Transcript of the Interview with Susan Shirk

China Boom Project, Asia Society
2009

Susan Shirk

Professor of Political Science

Industry: Academics

Susan Shirk is director of the University of California system-wide Institute on Global Conflict and Cooperation and professor of political science. Shirk first traveled to China in 1971 and has been doing research there ever since. During 1997-2000, Shirk served as Deputy Assistant Secretary of State in the Bureau of East Asia and Pacific Affairs, with responsibility for China, Taiwan, Hong Kong and Mongolia. She founded in 1993 and continues to lead the Northeast Asia Cooperation Dialogue (NEACD), an unofficial “track-two” forum for discussions of security issues among defense and foreign ministry officials and academics from the United States, Japan, China, Russia and the Koreas. Shirk served as a member of the U.S. Defense Policy Board, the Board of Governors for the East-West Center (Hawaii), the Board of Trustees of the U.S.-Japan Foundation, and the Board of Directors of the National Committee on United States-China Relations. She is a member of the Council on Foreign Relations, and an emeritus member of the Aspen Strategy Group. As Senior Adviser to The Albright Group, Shirk advises private sector clients on China and East Asia.

------------------------

Transcript

Interviewee: Susan Shirk
Interviewer: John Delury
Date: 2009
Place: New York City (USA)

8 April 2009

Transcript

Susan Boom Side 1.mov
Opening chatter

John: 0:27: Susan Shirk, thanks so much for making time to talk with the China Boom Project. (My pleasure.) Um, since as you know one thing we’re doing is creating a video archive for historians in 50 years to understand how we thought about this moment, looking back 30 years. Uh maybe we could begin on a more personal side with your own, um, life story in terms of how it’s overlapped with China and what we’re calling the China Boom from 78 to at least 2008.

Susan: 0:56: Well I ah, first visited China as a graduate student in 1971. Uh, still in the middle of the Cultural Revolution, uh, with the Committee of Concerned Asian Scholars, we were the anti-Vietnam War wing of the Asian Studies Association and we were doing our research in Hong Kong because of course at the time it was impossible to do it in China. So I did interviewing of refugees and I studied Chinese middle school education, and was interested in, um, topics related to how Mao’s effort to uh... promote a certain kind of social relations, more cooperative, less competitive, how that was actually working in high schools, and found out that it in fact, it created a lot of political competition. And it was more corrosive, more ugly, than anything you would see in a purely meritocratic system. So that was my first book, “Competitive Comrades.”

2:10: Ah, then, um, I, uh Mao died. And Deng Xiaoping embarked on this very interesting economic reform effort. And I shifted gears and decided to study how it would be possible to transform the economic system of Leninist country, a communist country, that was ruled by a communist party and that had a lot of vested interest in ah, being closed off from the world, protecting domestic industry. Heavy industry had been the key link, and so iron and steel and machinery, were highly protected and subsidized. And so to me, the interesting question was not, “How would these reforms go economically?” but as a political scientist, I was in interested in, “How, would it really be possible to pull this off?” Because in the Soviet Union and in Eastern Europe they’d been trying to introduce market mechanisms for a long time without much success because they were blocked by the interest groups that had a vested interest in the planned economy... So that’s how I started studying, ah, the, policy-making process of China’s economic reforms.

John: 3:46: Still on the personal note (mm hmm), there’s one, there’s one anecdote that you didn’t share, maybe for the sake of historians... (mm, history), with Zhou Enlai, and the...

Susan: 3:56: Ok, when we went to China in 1971, right after the ping pong team, uh, it was the very same time that Henry Kissinger had come to Beijing to plan the Nixon visit. So, Premier Zhou Enlai invited us in for an interview in the Great Hall of the People in one of his late-night interviews, and uh four hours long, and he urged us to bring our tape recorders because he wanted to get out China’s explanation for why it had shifted a hundred and eighty degrees in its previous foreign policy stance towards the United States and why it was inviting Richard Nixon to visit China. So uh, I asked a question, um, basically the
softball question to give him a chance to give his answer, “What has changed that causes you to invite Richard Nixon to China?” And he gave a long answer, that really is a non-answer, which is, “The Chinese people, the American people want to be friends.” You know this, separation, and no contact, is not something they want. For the people to be, ha-, get to know each other, to make friends, the governments have to have contact with one another. And for the governments to have contact with one another, we have to have the presidents speak to one another. We have to invite the president. Then he said, “Now I wish that Susan Shirk were president of the United States, but she’s not, so we have to invite Richard Nixon.” So that was kind of, high point, because the uh, on the Chinese side, that interview was translated into a political study document. So for many years wherever I would go in China, I would, introduce myself, and people would know me from this Zhou Enlai interview.

