

# Introduction: Is China's Transformation Sustainable?

DAVID B. H. DENOON

China is the only large country in the world today where political leaders have systematically understated their economy's growth rate. They do this because the scale and dynamism of China's economy have already caused apprehension among neighbors and trading partners.

In 2005, the understated numbers became too glaring to ignore; Beijing's Central Statistical Office revised its gross domestic product (GDP) estimates for 2004, adding \$280 billion to previous figures.<sup>1</sup> This "omission" was an amount roughly equal to the entire current GDP of India. The new figures ranked China as the world's fourth largest economy, with a net product larger than France and the United Kingdom.<sup>2</sup> In addition, most economists presume the yuan, the Chinese currency, is significantly undervalued. So, if the yuan were allowed to appreciate to levels determined by market forces, this would probably add another 15–30% to national income estimates.

Moreover, China's dynamism is by no means limited to the economy alone. Enrollments in secondary and higher education are rapidly expanding and new means of communication (cellular phones, cable and satellite TV, and e-mail) are vastly increasing the information available to the Chinese public. In two decades, the Chinese government has also transformed its foreign relations.

China has joined the World Trade Organization, launched the Shanghai Cooperation Organization with Russia and the Central Asian states, started a free trade area with Southeast Asia, and has been a principal mover behind East Asian regionalism and the East Asian summit process. All of these steps have meant that officials in Beijing are now consulted on virtually every key development within the region, whereas 20 to 55 years ago

China was inwardly focused and still suffering from the excesses of the Cultural Revolution.

The main area where China has seen much slower change is in its internal political development. The Communist Party of China (CCP) still dominates all aspects of political life: the Politburo is still self-selecting, party congresses have carefully scripted agendas, province governors are chosen by Beijing, censorship is widespread, and treatment of dissidents is harsh. Though there are some elections at the township and village levels, competition is limited and few are so bold as to directly challenge the CCP.

The intent of this volume is to give readers a chronicle of China's recent transformation and, by selecting articles published over the past 15 years, to highlight how some of the leading scholars of China saw key issues as they developed.

### **Structure of the Volume**

This collection is divided into three sections: (1) Foreign Policy and National Security, (2) Economic Policy and Social Issues, and (3) Domestic Politics and Governance. Many recent books on China have concentrated on either its economic or its domestic political and social changes. These topics are clearly essential and we will deal with them in the second and third sections of the volume.

We have decided to start with foreign policy and national security because they are the areas most completely dominated by the Chinese leadership and represent the actions by which Beijing wants the outside world to judge its intent. The claims that China's rise will be peaceful and that trade, investment, and technology flows will be used for internal economic development are central to Beijing's strategy for modernizing the economy while continuing to allow the CCP to hold the reins of power tightly. Friction with its neighbors or, even worse, a war would seriously hamper China's rapid pace of development.

Thus, Chinese foreign policy since the early 1990s has been subordinated to broader modernization goals. Chinese diplomacy has also been remarkably skillful as China's image has been transformed from troublesome neighbor to that of a boundless, open market. Fortuitously for Beijing, this strategy could be implemented in a period when its principal Asian rival, Japan, was stagnating economically and the Bush administration had chosen to concentrate on counterterrorism and the Middle East.

So, China moved to center stage in East Asia with a low-keyed approach and little challenge from potential competitors.

### **Why *Current History*?**

There are several reasons to present an edited volume on China of *Current History* articles:

1. *Current History* is written to be scholarly and accurate, but in a style that is accessible to a broad audience. Therefore, these selections should highlight essential developments in China for researchers who want to check key turning points in the past two decades, while, at the same time, being clearly presented to the general public and to undergraduates and graduate students.

2. *Current History* publishes an annual volume on China in which many of the leading specialists in the field summarize trends and present their interpretations of recent developments. These articles provide a superb snapshot or cross-section of developments in a given period. Also, since the articles in each section of this volume have been arranged chronologically, they can be read to provide an overview of the main issues during China's rapid transformation.

3. The editors of *Current History* make considerable effort to select authors who try to present developments in an objective manner and explain competing assessments of major trends. This means that both researchers and nonspecialists can read this volume to find both mainstream and alternative analyses of events.

4. Finally, each issue of *Current History* includes a chronology that summarizes recent major political, economic, and social developments. We have taken these chronologies for China, Hong Kong, and Taiwan for the 1993–2005 period and edited them for readers here. This provides a resource for researchers who want to check the timing or sequence of events on a topic of interest to them.

