. It is true that Hu’s administration has not scored well when it comes to freedom of the press. Internet censorship has

become much tighter in the Hu era. But it is also true that present-day China is moving aggressively to confront the challenges of governance. According to China's Ministry of Civil Affairs, there were 280,000 registered NGOs in the country in 2005, including some 6,000 foreign NGOs. A decade ago, such figures would have been unimaginable.

2. Who is Hu? A Populist and Pragmatist

Now, let me move to the second topic. If Hu is not an ineffective figurehead, not a mysterious leader, not "China's Gorbachev," and not a conservative hardliner, who is he? In my judgment, two terms most appropriately characterize Hu Jintao: one is "**populist**" and the other is "**pragmatist**." These two terms can help us better understand his personality, policy priorities, and political orientation as well as his foreign policy agenda.

Hu's populist approach is evident in the rhetoric that has recently dominated political discourse in China, such as "people-centered development" and "a harmonious society." According to Hu, at a time when China faces serious challenges such as environmental degradation, energy scarcity, employment pressures, and economic disparity, the government should pay more attention to issues of social fairness and social cohesion.

Despite rapid economic growth, the Jiang Zemin era is primarily remembered for widening economic disparity. Jiang allocated a disproportionately large amount of economic resources to Shanghai and other coastal cities while allowing many inland provinces to lag behind. A quarter-century of economic reform has not only created a wealthy entrepreneurial class, but has also produced many "losers" in China. Hu Jintao realizes that his mandate is to fix the serious problems associated with his predecessor's elitist developmental approach.

The recently rising number of social protests in China has attracted a great deal of attention in both China and the rest of the world. The annual number of protests, riots and group petitions was 87,000 last year — almost 240 incidents per day! One important fact, however, has often been neglected - the fact that these statistics were released to the public under Hu's initiative. Why did he do this? Hu wanted to show China's public, and signal its political establishment, that a policy shift is needed. Almost all of these protests were against local governments and business firms, not the Hu-Wen leadership.

To a great extent, Hu's populist initiatives have already changed China's course of development in four important ways:

- First, from obsession with GDP growth to a greater reliance on environmentally friendly methods of growth, which consume less energy. At the recent National People's Congress meeting, the Hu-Wen administration called for a 20 percent reduction in energy consumption per unit of output, a 10 percent reduction in industrial pollution, and a 33 percent reduction in industrial use of water in the next five years.
- Second, from an excessive emphasis on urban construction, foreign investment, and foreign trade, to greater concern for rural improvement with a focus on stimulating domestic demand. President Hu and other Chinese leaders have recognized that China's economic growth currently depends too much on foreign trade. In 1979, China's foreign trade

accounted for 13 percent of the country's GDP, in 2004 that number reached 60 percent. Hu believes that this trend should be reversed.

- Third, from a single-minded emphasis on coastal development to a more balanced regional development approach. Favorable policies and financial resources are currently being allocated to Chongqing in the west and Tianjin in the north rather than to Shanghai in the east and Shenzhen in the south as they were over the past two decades.
- And fourth, from a policy that favors entrepreneurs and other elites to a populist approach that protects the interests of farmers, migrant workers, the urban unemployed, the elderly, and other vulnerable social groups. Specifically, President Hu and Premier Wen have instituted many popular policies that include: reducing the tax burden on farmers, abolishing discriminatory regulations against migrants, and restricting land leases for commercial and industrial use. The bottom line is that employment and social welfare have become central concerns for the Hu administration.

If there was one foreign leader who has really inspired Hu Jintao, it would probably be Franklin Roosevelt. This is part of the reason why many Chinese scholars characterize Hu's economic and socio-political program as China's "New Deal" (*xinzheng*).

Hu is not only a populist, but also a pragmatist. In my view, China analysts often emphasize only a small component of the ideological sources for Hu's political initiatives.

- As an example, some believe that Hu intends to return to a Marxist or Communist approach to rule the country. Evidence supporting this assertion includes the Chinese authorities' renewed effort to study Marxist socio-economic theories as well as recent use of old style political campaign methods.
- Others argue that Hu wants to use Chinese tradition, specifically Confucianism, to reconstruct a coherent ideological framework for the country. They point to Hu Jintao's call for the establishment of a harmonious society, his recent appeal for a return to Confucian moral ethics, and his effort to set up over 100 Confucian institutes around the world.
- Still, others assert that Hu has been following ideas borrowed from Western democratic institutions. They point to the fact that, after he became the general secretary of the Party, Hu invited Chinese scholars to lecture at Politburo study sessions on Western culture, social welfare systems and political institutions.

In my view, Hu has been seeking political resources from **all three** of these ideological foundations because he is a pragmatist. As a result of his practical views, Hu sometimes surprises observers by his seemingly contradictory domestic and foreign policy decisions. This observation indicates that Hu is not an ideologue, but rather a leader who is open to change, and a leader with whom the U.S. can work.

