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Brussels Forum

China in Transition

Moderator: Ladies and gentlemen, please welcome Mr. Andrew Small.

Andrew Small: Ladies and gentlemen, welcome to the first panel discussion of the day. My name is Andrew Small and along with my colleague Dan Twining, we run GMF's Asia program. And the title of this session "China in Transition" is also the name of a new strand of work that GMF will be undertaking--led by Minxin Pei who you'll be hearing from in a couple of minutes. It's been our sense that China policy in Europe and the United States has found a challenge at times to keep up with the tremendous changes and debates that are taking place in China. Not least, about the different political futures there that are being contemplated. And we hope that this "China in Transition" project and discussions like the one we're about to have can help to close that gap. Now GMF is a transatlantic institution and the Asia program was founded not only

because it was clearly going to be so important to think about how we adjust to changing global power dynamics, and shifting balances in the region, but also because of the time the program was established, Europe and the United States face serious differences over their views of China and of Asia as a whole. To help bridge some of those differences GMF, has put in place a series of sustained and intensive dialogues that take place not just transatlantically, but with some of our most important partners in Asia. We've been particularly pleased to collaborate with the Swedish government on a number of these--most notably the Stockholm-China forum and the India Forum which a number of you in this room have taken part in. We've been delighted, more recently, to be able to add the Tokyo Tri-Lateral Partnership with the Tokyo Foundation. The Pakistan Tri-Lateral, the Young Strategists Forum, the Global Swing State Project, and some new collaborations in South Korea and Southeast Asia. It's been our sense over the course of these

dialogues that from some of the early days of division between Europe and the United States--actually views on Asia have been converging quite significantly. And in the coming years, we're going to be working particularly closely on trying to translate that convergence into some more practical areas of cooperation. And to try and put some flesh on the bone of the claim that the United States should be pivoting to Asia with Europe, rather than away from Europe. Dan Twining and I will be around for the next couple of days to talk to any of you about these different initiatives and we really look forward to including many more of you in the Asia program's work as we move forward. And with that, let me hand over to Phillip Stevens who will be chairing the first session.

Phillip Stevens: (video) Good Morning. I'm Phillip Stevens, I'm a columnist on the *Financial Times*. Some of you probably don't know that moderating at the Brussels Forum is a competitive business. First of all, people like me worry whether we're going to be asked,

and then we worry who's going to get the best panel. Well, this morning we're talking about China, and as you can see, we have a stellar panel. So I'm claiming victory in the moderator's gold cup. This week, China got its new president. The Catholic church got a new Pope. I've been struggling to see whether there are parallels. Well, of course the Pope is a Jesuit, the first Jesuit Pope, and of course it was the Jesuits who were the first Europeans to fully recognize the culture creativity and intellect of Chinese civilization. So that's one parallel. But I think the one that struck me was the question that both of these choices raised--of a Catholic--the question for me is: Is this going to be a reforming Pope? As a citizen of the world the question for me about the new Chinese President Xi Jinping, is this going to be a reforming President? Is this going to be a leader who takes China through the transition? And the thing that strikes me whenever I go to China, is how from the outside, we see this sort of linear progress, the China's rise to--some people say--

to a sort of global (inaudible) with the next twenty or thirty years.

Whenever I'm in Beijing speaking to Chinese officials, I think in terms of--I feel a greater insecurity--and people talking about how can we manage this? Can we keep the economic show on the road? And can we meet the aspirations--the political aspirations--of a rising Chinese middle class. And, I'm going to start, with some questions to the panel.

And I'm going to start with a question to Vice-Minister Ai Ping from the international department of the Chinese Communist Party. We're very grateful that you've come for this session. I'm going to start--I'm going to offer you a quotation from one of my colleagues in Beijing, who wrote this week, "There's not a scrap of evidence that Mr. Xi harbors a secret desire to radically overhaul the current Chinese system". And that of course, is one big reason why he got the job in the first place. Now, Vice Minister, is

this a fair reflection on the new President's ambition, or lack of ambition?

Hon. Ai Ping: I'm sorry I did not quite catch what you said?

Phillip Stephens: What he said was that he's seen no evidence that the new President wanted to be a great reformer, and one of the reasons that the new President actually got the job was because his colleagues didn't want a reformer.

Hon. Ai Ping: Well maybe the first part of what he's saying is somewhat correct but I cannot agree with the second part. Well, it so happens that I know the new President in person, we were born in the same year, and some forty years ago we were sent to the countryside and we went to the same county.

I still remember days that we spent in the county. I came back to Beijing much earlier--I spent four and a half years there and he spent almost seven years. So, I think he became politically mature in that environment.

And I still remember very vividly with that experience, with all the following jobs he has taken since that time, he moved from the division level to the county level to the provisional level, so all these changes now he sees so much in China, and I believe he has a strong desire to improve the life of the ordinary people. And that's why I believe that he's a reformist. And I think one of his first actions after he took over as the general (inaudible) of the party was to make changes in the special economic zone I believe you know very well.