### **Foreign Policy and National Security**

The transformation of Chinese foreign policy in the past three decades has been truly remarkable. As Mao Zedong and Zhou Enlai passed from the scene in the mid-1970s, the Cultural Revolution was simmering down, but

outsiders had no idea what would follow. Mao's chosen successor, Hua Guofeng, was a weak, compromise candidate and was soon pushed aside by Deng Xiaoping. Although Deng had been previously labeled a "capitalist roader," he was a member of the first generation of Communist leadership and few observers anticipated the dramatic changes that China was about to undergo. Mao had approved the rapprochement with the United States in 1972, but it was seen by many as a purely pragmatic way to deal with the Soviet threat and not necessarily a sign of a broad, sweeping opening to the West.

Once Deng Xiaoping consolidated his power in 1978, however, the changes came in quick succession. Deng phased out communes in China's rural areas and used market incentives to encourage agricultural production; established Special Economic Zones (SEZs, essentially protected free trade areas) along China's eastern coast; and visited the United States in early 1979 (which no Chinese leader had done in 30 years of communist rule).

Moreover, despite two decades of Chinese support for the leadership in Hanoi, Deng ordered the invasion of Vietnam—after he returned from Washington in January 1979—in retaliation for Vietnam's occupation of Cambodia. The incursion into Vietnam signaled to all concerned that China's foreign policy was going to be more focused on Chinese interests than communist solidarity.

The lowest point in Deng's rule took place in June 1989, when he ordered Chinese troops to clear Beijing's Tiananmen Square of protestors. The resulting bloodshed and use of armed troops against civilians led to sanctions against China by Japan and most Western states, and there was a period in the early 1990s when it appeared that China might move back in a more autarkic, isolated direction. Nevertheless, Deng was committed to China's modernization and opening to the outside world, and he reinforced this during his trip to Guangdong province in 1992 when, despite some internal criticism, he reiterated that the growth of the private sector must continue.

On balance, the pragmatic steps initiated by Deng Xiaoping in economic and foreign policy have been continued by his successors, presidents Jiang Zemin and Hu Jintao. By the mid-1990s, under Jiang Zemin and Prime Minister Zhu Rongji, the pace of change accelerated. The SEZs proved so successful that most of the country was opened for foreign investment and this provided a flood of foreign capital. Equally important, the foreign direct investment (FDI) brought with it the latest technology as

foreign firms took root in the manufacturing sectors. So, China not only received a vast injection of foreign savings but also know-how and first-rate technology as well.

As we will see in the economic section below, by 2004 China was receiving new commitments of up to \$60 billion of FDI per year, which revolutionized its manufacturing capabilities and helped build up the world's largest pool of foreign exchange reserves.<sup>3</sup> This surge of capital inflows helped maintain the country's growth rate and made it feasible for leaders in Beijing to buy much of the foreign military equipment and technology they wanted. Economic performance enhanced foreign policy and national security options.

Two of the chapters in this volume deal directly with the modernization of the People's Liberation Army (PLA).<sup>4</sup> June Teufel Dreyer's 1994 piece, "The People's Army: Serving Whose Interests?" highlights the dilemmas that China's political leadership faced in downsizing the military and increasing its professionalization. Dreyer notes that, in the early 1990s, Russia was in such dire economic straits that Moscow was willing to sell some of its highest performance aircraft to China and license the technology for manufacturing many of the systems as well.

This anomaly of a former opponent becoming a key arms supplier, combined with rapid increases in the PLA budget, meant that the favored parts of the PLA were upgrading quickly. However, the lower-tech infantry and less favored specialties were reducing troops and looking for any source of income they could find. This led many parts of the PLA to go directly into business and blurred the line between military and civilian enterprises. In addition, the resulting differences in income and living standards between divisions of the PLA produced resentment and further pressures for corruption that are a continuing problem.

Paul H. B. Godwin's chapter, "Uncertainty, Insecurity and China's Military Power," explores what priority the Chinese military receives from the political leadership. Of the "Four Modernizations" that the Politburo stressed in the 1990s (agriculture, industry, science and technology, and the military), the PLA ranked last. Yet, Godwin notes that the poor performance of the Chinese forces in Vietnam in 1979 and the recognition, after the Gulf War of 1991, that a high-tech military is essential have given priority to those parts of the PLA that can best use modern surveillance equipment and weaponry. This has meant the nuclear forces, submarine fleet, air force, and assorted forms of high-tech licensed manufacturing of foreign-designed components have received first call on funding.