3. Hu's Agendas for His Visit to the United States

This leads me to the third topic: Hu's agenda and objectives for his visit to the United States. I believe that there are three primary facets to Hu's overall agenda. First, to discuss with President Bush a broad range of issues, including bilateral economic interests, Taiwan, nuclear proliferation in Iran and North Korea, energy and environmental concerns, and human rights and

religious freedom in China. In my view, Hu will not shy away from discussing any of these issues with President Bush. Second, to make extensive contacts with business leaders, members of the U.S. Congress, and prominent people in the academic community in order to explain “China’s peaceful rise” and in turn improve China’s international image. And third, to remind his colleagues and the general public back home that it is in the best interest of China to pursue a cooperative and constructive relationship with the United States. This trip is important to Hu, not as a means of consolidating his own power, but rather as a way reassure himself that his domestic and foreign policies can be effective.

Allow me to provide a more in-depth explanation of the three components of Hu’s agenda. First, President Hu appears to be in a good position to enter his upcoming discussions with President Bush because common interests shared by China and the United States outweigh the tensions. On the economic front, China is willing to reduce the trade imbalance. The Chinese government’s policy shift that I mentioned earlier – the shift from export-led development to domestic demand-driven growth – can help achieve this objective. It is also in China’s best interest to follow regulations regarding intellectual property rights as a large number of Chinese business firms are currently demanding increased protection of their intellectual property. As for the Chinese currency (*renminbi*) appreciation, the Chinese government may not be ready to appreciate *renminbi* substantially, although it will make incremental progress over the next few years.

The bottom line is that both countries benefit enormously from bilateral trade. As the recently published book, *China: The Balance Sheet* by Nicholas Lardy and others, demonstrates, China has been the fastest growing market for U.S. exports since the 1990s. From 2000 to 2005, U.S. exports to China rose 160 percent, while U.S. exports to the rest of the world rose only 10 percent. To a remarkable degree, China has succeeded in opening its markets to the outside world during the reform era. China’s import tariffs dropped from over 50 percent in 1982 to just under 10 percent in 2005, a figure much lower than India’s 29 percent and Mexico’s 18 percent. According to Lardy, the annual U.S. gains from economic interaction with China, which are primarily a product of Chinese low-priced products, amount to a very significant 70 billion dollars or 625 dollars per household.

As for Taiwan, President Hu certainly wants reassurance from President Bush that the U.S. will not support Taiwanese independence. The importance of the so-called Taiwan issue, however, has declined for two reasons. First, both the United States and China are interested in maintaining the status quo of the Taiwan Strait. Second, the Chinese leadership believes that Taiwan’s economic dependence on the mainland, the Nationalist Party’s good chance of winning the 2008 election, and changes in the geo-political environment in the Asia-Pacific region will marginalize the Taiwanese independence movement. The Chinese will be wise to put less emphasis on this issue.

Regarding Iranian and North Korean nuclear proliferation, China intends to work with the United States to prevent these two countries from obtaining nuclear weapons. But, at the same time, China will make clear to the United States that its influence on the leaders of these regimes is limited. China will continue to work with the United States and the U.N. to deal with these tough problems. As for the energy and environmental issues, both China and the United States, the two largest energy consumers and environmental polluters in the world, seem to have more common interests than either would like to admit. China’s growing need for foreign oil does not necessarily constitute a threat to the U.S. interest.

Regarding the U.S. concern about human rights, religious freedom and political reforms in China, President Hu may have much to say. Hu can claim that his populist approach advances the interests of vulnerable social groups and is primarily aimed to improve human rights in China. For example, the Chinese leadership's plan to abolish urban household permits – which for decades limited people's ability to travel in search of jobs – is helping end a century-long segregation between the cities and the countryside, the so-called “peasant apartheid.”

As for the issue of religious freedom, Hu can claim that only a few days ago, China hosted an international forum on Buddhism, which was attended by more than 1,000 Buddhist monks and researchers from some 30 countries; this was the first international religious event organized by the Chinese government since 1949. President Hu can add that his notion of a “harmonious society” is very much in line with Buddhist thought. If he is honest, he should also add that he has in fact adopted this idea from Buddhism. In addition, the Chinese government has been engaged in “real talks” with representatives of the Vatican in order to normalize diplomatic relations. Also, the Tibetans will be noticeably absent from the protest groups during Hu's visit, because they hope that their negotiations with the Chinese government will produce substantial progress in the near future.

President Hu will also likely initiate discussion on China's commitment to political reform and constitutional democracy (of course the Chinese style). He recently addressed these issues in his talk to the Australian parliament and at the APEC meeting in Bangkok. The fact that a top Chinese leader has spoken about political democratization in China is an interesting development.

