



C A R N E G I E E N D O W M E N T  
*for International Peace*

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

"CHINA'S PEACFUL RISE?"

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WELCOME: JESSICA MATHEWS, CARNEGIE PRESIDENT

MS. MATHEWS: My name is Jessica Mathews. I'm president of the Carnegie Endowment, and it's my great pleasure to welcome you today. At Carnegie we try to make our events timely, and having had inside information three months ago that Jiang Zemin would resign his last official title this weekend, we planned this conference for today.

Seriously, when we were thinking last spring about this meeting, we were of course aware that the phrase "peaceful rise" had been abandoned officially as the overarching theme of China's foreign policy strategy, after having come under some severe criticism from within the leadership. But officially abandoned or not, and perhaps to be redirected after this weekend's events, Peaceful Rise seemed to us to capture a number of questions that badly need addressing. Had it not been too confusing, we would have presented the phrase in our title with two rather than one question mark, because the exploration we hope to have over the next two days is on two quite separate planes. We want to ask both whether the rise of any new great power, and specifically China as a great power, can happen peacefully.

What do history and political theory tell us about the likelihood of that happening? What is the detailed consideration of China's particular circumstances? Its past experience, its expectations, its relationships in the region and with the U.S. -- what do all of these tell us about whether China will rise peacefully? And we should add the question of whether U.S. policy will allow China -- or perhaps I should say "should allow China" to rise peacefully?

On the second, very separate, plane, we are equally interested in the uncertainties associated with the second word, "rise." We all know about the almost unbelievable numbers that describe China's economic growth. No one could have predicted I think in 1978 that in 25 years China would become the world's sixth largest economy and its

fourth largest trading power, and enjoy a \$100 billion a year trading surplus with the United States. Anyone who's ever drawn a graph, however, knows that lines have curves. They also sometimes have inflection points, and past performance is no guarantee of future results.

But we know much more than that generic caution. We know that despite its rapid economic progress and its social transformation over the last two to three decades, China remains caught in an extremely dicey and uncertain transition from state planning to a market economy, and from totalitarianism to a more open society.

Many crucial tasks -- such as reforming a highly inefficient investment system, developing an effective legal system, and introducing a higher degree of democratic participation -- remain either unfinished or unstarted. The Communist Party's resistance to political reform has contributed to low political accountability, to widespread and debilitating corruption, and to mass alienation. There has been in fact little political progress in transforming China since Tiananmen 15 years ago on the political front.

On the socioeconomic front, the deficits are measured in inadequate investment in education and in health care, tremendously costly environmental degradation and a deteriorating public health infrastructure, some of which we'll hear about tonight. All of them are contributing to rising socioeconomic inequality that has made China the most unequal society in Asia. And these class inequalities are magnified by geographic ones, between the booming coasts and impoverished interior areas.

In short, the tremendous steps forward that China has taken sometimes seem to be matched by, and indeed in some cases have spawned, equally enormous problems that are still to be overcome. And while some outlooks on these fronts are encouraging, some are decidedly not.

All of this is on our agenda for the next two days, as are the policy consequences for the United States and for the rest of the international community. China's economic growth is producing benefits and opportunities, many of them not yet recognized, as well as huge challenges for virtually all countries. Its deepening integration into the global order is strengthening budget incentives to cooperate in addressing a host of issues from non-proliferation, counterterrorism to regional security and resolving long-standing territorial disputes.

On the other hand, China's acquisition of more and more potent military capabilities is influencing the security perceptions of both of its neighbors and of those far away. The uncertainty over the ends to which China will ultimately apply its growing power and influence causes some to worry and in some cases, political and military hedging against worst-case outcomes which themselves may raise the prospect of instability and perhaps even of conflict.

And whether a policy of engagement that was adopted when China was relatively weak still applies to a China that has gained strength and self-confidence and a very

different self image remains at the center of Washington's China debate, especially on Capitol Hill.

An ambitious like this I recognize would be laughable, if it weren't for the extraordinary wisdom and expertise of the speakers and moderators who grace our rosters. Many of them have traveled quite far to be here, and most have had to juggle very difficult schedules to do so. We are greatly in their debt.

At the same time, all of you who have joined us are a key element of making this gathering a success. I see around the room policymakers who have shaped U.S. policy toward Asia at very high levels, both now and in the past. Scholars, experts, journalists, all of whom bring essential knowledge to these questions. We thank all of you equally for being here.

And finally I want to thank the Motorola Corporation for its support that has helped make this conference possible.

Let me close just by mentioning two of Carnegie's staff who are particularly noteworthy for today. All of them have made a great contribution to putting this together. Bert Keidel is with us for the first time. This is sort of his coming-out party at Carnegie. (Applause.) He joined us from the U.S. Treasury Department, where he was deputy director of the East Asian office, and where before that he played a key role in the World Bank's Beijing office -- also lived in Japan and Korea. And he will play a key role in Carnegie's China program henceforth. We are enormously pleased to have him with us. And I should mention before we dive into lunch and then the program, that of course as I think you all know Minxin Pei bore the lion's share of the work of putting this conference together. Minxin is standing in the back there. (Applause.) And he has the easy task of summing up tomorrow afternoon, what we'll all look forward to.

So now let me again thank you for being with us. Please enjoy your lunch, and shortly we will begin the program.