That was a strong signal that he will continue the reform, and in China we believe--the overwhelming majority of including high-ranking officials in the Party--believe reform is the only way out for China. So I don't know how come that you colleague arrived at the conclusion that many people didn't want any reform--that's why he was given the job.

Phillip Stephens: If I could come back--there's reform and there's reform. There's reform that is

incremental change making things a bit better here, whatever, there's the reform that says a China with a third of a trillion people with a billion people in the middle class is going to need new structures--new--a more fundamental change. So, I think the question is whether it's incremental change or whether there's a more radical vision?

Hon. Ai Ping: Well, personally I prefer more incremental change. In China we believe that we suffered so much that we were too much in a hurry and we wanted to have what we call a great leap forward, and the result was a leap to human sufferings. We will not repeat that mistake, so we would rather have reform in incremental nature.

Mr. Phillip Stephens: I'm going to turn to Pan Wei, who's a professor of international studies at Beijing University but has written both - writes eloquently both on domestic politics and international relations. I'd like to talk to you about the domestic reform and politics. You've written about this false dichotomy, I

think you call it, between Western style democracy and Chinese-style autocracy or whatever you want to call it.

But the question I have is, for the rising middle-class in China, is more prosperity going to be enough? Because I think the assumptions we have in the West is that as people get richer they become more demanding of their political leaders and of their political system. That's not to say they necessarily want, you know, our style of democracy but they want more accountable government, they want the rule of law more greatly entrenched. How's China handling this and how will the new leadership be different, if it will at all, from the last one?

Dr. Pan Wei: I think that the new government is tilting towards more participation. As we can see that the new leader frequently mentions an old term called mass line. That is to draw more people to participate and to somehow, my understanding is, to restore the communitarian kind of self-rule. So, to give people

more participation. However, I would say, our general understanding is that middle-class would be somewhat anti-establishment, but that's not true. Actually, the term called the middle-class is very Western. It's the way to say that the society must definitely be divided into upper-middle and lower classes. And that doesn't apply very well to China.

The newly prosperous people, I think they're the backbone of supporting this current establishment. Thank you.

Mr. Phillip Stephens: Okay. So, we'll call them the newly prosperous. But I'd just like to come back. If one looks at the blogs and the Internet, one sees a very, as you say, vibrant set of political demands and forces. You also see a government that sometimes that's trying to control it. I remember in January a conversation with a student in Beijing who said this sort of, this seditious material goes up on these micro-blogs and the censor will take it down within five minutes but by that time it's been copied a dozen

times and it has gone around the system. And there's a sort of race that goes on between. Do you think is this a manifestation of a more participatory system that the Chinese authorities feel comfortable with? I get the impression they feel slightly worried about.

Dr. Pan Wei: Yes, but also they are not really discouraged. You can see that this mobile Internet, lots of opinions and particular finding of the officials kind of an analog for behavior. And once they are discovered and quickly - I mean, once they are discovered on the Internet quickly they're removed from their position. So, it seems that the Communist Party and the government deems that as a positive thing in terms of their general campaign against the corruption.

Mr. Phillip Stephens: I'm going to turn now to Professor Wang Yizhou, who's also an associate dean, I think, at Beijing University but also a scholar of Chinese politics and international relations. And I'd like, if I can, to ask you about the external side. What we have seen in the last two or three years, in

fact, since, I think, the Beijing Olympics is a China some would say more assertive, some would say more aggressive, but certainly a China more willing to make its voice heard on the international stage and particularly in its own neighborhood. And we've seen an alarming, I think for some of us, rise in tensions, particularly in the East China Sea, some between Japan and China but also some clashes between China and the Philippines and Vietnam in the South China Sea.

So, I wonder as China develops and you've written about it, it's got to have a new, it's got to take on a new global role. But is its first objective to gain sovereignty over its own neighborhood? Does China want, I suppose, the 21st century equivalent of a Monterrey Doctrine in East Asia?

Dr. Wang Yizhou: I think to new leaders, (inaudible) and his fellows, three very urgent tasks regarding your question. First, how to balance it. On the one hand, to meet further needs of reform and international obligations - global governance and the

more involvement to reaching our solutions. This is very challengeable because right now majority Chinese feel, including leaders, feel (inaudible) too much pressure is increasing. Might be some corruption and gaps among riches. So, this is very urgent for leaders.

On the other hand, we see more and more international needs for China to play larger role in the global original participations. So, the balance is very test for new leaders more than before.

Second, I think, as you mentioned, it's very challengeable for leaders how to balance the so-called, the label hold the policy, which set up by Deng Xiaoping in past three decades is very workable. And the increasing need for Chinese self as a sea power to care more its maritime interests. So, this is sometimes not necessarily harmonious. Some conflicts you mention, some naval conflicts, actually we have eight countries that disputes with China. So, the balancing very challengeable. That's another test for leaders.

