



### China in Transition: A Closer Look Behind the Scenes

On September 25, a Capitol Hill conference was co-organized by the Freeman Chair in China Studies at CSIS, and the National Committee on United States-China Relations entitled, *China in Transition: A Look Behind the Scenes*. Senator Joseph Biden, Chairman of the Senate Foreign Relations Committee, was the formal host of the conference which was part of a two-day series (the Carnegie Endowment for International Peace and Stanford University organized the second session on October 9th which focused on Taiwan and U.S. Policy.)

The five panel, day-long conference ([see full agenda below](#)) was opened by Dr. John Hamre, President of CSIS, who underscored the immense changes China is undergoing, and the importance of appreciating China's internal challenges, which are poorly understood and rarely addressed "inside the Beltway." Dr. Bates Gill, the Freeman Chair in China Studies further remarked, "The China we will face in five to ten years' time will be fundamentally shaped by the outcomes of the dramatic political, economic, and social transformations unfolding in that country today. The better we understand these transitions today, the better off we will be in engaging China tomorrow."

The first panel speaker was Professor Roderick MacFarquar from Harvard University who presented a historical perspective to China's current transitions, setting the stage for the panels that followed.

The second panel, *Challenges to Legitimacy: The Party in Transition* was moderated by James Sasser, former U.S. Ambassador to China. Presentations covered current political issues, such as the outlook of the "fourth generation" of leaders who are expected to take over after the 16th Party Congress this November.

Additional discussions included the Party's present identity and the struggle to maintain legitimacy as it abandons Marxism and tackles widespread corruption.



The third panel was moderated by Dr. Bates Gill, entitled *Income, Population and Health: Welfare Society in Transition*. China's healthcare system has been largely dismantled in the countryside, and an estimated 70% of China's rural population has no access to quality healthcare. The HIV/AIDS epidemic has exposed many of the weaknesses that the rural healthcare sector is facing now. At the same time, China has also reported steady growth in the national economy, and while personal incomes are rising faster in urban areas than rural areas, China's per capita GDP is expected to reach only \$1,000 in 2002.

Dr. John Holden, the President of the National Committee on United States-China Relations chaired the fourth session, *Off the Beaten Track: Rural China in Transition* which explored issues in rural China, where one-in-eight persons on the planet resides. Since 70% of China's population resides in the countryside, rural issues have a major impact on the rest of the country, even though they are frequently overlooked and under-reported. Reforms in the land tenure systems, as well as the mixed success of democratic elections for rural leaders have vast implications for the rest of the country.

The fifth and final session, *The Changing Workplace: The Economy in Transition*, was moderated by Professor Pieter Botellier, School for Advanced International Studies, The Johns Hopkins University. With the formal admission of entrepreneurs into the ruling elite of the Communist Party, China's leadership has acknowledged the enormous contribution the private sector makes to China's economy. As the private sector has grown, the "old economy" state-owned industries have laid off workers, defaulted on pensions and health care obligations, and are no longer the leading force of the Chinese economy. An additional phenomenon has been the appearance of international and domestic venture capitalists on the economic scene.

With Jiang Zemin's expected visit to the United States in October, ahead of the leadership transition at the 16th Party Congress in November, China will feature prominently on the U.S. foreign policy agenda in the coming months. The issues covered in this conference -- political succession, party legitimacy and reform, corruption, rural and urban income gaps and unrest, an aging population, a fraying social safety net, a looming HIV/AIDS crisis, a transforming industrial base and the rise of civil society -- are all major domestic concerns that the Chinese leadership must contend with. These issues and the leadership's attempt to manage them will have serious implications for China's Asian neighbors as well as U.S. policy.

By increasing our awareness of China's domestic challenges, the United States may have an opportunity not only to assist China in a steady transition and help stabilize US-China relations, but also have some influence on shaping favorable outcomes in China. The Freeman Chair in China Studies will continue to focus on China's domestic challenges, with a conference entitled, *China's Party and State Transition: Implications for China and the United States*, planned for Spring 2003; a monthly e-newsletter to over 1,000 recipients; continued research, analysis, op-eds, journal articles, conference papers, Congressional testimony, briefings, and a 250-page book to be published in 2004.

### **Speakers and Moderators - *China in Transition: A Look Behind the Scenes***

#### **Welcome and Introduction**

Dr. John Hamre, President, Center for Strategic and International Studies

Mr. John Holden, President, National Committee on United States-China Relations

#### **An Historical Perspective on China's Domestic Transitions**

Professor Roderick MacFarquhar, Harvard University - China in Transitions [\[remarks\]](#)

#### **Challenges to Legitimacy: The Party in Transition**

Session Chair: Ambassador James Sasser, Former Ambassador to China

Professor Joseph Fewsmith, Boston University - *So What Type of Party Is this Anyway?*

Professor Li Cheng, Woodrow Wilson Center and Hamilton College - *Hu's in Charge after the 16th Party Congress?*

Dr. Pei Minxin, Carnegie Endowment for International Peace - *Corruption and the Rise of Systemic Risks in China*

**Income, Population, and Health: Welfare Society in Transition** Session Chair: Dr. Bates Gill, Center for Strategic and International Studies

Professor Deborah Davis, Yale University - *Getting Ahead, Falling Behind* Professor  
Huang Yanzhong, Grand Valley State University - *Reform as Pandora's Box: China's Public  
Health Crisis*  
Dr. Joan Kaufman, Radcliffe Institute for Advanced Study - *China's Family Planning Program:  
Recent Developments and Prospects for Change* [\[notes\]](#)

**Off the Beaten Track: Rural China in Transition**

Session Chair: Mr. John Holden, National Committee on United States-China Relations Professor  
Thomas P. Bernstein, Columbia University - *Tax Burdens in Rural China and their Implications for  
Instability* [\[notes\]](#)  
Mr. Brian Schwarzwald, Rural Development Institute - *Whose Land Is It Anyway? Land Tenure  
Reforms and the Rule of Law in Rural China*  
Professor Liu Yawei, Carter Center, Emory University - *Chinese Rural Elections and their Impact  
on Political Reform in China*

**The Changing Workplace: The Economy in Transition**

Session Chair: Professor Pieter Botellier, School for Advanced International Studies, The John  
Hopkins University  
Professor Kellee Tsai, The Johns Hopkins University - *Private Entrepreneurs and Informal  
Finance in China*  
Dr. Stoyan Tenev, International Finance Corporation - *China's State Sector: A Painful  
Transformation*  
Mr. James McGregor, Vermilion Ventures - *Chinese Returnee Entrepreneurs and Venture Capital:  
A Potent Combination*