



**THE WORLD IN 2050:  
CHINA THE SUPERPOWER?**

**A TOWN HALL DISCUSSION MODERATED BY JAMES BENNET**

**PANELISTS: ROBERT KAPLAN, MINXIN PEI,  
JONATHAN SPENCE, AND ARTHUR WALDRON**

*The Atlantic* Day of Ideas

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**ELIZABETH BAKER KEFFER:** My name is Elizabeth Baker Keffer, and I'm publisher of *The Atlantic*. I wanted to welcome you and thank you for joining *The Atlantic* for its Day of Ideas here in New York. In case you've missed it, we are celebrating a big anniversary, our hundred-fiftieth, and we're doing it with a national tour, going to five cities, and celebrating the ideas that have made *The Atlantic* across this century and a half. We started in Boston, where the magazine was founded, and then went to Washington, which is now our home base, went to Chicago, to San Francisco, and now finishing here in New York, the center of the universe for media, publishing, literature, and great thought—I probably don't need to tell you that. Across this tour we will host and entertain and engage almost five thousand of our readers and our hope is, in doing so, to bring to life the themes and the issues and the voices that have made *The Atlantic* what it is for this century and a half.

Our tradition was started in the library of the Parker House Hotel in Boston in the mid-1800s, when a group of esteemed thinkers and writers gathered there and determined that young America needed a great and original magazine to capture and to chronicle the American idea. The group that gathered at that time was Ralph Waldo Emerson, James Russell Lowell, Oliver Wendell Holmes, and Henry Wadsworth Longfellow. And the backdrop to the start of *The Atlantic* was a time of great national strife over slavery and a growing abolition movement, and *The Atlantic* stepped into that fray, and offered a platform for abolitionist views and a national organ in support of presidential candidate Abraham Lincoln. *The Atlantic's* history included, in fact, reporting from the Civil War by Nathaniel Hawthorne and the original publication of "The Battle Hymn of the Republic" by Julia Ward Howe.

Our great tradition of covering national and global dynamics continues today with *Atlantic* writers such as Robert Kaplan, Mark Bowden, Jim Fallows, reporting from Asia, the Middle East, and all corners of the world. And today we have the pleasure of having Robert Kaplan with us, among others, as we contemplate "The World in 2050: China the Superpower?" I'm not sure we need the question mark. In fact Robert wrote a cover story for *The Atlantic* last year, "How We Would Fight China," and he noted in that story, "The Middle East is just a blip. The American military contest with China in the Pacific will define the twenty-first century, and China will be a more formidable adversary than Russia ever was."

Our series on the World in 2050 is being sponsored around the country, appropriately enough, by global company British Airways. BA has been a partner to *The Atlantic* for many years, advertising in our pages and helping us to host these gatherings with our authors and our readers. And British Airways is celebrating its own special moment this month with the launch of its new flat bed in its club world business class, I hope you'll have an opportunity to experience that.

**UNIDENTIFIED SPEAKER:** Not me.

**(laughter)**

**ELIZABETH BAKER KEFFER:** We offer big thanks to British Airways for sponsoring the Ideas Tour and this particular session. Our conversation today will be led by *Atlantic* editor James Bennet.

James joined us just this spring after fifteen years with the *New York Times*. He went up through the ranks there, Metro reporter, Detroit bureau, White House Correspondent during the Clinton administration, and he was Jerusalem bureau chief. Had returned from Jerusalem and was just studying for and en route to China for a posting as Beijing Bureau Chief when we found him and brought him to *The Atlantic* instead. He's a Washington native and a Yale graduate, and is a friend and colleague now, so happy to be working with him.

This session will run till eleven, and I'd invite you then to stay on for the next session, which will be on U.S. competitiveness in the global market. It will be in this room, so stay on with us if you'd like, whether you have tickets or not, and we'll host a light lunch here immediately following that 11:00 AM session. Thanks very much and I'll turn things over to James.

**JAMES BENNET:** Good morning. Thank you all for coming. In one of his books, *The Gate of Heavenly Peace*, our panelist Jonathan Spence of Yale quotes a lecture from the Chinese writer Lu Xun, someone here will correct my pronunciation, from 1923, reads as follows: "Unfortunately, China is too hard to change. Just moving a table or repairing a stove tends to involve bloodshed, and even after the blood has flowed, there is no certainty that the change will be made. Unless a great whip lashes her on the back, China will never be willing to move forward of her own accord." Of course the story we all hear from China today is all about change, economically and socially, much of it exciting, much of it also unsettling.