But finally, I think the third one is global in level. That China how to cope with United States, with European, with India, with other world powers to have more creative moments in global issues, such as Iran issue, climate warming, refugees and so on so forth. But on the other hand, persuades our European colleagues, American colleagues, senior colleagues to think, to agree that China's increase peacefully prosperous is not beneficial China itself. But also it's very good for other parts, for you. So, persuasion is also very important and don't look very easy. This is also very important, urgent job for (inaudible).

Mr. Phillip Stephens: So, China's going to be looking for more soft power. And we saw actually a report that (inaudible) is going to be taking his spouse on for the first Chinese leader for a long time to be taking his spouse on foreign trips as part of this soft power. But I think you made a very good sort of set of distinctions between China and its neighborhood, China protecting the expansion of its

global interests in terms of trade groups and whatever and then China managing its great power relationships. And I hope we'll come back to those subjects.

But the one thing I really would like to press you on was the dispute with Japan over the Senkaku, Diaoyu, depending wherever, which side of the channel you were looking on. To some of us, this looks really dangerous that, you know, that it's the sort of place where an accident can happen. You could have, you know, ships clashing or, you know, Chinese airplanes, which fly very close, and perhaps engage with Japanese forces. And some of us at this particular time who, I think, as Europeans, thinking of 1914. I heard someone say is Senkaku going to be Sarajevo?

Now, that perhaps, you know, sounds extraordinary but isn't it very worrying, the danger of this clash?

Dr. Wang Yizhou: No. Actually, I'm not so worried. I don't want to tell these type of stories about China sovereignty claims. My attention is that right now in my observation international media, including European

ones, pay more attention to so-called tensions or potential clashes, less notice about the both sides try to do something to do so-called crisis management. So, (inaudible) communicate to go further given the fact currently the both sides have new leaders and new, you know, groups to be familiar all these kind of things.

So, I think in the immediate long run, feel a little bit cautious of (inaudible) to have a soft landing. Last year, actually President Xi Jinping had a very important speech with Japanese parliament about how to do further both sides, so-called the crisis management. So, this is a good signal.

Mr. Phillip Stephens: OK. Before moving onto Minxin Pei, I just would like to ask the vice minister on this point. Are there arrangements in place between the Japanese and Chinese authorities so they can communicate quickly with each other if there are mistakes, misunderstandings, miscalculations made in the East China Sea? Is there a system? Some of us remember the sort of Soviet-U.S. system where there

were all sorts of guarantees or all levels of communication, which was to prevent escalation. Is there anything comparable between Japan and China?

The Honorable Ai Ping: I think now in more globalizing world, we have a lot more channels compared with the old days of the Cold War, when, of course, there were direct telephone line between the Heads of State. But nowadays in addition to regular channels between, say, the two foreign ministries, embassies, it's a traditional type of channels; we have a lot more what maybe we can call a public diplomacy.

I can tell you that in my department, international department of CPC Central Committee, we maintain regular exchange program with all the major political parties in Japan. And I think the reason a difficult time in our (inaudible) relations, this channel's played a positive role. So, I can assure you that China was there for consultation and communication between the two countries.

Mr. Phillip Stephens: Thank you. And last but not least to Minxin Pei, as Andrew said is running the GMF program this year but he's a distinguished scholar, has been for many years a professor in American academia. I wonder if I could ask you from the outside to try and put these two things together, as it were, the dynamic between the need for domestic reform, the need - and we haven't talked about this yet; I'm sure we will - to sustain economic growth at a high level and also accommodate political pressures at home and the way that China behaves on the international stage and manages the relationships that Professor Wang talked about with other great powers. So, I wonder if you can - sorry, it's sort of a big ask - if you can try and just put those two together a little.

Dr. Minxin Pei: Three quick points: Mr. Xi comes into his office at a period when China faces very difficult external relations and domestic challenges. On the external front, his top priority is to reverse roughly three years of very antagonistic and

competitive dynamics with the U.S. and with the (inaudible). The immediate cause of this downward spiral is China's territorial disputes. But the deeper driver of China's increasingly antagonistic relationship with the West is the lack of domestic political reform and the combination of overconfidence and deep and seated insecurity on the part of (inaudible).

And for Mr. Xi, I'm sure common sense would dictate he would reverse this spiral of relationship but he faces a very difficult domestic reality. On the one hand, his need to present himself as a strong leader and his appeal to nationalism probably has painted him into some kind of a corner. And second, he will also have--has also made some declarations on China's core interests that will make compromise difficult. And so when you look his first choice of overseas destination, Moscow, it does not indicate to us that he wants to place the repair job at top of his agenda.