John: 6:05: Yeah, as a graduate student, that’s quite a coup.

Susan: It was pretty heady.

John: 6:12: Maybe, maybe still with anecdotal and experiential side of things, could you talk about sort of, since, since the 90s, and in a way you’ve brought us up at least through your, your, is that your second book, “The Political Logic of Economic Reform.” (Mm hmm) So after that… you were in government… (Mm hmm)

Susan: 6:32: Well I worked on the… China’s economic reform politics you might say. For more than a decade, and in addition to “The Political Logic of Economic Reform,” book I wrote a shorter book, for Brookings Project, called “How China Opened its Door,” which uh, takes the same approach to try to understand the reforms in foreign trade and in investment policy. And then um I became the director of the University of California Institute on Global Conflict and Cooperation in the early 90s, and that got me involved in more US-China relations and other Asia policy-type activities. Uh, including founding the Northeast Asia Cooperation Dialogue, which is a Track 2 security forum, meaning it includes officials but in their private capacity, from China, Japan, Russia, the United States, North Korea, and South Korea. So I was doing policy work from UCSD and then I was invited to come in the second Clinton administration and become the Deputy Assistant Secretary of State in the East Asia Bureau responsible for relations with China, Taiwan, Hong Kong, and Mongolia. So I did that from 97 to 2000. And then when I went back to the university, when I went back to academia in 2000, I shifted to try to understand the foreign policy process because I’d been working on China’s foreign policy in government and, but again, I turned it into comparative politics. Because I’m not really an international relations specialist. And the question I asked was, “How does China’s domestic politics shape the way it behaves in the world?” and the result of that (high pitch noise begins emitting at 8:39) was a book called “China: Fragile Superpower,” which was published last year.
Listening to audio extremely difficult due to high pitch interference. Continues to 10:18 (end of clip), and gradually intensifies in last minute or so.

End Susan Boom Side 1.mov

Begin Susan Boom Side 2.mov

No audio until 7:39.

There was disruption, interview resumes from unknown previous cut-off.

Susan:
7:52: Yeah, so, the puzzle to me was if they’re appointed by the central party, why... are they so important? Why did Mao and Deng Xiaoping play to the provinces and try to get their support for these new initiatives? You know, whenever they were trying to do something really ambitious, really different, to change the status quo, why did they play to the provinces? And, so I started trying to open up the black box of uh, the, power relations within the communist party. And what I realized was, that, the, the Central Committee... Ok, in the Communist Party, you’ve got the Central Committee, which is about 200 people. Then you’ve got the Politburo and the Standing Committee of the Politburo. The Central Committee has the authority to elect the Politburo and the Standing Committee of the Politburo. Now it’s true that the nominations come from the guys at the top, and more or less they just ratify it. But according to the Party constitution they have the power to select the Standing Committee of the Politburo and the Politburo.
9:14: So, um... they... I started speculating that maybe those guys at the top really do have to anticipate the reactions and the preferences of those people. And if they do it successfully, then you never see them overruling... And it’s interesting because in the Soviet Union, there are a couple of instances in which the central committee did overrule, the nominations. So, they have the same formal political system. But what’s interesting is who’s in the Central Committee. The Central Committee consists of three main blocs. The central, ah government and party officials, so it’s not a full-time job, being a central committee member. You’re a minister of the education ministry, or the chemical ministry, but you’re also a Central Committee member. Um, so, central officials, provincial officials, the Party Secretary and the Governor, pretty much of every province, is in the Central Committee, and it’s one of the largest blocs. And then the third one is military officers. So the army, local officials, central officials. And uh, I saw some evidence, although I really wasn’t able to pin this down systematically, and people have now been trying to do research on this, that what, during that period when they were trying to build support and play to the provinces, that the uh, the proportion of provincial leaders in the Central Committee grew. So they bolstered it, they played it out.