Michael D. Swaine's contribution is to step back and ask: "Does China Have a Grand Strategy?"<sup>5</sup> He concludes that Beijing's leaders have clear priorities for the military, ranked as follows: preservation of domestic order, defense against threats to sovereignty and territory, and attainment and maintenance of geopolitical influence as a major, perhaps primary state in the Asia-Pacific region and beyond.

Swaine saw the CCP pursuing a pragmatic, nonideological foreign policy, using force only selectively and seeking an enhanced role in international forums where the gains in influence outweigh the costs of involvement. Swaine then speculated that, depending upon economic, political, and military trends, China might begin to play a higher profile role after 2010, potentially placing more emphasis on increasing its power, developing alliances, and attempting to "redress past wrongs."

Then we assess the two big changes in U.S.-China relations after 2000: the U.S. preoccupation with counterterrorism and the Middle East and obvious signs that China's influence is growing rapidly.

In "Sino-American Relations since September 11," David Shambaugh analyzes how the interaction between Beijing and Washington has changed after Al Qaeda attacked the World Trade Center and the Pentagon. Shambaugh identifies a series of steps that China took after 9/11 that supported the U.S. counterterrorism effort: voting for United Nations Security Council and General Assembly resolutions condemning terrorism, supporting U.S. attacks on the Taliban in Afghanistan, encouraging President Musharraf of Pakistan to support the war against the Taliban, sealing the Chinese boundary with Afghanistan to prevent Al Qaeda operatives from migrating into China's western region of Xinjiang, and inspecting bank accounts in Hong Kong and China to see if they were connected to terrorist groups. All of these moves were, not surprisingly, appreciated by Washington and helped shift the rhetoric in the Bush administration about China from talk of "strategic competition" to various sorts of engagement.

Robert Sutter's discussion about China's claim that it seeks a "peaceful rise" ties together several of the earlier themes in this volume. China's soaring economic growth combined with declining American attention to Asia has changed the strategic picture on the Pacific Rim. Although Japan shows some signs of economic recovery, China has had fortuitous circumstances to pursue its goal of greater influence on its periphery. Beijing has operated in a subtle fashion as well. Its offer of a free trade area with the Southeast Asian states, without requiring immediate reciprocity, was seen as a sign of good will; and the 2002 accord on managing territorial disputes over the

Spratly Islands was seen as an improvement over former incidents using force.

Sutter also demonstrates that China is carefully laying the basis for expanding its regional influence, while at the same time limiting Washington's options. By taking a lawyerly approach to differences in World Trade Organization forums and criticizing U.S. bilateral alliances in East Asia (as holdovers from the Cold War), Beijing is deftly encouraging Asian states to choose policies that are more independent of U.S. leadership.

Thus, the thrust of the Foreign Policy and National Security section of the volume is to show that critical changes are under way in Asia, with China's dynamic economy getting the public attention but important strategic changes occurring with less press attention.

### **Economic Policy and Social Issues**

There is an extensive literature on the causes of China's surge in economic growth in the 1990s and the impact of this booming economy on its neighbors.<sup>6</sup> Our purpose here is to select chapters that highlight the dilemmas that China's leadership faces as income differentials by region and class grow and as other nations increasingly see China's exports as a threat to their economies.

The most fundamental question the Chinese Politburo must deal with is: Will the public accept the bargain it has proposed? The CCP asked Chinese citizens to agree to their tight hold on all political life in exchange for rapid economic growth and a dramatic rise in living standards.

In "The Long March from Mao: China's De-Communization," Liu Binyan (now deceased) argued that the CCP was originally seen by the Chinese public as liberators from the corrupt rule of Chiang Kai-shek's Kuomintang. The Great Leap Forward and the Cultural Revolution squandered that legitimacy, and the CCP has been hoping to reestablish its credibility by managing a multidecade experiment in rapid economic growth.

Will this Faustian bargain work? Liu was doubtful because he was optimistic that the Chinese public would demand its personal liberties soon and not wait for the multidecade transformation of the economy. The number of protests against the Chinese government has grown rapidly. The government's own statistics indicate that there were 87,000 "public order disturbances" in 2005 alone.<sup>7</sup> However, the fact that the government openly reports these numbers and that only one protest, at Tiananmen

Square in 1989, directly challenged overall CCP rule, means that a country-wide revolt is not yet at hand.