On the domestic front, China has just come out of

what might be called a decade of (inaudible) that has appeared ten years of economic progress but political stagnation. So for Mr. Shi, he has three choices. Certainly, he does not want to be another (inaudible) in China, but he has openly rejected the option of radical change which you might call the Gorbachev solution. And the forth position he has taken, and based on this very illuminating private talk he gave to Chinese leaders. It indicates that he probably is set upon being China's version of Andropov. He will obviously demonstrate that for a late Soviet system, the Andropov solution is a viable one.

And that brings me to the last point. I think we are now focusing too much on the small "t," transition. We are overlooking the big "T," regime transition. If you put China in this whole universe of history, social science research, our understanding of late Soviet systems, this is a system that has its viability severely in doubt in the future, 10-15 year timeframe. The probability of some disorderly transition or some

managing transition from the current system to another one is not just real, it is fairly high.

Mr. Philip Stephens: Okay. Well, that's a rather bold prediction. I'm not sure Mr. Shi would like to be compared to Mr. Andropov. But I'm not going to ask any more questions because I'd like this to be as much as possible a conversation between everyone in the room.

So I'm going to open it up. I'm going to take two or three comments, questions. If you could state your names and no speeches. I think the panelists have been brilliantly concise, so I think everyone who contributes from the floor. So who am I going to take first? I'll take this gentleman here.

Mr. Oono: Yeah, my name is Oono in the Japanese Parliament. And thank you so much. Dr. Wang, the expectation of the new relationship within China and Japan and the new leadership. But unfortunately, I always came from the old government. I was kicked out of the government and I was Vice Minister for defense at that time. And I'd like to raise a question to the

(inaudible) because you are the expert on East Asia. And do you think the, as he mentioned, the hotline idea between the Japan and the China or whatever, they are neighbors, will be the (inaudible) new leadership of China? And one more question was of over the Chinese law in the international societies. After the new experiment of the North Korea, is North Korea is asset for China for the (inaudible) security, or is North Korea is a deficit for China, for your security and the stability (inaudible) thank you so much.

Mr. Philip Stephens: Thank you. This lady here. Sorry.

Nina dos Santos: Hello. I'm Nina dos Santos, an anchor at CNN. My question, I suppose, is probably best directed at the Chinese government representative. China is obviously one of the countries in the world with massive foreign currency reserves. It's effectively the biggest predator to the United States. And if we keep hearing that the renminbi will eventually be fully integrated, will it be integrated

within the next ten years, and when will that relationship change? Thanks.

Mr. Philip Stephens: Okay, thank you. Then this gentleman here, and then I'm going to--I'll come over to this side in a moment on the--

Mr. Andrew Cahn: Andrew Cahn. I am work with Huawei, the Chinese telecommunications company and chair their advisory board in the U.K. It strikes me that one of the misconceptions is that a company like Huawei is a danger, where it's the sort of China and Chinese development, Chinese company that needs to be encouraged because it wants to be global. But my question is this. What I observe when working with Huawei is that within China, there's a huge preference given to the state entities is, but where is the private sector is where the innovation comes, where the productivity comes and where much of the economic growth comes. The government seems still to give huge privileges to the state sector. How do you think--will that change and how might that change come about?

Mr. Philip Stephens: Okay. I'm just going to take one more here, actually. Sorry. And then we'll (inaudible).

Mr. Koji Tsuruoka: Thank you. Koji Tsuruoka, Deputy Foreign Minister from Japan. I just had the eye contact with the moderator, I couldn't refuse to take the call but I'll be very brief. If I may, two very concrete questions.

Annually, the tripartite summit has been taking place among the three countries, China, Japan and Korea. The next scheduled meeting is in May. We're hoping that this will be the meeting of the three new leaders of the region and hopefully, produce positive results for the region and also for the world. So my first question is whether there is expectation in the new Chinese leadership that this meeting will actually take place.

The second question is in response to mentioning of the soft bar, which is very important and I applaud the presentation by our Chinese colleagues on these issues.

One of which I think is rule of law. If we are to accept rule of law, the question is whether our countries are prepared to go to international court of justice or international binding arbitration. Is there any preparedness in the new Chinese leadership to accept the mandatory jurisdiction of the international court of justice? China, of course, has had its own judge on the bench always, as a member of the permanent member of the United Nations Security Council, Japan accept mandatory jurisdiction. I do hope that this rule of law will be the safeguard for any difficulties that we may have. Thank you.

Mr. Philip Stephens: Thank you. I counted six or seven brilliant questions and I was wondering why I hadn't asked any of them myself. So--but the hotline idea (technical difficulty).

Dr. Wang Yizhou: --(inaudible) on how to deal with these labels. This is fact. Mr. Ai Ping just mentioned increasing pressure for leaders is more complicated to make decision. But I want to emphasize another

importance. From long run, China and the North Korea relation is in a transition from traditional blood (inaudible) relation to a new normal relation. No discretion incrementally. We already waiting two decades and I still think another (inaudible) is very needed. During the process, you have to be very careful to care such issues like nuclear issues, the conflict between North and South, and also economic and also many other things.