11:07: The other thing they did is to make a lot of decisions in national work conferences, which were in effect, the Central Committee, augmented by even more provincial officials. So they tried to find decision-making arenas where provincial officials had a strong voice. So I, I have a model of the Chinese political institutions, which may or may not be right, but
at least I’ve got a model, whereas most people just don’t even try. So I give myself a little credit for that. So my model is that uh, something called “reciprocal accountability.” The top party leaders appoint all the officials… and the military officers, who are in the Central Committee, so that’s top-down, but those guys also have the authority to choose the top-leaders. So the lines of authority run both ways. And what that means is that when the top leaders in the Standing Committee of the Politburo, or Deng Xiaoping, who of course was doing this informally, not in the Standing Committee actually, um, he, they, uh... are, in order to get the support for their initiatives, they try to make sure that those three big groups get, are satisfied, that they’re getting things that they want. And in the case of the economic reform, I think the key group was the provincial officials, and playing to the provinces was the core political strategy of China’s economic reforms.

John:
13:06: And it sounds like sometimes that dynamic is an engine of... (Oh yeah), the boom, of economic growth, and sometimes it’s a hindrance, it’s an impediment...

Susan:
13:17: No, I’d say it’s an engine. I mean certainly for the 80s it’s an engine. You know if you look at the way the market reforms were introduced, they were introduced first of all selectively as experiments. So you would give Fuzhen and Guangdong Special Economic Zones... The experiments in allowing firms to retain profits, give them incentive to make more money, instead of delivering everything up, uh, those were also introduced selectively, according to different localities. And then the so-called experiments really weren’t experiments, because the reformers at the top lavished all sorts of special treatment on them: tax breaks, you name it. So of course they succeeded, and then other areas that may have once been very skeptical of the reforms because little bit of a threaten, their vested interests, they thought, “Wow we want to do this too. This is really, you know, a great deal.” Um, and particularly important there was the fiscal decentralization that allowed provincial governments to retain a certain share of the revenue produced by the enterprises in their locality...
14:55: (Um) So I’d say they’re an engine... Um, they, create this kind of bandwagon that spreads from one region to another, and primarily from coastal to inland.

John:
They’re kind of Potemkin experiments... (trailing off)

Susan:
15:13: Well, you know, it worked. (John says something inaudible) It was wor-, it worked, it’s not that different from the way, sometimes we do that too, we don’t do really, you know, we pick certain areas, or um, units to try something new. And try to demonstrate that it’ll work and get everybody on board. But I do think we’re a little more honest about what’s an actual experiment and what isn’t it.

John:
15:42: So I’d like to ask you about two, two other um, commonly identified engines of the boom. And see from your vantage point, focusing on the politics of it, where they line up,
how much credit they get, you know, where they fit (mm hmm). One is at the very local level within China, you know, the entrepreneurs, this gets into the entrepreneurial spirit within Chinese culture (oh yeah), that is waiting to be unleashed. Huang Yasheng stuff on these are the real, this is what really drove it. Um, the early period where it was focused on the rural areas (yeah, agriculture)... start doing sideline production. So, so there you have how much weight do we really give that. That can be question one. And then the other is this super-macro, that outside forces, FDI, uh what’s happened with global capitalism (mm hmm) basically booming alongside this thing. So the view that really it took place in China, but what we’re seeing in terms of this extraordinary economic growth (mm hmm), pretty much unprecedented in recorded economic history, it’s a global phenomenon, and it’s happening in China, obviously it’s, it’s radically transforming China, but really it’s a, it’s a world phenomena. How do you, how do you weigh, these, these two...