The change has been coming for a long time, but it seems to be moving forward now with a kind of whiplash-inducing speed, propelling China towards great power status, economically, culturally, militarily, and diplomatically. We feel the effects of it every day in our lives, as we go shopping, of course, and in conversation with businessmen worrying if it's too late for them to get in, and industrial, manufacturing and service workers, wondering if they're being outsourced out of a job, and parents wondering if it's time to start having their children study Mandarin. And also, of course, policymakers and analysts, who are wondering, as we make this transition to a multipolar or bipolar world, whether China will emerge as a stable ally, an unpredictable actor, or even an adversary, as it competes more and more for resources, as we try to manage problems from Darfur to Iran, from environmental degradation to nuclear proliferation.

We're very lucky to have this group of panelists with us this morning. We have a political scientist, two historians, and a journalist who is something of both. Taking them in alphabetical order, beginning with the journalist. Robert Kaplan is National Correspondent for *The Atlantic*, really International Correspondent for *The Atlantic*. He is now—and I want to get the title right—The Class of 1960 Distinguished Visiting Professor in National Security at the United States Naval Academy in Annapolis. Bob's reported from a hundred countries and is now at work on his twelfth book. As Elizabeth mentioned, he wrote a cover story last year for us on how the U.S. military regards China's rise, and in October wrote our cover story on what the demise of the North Korean regime could mean for China and the U.S. and how it might reshape the balance of power in Asia.

Moving on, in alphabetical order. Minxin Pei is a Harvard-trained political scientist, senior associate and director of the China Program at the Carnegie Endowment for International Peace in Washington. His main interests are U.S.-China relations, the development of democratic political systems, and Chinese politics. He is the author of numerous articles and op-eds in the *New York Times* and elsewhere, and several books, including *From Reform to Revolution: The Demise of Communism in China and the Soviet Union*, and *China's Trapped Transition: The Limits of Developmental Autocracy*.

Now to the historians. Jonathan Spence is Sterling Professor of History at Yale. He teaches Chinese history from about 1600 to the present and also tracks the Western images of China since the Middle Ages. He is also, for my money, one of our great writers of narrative nonfiction. His books include *The Death of Woman Wang*, *The Memory Palace of Mateo Ricci*, *The Gate of Heavenly Peace*, which I already referred to, and *God's Chinese Son*. He's also author of a compact and sharply detailed biography of Mao for the Penguin Lives series.

Lastly, Arthur Waldron, Lauder Professor of International Relations at the University of Pennsylvania. He specializes in war, strat—excuse me, war strategy (**laughter**), foreign policy, and Asian—everybody does these days. Before teaching at the University of Pennsylvania, he was Professor of Strategy and Policy at the U.S. Naval War College in Newport. He is a member of the Council on Foreign Relations, he serves on the board of directors for Freedom House, and is vice president of the International Assessment and Strategy Center for Asia and Strategy Programs. He is a frequent advisor in Washington

on China policy and he was part of the China Futures panel convened by Congressional Republicans in 2000 to consider, is it fair to say, whether there was a tilt towards China within the CIA?

**ARTHUR WALDRON:** Well, wait. Now, that isn't *quite* right. That was the Tilelli Commission, it was a nonpartisan panel. It was mandated by Congress. But its task was to investigate whether the CIA was doing a good job on—

**JAMES BENNET:** I stand corrected.

**ARTHUR WALDRON:** No, it's just important, though, to get this right—on China. One of my best students, who is a professor at Davidson, is very much on the left, was a member of this panel, and we were cleared to spend a month running around. Now of course our report is absolutely so secret that even the president can't read it. **(laughter)** But I'll just say two things, that Bill Gertz of the *Washington Times* published a little piece saying that we had been very, very hard indeed on what they refer to as “the China shop,” and the other thing I'll say that I have not been at all surprised by the ghastly intelligence failures that have characterized our role in the Middle East. Not surprised at all.

**JAMES BENNET:** I stand corrected again.

**(laughter)**

**ARTHUR WALDRON:** Okay, no, no, I just wanted to be sure that it's understood, because it's quite important, actually.

**JAMES BENNET:** I'd like to start with a question about the ideological underpinnings of China today. What is it that holds this country together? We hear so much about the contradictions within China, the heightening contradictions. And Professor Spence, I thought I'd start with you on this. In your Mao biography, you write, working off notes from a speech Mao gave in '57, that a logic of class war would suggest that the Chinese national bourgeoisie would also be the enemy of the Chinese working class. That was not in fact, so. Quoting Mao, you say, “Antagonistic contradictions, if properly handled, can

become unantagonistic. Care was needed in defining enemies.” These contradictions are of course, if anything, more antagonistic today, so what if anything do you see as the glue?

**JONATHAN SPENCE:** Well, I think the glue is moderately frail. I think that I’m always absorbed by the success China seems to have in coping with so many extraordinarily complicated problems, and I’m not convinced that the States can or should do terribly much about it. Arthur, I know, has stronger views on that.

**ARTHUR WALDRON:** Well, actually, I agree with that.

**JONATHAN SPENCE:** I think that watching and thinking about North Korea, for instance, should tell us that China has very specific frontiers that we don’t necessarily understand at all well, and what Arthur said about intelligence failure makes that all the more depressing.