But for China, it's very important (inaudible) very urgent, the task is to make stability of peninsula. No refugee issues, no clash, no military conflicts. This is priority for China. But there are also very important to consult, to coordinating with Russia, with United States, with South Korea and Japan. I think this is very--I feel optimistic to have a stable but incrementally changes of this traditional relation to a new relations.

Mr. Philip Stephens: Okay. Professor Pei, do you-- do you want to pick up at any or all of these

questions?

Dr. Minxin Pei: Well, two questions. One about state-owned enterprises and the other about financial liberalization. There is no economic reason for state-owned enterprises to be given such privileges because there are a lot of political reasons. The state-owned enterprises exist in China to such an extent and in such a form because state-owned enterprises form the basis of a patronage system through which the ruling elites reward their followers, reward their families. If you take away their low-cost, no-cost access to capital monopoly rights, the immediate question is, what are you going to do with roughly 10 million communist party members who are employed in senior positions, executive positions in the system? Because they cannot compete and that's a political question. It's not an economic question.

In terms of financial liberalization, China is caught in this huge dilemma because its domestic financial institutions, they're poorly regulated. If

you free up capital accounts, then you're going to create a very risky system. So they have to reform the domestic financial institutions first before they can go down the next step, but reform the domestic financial institutions first before they can go down the next step. But reforming that part of the system is huge and difficult, technically and also requires complementary political reforms as well. So we're talking about a long, long time.

Mr. Philip Stephens: Professor Pan, did you have something?

Dr. Pan Wei: Yeah, as to the state enterprises, I would say, well, making a political charge is easy, but if you do the concrete analysis, you would find most of the state enterprises are in the infrastructure area, high-tech area where China suffers a high-tech embargo. And in the military area, such as jet fighters, and so for example, railroad, the high-speed rail. You know, it's costly and also in some areas that is in fierce competition with huge business tycoons like energy and

raw materials. So that China forms the state enterprises because China's enterprises are born to be family business, just like derived directly from the family farming. So it's very small, cannot bear this kind of high cost. If that's why, uh, you know, not only from the Chinese government, but just getting from the foreign banks are very difficult for them as to the size of those Chinese enterprises. But as to the high-tech business, I would say, for example, solar, solar energy actually attracted lots of government money to support, and now the government is facing the loss.

Mr. Philip Stephens: Okay, thank you. I'm going to just take--I'm going to--I've got--I'm not going to get--be able to get everyone. I'm going to get the gentleman there on the second row, and then the gentleman behind him, and then the lady here. I'll take that clutch of three. You know I've have--I've got this chap here, so I think we're going to run out of--

Professor Shu: I'm a professor of international relation strategy studies in Beijing, and I would like

to ask a simple question to our Vice Minister and Professor Pei, and I will raise a question to my colleague in Beijing, Professor Wang. And the first question is that according to my observation, the Secretary General Jian Ping thinks they take power by the power--by the Congress. I find that the most consistency of his public statements up to now is the resurgence of China's national greatness. And probably already formalize this concept of Chinese Dream. And so my question to, Vice Minister is can you elaborate a little further? Could we have, in your personal point of view, what is this, you know the idea of the resurgence of China's national greatness and Chinese Dream? My question to Professor Pei is that in what you're reading and out of this kind of statement from your perspective? And my question to Professor Wang is that you just mentioned you have some total confidence of the soft landing for the (inaudible) in case the China-Japan confrontation arise. So my question is how you define concretely in, you know, diplomatic way, the

soft landing? And also, and if you look at, you know, past the six months, you'll find that China's public opinion, and opinion from some, you know, officials or even some generals think China fears opposition from this opinion force to, you know, to accepting even making a hard landing. And so in this context of Chinese, you know, public opinion, what is your confidence for soft landing come from? Thank you.

Mr. Phillip Stephens: Thank you. Just behind, if you could--if you could give the microphone to the gentleman behind.

Mr. Nik Gowing: Good Morning, Nik Gowing, BBC World News. Vice Minister Ai, you talked about interparty democracy. Can I pick up on that point? Because I'd like to ask a simple question about how much the party is now conflicted by social media? Social media in many ways, in so many areas, in so many countries, is actually a new opportunity, but many in power everywhere in the world see it as a threat. What is happening in the party schools to come to terms with

this new reality where more people are consuming Weibo and trusting it than The People's Daily and other institutions like that? Because is it a question of the party maintaining its supremacy of information, or is there an acceptance now that there's a new empowerment at the bottom levels which is going to reveal inequities, pollution, social injustices, and that's what the Party has to respond to and not see it as a threat?