Susan:
16:58: Well I think they’re both important. But, you know, if you... but none of them could have really, uh... resulted... in the transformation of China’s economic system if you hadn’t been able to find a way politically to overcome the vested interests in the old system, and sustain the reforms. So, not surprisingly, I see as prior and primary the political challenge. Because we do have all these examples of reformers in these other communist countries trying to do this, and it just goes, it just cycles back and forth. You know, you never really get anywhere. Um, and we have a lot of examples from, starting in the 60s, uh, and 70s, in other communist countries.
17:57: But certainly the entrepreneurial energy of the Chinese people is absolutely remarkable and, but you know, when I first went to China, you couldn’t see it anywhere. The main, my main impression of construction sites in China, factories in China, all the ones I visited for so many years starting in 71, people leaning on the shovel. Rampant absenteeism. Um, in factories, people just didn't come to work cuz they got paid no matter what. You know, uh, there were just so, I put a lot of weight on incentives. Policy and incentives. You know, without the change in the system, and the, the ability of firms to retain their own profits, the ability of local governments and provincial governments to retain their own revenues, if you didn’t give people an incentive to work harder and to make more money, and to go to the market, they wouldn’t. So I tend to put more weight on the policy and the incentives than on somehow the innate uh cultural proclivity in China to be entrepreneurial.
19:21: On the international side, yeah, China... in the Mao era, had a wall around it. It was an autarkic situation, an autarkic economy. Separated from the rest of the world economy. You know my husband used to say that workers all over the world are grateful to Mao for keeping all those Chinese workers out of the international economy. Because you could argue that wages were artificially supported by just hiving off China. Well, once the wall came down, and I think Deng Xiaoping, I give him a huge amount of credit for boldly, not just introducing market competition and profit incentives domestically, but uh, also opening China to the world economy. That was really gutsy. And the result was a tremendous take-off. Because of China’s comparative advantage in the global economic system, with labor-intensive manufacturing. And so the minute you brought that wall down, then uh, you know, China could start exporting (sniffle) those labor intensive shoes, and toys, and textiles, and garments, and that was just a huge boost. And they use, many of
those things also use agricultural products, and agriculture also, at that time, I think had comparative advantage in China, it’s not true today. But um, tsk, so bringing the wall down and opening China to the world, I think, was very, very important. However many people will tell you that the foreign investment per se is less important than many of the investors think it is. Cuz there’s a lot of domestic investment and what the foreign businesses brought is the marketing networks, the know-how, the managerial know-how, and they were probably more important than the FDI per se.

John:
22:00: Um, let’s go back to your periodization, and your description of sort of 2000 to, to (mm hmm) the present. We’ll save the present, but 2000 on. As in ways from a more political economic perspective, a regression, that’s maybe too strong of a word (mm), that you’ve said the old vested interests come back. Um, that’s also a period, purely in macroeconomic terms, of incredible boom, it’s like (yeah) everything just goes even, out the roof. Explai-, again describe more of what your, what your view is, that’s somewhat of a different take than what we’ve been hearing...

Susan:
22:36: Well my view is that it isn’t going back to the planned economy, there’s happily the market competition and opening to the world is maintained, although we’re keeping an eye on whether or not China develops more protectionist policies. So far it’s, it’s still pretty good. Um, but what you see is that the fruits of the boom are monopolized by a class of people who have political power, political influence, and uh, important economic roles. So the distribution of the benefits, you know, the 80s, with the, especially with the household responsibility system, you just saw the rural population, the benefits were huge, right?, lifting all those people out of poverty, and that’s kind of slowed down, and the benefits seem more monopolized by ah, people, business people who’ve been able to cultivate ties with political officials at the local level, provincial level, central level, and um...
24:06: And of course many of those business people were originally officials. And then officials themselves who serve on the boards of these things, they get all sorts of corrupt benefits from their symbiotic relationship with the private capitalists. And the state-owned enterprises, the hundred plus big state-owned enterprises, are very, very powerful. Many of those managers now are in the Central Committee, they’re appointed by the Center. We see the Party still, even with companies that are listed on, ah, stock markets outside of China, in Hong Kong, New York, London, still appointing the leaders of those SOEs. We saw with the telecom count-, companies, you know, they just rotated, the executives, of the telecom companies.
25:14: So the Party is, it’s... this is another interesting puzzle if I weren’t working on other things now, I think I’d want to try to understand how to despite the fact that China has become a vibrant market economy, the Communist Party retains such a strong influence over the economy. It’s, you know, it’s kind of an interesting puzzle, and I think it’s the power of appointment, that, remains very strong. You know, and very significant. In other words, if all these guys owed their jobs and their salaries and their bonuses and their corrupt earnings, to some Party guys, who appoint them, you know, uh, that uh, makes them very deferential, very loyal, they’re not gonna make any trouble.
John:
26:14: It's interesting from the perspective of the leadership and the ideology to think about this because, you know, you describe it as something that really is starting after 2000, or, and when Jiang steps down, and yet in a way what you’re describing sounds like the manifestation of the Three Represents?, you know of Jiang bringing in capitalists...