But obviously the key borders, historically, that China faces and have bred different kinds of tensions at different times, would be North Korea, or Korea, as it was, now split. Absolutely Japan. I say, I’m always baffled when Japan keeps being left out of the equation. That was Lu Xun’s whip, hitting the Chinese forward, was absolutely Japan in the first half of the twentieth century. Adding Russia, adding the Central Asian republics, all of them bordering on China. Including Tibet, however you wish to interpret its exact international status, and, of course, Myanmar and Vietnam, so I’ve always tried to have a very different look at China, and the States seems to me quite secondary, in a way, to that. That the specific economic tensions now are going to be based on engineering skill and cost-efficiency and so on, so, China’s internal protection is also gaining, as far as I can see, internal protection between provinces and economic hostility between provinces.

China has a mass of contradictions right now and the new government, or the new regime, is handling this at the moment at what I suppose we’d call the engineer’s level: they’re working on infrastructure of all kinds, production of all kinds. The world has changed dramatically, of course, since Mao’s time, but I was asked to do a short piece—in *Time Asia* had a new sort of issue on world leaders and I was asked to do Deng Xiaoping, and I’m not sure if I should have accepted, but I did, and I wrote it, but I spent about a third of that piece by saying, Deng Xiaoping cannot be understood without Mao. You know, he’s not

just suddenly there modernizing something out of nothing. He's deeply implicated and involved in the past battles within the Party.

And I noticed in the front-page story of the *Times* business section today, I thought an excellent story about the automobile industry in China. Really, really well written. I recommend that to people. And I was very startled by the piece of information they gave me there—that the most productive workers in China's new state-of-the-art kind of automobile factories are urged and indeed told to display small Party flags on their workstations wherever they happen to be, scattered through the plant. So the Party is trying to insinuate itself on the shop floor of the new progressive industries, just as it's trying to modernize the Party leadership. So in that sense we've moved into another era. But we're trapped, the Chinese are in many ways caught up in that revolutionary past, I think.

**JAMES BENNET:** Picking up on one element of that, Dr. Pei, the central government is obviously one of the things that's holding it together, and you've written that this government has shown a fair amount of tactical agility but also that there's sort of a frailty among the elite, and I wonder if you could—

**MINXIN PEI:** First, let me just comment on why there's such competitive, because there's three strains of ideas that hold this country together. First, there's the ideology of power, that holds the regime together, because the regime is firmly convinced that it must defend its political enclave at all costs and to that extent it is willing to adjust its tactics. Second, there is the ideology of money, because the whole entire nation is caught up the dream of economic modernization and, of course, money gives people hope. And then there's this idea of Chinese nationalism. Many Chinese people believe that today their time in the sun has arrived. So that I think, these three ideas may have some staying power. In terms of the country at large, you do see the Chinese Communist Party, having learned many lessons from the demise of the former Soviet Union, is doing things that some of us believe are quite smart. But the *real* question is, if the strategy is *fundamentally* flawed, because the strategy is to use whatever means available to defend an undemocratic system, regardless of all the challenges that would make such defense ultimately futile, you've got to question whether these tactics will succeed.

**JAMES BENNET:** I'd like to pick up on the third element that you raise there, the Chinese nationalism, and bear down a little bit on the question of what that means and how much it's grounded

in what Mao said, the need for some sort of external enemy to give it force. Professor Waldron, do you want to take that one on?

**ARTHUR WALDRON:** Well, I guess I think that your point is quite right, if you want to understand why China is—adopts, what often seem to me to be rather self-defeating foreign-policy approaches. For instance, nothing could be more *foolish* than to take a Japan, which has embraced pacificism, has kept its military budget low, has forsworn nuclear weapons, and so forth, and then sort of keep poking them in the eye until now it seems that Japan is waking up. Now, to some extent that's the fault of the North Koreans. As my friend Ambassador Lilly is fond of saying, the Koreans are very good at raining on China's parade, and they did that in 1950 with the Korean War, which of course led to a breakdown of relations between the United States and China for twenty-five years. That relationship might otherwise have been quite different, and by firing the Taepodong missile over Japan, they woke up the Japanese. I guess the best I can do is say that I think that George Kennan's great article on the sources of Soviet behavior from *Foreign Affairs*, autumn of 1947, much of what it says about the structure of the regime, is also applicable to China. It's applicable—I mean, we saw General Galtieri, you know, attack the Falkland Islands, and I think, again, that was an attempt to hold up his own power. This is not something unusual.

I *would* like to make one point, though, about the question you began with about the glue. I woke up this morning in the incredible luxury of the Yale Club, (**laughter**) and, oddly enough, the first thought that came into my mind as I considered my labors this morning, was of Jonathan's, I believe it's your first book, *To Change China*. Yes, second book, I mean, with him we get into triple digits, but the point of the book is really very good. Which is that there's not a heck of a lot that outsiders can do. Although I would say there are *certain* things that we can do, but we must not fantasize that somehow *we* are going to kind of lead China or something like that.

