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Members of the Panel:

I want to talk to you today, not about the details and day-to-day developments in U.S.-China relations, but about the broader perspective. What I am about to say reflects what I have concluded after observing Washington policy towards China for the past 23 years, originally as a Beijing-based correspondent for the Los Angeles Times, but then throughout most of this period as a newspaper reporter and as an author based in Washington. This is a shortened version of the ideas I have presented in a new book, "The China Fantasy: How Our Leaders Explain Away Chinese Repression."

In short, I think many of the problems we face in dealing with China are conceptual in nature. Our policy and our public discourse about China are often affected by ideas, assumptions, rationalizations and phrases that we fail to examine.

Above all, I believe, our policy towards China simply operates with the wrong paradigm.

Let me explain this by way of an analogy. Most of us, I think, are familiar with the argument – a legitimate one, I believe-- that the current Bush administration was caught unprepared for the September 11 attacks because its officials had the wrong paradigm: In foreign policy, they were preoccupied with conventional states, and not focused on non-state actors like al-Qaeda. The problem wasn't merely in policy, but in overall conception: they expected the world to operate much as it had been, and they failed to anticipate a fundamental change.

In our dealing with China, the problem of the wrong paradigm comes from the opposite direction. It's not that we have failed to anticipate change. Rather, it's that we assume change is coming to China – that is, change in China's political system. Looking at the country's startling economic growth and the remarkable economic changes that have taken place in China, Americans, particularly in our political and business elites, regularly talk as though China is inevitably destined for political change as well. Yet, in

my view, while China will certainly be a richer and more powerful country 25 years from now, it could still be an autocracy of one form or another. Its leadership (the Communist Party, or whatever it may call itself in the future) may not be willing to tolerate organized political opposition any more than it does today. This is a prospect that our current paradigm of an inevitably changing China cannot seem to envision.

The paradigm of China's inevitable political change has been repeatedly put forward by prominent political leaders of both parties. President George W. Bush offered his version of the paradigm at the beginning of his campaign for the White House: "The case for trade is not just monetary, but moral," Bush declared in one of his earliest foreign-policy speeches in November 1999. "Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy….Trade freely with China, and time is on our side."

In saying this, Bush was merely echoing the words of Bill Clinton. The Democratic president had told Chinese President Jiang Zemin at a 1997 press conference that "you're on the wrong side of history," thus suggesting that "history" would open up China's political system. Earlier that year, Clinton had declared that the economic changes in China would help to "increase the spirit of liberty over time…I just think it's inevitable, just as inevitably the Berlin Wall fell."

I should emphasize here that when I am talking about political change in China, I am speaking about the fundamental realities of the current system, in which there is no organized political opposition, in which the press remains under censorship, and in which there are no elections beyond the limited and problematic elections at the township level. There are those who argue China's political system is already changing, but when they say that they are focusing on far lesser changes, ones that do not affect the one-party state and its monopoly on political power. The argument that the Chinese system is changing seeks to divert attention to smaller realities and away from the large ones.

This paradigm of a China that is destined for political change has deep roots in American policy over the past 35 years. It took hold because it has served certain specific interests in Washington and within American society. At first, in the late 1970s and 1980s, this idea benefited America's national-security establishment. At the time, the United States was seeking close cooperation with China against the Soviet Union, so that the Soviet Union would have to worry about both America and China at once; the Pentagon was eager to ensure that the Soviet Union was required to deploy large numbers of troops along the Sino-Soviet border that might otherwise have been deployed in Europe. Amid the ideological struggles of the Cold War, cooperation with China's Communist regime was politically touchy in Washington. And so the notion that the Chinese leadership – in this case, the China of Deng Xiaoping -- was in the process of changing the country's political system helped smooth the way with Congress and the American public.

In the 1990s, following the Soviet collapse, the paradigm of a China headed for political change attracted a new and different constituency: the business community. As trade and investment in China became ever more important, American companies (and their counterparts in Europe and Japan) found themselves repeatedly beset with questions about why they were doing business with a repressive regime, one which had so recently ordered its troops to fire at unarmed citizens. The paradigm of inevitable change offered multinational corporations the answer they needed. Not only was China destined to open up its political system, but trade would be the key that would unlock the door. Trade would lead to political liberalization and to democracy. The trouble is that the entire theory may be dead wrong.