Edward Friedman's discussion of China's "North-South Split" raises a critical aspect of Beijing's development strategy. In 1993, when the piece was written, the sharpest income differentials were between the south, Guangdong, and Fujian provinces where the private sector was booming, and the rest of the country. Today, most of the east coast and the major cities are surging ahead, while the agricultural areas and populations are lagging. So, though the geographical locus of the income split has become more complex, it remains a key issue for Chinese society because at least 80% of the population still lives in the rural areas.

President Hu Jintao and Prime Minister Wen Jiabao have taken a number of steps to reduce the urban-rural income gap: ending the grain tax, abolishing the household registration system, which limited the chances for farmers to obtain permanent jobs in cities, and imposing various credit and other controls on the export sector while trying to stimulate domestic consumer demand. Nevertheless, when the east coast and major cities have such enormous advantages in location, infrastructure, and education levels, the resentments that Friedman highlights will doubtless be a semipermanent part of the Chinese scene.

The essays by Barry Naughton and Bruce J. Dickson were written eight years apart (1996 and 2004 respectively) but they get at another ongoing issue that inevitably arises from the development strategy the CCP has chosen. The party's leaders want a world-class manufacturing sector and are willing to let private investors have considerable leeway in selecting the location and equipment for their facilities.

What the party is not willing to do, however, is let foreigners control the main banks or key state enterprises. This means that there is a conflict between the goal of efficiency and the political imperative of preserving the power of the state. Hence, both Naughton and Dickson allow us to see that, though Marxism is no longer an accepted guiding principle, Leninist views of state control clash with capitalist methods of achieving efficiency.

In "Rumblings from the Uyghur," Dru C. Gladney introduces a further complication facing Beijing's planners. Although roughly 90% of Chinese citizens are of Han ancestry, the non-Han ethnic groups resent their marginal status. Moreover, many of the Uyghur and Hui are Muslim and have further grievances against rule by a secular Han state. Uyghur separatists set off bombs in Urumqi and Beijing in 1997, leading to harsh countermeasures and 20 executions in retaliation.

The Gladney essay was written before 9/11 but it was prescient in emphasizing not only the Uyghur dissatisfaction with rule from Beijing but also the growing desire among Xinjiang's Muslims for ties with Central Asia and the rest of the Muslim world. Since the mid-1990s, China's diplomacy has been quite skillful at maintaining links with Pakistan, the countries of Central Asia, and states in the Persian Gulf region. As a country with a sharply growing demand for imported oil, the dulcet diplomacy in the Muslim world is understandable. The question is whether China can continue to maintain close external ties in the Muslim world while imposing tight controls on its more than 20 million Muslims at home.

In addition to regional and ethnic income differentials and the balance between public and private firms, China must also decide what role its export sector should play. Since the early 1990s, exports have been the leading edge of the economy. First, with the Special Economic Zones, and then with broadened approvals for foreign investment, China has used exports to generate income, employment, and modern manufacturing skills as the leading sector of its burgeoning economy.

Like most of the other successful Pacific Rim countries before it, China has stimulated exports by having an undervalued exchange rate. So, besides having abundant cheap labor, China has made its exports attractive by underpricing its currency. This has helped make Chinese goods very price-competitive and allowed the country to take market share from other suppliers.

The question becomes: How much longer can Beijing keep the yuan undervalued? The Chinese government has already revalued the yuan upward by 2.1% in July 2005 and widened the price band in which the currency can fluctuate. However, because China continues to run massive trade surpluses, the International Monetary Fund (IMF) and individual countries have protested. Moreover, several U.S. senators have proposed legislation that would add import surcharges to Chinese goods unless the yuan is revalued upward.

There are also solid macroeconomic reasons for thinking it is in China's interest to gradually move the exchange rate to its real market value. The Chinese economy is currently growing at over 11% per year, inflation is picking up, and the central banking authorities have been raising reserve requirements for banks along with higher benchmark lending rates for loans.<sup>8</sup> The undervalued currency is an economic stimulus, so there is a conflict between the banking system restraints and the pro-growth incentives from the low exchange rate.

In “China’s New Exchange Rate Regime,” Barry Eichengreen explores the factors that Chinese authorities are considering in deciding whether to raise the exchange rate significantly. There are two key issues: 1) What would be the ideal level for the new rate? and 2) Should China move to a true “fluctuating rate system” or stay with a “fixed rate?”

