How China's Leaders Think

The Inside Story of China's Reform and What This Means for the Future

Robert Lawrence Kuhn

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Published in 2010 by John Wiley & Sons (Asia) Pte. Ltd.
2 Clementi Loop, #02-01, Singapore 129809

Other Wiley Editorial Offices

John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, USA
John Wiley & Sons Ltd., The Atrium, Southern Gate, Chichester PO19 BSQ, England
John Wiley & Sons (Canada) Ltd., 5353 Dundas Street West, Suite 400, Toronto, Ontario M9B 6H8, Canada
John Wiley & Sons Australia Ltd., 42 McDougall Street, Milton, Queensland 4064, Australia
Wiley-VCH, Boschstrasse 12, D-69469 Weinheim, Germany

Library of Congress Cataloging-in-Publication Data:

ISBN-13 9780470824450

Printed in Singapore by Markono Media Pte. Ltd.
Typeset in Plantin, 11 point, by Macmillan
10 9 8 7 6 5 4 3 2 1

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About the Author

Dr. Robert Lawrence Kuhn is an international investment banker and public intellectual. Since 1989,[1] he has worked with China's senior leaders and advised the Chinese government. He works with multinational companies on China strategies and with Chinese companies on capital markets transactions. He is senior adviser, Citigroup, and partner in CCTV-IMG Sports Management Company in China.

Dr. Kuhn writes and speaks about China's politics and economy and the philosophies and policies of its senior leaders (e.g., *BusinessWeek*). He has visited more than 40 cities in over 20 provinces and regions in China and is said to be the first foreigner to lecture on President Hu Jintao's Scientific Perspective on Development. He is the author of *The Man Who Changed China: The Life and Legacy of Jiang Zemin*, the first biography of a living Chinese leader to be published on the Chinese mainland and China's best-selling book in 2005. The author or editor of more than 25 books, including Dow Jones-Irwin's seven volume *Library of Investment Banking* and *China's Banking and Financial Markets: The Internal Research Report of the Chinese Government*, he is featured essayist in *Chief Executive* magazine; senior international advisor of *Global People* magazine published by *People's Daily*; and senior international commentator on China Central Television (CCTV).

Dr. Kuhn is chairman of The Kuhn Foundation, which sponsors projects facilitating communications between China and the world, particularly the United States. The Kuhn Foundation produces *Closer To Truth*, the American public television/PBS series on the meaning and implications of state-of-the-art science and new knowledge (which Dr. Kuhn hosts)—www.closertotruth.com. He has a B.A. in human biology, Johns Hopkins University; a Ph.D. in anatomy/brain research, University of California at Los Angeles (UCLA); and an S.M. in management (Sloan Fellow), Massachusetts Institute of Technology (MIT).

Endnotes

1 Personal Note: After the Tiananmen crackdown on June 4, 1989, I determined not to return to China. Over a year later, during the summer of 1990, I co-chaired a conference at UCLA on "Generating Creativity and Innovation in Large Bureaucracies" and invited Professor Kong Deyong of the State Science and Technology Commission, whom I had met in early 1989 on my first visit to China. It was Professor Kong, who later became Science and Technology Counselor at China's Mission to United Nations, who convinced me to come back to China to support those, particularly in the science communities, who sought reform and opening-up. I returned in the fall of 1990.

Acknowledgments

When China celebrated the 30th anniversary of reform and opening-up in December 2008, I was about to celebrate the 20th anniversary of my first coming to China in January 1989. The invitation had come from Dr. Song Jian, state councilor and chairman of the State Science and Technology Commission, who asked a small group of American investment bankers to advise Chinese research institutes in their first, fledgling efforts to adapt to the market economy. A scientist and a gentleman, as well as a senior leader, Dr. Song is an inspiration to all who know him and it is my honor to acknowledge him first.

I was hooked from the moment I arrived. The Chinese had a fresh, if naïve, enthusiasm; they were eager to learn, and ready to improve their civic and material lives. I knew then that China's culture, history, politics and economics would soon come to matter a great deal to the world. What I didn't know then was how much China would come to matter to me.