Mr. Phillip Stephens: Okay, thank you. And the lady just in front, if you could just pass the microphone forward.

Ms. Erika Mann: Thank you so much. Erika Mann, Facebook. Vice Minister, I do have one questions which relates to Africa because I think we are all seeing, you know, the huge investment China is making in Africa. And the question is which I do have and I think many share is this a sign of a geostrategic relevance and importance, or is it just an economic investment? Or can we see this as a sign that China is getting more

engaged in global world affairs?

Mr. Phillip Stephens: Um, I'm going to take two more because there's so many people want to--so the lady here, and then the gentleman here.

Ms. Dewi Fortuna Anwar: Thank you, Mr. Chairman. My name is Dewi Fortuna Anwar from Indonesia, and I'd like just to go back to Dr. Pan Wei about the social transformation in China and its possible political impacts. You mentioned about the new prosperous Chinese being different from middle class from other countries, somehow they are much more contented and pro-establishment. Once upon a time, in fact not long ago, there used to be what were called Asian values, that somehow Asians are not really interested in democracy, that we Asians are more interested in stability and prosperity. Muslim societies are considered very conservatives, better to have 100 years of tyranny rather than one day of anarchy, and so on and so forth. But we know that even in Southeast Asia, Indonesia went through a very tumultuous change, and you know that we

are now the world's third-largest democracy. In the Middle East you have the Arab Spring. So what is it secret about Chinese society that somehow they are contented and will not challenge their own political order? Thank you.

Mr. Phillip Stephens: Okay. And the gentleman just here, and then I'm going to wrap up this group, and then I'll--we'll--I'll do--we'll do another one, I hope. Yeah.

Mr. Marcos Fuentes: Yeah, Marcos Fuentes from Brazil. Professor Minxin, Dr. Minxin, the issue of corruption in China and a policy of transparency. Would it make--would it make Jean Ping more like Andropov or Gorbachev if he were to address that?

Mr. Phillip Stephens: Okay, now we've got a whole raft of questions there which run from the new President's emphasis on national greatness to questions about whether there will be an economic soft landing and how you define that, to the role of social media both at home but also in the world, to Asian values and

Chinese exceptionalism, and to this idea that we heard of what's some--where there's--well, the particular question for Minxin Pei, where does he sit in this Andropov-Gorbachev spectrum? So why don't we just, again, I'll start with the Vice Minister but perhaps choose one or two of those and ask all of you to choose one or two of those.

The Honorable Ai Ping: Okay, I answer Professor Shu's question about General Secretary Jian Ping's term, the whole Chinese Dream, my personal understanding. Actually before coming to Brussels, I was participating in the CPPCC Annual Conference, and this Chinese People's Political Consultative Conference. There, actually, I was interviewed by Chinese media, and they asked the same question, how I myself personally when looking to this, you know, General Secretary's, you know, he used to talk about, you know, rejuvenation of the Chinese nation. Personally I said that for me, since I have been engaging, promoting international understanding on

behalf of the Communist Party of China, I would like to see more of the international aspect of China, the Chinese--the Dream of China. I think that some 30 years ago, CPPCC decided to launch the reform and opening policy because at that time we came to realize that our understanding of the national conditions in the country was not exactly correct. We were before that following a so-called, you know, continuing revolution, and the dictatorship of the proletariat. So as other countries were busy modernizing themselves, we were engaging in class struggle. And then we made some fundamental change. The focus of the attention of the Party and the State moved to the economic development. So now I think as China grows now there's a very urgent task for us to understand not only the national conditions but the global conditions so that we should have a better understanding of the process for globalization. So that's, you know, for along with our growth, other people would benefit from this. Like the President of Russia, Premier Putin, you know, still say that he

hopes that the wind of Chinese growth would blow the sail of Russia so that the country would accelerate its development. So I think nowadays we need to join efforts, both the Chinese and the international so that we understand this globalization in a better way, so that, you know, we cooperate and then more people would benefit from this so-called power shift. China, now we believe that we will--we're not, you know, we use the term "rejuvenation." That means we--we are proud of our ancient civilization, but for certain reasons we lagged behind. We missed the opportunity of industrialization. Now we should catch up, learn the strong points of all the others so that we can make our contribution. And also question about China's investment in Africa. I think that what we tried to seek, you know, (inaudible) results. We hope that, of course, we need energies and raw materials, all the commodities, but at the same time we believe that our growth also helps our friends in Africa. We need a growing amount of the commodities, and that also helps the price to rise. So we can see

that we should continue. If we can avoid the hard landing, you know, many people in this world would benefit. Maybe I should stop there.

Mr. Phillip Stephens: Yeah, yeah, that's fine. Professor Pei, do you want to?