Susan:
26:34: And I’m not, I’m not saying this starts after 2000, I’m saying that we see it more prominently. I would argue probably it never disappeared at all. But ah, the income distribution problems, the um, the amazing resistance to really giving the legal system proper autonomy, uh, the uh... You know the standard, uh, well, this policy of putting so much government investment into capital construction, uh, all of those things I think are of a piece. And they all service this class of people. I mean I don’t like to sound like a simple-minded Marxist or something, but it is striking how the benefits are so concentrated. In fact, you read, and of course, um, the private business class, I think, feels quite vulnerable. Politically. Because there’s always questions about, you know, uh, capitalists in a socialist political system. And they have, there are statistics out now about how skewed the income and wealth are. And so naturally they seek the protection of political patrons. And then the political patrons get all sorts of benefits, jobs for their children, etc. from the private capitalists. So I think this is a big problem for China, and I think the solution is really some guy at the top who has the vision to try to move to the next level of China’s reforms. But it will be difficult, and of course there are a lot of Chinese intellectuals who are discussing the same thing.

John:
28:50: Let’s, let’s talk about that now, sort of where, where this is moving. But maybe first... China’s economy has gotten a lot of headlines in the last year (mm hmm), and there’s, the big question, the boom, it’s hard to describe the China boom right now. It’s booming, it’s not booming, um. What, what do you see of significance um, in the crisis, in the downturn, in China? What does it reveal, say, about the past 30 years that maybe we couldn’t have seen before it started?

Susan:
29:20: Well first of all, this is not the first downturn. Uh, China’s had investment cycles, and economic cycles, you know, right from 78. So this is really the third, or maybe fourth, downturn. And uh, each time, they’ve been able to recover, uh, largely, again, through the standard method of central investment. Capital construction projects divvied up to the provinces, which keeps the provincial leaders happy. And uh, it, it’s pretty effective at giving a quick boost to growth rates. And of course in China, sustaining growth is seen as politically very important. Essential. And they have this idea that 8% growth, if they don’t reach that level, then you will have social instability, you’ll have protests, by laid-off workers, um, mostly by unemployed people. So job creation, is very, very important. In fact it’s been important right through the economic reforms. Because the Party is always nervous about its own power. And worried that one day there may be an opposition emerging from society that brings them down. So they want to prevent those protests. So um, tsk, you know, so I’m not really so worried, in the sense that, although this one’s
different because it’s not just the Asian Financial Crisis, it’s the Global Financial Crisis, but I think they probably, through the stimulus, can keep things from getting too bad.

31:24: Um, so what does it reveal about China? Um, it reveals, well. Why is this downturn occurring in China now? It’s not just because of demand dropping in the United States, Europe, and other countries, it’s actually more, most economists would tell you, it’s more because the Chinese screwed up their own macro policy. And they had inflation because of such rapid growth, and in order to control inflation, they tightened up. And they overshot. So the downturn is largely a result of their own mistakes in their macro policy. And why did they do that? Because they’re more worried about inflation than they were, are, about inflation. All governments have to... thread their way through the Scylla and Charybdis of inflation and unemployment. In China they’ve worried more about inflation because inflation hits the urban, everyone, uh, especially in the urban areas, and was a very important condition in Tiananmen, protests. You know so the criticism of inflation, mobilized very broad support for the, ah, protestors, the student protestors in 1989, which makes them very, very worried about inflation. So they overshot. Now they’re growth rates are getting too low, and of course, they’re also being brought down by the problem of slackening demand for Chinese exports.