The main challenge for President Hu is his second agenda item: to sell his theory of the “peaceful rise of China” to an American audience. According to his chief strategist, Zheng Bijian, the theory of China's peaceful rise not only means that the country will become a major economic and cultural player in the world, but also constitutes a list of “won'ts” – China won't launch war to plunder the resources of other countries; won't export ideology; won't export economic development models to other countries, won't pursue an industrial development strategy that consumes a large amount of unsustainable resources; won't challenge the existing order of the international system, won't engage in large scale emigration, and won't establish colonies overseas.

Outside observers, however, have every reason to be suspicious about these empty promises. If China is really interested in a peaceful rise, why has the country substantially increased military spending over the past few years? What does China really stand for except being remarkably successful at making money? Even if we believe that Hu Jintao's commitment is sincere, how can we guarantee that future Chinese leaders will follow Hu's lead? What are the institutional agreements in this non-democratic country that can guarantee a peaceful foreign policy? These suspicions have been heightened by the fact that China will face enormous resource shortages and demographic challenges in the decades to come.

Whether China will play a more constructive or destructive role in the 21st century depends on many factors. Arguably the most important determinant is the ongoing transformation of China's political system. Our best hope for the Middle Kingdom (and their best hope as well) is that China will make genuine and consistent progress toward democracy.

Hu Jintao and his advisors are keenly aware of the concerns of the United States and other members of the international community. But they are also suspicious of the real reasons why policy makers in the United States want to promote democracy in China. Chinese leaders have no

interest whatsoever in initiating or liberalizing political changes if they will result in another incident like Tiananmen, or if the Chinese Communist Party suddenly collapses, or if a “color revolution” (like the ones in former Soviet states) occurs.

On the economic front, Hu Jintao and his advisors are also concerned about whether or not the American request to negotiate trade agreements is reasonable. If the U.S. insists on a 30 percent appreciation of Chinese currency or a 27.5 percent discriminative tariff on all Chinese goods arriving in the United States, it will convince some Chinese that the U.S. simply wants to put China down and that Sino-U.S.-conflict is inevitable. This kind of thinking could produce dangerous consequences for both sides: if conflict is inevitable, why do anything except prepare for it?

Most Chinese, as well as most Americans, certainly do not hold these views. I don’t think President Hu has this perspective either. On the contrary, I believe that China will likely make important progress toward democracy during Hu’s second term. According to President Hu and his advisors, China’s political reforms will occur in four major areas: first, intra-party democracy that institutionalizes checks and balances within the leadership; second, grassroots elections in rural villages and urban districts; three, the consolidation of the rule of law; and fourth, the emergence of civil society and NGOs. Due to time constraints, I will not elaborate on these. In my talk at the Asia Society on Wednesday evening, I will focus on China’s internal politics and the scenario for a Chinese democracy.

No one should expect that China will develop a multi-party system in the near future. The Chinese version democracy will, and should, have its own unique features. However, institutional checks and balances, political choice, constitutionalism, the independence of media, and civil liberty are the essential components for any democracy.

There are many factors that should contribute to democratization in China: the emergence of a Chinese middle class, the recent rise of public awareness of rights and interests of citizens, the diffusion of international norms and democratic values in society, the growing demand for the freedom of media, the need to improve China’s international image, the desire to gain the hearts and minds of the Taiwanese people, and the political impact of the upcoming Olympics.

Two factors directly relate to Hu Jintao. First, some of Hu’s most prominent aides, including Xia Yong and Yu Keping, spent several years studying in Western countries before working with Hu. Xia studied at Harvard University as a post-doctoral fellow for two years; and Yu taught as a guest professor at Duke University and the Free University in Germany. They have been instrumental in the formation of Hu’s domestic policies, specifically the development of the concepts of “people-centered growth” and the “governing capacity of the Party.” Xia and Yu are experts in the areas of human rights and civil society. Second, many rising stars in the fifth generation of leadership, including leading candidates for Hu’s successor, are trained in law and social sciences. One may expect that they will push for rule of law, because their leadership legacy will be likely in the areas in which they can excel.

To conclude, I believe that President Hu’s visit to the United States tomorrow comes at a time of rapid change within China and at a crucial moment in China’s rise to prominence on the international stage. Never since the Opium Wars has the Chinese nation spoken as loudly as today about its courage, commitment and confidence in integrating with the outside world. Some people in China are now inspired enough to pursue what they call the “Chinese dream” – an opportunity to lead a middle-class life style. To a great extent, this Chinese dream is inspired by the American

dream. As Americans, we should welcome a prosperous and stable China in which one-fifth of the world's population has an opportunity to achieve their own personal dreams. Because, to quote R. Williamson, "if the American dream is for Americans only, it will remain our dream and never be our destiny."

China will, of course, choose its own destiny. But China's pursuit of a better future should not come at the expense of another country. In an increasingly integrated world, the United States as well as the rest of the international communities has every right to be concerned about the trajectory of China's future development. President Hu's visit to the U.S. will not only provide him with an opportunity to explain China's intentions and interests, but will also provide us as Americans with the opportunity to express both our goodwill and our concerns. Let's hope that this great opportunity for mutually beneficial dialogue does not slip away.