But on the question of Party rule and the glue, it seems to me that the glue *is* rather fragile and the *World Journal*, which is the largest-circulation Chinese paper, I picked up the Saturday copy this morning, and one of the articles it had was about the distribution of Chinese Communist documents in newspapers, and they're very concerned that ordinary people read Communist magazines and newspapers instead of reading these tabloids and movie magazines and everything, which as in every other country of the



world have driven these so-called quality or in this case the Party press out of existence, and long ago— And I thought this was going to be futile. In Taiwan, the *Zhongyang Ribào*—the *Central Daily News*—the Party paper, that's now closed down, because nobody bought it. And the circulation of the *People's Daily* in China, the paid circulation, is very small indeed. Long ago I was in Hong Kong, and I came bouncing out of my hotel, early, and I went down and I said to this nice Cantonese lady, do you have *The People's Daily*, she had all these papers, and she looked at me, as if, as they say in Chinese, she had seen a ghost, and she said, "No one wants to buy that, if you have to get that, go somewhere else." And when I visit my sister-in-law, like all of us, I have a wife from China, from Peking, **(laughter)** no really, that's one of the advantages of learning Chinese. When I visit my sister-in-law, who's a classical musician, and stay at her house outside the Fourth Ring Road, it's very low-rent to me, it's not a place where you find many foreigners, I go out to the newsstands there, and you *cannot* get the Party papers. They're simply not for sale, so that's the first thing.

The second thing I'd like to say is something rather historical. I was thinking about Chinese dynasties, and this fits in a little bit with what Jonathan was saying, about how you cannot understand what's going on today, or you cannot understand Deng without reference to Mao. It seems to me that the dynasties—think of the Ming Dynasty, the Qing Dynasty, and then think of Communism as a dynasty. They're very, very good at the beginning, but as that quote from Lu Xun suggests, they have great difficulty adjusting. And if you look at the Ming Dynasty, which is 1368 to 1644, you'll find that at the beginning they were very, very well organized. But two problems brought them down. One was urbanization, which they had not expected, and the other was their inability to manage relations with the Mongols. And they got themselves stuck to a kind of a tarbaby of warfare that was completely unnecessary. The Qing Dynasty came in as a mighty military power, in 1644, but it proved unequal to the challenges of sort of nineteenth-century-style industrialization, education, and so forth.

Well, we think of the PRC. Now it's modernizing madly. But what's really the most modern? What's the most transformative of all of these new technologies? I would argue that it's the Internet. And it's the Internet that's destroying the print media. It's the Internet that is changing the way people relate to each other across national boundaries. I mean the Internet is having incredibly powerful effects. How is the PRC reacting to the Internet? Well, the answer is they're spending billions and billions of dollars trying to control it. Forty thousand people monitoring conversations, they've got only three portals,

Cisco and others have sold them the most advanced Internet sniffing equipment and so forth. Well, it seems to me that this is an exercise in futility. And if you're going to be *modern*, you *have* to embrace the Internet, and if your structure of authority and power cannot accommodate the Internet, then sooner or later, there's going to have to be a new structure. Thank you.

**JAMES BENNET:** And Bob, you'll accuse me of putting too much weight here on ideology, probably, but isn't this where the parallel to the Soviet Union breaks down a little bit? If you have this nation that is so preoccupied with making money, where it's trying to assert Communist ideology but nobody takes it seriously, that we've got casinos on Macau making a million dollars an hour in this Communist state. You've drawn the parallel, as has Professor Waldron, to the Soviet Union. Why do you think it has such force? Let me rephrase the question in a more meaningful way, actually, I'm sorry. Where's the expansionist element in this? Where's the actual threatening element that's left here if it's so preoccupied with its own internal contradictions?

**ROBERT KAPLAN:** What I see is—unlike everyone here, I cover the Chinese military, and the U.S. military adjustment to it. And what I see is that the Party is trying to change from being, you know, a traditional Communist Party into just a traditional authoritarian structure. That it's trying to—it's almost Burkean—trying to slow down change when it's too fast, and therefore *not* follow the Soviet model, where everything fell into chaos, it went from authoritarianism to cold-turkey democracy in the nineties in Russia and you had chaos, upsurge in crime rates, and the Chinese leadership is trying to kind of level that out over a longer period of time, and at the same time—what I think one of the most dynamic things that I see—is the military expansion. Double digits, double digits relative to GDP and GDP rising by close to double digits.