There are many people to whom I give credit for this book, but one stands above all, my long-time friend and partner, Adam Zhu. I met Adam on my first trip to China when Adam was assigned by the State Science and Technology Commission to be my guide. It has been Adam's vision, acumen, creativity, intensity, perseverance, commitment, dedication, and all manner of innovative ideas that has made my work in China and this book possible. His understanding, insight and special sensitivities are appreciated at the highest levels in China. His political knowledge and savvy instincts make things happen, even "impossible" things. If books like films, had "producers," Adam Zhu would be credited as this book's "producer."

To describe all the challenges that Adam and I have faced since 1989, and all the adventures we've shared, would require another book. We are committed to China and its future—to help in our small way China's historic reform and development; to tell the true story of China to the world.

I am appreciative of the advice and counsel of Minister Liu Yunshan, head of the CPC Publicity Department, and Minister Li Yuanchao, head of the CPC Organization Department; and Minister Wang Chen, head of the State Council Information Office; Minister Leng Rong, head of the CPC Party Literature Research Center; Minister Cai Wu of the Ministry of Culture;

Zhao Qizheng, chairman of the Foreign Affairs Committee, Chinese People's Political Consultative Conference (and former minister of the State Council Information Office); and Yang Yang, head of the International Cooperation Bureau, Chinese Academy of Social Sciences. I appreciate the research of Yang Mingwei of the CPC Party Literature Research Center.

I am in debt to all those whom I interviewed for this book. I have learned a great deal from them and I have tried to represent their views faithfully and fully. I am honored to be in trust of their memories.

I appreciate the wise advice and insightful (and sometimes critical) suggestions of Shanghai-based writer Duncan Hewitt. I appreciate the steadfast, all-around help of David Cao, my assistant in Beijing, who somehow, single-handedly at night, did most of the translations.

I thank the team at John Wiley & Sons, particularly C.J. Hwu, for their content commitment and publishing excellence.

Finally, the encouragement and love of my family—Dora, Aaron, Adam, Daniella, and Mother Lee—mean a great deal.

Though I have received a good deal of advice, I take full responsibility for all ideas, opinions, errors and mistakes. The book is anchored by exclusive interviews and special (though limited) access in China, which I appreciate but for which I made no concessions. I received many suggestions—some helpful, some contradictory—but always with unambiguous agreement that all editorial decisions would be mine and mine alone.

I am proud to be considered an old friend (*lao pengyou*) of China, a high compliment indeed, achieved after these two decades of learning and living. I dedicate this book to those good people, particularly my friends and colleagues, whose commitment, foresight, persistence, and courage are helping to strengthen economic, social and political reform in China and to help China understand the world and the world understand China.

Those who have taught me to understand and appreciate China come from all walks of life. They include farmers, soldiers, policemen, drivers, waiters, janitors, students, graduate students, factory workers, office workers, migrant workers, retired workers, laid-off workers, children, teenagers and grandmothers, as well as leaders, ministers, officials, executives, managers, scientists, professors and scholars. I have had the privilege of visiting more than 40 cities in China, from Guangzhou to Harbin, Shanghai to Lanzhou, Qingdao to Kunming, Tianjin to Chengdu. My activities in China have been an overwhelming life experience.

Some years ago, after finishing a late-night meeting in Beijing, I was asked when do I take vacations, since my Chinese friends knew that I had intense business and media lives in the U.S. "This is my vacation!" I said.

I wasn't kidding. To me, working in China, is energizing and exhilarating, even when frustrating and challenging. There is an infectious enthusiasm among the Chinese that is refreshing. Some may call my zest naïve, but I am invigorated by the Chinese spirit. The fact that personal relationships, not just business competitiveness, still play a role in commerce I find satisfying—and

I hope that these Chinese ways will not fall fast victim to the market economy. Perhaps those special "Chinese characteristics" can continue to embed respect for traditional values such as honoring old friends.