Dr. Pan Wei: Okay well, the political system in the world is quite often considered only two things, autocracy and democracy. But if you look at the whole world for the 195 countries, and you would find more than two things, right? And some countries are successful countries; some are failed states. And not very long ago Indonesia was considered as a failed state. And then today we see as one of the next countries, one of the successful countries, but also there is a big problem as to bring the corruption under control. Okay, and actually for me the more important thing is about good governance. Orderly and good governance means also at least that people on the streets would not be robbed. Okay, so people have a kind of a social solidarity, consensus, and also clean

water, and housing, work, jobs, and so on. I think that means good governance. So in that case I would encourage you to get out of this kind of dichotomous, abstract concepts of autocracy and democracy. They are more than that. Thank you.

Mr. Phillip Stephens: Professor Wang, I just wanted to add a question if I can to the list because I'm struck that in this conversation no one's mentioned the China-U.S. relationship which seems to some of us to probably to be the most important for the sort of security of the world in the next--so do--if you, and the questions were asked, do take, but I just wondered if you would add to your comment something on, you know, how do you see the new President addressing the U.S. administration and the extent to which there will be more engagement or less engagement than before?

Dr. Wang Yizhou: Yeah, sure. First about China-U.S. relations, I think as our leaders and scholars emphasize very much, this is most crucial political relations among all other relations in China's foreign

policy, past, today and future. And I guess for new leaders they will continue this very primacy priority to pay attention to China-U.S., so-called gradual, stable mutually beneficial relations. Jean Ping even used the term, "the new pattern" of the power relationship, so I have some good prediction about that.

About relation, about the definition of soft landing, to two Japanese friends' question. I want to say what I mean, the soft landing, there are two faults one is that the success start off new round of negotiations between two foreign ministry bureaus. I have some confidence that Ambassador Wang Yi now, the new foreign minister in China, and Japanese counterparts may have some engagement in the future about these issues. But another more further meaning to my term soft landing is that China's increasing imports in oversea, in maritime, in coast area. Imports will accept it (inaudible) without much hurt, so-called the good neighbor policies. If we see the long run, these

pictures be success promoted. That would be the soft landing.

Mr. Philip Stephens: Mr. Pei, there was a particular question for you and your analogy with Andrew (inaudible) I wonder if you could address the Sino-American relationship question, as well.

Dr. Minxin Pei: Okay. The easy one first, that is corruption. Of course, the joke in China is, I don't know, the authorship keeps changing, it now goes back to Chiang Kai-shek this sentence of wisdom purportedly says if you allow corruption unchecked, the country will be destroyed, but if you fight corruption, the party will be destroyed. Because it used to be (inaudible) now it's a different party.

Mr. Shi can't fight corruption but only to a limited extent because based on (inaudible) that has stalled across the world on fighting corruption. The most successful, effective tools are open media, NGO monitoring and independent legal system. But suppose this is a package of cure and you present this to the

ruling communist party which has political monopoly, it will ask this very question, is the cure worse than the disease? So I just leave it at that.

U.S.-China relationship. I live in the U.S. I'm a Chinese American. I sense, as I said at the very beginning, deep-seated strategic rivalry driven by several factors. What are these factors? China's military modernization on the part of China's ruling elites and on the part of the American establishment, political establishment, fundamental, political distrust based on the chasm between the two political systems. And China's territorial claims and the disruption of the balance of power in East Asia. So you have to stop these drivers from getting worse in order to look at the big picture of China-U.S. relationship. I'm glad to hear that China's new leader has put U.S.-China relationship on the top of his agenda, but I do not know how--what he is going to do to deal with the causes of the problem. There's not much he can do if he merely addresses the symptom of superficial tensions.

Mr. Philip Stephens: But there's two sides to a relationship and I get the impression, looking at U.S. policy, which is set to be engaged in hedge. I see quite a lot of hedging going on. I don't see the substance between--behind U.S. engagement.

Dr. Minxin Pei: Well, I think we can debate about the balance of the so-called U.S. pivot, whether it was too heavily militarized and not accompanied by diplomatic reassurances. But based on my--way I am, I would say that this too much hedging comes from a period of not very fruitful engagement, that is the U.S. government, the initial period, they were heavily into engagement but they not produce as much as they would like.

Mr. Philip Stephens: Okay. Thanks. I'm told we've got six minutes. And I'm in a hole, opens here and I fall into it. So there's a gentleman here, there was someone here, there was someone over here and then I'm going to take these two and that's it, I'm afraid.

Prof. Chintamani Mahapatra: I'm Professor Mahapatra

from India. You know, during ten years of Hu Jintao government, China had tremendous amount of gain in terms of sub-power in the neighborhood. Japan, South Korea, India, Vietnam all became the number one--or China became the number one trade partner of all these countries. Now, do you think that now that China appears to be more assertive with (inaudible) Japan, Philippines, Vietnam, to some extent, India. It is fast losing its sub-power. Number two, how do you look at Indo-U.S. defense and security cooperation from the Chinese perspective?