And the Chinese, unlike the Soviet Union, are buying smart and they're training smart. They're not buying across the board—they're specializing in submarines—diesel, electric, and nuclear. They're putting fiber-optic systems underground, they have more long-range missiles in Asia that can hit moving targets at sea, and they're doing something the Soviet Union never did: the Chinese understand that a good military has a good non-commissioned officer corps. Meaning sergeants, corporals, or petty officers if it's the navy, that officers give orders, but it's NCOs that get things done and the Chinese,

unlike the other Communist militaries of Eastern Europe and the Soviet Union, are putting emphasis on NCO training.

It's interesting how the U.S. military sees China. The U.S. military responds to capabilities, not intentions, because it doesn't know what Chinese intentions may be ten years down the road, you know, because who knows what kind of domestic crises there may be in China that will change intentions. Now, what it sees is a traditional legitimate rising power, obsessed with energy concerns, that needs to guard sea lanes, that won't trust the U.S. or Indian navies to do it because of its own past. And it's very much like the United States after the Civil War, where our economy started churning, starting in the late Grant administration up through World War I, and, as a result, we suddenly had Marine landings throughout the Pacific. We acquired the Hawaiian Islands from the British. The Marines and Navy became active in the northern half of South America. Not through a—basically, because suddenly because our economy was churning so much, we suddenly had interests outside that we never had before and the Chinese are discovering the same thing and therefore to me, the big—one of the big *dramas* that's coming is that the U.S. Navy is understanding that the Pacific Ocean will no longer be its private lake, and it will have to accommodate not just the rise of Chinese power, but of Indian naval power, and others as well.

**ARTHUR WALDRON:** Could I just make a quick comment? I basically agree with what Robert Kaplan has said about the military. There's no question that the Chinese are building a military very, very rapidly and I would add that it's one that's very clearly targeted at us. It's very, very clearly targeted at our carrier battle groups. Now, we could have a long discussion of whether there's going to be some sort of countervailing force emerge. I suspect that, as with the Anglo-German naval race, that all you end up doing is getting a balance, but at a much higher, more costly and dangerous level. But Robert did say that the Soviet Union had collapsed into *chaos*, and I think this is a point where I would take a little issue.

I think that Gorbachev, unlike the Chinese leaders, is, was, a rather sincere Socialist. He was deeply affected by the Prague Spring. He believed that in fact one could make Russia into a sort of beacon of a different kind of system. Now, it turned out that once you take the lid off free expression, and so forth, you don't just get people saying, "Well, we could improve this, we could improve that," you get people

saying, “Look, you really have to change the whole thing. We have to vote and all the rest,” and it became—and I mean he—it’s very interesting. In the Soviet Union, Gorbachev believed there was something called *soglasie* which is a kind of consensus, and we have now this idea of the Harmonious—*héxié shèhuì*—Society in China. They’re really the same idea. The difference is that in the Soviet Union, Gorbachev, because he actually believed in socialism as an ideal, took the lid off. Now, it didn’t work. Chaos developed. But it wasn’t *bloody*. Gorbachev was not a man with the stomach to kill large numbers of people. He killed some, but then he just didn’t—he was just too civilized.

So, as—the key thing was in 1991 when the Soviet constitution was revised to permit multiparty system, free speech, elections, and so forth, and I think we—that Gorbachev really deserves some gratitude for this. Admittedly, he was forced to do this, but he did it. And by doing this he created a *bridge* for the Soviet people. It was a bridge that, to be sure, it led them out of Communism, into the unknown, since the first years of the last century, the unknown terrain of democracy and freedom. But on the other hand, remember, all those KGB internal security units, all of the PLA, just talking to somebody yesterday, the commander of the nuclear forces in Tartu in Estonia, they told their forces, “Stay in barracks while the political change goes on. Just let it happen.” So there was no bloodbath in the Soviet Union. And, I think that—

**ROBERT KAPLAN:** There was in the Caucasus, Tajikistan.

**ARTHUR WALDRON:** Well, no, that I agree, but I think that the main point, I think that if we think about this, it is astonishing. It is astonishing that there was not a much—you’re quite right, but it is astonishing that there was—I mean, can you think of what would happened if they had actually sent these KGB units, the People’s Armed Police, *out* to start shooting the Russians?

**JAMES BENNET:** Let me pick up on the example of Gorbachev. Doctor Pei, do you see a—*is* there a Gorbachev on the horizon, and is this regime capable of producing one, and then just more fundamentally, should we be trying to strengthen this regime and guide it, or should we be trying to undermine it?

**MINXIN PEI:** First of all I will say one of the things China has learned from the collapse of the former Soviet Union is to try to prevent another Gorbachev from rising through the ranks. So if you look at the people who are waiting to take over, I think they've been quite successful at eliminating any possibilities. But Gorbachev is a product of his times. I think Gorbachev is a product of the stagnation of the former Soviet Union starting in the late sixties, and the Soviet Union had to change by that time. So I would say that consciously the Chinese government has succeeded in preventing another Gorbachev from emerging in China, but, if the Chinese economy stalls and if political stagnation continues twenty years from now, (**inaudible**), China will have its own Gorbachev.