John:
33:26: Um last question, as you can probably predict, you get to pull out your crystal ball (oh) where, where this is all going, and maybe (sigh) you can approach it however you want, but um we’re looking at a 30 year period, how do you project say into the next 30 years, I mean to step back and think in very broad terms of the sweep of Chinese history, what do you, what do you see as the likely scenarios?

Susan:
33:53: Well, um... I think uh, you know, this question of the connection between the economic reform and political reform is one that’s very important and, very interesting in the Chinese case. I mean China, it’s often said that China is an experiment, a historical experiment of retaining an authoritarian, communist political system while introducing a market, open market, economy. And as that kind of experiment, it has been actually remarkably successful. And I try to make this case to the North Koreans all the time. You could do it too. And it doesn’t, you know, it doesn’t mean committing political suicide. You can use the economic reform to build support for the regime, and that’s what they’ve done in China.

34:54: So um, on the other hand, I do not believe that China is exempt from the forces of world history, and is so unique, I mean every country’s unique in many ways, but I believe that the urbanization, uh, increase, the size of the college-age population, increasing income, that people become increasingly uh, frustrated, with not having the authority to select their own leaders. That they’ll be fed up with corruption, with unequal income, and that you know, maybe even this, conceivably, this financial crisis, this downturn, could combine with other issues that people have, and stimulate widespread unrest. And the thing we’ve seen about these kinds of political systems, is it doesn’t take a well-organized opposition to bring the whole thing down. It can just, you know, it can just erupt, in a crisis. If large numbers of people are mad and upset about the same issue at the same time,
you know, and the leaders know this. This is why they’re so nervous. You know, they feel this political insecurity.

36:29: On the other hand, if the leaders at the top can hang together, and maintain their cohesiveness, which is another thing we haven’t talked about, but that’s very hard to do, in an oligarchy like this. You know, we don’t have a Deng Xiaoping, we don’t have a Mao. We have a bunch of fairly unimpressive people who are trying to govern this big country and hang together, and are in competition with one another, of course. So how do you manage to uh, prevent public leadership splits? I mean my view is that the regime can survive if even with widespread unrest, if they can avoid public leadership splits. But if one guy at the top decides to defect, when he sees the protests, and he’s just sees this as his chance to really shake things up and become number one or number two, you know, there’s always that temptation. So I think there’s a lot of political uncertainty.

37:45: Um, I don’t think the downturn necessarily dooms the Chinese political system or Communist Party rule, but I think it does make it um, it’s a big challenge. Um, now as to what happens economically, in terms of economic policy and reform, again, what I would, uh, imagine is that maybe somebody at the top tries to, have a, make a political challenge, and be-, for the system being so corrupt, unequal income, you know, this kind of populist reformer, maybe a nationalist reformer, which is something we should be concerned about, who says, we really have to, at least strengthen the legal system. Or introduce local elections so people can kick out the rascals. So you know I think, of course we had hoped that Hu Jintao would be that kind of person; he’s proven I think to be fairly timid. Not want to take any risks. So um, it maybe that the economic reform has kind of reached the limits it could go, without some more substantial changes in the political institutions.

John:
39:19: I, I can’t resist one follow-up, which is, um, your, your description of how it could sort of go poof, it could just take one figure, you know, who makes a public um... Andrew interrupts interview due to ill feeling

John:
39:51: The last question is basically why didn’t it go poof in 89? Because one expl-, one key explanation is there wasn’t the well-organized opposition, you know there wasn’t a lot of blah blah blah, (yeah), but you’re disputing that, I think very, very reasonably, and also Zhao Ziyang sort of was that figure...