Although a revaluation upward would slow the economy and make it easier for Chinese consumers to pay for imported goods (thus lowering the trade surplus), it would make it harder for marginal firms to compete, so the exporting community inside China favors keeping the rate low. If the government chose a fluctuating rate, market forces would determine the level, but the Chinese would then have to give up currency controls and this would allow foreigners to hold unlimited amounts of Chinese currency. Once foreigners held large amounts of currency, they could press for ownership shares of prime Chinese assets that are currently held locally.

Hence, the decision about an exchange rate system rewards different groups inside and outside China and has a very high political content. It could be that the Chinese will choose an intermediate step of raising the currency’s value but keeping it at a fixed level so that they can maintain controls.

### **Domestic Politics and Governance**

To give readers two decades of perspective on politics inside China, we have chosen three essays from the 1990s on aspects of democratization and political control. Although the press and Internet in China provide more information than before, it is striking to note how similar the issues are today in comparison with those raised a decade ago. In addition, we have selected two chapters on movements (nationalism and Falun Gong) that appear to be filling a void left by the loss of respect for communism. These are followed by a discussion of the current, fourth generation of political leadership, and a concluding essay on the environment and the quality of life in China.<sup>9</sup>

The chapters by Merle Goldman, Lucian W. Pye, and Tyrene White each illustrate the difficulty of making generalizations about the pace at which democratization is proceeding in China. Merle Goldman, in 1995, was impressed with the nascent signs of civil society: a lively popular culture, greater use of the courts to challenge the CCP and state, and the rise of

over 2,000 newly launched newspapers. Goldman indicated, however, that the Chinese middle class lacked the independence and cohesiveness found in South Korea and Taiwan (before those countries made their democratic transitions). She also notes that regional autonomy may be more acceptable as a means to loosen Beijing's grip than individual rights and open expression of political opinions.

Lucian W. Pye's chapter, "The Leader in the Shadows: A View of Deng Xiaoping," on the other hand, emphasizes how the traditional levers of power in China can still be manipulated in the current era. Pye stresses that Deng stayed in the background and used the mystique of authority to enhance his power. He mentions that Deng rarely appeared in public or on TV. It was a veritable sensation, in January 1992, when Deng used a TV interview during his "southern trip" to press for continued economic reform. Pye also says Deng understood political timing and that the "paramount leader" became "the man on the spot when the Chinese were ready to turn their backs on the Maoist road to modernity."

White's discussion of village elections focuses attention on how hard it is to judge the pace and extent of democratization in China. In June 1998 the National People's Congress passed the Organic Law of Villagers Committees, which permitted Villagers Councils (to represent each household), Villagers Representative Assemblies (to establish delegates nominated by the villagers), and Villagers Committees (of actual selected leaders). If this law had led to open political competition between candidates with different approaches to governing, it might well have been the beginning of real grassroots democracy. However, that clearly has not happened; in the last eight years, most of the village candidates have been approved in advance by the local CCP and the amount of open contestation is usually limited.<sup>10</sup> White ends by cautioning that this experiment in local democracy depends on the extent to which Beijing will let open contests develop, so the first eight years have obviously had mixed results. For those who saw the Villagers Committees as the first step toward township and province elections, that progression has not developed either.

Michael Dutton and Richard Madsen concentrate on political developments in China that are outside the CCP. In Dutton's analysis, the student protests of the 1999 U.S. bombing of the Chinese embassy in Belgrade were a reflection of "An All-Consuming Nationalism." He asserts that the subsequent riots and violence (at the U.S. embassy in Beijing) were not instigated

by the Chinese leadership, but, instead, are an indication the CCP has let nationalism become a substitute for the former faith in communism.

Madsen makes a similar point about Falun Gong, the cult that combines elements of Buddhism, ritual exercise, and worship of its leader, Li Hongzhi. What startled the CCP was Falun Gong's organizational ability and skill at assembling a ring of protesters around the leadership compound in Beijing. Although Falun Gong members were predominantly middle-aged women, they were seen as a threat to the CCP because of their adeptness at communicating throughout China. A country with a vibrant civil society would have seen Falun Gong more as a curiosity than as a challenge.