And the other question is whether we should strengthen or undermine the regime. I think we should do neither. I think because, we cannot—it's against our moral values to stress a democratic regime, and probably we cannot do a lot, the regime does a pretty good job strengthening itself. Go to China, and you check into a hotel, for those of you have been to China many times. Ten years ago, they were copying down your passport number, they would phone the security bureau, it would probably take three to four days before the police knows that you are in town. Now they just scan, and it automatically shows up, and they know you are in town within a few hours. So, they did invest a great deal of money into their police monitoring capability, so they're doing a job strengthening themselves, so we don't have to worry about that. As for undermine the regime, it's very hard to do, especially in a direct way.

What we can do is not to give it the international respect it does not *deserve*. What bothers me is that throughout the world you see Chinese leaders are being courted as *heroes*, as very respectable leaders on the international stage. China is an important country, and we want to give the country its due. It has done great things in the last thirty years in terms of eliminating massive poverty. It has become a more responsible global power. But we have to benchmark China's progress against its neighbors, against other major countries, and then accord the country's leaders the degree of respect that we think is appropriate to those benchmarks. And today I have to say that China may have done a great job in developing its economy and being part of the global trading system but is China part of this global community that genuinely respects and embodies the values that we all find glorifying, acceptable? The answer is, perhaps, not. And if we have that kind of answer then we will have to say there is a third thing we can do, that is refrain from telling its leaders what a great job they are doing and they are now on to be part of G8, part of this very respectable club.

**JAMES BENNET:** I'm going to turn it over to you guys in a second and ask you to solicit your questions. Professor Spence, before, I'd like to come back to you on this last point. I mean, the feeling a lot of us who don't know this area that deeply feel these days is that the Chinese basically have us over a barrel and there's not much we can do to influence them one way or another, and what I'm wondering is would withholding our respect, in a certain degree, as Dr. Pei describes, what effect would that actually have on the regime?

**JONATHAN SPENCE:** Well, I anguished as a non-diplomat about the difference between a state dinner and a state lunch for President Hu Jintao and I'm not sure I've solved the dark and murky recesses there. Clearly the Chinese would have loved a very formal state dinner, and they got a moderately chaotic lunch. I think that what you're saying may be true, but it can also lead to a lot of petty slights, silly humiliations, which are quite unnecessary. I mean, I'm sure there must be ways of peaceful visits for naval fleets to harbors, I remember many former examples, or you could make *that* a confrontation every time it happened. You can have a—as a layman to all these, I was once a junior compulsory soldier, I've always been intrigued by joint military maneuvers as a concept. It seems that that kind of thing may rather upgrade some other part, but it teaches you a lot about them. So these kinds of things, that is kind of interfering, and it's a bit more like what Arthur said before, that book about "Change China," when you start trying to do these changes, you're making the ideological decisions all the time, and you're usually getting them wrong, it seems to me.

I'm not always a sort of *laissez-faire*, hands-off, person. I *am* in this case. I would say that as a country, give sort of the most polite treatment you feel is sensible, and yes, don't praise an actual sort of bloodstained dictator, but there are times we have to work with some pretty strange allies, and I would like to see China enmeshed in a whole lot of sort of middle-sized exchanges, kind of UNESCO-level kind of things, visiting military, shared technology, up to a certain level, which you people know about, I don't really understand that level. But keep as many ways open as possible. And also I think see when they have a dominant role to play, as I think would be, again we could argue a good bit about the Japanese approach, I think, I mean, what exactly should be the best approach there? But obviously with Korea, obviously with Vietnam, obviously with Myanmar, in all these cases, China has strong interests, and we should encourage them, I think, to build up those interests.

**ROBERT KAPLAN:** Yeah, on that point, the U.S. military has decided evidently that *engagement* with China is the way to go, at least temporarily. Last June you had the biggest U.S. military exercise in Asia since the Vietnam War in Guam and they invited a Chinese delegation not only to participate but to give them access to our B-2 bombers, which are you know, our biggest national strategic assets, super secret, in the air. Admiral Fallon, the Combatant Commander of Pacific Command, is repeatedly in China. He was recently in Harbin, in Manchuria. The U.S. Navy is looking for combined naval exercises with China. So the Pacific Command position is—and Pacific Command is a different personality than Central Command—it’s more naval, it’s less army, more area experts, because of marriage patterns and a whole bunch of things. And Pacific Command’s attitude is really, “build up forces on U.S. territories but engage, engage, engage the Chinese.”

**JONATHAN SPENCE:** Usually engage is a positive—

**ROBERT KAPLAN:** Yes, that’s what I mean.

(laughter)

**ARTHUR WALDRON:** Could I just say something on that? I think Robert has done a very job outlining a problem that we *do* have and it really comes down to a very fundamental question about whether we have a human-rights policy at all, because as Americans I think we *like* to imagine that somehow our diplomacy reflects our most deeply held values, and my view is that engagement is probably appropriate for China, although I think it should be cautious. I’ve known a number of these Pacific fleet commanders, and they tend to be extraordinarily naïve, and they send the message to the Chinese that we Americans are really rather simple-minded, which is absolutely not the message that we want to send.