Susan interrupts and initiates response

Susan:
40:11: What happened in 89 is you had widespread unrest in more than a hundred and thirty cities in China. This was not just in Beijing’s Tiananmen Square, and the leadership split. Zhao Ziyang, who was on his way out, um, saw this as his last chance to survive politically, and he took a more flexible approach to the protesters. And, the regime only remained standing because in the end, the military followed Deng Xiaoping’s orders and came in and forcibly put down the protests. So all, I think, the lessons that China’s leaders have drawn from that is, you know, each of these three things is very essential to political
survival. And this is the argument I make in my book, “Fragile Superpower,” that they worry, first of all, about massive unrest, protests, and then they have to keep the central leadership cohesive, avoid public leadership splits, of the type you had in 89, and then third, if those first two don’t turn out, if you’ve got, things are, deteriorating, you’ve got to keep the military loyal. And I think that helps us understand why you’ve got these double digit increases in the defense budget. It’s not just about Taiwan, or about international threats, it’s about keeping the military loyal to the Party, to the Standing Committee, and even to the number one leader himself.

John:
42:04: Because Deng, I think you’ve pointed this out in one of your books, Deng was actually maintaining a low defense budget...

Susan:
42:11: Oh yeah, oh yeah. He starved the military, and, but you can do that if you’re Deng Xiaoping. You can’t do that if you’re Jiang Zemin, or Hu Jintao. Because these guys don’t have any particular personal following, prestige, they’re just one of, a number of people in the oligarchy, so they are more insecure. Because they don’t have that personal prestige, and therefore they have to pander more to the military.

John:
42:47: What do you think, promise last question, cuz I’m still thinking about this, I mean the anniversary’s coming up of 89, I’m also thinking ah compared with South Korea, you know if you look at the Kwangju Massacre in 1980 (uh huh), which has a lot of parallels to 89 (mm hmm) in China, and many of the same things happened, but in a way, it would, it would be as if throughout the 90s the people refused to let it be brushed under. You know, I mean, the level (sigh, uh huh) of student movement didn’t stop (mm hmm), popular resistance didn’t stop, so the pressure was unrelenting, and then of course, the Olympics camp up (right), and that was one more thing that could be used to pressure. Why has been such a different story, what is the story on this part in China through the 90s and into today?

Susan:
43:31: Uh, it’s because not all authoritarian regimes are the same. In Korea you had a military, authoritarian regime, with fairly shallow roots in society, and a market economy. I mean, admittedly, they have chaebol, big systems, but it’s a market economy. Um whereas in China, you, of course now you do have a market economy, but you have a communist party that still has so much leverage, so much control, over opportunities for success, over promotions, appointments, um, and over the media, even though the media has become market-oriented, there’s still a lot of Party control over content. So uh, they’re able to uh, give people a reason. It’s still too risky, to challenge the Communist Party in China. Even protest, you know, are focused very much on local issues, local officials, and then what happens is Beijing comes in, and they, in effect, take the side of the protestors, and blame those local officials, in order to protect themselves. So I think they have lots more, um, uh, strings they can pull, lots more patronage, they can distribute, in order to discourage people from rocking the boat, and challenging the Communist Party.
On-camera release

Highlights and Connections

03:56: Zhou Enlai, on Susan Shirk: Now I wish that Susan Shirk were president of the United States, but she’s not, so we have to invite Richard Nixon.

07:52: “Play to the provinces”
- why do paramount leaders and the Center in general have to cultivate relations with the provincial power structures?

09:14: Successful strategy prevents “overruling”; composition of Central Committee blcos

11:07: “Reciprocal accountability”
- “the lines of authority run both ways”; not just a top-down dynamic, as leaders must continue to earn legitimacy from Party

13:17: Elaboration on operation of SEZs and appeal for provinces

16:58: “I see as prior and primary the political challenge”
- economic reform would not have succeeded without addressing political issues; contrast to other communist reforms during 60s and 70s
  - Michael Pettis:
    o 40:22: Dismissive of current quality of leadership; argues that reform was simply case of “unwinding policy stupidities”
  - Philip Pan:
    o 30:12: Transitions did not proceed as smoothly or successfully in other communist countries; China successfully managed dismantling/privatization of SOE sector
    o 32:32: “Piecemeal fashion” combined with “the effectiveness of the authoritarian system” to break iron rice bowl