Mr. Philip Stephens: Okay. This lady here and then the gentleman behind.

Unidentified Audience Member: (Inaudible) Wherever you go in China on the sightseeing tour, besides international tourists, you can see two groups; people from the countryside. Ninety percent of it by the old women and then the kids clothes, ninety percent boys. So definitely, there's a demographic bomb ticking behind that. Is the new leadership able to address this

issue?

Mr. Philip Stephens: And then the gentleman behind and then I'm very sorry, but I'm going to have to wrap. Oh, all right, I'll take the lady at the back, as well, and then I've got to wrap it up, yeah.

Mr. Werner Fasslabend: Werner Fasslabend, former defense minister from Austria. My question is what kind of development and what kind of role do we expect for EU on the global stage in the next two decades.

Mr. Philip Stephens: Okay, thank you. And the lady right at the back there and then this is it.

Ms. Maria Rodrigues: A question in the same line because we--

Mr. Philip Stephens: Could you introduce yourself, sir?

Ms. Maria Rodrigues: Maria Rodrigues, advisor in European Union bodies and working with China since the starting of the strategic partnership. So my question is, how can we assess the state of affairs of the strategic partnership between China and European Union?

Mr. Philip Stephens: Okay. I'm afraid you've got a minute each, and I'm just going to start, Minxin Pei, we'll just go along this way. So Minxin, if you choose one or two of those--

Dr. Minxin Pei: Okay. Demography.

Mr. Philip Stephens: --it would be EU Demography.

Dr. Minxin Pei: Demography, yeah. I think probably it's too late to reverse the demographic decline of China. But the good news coming out of Beijing last week or this week was the abolition of the Family Planning Commission, which highly suggests a significant relaxation of the one-child policy. To some extent, of course, that's good news but it's not going to make a huge difference. Certainly, it's not going to make a difference in terms of gender imbalances.

Mr. Philip Stephens: Thank you. Vice Minister?

The Hon. Ai Ping: Well, the--

Mr. Philip Stephens: About EU and also--

The Hon. Ai Ping: EU

Mr. Philip Stephens: --and U.S. and Indo-U.S. and-

The Hon. Ai Ping: Yeah.

Mr. Philip Stephens: All in 60 seconds.

The Hon. Ai Ping: Well, I have many good friends in India. I would say that both the present ambassador and then the previous ambassador to China, we are cooperating a lot. And I believe that, actually, there's a great potential for two countries to cooperate. And recently, I discussed with the present ambassador, perhaps we should extend this cooperation to other countries in the region. For example, trilateral cooperation, to develop hydropower potential in Nepal. That would satisfy the need of all these countries. Well, for EU, I think just now I met Madame Ashton and we think we are satisfied with the cooperation so far, you know. This is the tenth anniversary of the comprehensive strategic partnership. And we believe that after the 18th National Congress of CPC and this is the 12th National People's Congress, which transformed the general program into concrete policies, we would have, you know, plenty of--we would

have every reason to be optimistic about future cooperation between China and Europe.

Mr. Philip Stephens: Okay. Professor Wang, well, do we Europeans matter at all and can we do anything?

Dr. Wang Yizhou: Yeah, a quick response to his question. I think both sides, EU and China, have big rooms to do further, to change the relations. I think China's side, for instance, we should consider how to supply more (inaudible) regionally and globally, coordination with EU, such as global warming, new round of trade negotiation and Africa issue, so on, so forth.

On other hand, I emphasize that EU's importance to consider how to enhance its strategic views on China. Right now, many Chinese still think that EU sights only see China as an economic (inaudible) a partner or beneficial cooperation. Not consider would China, as a political power and a security contributor to do more things. I think in both sides to consider how to do more strategic long-term design is very crucial.

Mr. Philip Stephens: Okay, thank you. And Professor

Pan?

Dr. Pan Wei: Okay. I think, number one, the democrat graphic issue is somewhat exaggerated. Actually, the baby girls were not killed, they were just not registered and now we see that now.

And another issue is that about China's foreign relationship. I think many would say this is a communist country, so one party's state is of this and that. But actually, for me, I would like to provide a new angle to see things. Chinese are the most materialistic people on Earth. And we are talking about a people, a materialistic people dealing with a people of spirituality and people of semi-material, semi-spiritual people. So lots of problems can be accounted for by this. Thanks.

Mr. Philip Stephens: Okay. I'd like to say thank you to all the panelists who far exceeded my advanced feeling. I mentioned we--I was wondering about the future of the church and the future of China, the Catholic Church. I now know a lot about the future of

China and not so much about the church. But thank you very much indeed.

Mr. Craig Kennedy: Thank you, Philip. That was terrific. So over in the book corner, we have Fiona Hill now, talking about Putin and her new book on Putin. Come back at 11:30 and then we'll do shaky economies.