The notion that China's political system will inevitably move towards liberalization and democracy is what I call the Soothing Scenario for China's future. It is the one that dominates our official discourse. But it is really only one of three possibilities for where China is headed. Let me sketch out the others.

The second possibility for China's future is what can be called the Upheaval Scenario. The Upheaval Scenario predicts that China is headed for some sort of major disaster, such as an economic collapse or political disintegration, because it won't be able to maintain political stability while continuing on its current course. On behalf of the Upheaval Scenario, one might point to the numerous reports of political unrest in China these days – the proliferation of labor strikes, farmers' protests, riots over environmental degradation and ethnic strife. There are also broader developments, such as the ever-growing disparity between rich and poor or the continuing prevalence of corruption in China, and the fragility of China's banking system.

The Upheaval Scenario for China gets a reasonable amount of attention in the United States. Lots of people spend quite a bit of time trying to figure out how much instability there is in China and what its impact will be, and there are lots of interesting arguments on all sides. My own belief is that the Chinese regime is ultimately strong enough to withstand these internal pressures – that there will be no "coming collapse of China," to quote the title of one book on the subject. China is a huge country, and it is particularly hard to draw conclusions about the overall political situation from what is happening in any one place or region. Labor strikes may spread through all of Northeast China; or political demonstrations may sweep through many of its leading cities; still, in the end such events don't determine the future direction of China.

The possibilities for China's future are not confined to these two scenarios, the Soothing Scenario or Upheaval. There is still another possibility: a Third Scenario. It is one that few people talk about or think about these days, at least not in the United States. It is this: What if China manages to continue on its current economic path and yet its political system does *not* change in any fundamental way? What if, twenty-five or thirty years from now, a wealthier, more powerful China continues to be run by a one-party regime

that continues to repress organized political dissent much as it does today; and yet at the same time China is also open to the outside world and, indeed, is deeply intertwined with the rest of the world through trade, investment and other economic ties? Everyone assumes that the Chinese political system is going to open up – but what if it doesn't?

In one way or another, the essentials of the current political system would remain intact: there would be no significant political opposition. There would be an active security apparatus to forestall organized political dissent. In other words, China, while growing stronger and richer, wouldn't change its political system in any fundamental way. It would continue along the same political course it is on today. Why do we Americans believe that, with advancing prosperity, China will automatically come to have a political system like ours? Is it simply because the Chinese now eat at McDonald's and wear blue jeans? To make this assumption about China is to repeat the mistakes others have made in the past – that is, to think wrongly that the Chinese are inevitably becoming like us. "With God's help, we will lift Shanghai up and up until it is just like Kansas City," Senator Kenneth Wherry of Nebraska declared during the era of Chiang Kai-shek's Nationalist China. Those dreams ended in disappointment. So, too, in the early 1950s, Soviet leaders thought they were recreating a communist China that would be similar to the Soviet Union. They also were wrong.

Let me address one of the main arguments advanced by those who put forward the Soothing Scenario. Proponents often point to the recent history of other countries in East Asia. In particularly, they regularly cite the examples of Taiwan and South Korea. From the 1950s through the 1970s, both had authoritarian systems in which police and security officials regularly locked up political opponents of the regimes. Then during the 1980s, as rapid economic development brought increasing prosperity to Taiwan and South Korea, both countries opened up to democracy. And so, the logic goes, China will eventually follow along the political path of Taiwan and South Korea.

There are two problems with this logic. First, China is a much bigger country than either Taiwan or South Korea. It includes vast, impoverished inland areas as well as coastal cities of the east. If China were confined exclusively to these coastal areas, such as Guangdong, the province abutting Hong Kong, one could easily imagine it following the path of Taiwan and South Korea. Certainly Shanghai, with its educated, sophisticated citizenry and intense interest in politics, is as ready for democracy as any city has ever been.

But large expanses of China are isolated – geographically, politically and intellectually – from cities such as Shanghai. Outsiders who declare that China will follow the political evolution of Taiwan and South Korea, based on their visits to eastern Chinese cities like Beijing and Shanghai, are roughly akin to foreigners who travel only to New York City and Boston and then come to the conclusion that the United States will behave like Western Europe.