**JAMES BENNET:** But is it true?

**ARTHUR WALDRON:** Well, I think it may be true, but remember the Japanese strategy, their idea in 1941 was that after they sank our fleet in Pearl Harbor, we would then sue for peace talks, just as the

Russians had after Admiral Togo sank Admiral Rozhstvensky's fleet at Tsushima. But I think on human rights we're really—we *are* over a barrel. Because if engagement is right for China, then surely it's right for Iran, surely it's right for Korea, I mean, China may not be absolute zero as far as human rights goes, but it's down there. If you look at the Freedom House evaluations, Iran scores higher in all categories than China does. Now, I'm not advocating that we should, say, *aid* North Korea or Iran, but I think there'd be no harm at all in having an American ambassador there, who knows the language, and who has a secure channel back to Washington. I think that what we're doing, for instance, in North Korea now, where the Chinese are the message-carriers between Washington and North Korea, this is simply *inviting* manipulation. We have to have our own people there.

**JAMES BENNET:** A question from you all?

**Q:** The question is—is there in China's desire to grow their economy, is there inherent contradiction between that and their ability to eventually keep control given the integration and openness that growth could bring?

**MINXIN PEI:** I think for a short time they can manage the tensions between the consequences of economic liberalization and modernization and the desire of maintaining one-party control. They've done that by investing in Internet control capabilities, by making a very large secret police, and by co-opting new social elites. Professionals, private entrepreneurs, they are being co-opted into the Party, given social and political respect. But over the long run it's very hard to do. Simply because the nature of authoritarian politics is exclusive—*excluding* someone from sharing power, so there's a self-defeating logic. This is one.

Second part of it is that authoritarian politics has another characteristic, that is called predatory, because authoritarian politics without exception is incredibly corrupt, and the ruling elites in authoritarian regimes have very short time horizons because they go to bed tonight, they are not sure when they wake up tomorrow morning whether they're going to be in power. So that kind of uncertainty about future—in China today you will find many officials are *big* believers in fortune-telling. They will consult fortune-tellers about their own political careers, and it you tells you something about how they look at the future,



so that combination of political insecurity and uncertainty about the future encourages predatory, corrupt behavior.

So either—there are two outcomes. One is that long-run economic growth continues and then creates such a dynamic society that political control under one-party rule cannot be maintained. Or, somewhere along the way, corruption overwhelms the system and produces an outcome very similar to Indonesia. When you look at today's China and think about China 2050, think about Indonesia before 1997, the financial crisis, because Indonesia did very well for thirty years, but at the end of the day, it was its corrupt politics that destroyed the economy, so there might be this gigantic detour in between.

**ARTHUR WALDRON:** I'd like to—can I introduce something new? I think another thing on this question of growing the economy, how—I hate to say that word, it's not a verb—causing the economy to grow, or making it grow. **(laughter)** What about the environment? And this is something that people don't pay much attention to. If China's going to keep growing at the rate that she is growing, she's going to have to use ten times as much water today, then, in 2050, as she uses today. Well, right now China is short of water. Two of her major rivers scarcely flow. Groundwater levels are going down, pollution levels are going up, and, furthermore, compared to Japan, China uses ten times as much water per unit of production. Likewise with energy. China uses fifteen times as much energy per unit of value produced as Japan does. And large sections of China are just *devastated* ecologically, and my own view is that unless something is done about these externalities, the economic miracle is going to have problems. The *Shanghai Daily* reports that the cost of pollution is ten percent of GNP. That means that if GNP grows at say 11 percent and you subtract the environmental offset, maybe you have 1 percent growth. I think this factor has to be borne in mind. I actually believe it's more important than the military factor.

**ROBERT KAPLAN:** A point. In the hundred and fortieth anniversary issue of *The Atlantic*, November 1997, *The Atlantic* published a long piece, not written by me but by Mark Hertsgaard, I believe, about the environment being China's number-one national security problem over the long run and he goes into depth on this. And even though it's almost a ten-year-old article, I recommend it, it's still very up-to-date.

**Q:** My question also concerns trade and, specifically, the U.S. or the Western approach to trade. I mean, obviously right now, someone used the phrase “over a barrel.” It seems like our economy is remarkably reliant on China and its production capabilities. Is that a good thing moving forward for our relationship with China, or is there something we should be thinking about to tip that balance?

**JAMES BENNET:** You can also argue that if you owe someone a tremendous amount of money, that gives you a certain amount of leverage, too. **(laughter)**

**ARTHUR WALDRON:** You could argue that.

**MINXIN PEI:** I would not say the U.S. economy is overly dependent on China. The two economies are closely integrated. There the question is should this relationship break up, who will pay more? Today I think the Chinese would still pay more.