To conclude, I would like to express my appreciation to some of these who, over the years, have helped me to learn and love China and to understand the Chinese people. They are friends, colleagues, and associates; some I have interviewed formally, others informally. Others I have appreciated their insights, whether in person or in writing. Still others have facilitated and supported my work, which was not always simple or risk free. Although the list is long—and I fear I am forgetting some people—I am pleased to thank all who have assisted Adam and me, in our limited way, to communicate the real China to the world: Xi Jinping; Li Keqiang; Liu Yunshan; Li Yuanchao; Wang Yang, Zhang Gaoli; Wang Huning; Meng Jianzhu; Zeng Peiyan; Sun Jiazheng; Sheng Huaren; Song Jian; Chen Jinhua; Yan Mingfu; Wang Chen; Leng Rong; Cai Wu; Liu Binjie; Zhao Qizheng; Teng Wensheng; Zheng Bijian; Liu Mingkang; Wang Guangya; Li Zhaoxing; Quan Zhezhu; Wu Jichuan; Tie Ning; Huang Jiefu; Li Bing; Lu Zhangong; Zhao Hongzhu; Yuan Chunqing; Lu Hao; Xu Guangchun; Han Zheng; Feng Guoqin; Li Hongzhong; Zhou Qiang; Wu Xinxiong; Wang Weiguang; Li Yining; Wu Jinglian; Lu Baifu; Wang Huijiong; Gao Shangquan; Xing Bensi; Chen Yuan; Sun Zhijun; Wei Dichun; Zheng Hongfan; Wang Yibiao; Shi Rende; Zhao Xuewei; Ye Xiaowen; Cai Mingzhao; Wang Guoqing; Qian Xiaoqian; Jiang Weiqiang; Liu Zhengrong; Li Xiangping; Xu Ying; Wu Jianmin; Zhou Wenzhong; Zhang Yan; Lan Lijun; Cong Jun; An Wenbin; Xu Lin; Zhang Jingan; Jin Xiaoming; Zhao Shaohua; Ding Wei; Dong Junxin; Jia Tingan; Liu Yongzhi; Xiong Guangkai; Wang Yongsheng; Li Zhen; Yang Guhua; Bao Guojun; Guo Zhigang; Bao Bing; Wen Bing; Wu Xiaoling; Zhao Shi; Zhang Haitao; Tian Jin; Zhang Pimin; Zhu Hong; Shao Ning; Ni Di; Du Daozheng; Jiao Li; Zhao Huayong; Zhang Changming; Hu En; Li Xiaoming; Gao Feng; Sun Yusheng; Li Jian; Zhu Tong; Jiang Heping; Wang Wenbin; Guo Zhenxi; Zhang Haichao; Jiang Mianheng; Wang Luolin; Yang Yang; Cheng Enfu; Wu Enyuan; Lu Xueyi; Zhang Xiaoshan; Li Yang; Wang Tongsan; Zhuo Xinping; Jin Chongji; He Chongyuan; Liu Aichen; Qin Zhigang; Gu Xia; Jiang Zehui; Shen Yongyan; Tong Zonghai; Song Ning; Cai Fuchao; Yin Yicui; Wang Zhongwei; Song Chao; Jiao Yang; Xue Peijian; Li Ruigang; Hu Jinjun; Wang Jianjun; Ren Zhonglun; He Lifeng; Huaiyuan; Gou Lijun; Duan Chunhua; Ren Xuefeng; Wang Hua; Chen Miner; Bayin Chaolu; Li Qiang; Huang Kunming; Ding Minzhe; Zhang Baogui; Qiu He; Huang Yunbo; Xie Xinsong; Zhu Qing; Wang Min; Sun Yongchun; Liu Baoju; Zhang Xinqi; Liu Changyun; Zhu Xiaodan; Gan Lin; Ge Changwei; Li Shoujin; Wang Jingsheng; Mo Gaoyi; Liu Geli; Huang Xiaodong; Yang Xingfeng; Li Weiwei; Liu Lianyu; Mo Dewang; Ouyang Changlin; Huang Qifan; Li Xiaojie; Jiang Jianqing; Yang Chao; Zhang Jianguo; Gao Xiqing; Fu Chengyu; Ren Jianxin; Liu Chuanzhi; Zhang Ruimin; Yang Mianmian; Zong Qinghou; Zhu Jianghong; Li Rucheng; Liu Lefei; Fan Yifei; Pan Gongsheng; Li Xiaowei; Hu Wenming; Wang