In Tony Saich's analysis of China's fourth-generation leadership, he notes that Deng Xiaoping was clever at initiating reforms on those features of the Maoist state that had drawn the most criticism. So, ending communes in the rural areas and setting up the Special Economic Zones were likely to generate quick support. Saich argues that designing and implementing a new social welfare system and dealing with chronic federal budget deficits are much tougher issues to handle. Political leaders in other countries have struggled with the same problems, but China has two significant advantages in its high savings rate and enormous foreign exchange reserves. The high savings rate indicates that the public is expecting only limited services from the state and the foreign exchange can always be used to import products if various constituencies are to be rewarded. Since the current members of the CCP Politburo are all trained as engineers, we will see whether they address these fundamental questions in a technical, non-ideological fashion.

Elizabeth Economy reviews "China's Environmental Challenge," noting that, by 2002, six of the world's ten most polluted cities were in China. The problems of deforestation, flooding, desertification, and water scarcity all require immediate attention. She argues that China's economic success has come at a very high price and further environmental degradation could bring the country to its knees. Will redressing these environmental problems require a mobilized middle class that has a clear concern for the future? Or is this a situation in which China's Politburo engineers can lead?

As we reflect on domestic politics and governance in China, it is striking to see how consistent the CCP has been in implementing its strategy of opening the economy while keeping power tightly held within its elite.

## Is the Current Chinese Development Strategy Sustainable?

China's transformation is a national social experiment in the world's largest state. The CCP is attempting to guide 1.3 billion people through a wrenching set of changes. About 100 million have now reached middle-class living standards, and prospects are good that several hundred million Chinese will follow them in the next 15 years. Yet, that still leaves two-thirds of the society living a marginal existence and, almost certainly, becoming increasingly resentful of being left behind.

Is this model of societal change as viable for the next generation as it has been for the past 25 years? Any answer to that question must be qualified.

At one extreme, if urban-rural income differentials grow, if protests spread unabated, and the middle class wants its political freedom, the CCP cannot keep its tight hold on power.

At the other extreme, if national income more than doubles every decade, the middle class continues to focus on material gains, and the rural population thinks its chance is coming soon, the CCP may prolong its stay at the apex of power.

We will not make a forecast here, but this volume should help readers to make their own judgment. Is China a pressure cooker with a limited number of escape valves? Or is it an exceptional cornucopia with endless opportunities and more sense of national pride than at any time since the 1500s?

The three sections of this book represent the three pillars on which the CCP is erecting its monument.

The current *foreign policy* can stay intact as long as the CCP is in charge and not threatened by a fundamental external military or economic challenge.

*Economic policy* has become the engine for the country's transformation. Current rates of foreign direct investment are not likely to be sustained and GDP growth rates will almost certainly decline, but most countries would be happy with a growth rate that is half of what China has been able to maintain. With unlimited cheap labor for at least another 20 years, high savings rates, good transportation facilities, and pragmatic managers, how many countries have a more favorable environment for growth?

The *domestic political* base is the shakiest of the pillars. The short run appears stable, but the sheer size and complexity of Chinese society require an exceptional balancing act to hold it together. It is hubris to assume that a

small elite can do this indefinitely, but then the CCP may not have an unlimited time horizon. Clearly, however, the CCP is not going to reveal its hand before it is ready to share or drop the reins of power.

## NOTES

1. In 2006, an entire revised time series of GDP estimates, going back to 1994, was released as well.

2. Only the United States, Japan, and Germany have larger economies.

3. By mid-2006, China had official foreign exchange reserves of approximately \$850 billion.

4. The name PLA applies to all three services—though the PLA Navy and PLA Air Force are separate bureaucracies.

5. This chapter draws on Swaine's jointly authored book with Ashley Tellis, *China's Grand Strategy: Past, Present, and Future* (Santa Monica, Cal.: Rand, 2000).

6. See, for example, W. Overholt, *The Rise of China—How Economic Reform Is Creating a New Superpower* (New York: W.W. Norton, 1993) and Chung Min Lee, "China's Rise, Asia's Dilemma," *The National Interest*, no. 81 (Fall 2005), pp. 88–94.

7. J. Kahn, "Pace and Scope of Protest in China Accelerated in 2005," *New York Times*, January 20, 2006, p. A-10.

8. D. Lague, "China Moves to Curb Lending for the Second Time in Five Weeks," *New York Times*, July 22, 2006, p. C-3.

9. The first generation of leaders who survived in power were Mao Zedong and Zhou Enlai, the second was unitary leadership under Deng Xiaoping, the third were Jiang Zemin and Zhu Rongji, while the fourth are the present leaders, Hu Jintao and Wen Jiabao.

10. A. Nathan, "Present at the Stagnation," *Foreign Affairs*, vol. 85, no. 4 (July–August 2006), pp. 177–182.