**ARTHUR WALDRON:** Also, China’s very much based on low-cost labor, and I think by 2050 there are going to be a lot of other low-cost labor countries, you know, Africa, Middle East, so forth.

**JONATHAN SPENCE:** Well, and, wages are going up in China and production is already moving to other areas. I think that’s got a balancing factor, just like the balance between entirely free independent companies and semi-government companies is opening up now more and more in ways we haven’t realized. In the piece I read this morning, Geely, the car company, automobile manufacturer, is moving into the probably the number-one spot in China and its CEO was saying he’s always stayed free of Party or these easy-get loans and this kind of thing and I don’t think it’s going to be too long before they’re outsourcing various things much more to Vietnam or all kinds of things are going to change with the Indian economy and its relationship to China, I’d have thought. So I think that’s self-adjusting. And that’s out of ignorance, maybe, but I’m optimistic about that.

**JAMES BENNET:** And may have political consequences over time as well.

**JONATHAN SPENCE:** It’s bound to, I think.

**ARTHUR WALDRON:** Well, their investment. It's interesting. An investment decision tells you sort of where you want to go. If you build shipyards, then you're obviously not going to go into agricultural processing. And one of the worrying things about China is how much investment has gone into export, export infrastructure, as opposed to the infrastructure for developing the country itself. Internal demand has been stagnant for a very, very long time. Most countries, internal demand, the rising internal demand drives growth. China has been relying on exports to drive growth, and this is—I think it's unsustainable in the long run.

**Q:** Gentleman. Richard Florida wrote two very interesting books in the last few years, *The Rise of the Creative Class* and *The Flight of the Creative Class*. And he talks about the advantages that individuals or corporations or nations will have comes from creativity, not from the service sector and not from the manufacturing sector. As you've just mentioned, China's growth is dependent on low wages and in essence manufacturing. And they're doing it at a rapid rate for such a huge economy. Something has to give here. Does China's manufacturing hegemony begin to consume itself? And do you see China in 2050 contributing more, actually *luring* more of the creative class to move there, to remove its own dependence on manufacturing as the staple of its economic growth?

**ARTHUR WALDRON:** Well, I could take a crack at that. I think that this business about creativity. If you look at say Soviet growth versus American growth, you'll find that Soviet growth is four-fifths capital accumulation and one-fifth productivity increase. United States was one-fifth capital accumulation and four-fifths creativity. Now, take a country like Singapore, which by Chinese standards is rather free. Singapore has an enormously high emigration rate. Enormously high. I have two brilliant Singaporean students at Penn. They're neither of them going back. They are precisely your creative class. And I think one of the problems that China has is that she wants to modernize her educational system, she wants people to be able to think, but of course if you can think about *physics* at the cutting edge, are you going to say, "Well, the Three Represents is the acme of political thought?" That's just not how the human mind works, so unless they liberalize—unless they make the country congenial to the creative class, I think that they will then be dependent on copying.

**Q:** Aren't we seeing, and it's all anecdotal, but aren't we seeing a lot of Chinese who were educated in the U.S. and worked professionally in the U.S. now returning home to participate in the gold rush?

**MINXIN PEI:** Yes, but they are not necessarily working for the government. They are typically working either for themselves, you see them with their own companies, or they're working for multinationals. I see these two cogs of excellence as having a lot of promise for the future, but if you want to work for the government, there you're going to waste your talent, waste your training, but the entire system can make you unlearn what you have learned in the U.S. very quickly.

**ARTHUR WALDRON:** Also our visa system, we now have a class of visas that has the Chinese come over here and study and then they have to go back, we make them go back. It used to be said in the embassy in Beijing, we issue only one kind of visa, it's an immigrant visa, but that's no longer true, so come go back unwillingly. I have a Chinese doctor who's an acupuncturist, an absolutely brilliant man. Chinese-educated, Oxford-educated. The first time that I laid down and he started sticking needles into me—I said, “Well, Doctor, I predict”—and he's done amazing things at Jefferson Hospital—he's gotten people off life-support, respirators, all the rest, using acupuncture. I said, “I predict that the United States is now going to become the world center of research in Chinese medicine.” And he said to me, “You know, I came to that conclusion several years ago,” and this was a man who tried very, very hard to find an appropriate environment in China, and he just couldn't find it.

**JAMES BENNET:** We'll have to close with the words of the Chinese acupuncturist, unfortunately.

**(laughter)**

**ARTHUR WALDRON:** I'm sorry.

**JAMES BENNET:** We are out of time.

**ARTHUR WALDRON:** We could do worse.

**JAMES BENNET:** We could do a lot worse. Thank our panelists very much. This is an extraordinary group. And thank you all for coming, please stick around for what's next.

**(applause)**