There is also a second, more important way in which China is different from Taiwan and South Korea. When those two East Asian governments democratized in the 1980s, both of them were dependent on the United States for their military security. Indeed, direct American pressure played a crucial role in supporting the movement towards political liberalization in both countries. In the case of South Korea, at a key moment in June 1987 when the country was engulfed by riots, the Reagan administration bluntly told President Chun Doo Hwan he should give way and hold elections. In the case of Taiwan, leading Democratic members of the U.S. Congress took the lead, making plain to President Chiang Ching-kuo during the 1980s that his Kuomintang government was rapidly losing American support, and that the only way to regain it was through democratic reforms.

But China of course will never be as dependent on the United States for military protection as were South Korea and Taiwan, It is vastly less subject to American pressure, goading or influence. As a result, there is no reason to believe it will automatically follow their political evolution.

In conformity with America's continuing adherence to the Soothing Scenario for China (that is, the belief in China's inevitable political evolution), we have developed a series of rationalizations and euphemisms that help to maintain our beliefs. To take one example: "Two Steps Forward, One Step Back." When news breaks that China has rounded up someone or some group opposing the regime, proponents of the Soothing Scenario warn that one must not draw broader conclusions about China and the nature of its political system from this one particular untoward event. This latest arrest, it is said, was just one minor setback. Over the past two decades, the same cliché has been used, over and over again, to explain away repression or the absence of political change in China. Sometimes, when China carries out a broad crackdown, it looks as if the more accurate description would be "one step forward, five steps back." But the "two steps forward, one step back" cliché does not countenance such retrogression. Thus, even unpleasant news about Chinese repression tends to be safely embedded in an assumption of progress, a soft, warm gauzy wrapping of hopefulness.

Finally, it is worth considering the possibility that the paradigm of inevitable political change that our leaders use in talking in public about China does not represent what they privately believe.

It is possible to imagine a set of beliefs about China as follows: "We understand that China's political system is not destined for political liberalization. The Chinese system is going to remain relatively unchanged for a very long time, and the regime is going to continue to repress any sign of organized political opposition. Still, we want to and have to do business with China, both economically and diplomatically."

This would be a point of view that is certainly clear and coherent, and I suspect that among America's political and financial leaders, there are many who privately hold this view. It is worth asking why this point of view is so little discussed in public. The answer, I believe, is that American policy towards China requires public support – and the way to maintain public support for American policy, particularly its current relationship with China is to claim that this will serve the purpose of changing China's political system. Since 1989, virtually every change in U.S. policy towards China has been justified to the American public on the basis that it would help to open up China's political system. Whenever a president, either Republican or Democratic, spoke of his policy of "engagement" with China, it was said to be a way of changing China. When the George H.W. Bush and Clinton administrations extended most-favored-nation trade benefits to China, they asserted that the trade would help to open up China. When the U.S. Congress voted to support China's entry into the World Trade Organization, once again, congressional leaders justified their votes as a way of helping to bring political liberalization to China.

Our economic policies in dealing with China have caused considerable hardship to significant numbers of Americans. Across the United States, factories have closed and millions of Americans have been put out of work. There have been some benefits to those policies as well, especially to companies investing or manufacturing in China; yet if these policies had been judged exclusively in economic terms, they might not have won the public support and congressional approval that was necessary. As a result, the American people have been told repeatedly that the reasons for our policy were not merely economic but political. Unrestricted free trade with China was going to lead to political liberalization. It was going to open the way for China to become a pluralistic country. These political arguments were the ones that made the difference. Without the claim that trade would open up the Chinese political system, trade legislation probably would not have been enacted. It is difficult if not impossible to find an American president or congressional leader who said, "China has a repressive political system and it's not going to change, but let's pass this legislation anyway."

In sum, I think the paradigm of inevitable change impairs America's thinking and its public discussion of China today. The paradigm prevents us from coming up with policies towards a China whose political may not change, in any fundamental way, for a long time. But I think the paradigm of inevitable change will endure -- that whenever American leaders talk in public about China, we will continue to hear some version or another of the Soothing Scenario.

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