17:57: “Policy and incentives” (also see connections above)
- most responsible for triggering economic activity; less emphasis on cultural entrepreneurialism thesis
19:21: Deng “really gutsy”
- key to “tremendous take-off”
- less emphasis on role of FDI; international involvement more important for business “know-how”

22:36: “Fruits of the boom” now being monopolized by those with connections
- Michael Pettis:

o 13:56: Periodization of boom stages since 1990s
- Trevor Houser:

o 14:16: Biases in banking system dictate flow of investment

o 15:52: Elaboration on structure of Chinese banking, “target savings effect”

24:06: “Symbiotic relationship” between ex-official businessmen and Party

25:14: “Power of appointment”; business dependent on Party patronage

26:34: Pattern of concentration of benefits becomes more prominent from 2000 onwards

29:20: China has experienced previous downturns; recover through central investment

31:24: “Scylla and Charybdis of inflation and unemployment”
- former is the great fear, since it impacts all of society, especially urban areas, potential loci of turmoil; precedent in 89 protests

33:53: Chinese experiment in authoritarian political system and open market economy
- remarkably successful
- cites as model for DPRK

34:54: “Political insecurity” due to potential for unrest from young urban population

36:29: Danger of “public leadership splits”; elaborated on further from 37:45
- Li Cheng:

o 13:02: “One Party, Two Factions” framework for Chinese politics
40:11: Discusses 89; identifies three critical components of regime preservation:

- preventing turmoil
- preserve leadership cohesion
- Party controls the gun (loyal military; uses this to explain growth in defense budget post-Deng)

43:31: Party control remains pervasive

Other Comments

Doesn’t so much explain causes for 2000 era boom, but does describe results/impact of this third phase, basically the synergy between Party patrons and private business and the concentration of economic benefits among these elites.

Audio problems at end of first clip and start of second clip.

Bio

First visit to China in 1971, studied in Hong Kong; experience basis for “Competitive Comrades” on education system in China

- From: http://irps.ucsd.edu/faculty/faculty-directory/susan-shirk.htm

Ph.D., Massachusetts Institute of Technology, 1974 (political science)

M.A., University of California, Berkeley, 1968 (Asian studies)

Princeton University, 1965-66 (critical languages program)

B.A., Mount Holyoke College, 1967 (political science)

Susan Shirk is director of the University of California system-wide Institute on Global Conflict and Cooperation and professor of political science. Shirk first traveled to China in 1971 and has been doing research there ever since.

During 1997-2000, Shirk served as Deputy Assistant Secretary of State in the Bureau of East Asia and Pacific Affairs, with responsibility for China, Taiwan, Hong Kong and Mongolia.
She founded in 1993 and continues to lead the Northeast Asia Cooperation Dialogue (NEACD), an unofficial “track-two” forum for discussions of security issues among defense and foreign ministry officials and academics from the United States, Japan, China, Russia and the Koreas.

Shirk’s publications include her books, How China Opened Its Door: The Political Success of the PRC’s Foreign Trade and Investment Reforms; The Political Logic of Economic Reform in China; and Competitive Comrades: Career Incentives and Student Strategies in China. Her latest book, China: Fragile Superpower, was published by Oxford University Press in Spring 2007.

Shirk served as a member of the U.S. Defense Policy Board, the Board of Governors for the East-West Center (Hawaii), the Board of Trustees of the U.S.-Japan Foundation, and the Board of Directors of the National Committee on United States-China Relations. She is a member of the Council on Foreign Relations, and an emeritus member of the Aspen Strategy Group. As Senior Adviser to The Albright Group, Shirk advises private sector clients on China and East Asia.

Website: From: http://irps.ucsd.edu/faculty/faculty-directory/susan-shirk.htm

Additional Information

Interview about “Fragile Superpower”:

http://chinadigitaltimes.net/2007/05/cdt-bookshelf-interview-with-susan-shirk/

*The full-length video of this interview is available in the online repository of Rutgers University Libraries: http://rucore.libraries.rutgers.edu*