Guoliang; Pu Jian; Niu Gensheng; Wang Hai; Zhou Houjian; Mao Xiaofeng; Simon Chen; Miao Jianmin; Yu Yibo; Margaret Ren; Jiao Zhen; Qiu Zhizhong; Eugene Qian; Zhao Jing; Wei Christiansen; Francis Leung; Zhang Yu; Li Nan; Wang Jianqi; Yu Long; Chen Zuohuang; Wang Liguang; Chen Xieyang; Ann Hu; Li Qiankuan; Xiao Guiyun; Bi Dachuan; Zeng Jinsong; Guan Runlin; Ren Yinong; Jesse Chang; Cui Jin; Tan Xiangjiang; Ruan Wei; Li Qiang (CCTV); Xu Changdong; Annie Zhang; Chen Yaoyao and Jin Qingzhong. A special thanks to Zhang Jianmin.

To all I say, *Xie Xie*.

Robert Lawrence Kuhn
Beijing, People's Republic of China
New York, New York
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August 20, 2009

Overview

How China's Leaders Think

October 1, 2009—the 60th anniversary of the People's Republic of China. Surprising itself as well as the world, China had transformed itself into an economic superpower involved with every major issue in foreign affairs and competing in every important area of human endeavor. From trade, business and finance to diplomacy, defense and security; from science, technology and innovation to culture, media and sports—China's growing strengths have global implications.

Two statistics, telephones and Internet users, say it all. In 1980, there were barely two million phones in China, all fixed line of course. In 2009, less than 30 years later, China had over one *billion* phones, about two-thirds of them mobile. During 2008, the Chinese people sent 700 billion short messages via mobile phones, and during 2009 the number of Internet users in China exceeded 350 million, well overtaking America as the world's largest Internet-user market.

This book marks New China's 60 years by focusing on China's past and current leaders during three decades of reform and opening-up, and on China's future leaders for the coming decades of great opportunity and high uncertainty. I highlight President Hu Jintao's philosophies and policies, and look to the next generation of China's leaders. Who are China's future leaders? What are they doing today? What's their way of thinking about China's place in the world? How about prospects for political reform and democracy?

"The change China has undergone is the greatest China and the Chinese people have experienced in thousands of years," Li Yuanchao told me, soon after his 2007 elevation to the Politburo and appointment as head of the powerful Organization Department of the Communist Party of China ("CPC" or "Party"). "It may also be the greatest sustained change in human history."

It was an extraordinary period that radically changed the mission of the Communist Party, from ideological purity and class struggle to political pragmatism and economic growth. It ushered in not only national development, but ultimately a greater change: the transformation of the spirit of the Chinese people and the increasing scope and depth of their personal freedoms.

It was evening, and Minister Li and I were sitting, with only Adam Zhu, my long-time partner, as translator, in Li's office building just off Chang'an Avenue, the main East-West thoroughfare in Beijing that unevenly bisects Tiananmen Square, closer to Mao Zedong's portrait on the rostrum to the north than to Mao's Mausoleum farther to the south. Surrounded by a Beijing skyline festooned with cranes and new construction, his assessment seemed apt.

As Li put it, "the tremendous progress in the freeing and emancipation of the minds of the Chinese people" has been central to China's transformation. "The very first step was to eliminate the obstacles of 'leftist' ideas which had constrained people's thinking," he explained. "We call this the 'liberalization of thinking', which took place in all areas, including education and culture as well as economics and politics. This was the starting point of China's reform."

Above all, China is a story of challenge and exploration, risk-taking and caution, a spirit which has informed three generations of China's leaders. The career of Li Yuanchao, a "rising star" in Chinese politics and a long-time colleague and confidante of President Hu Jintao, China's most senior leader, epitomizes this transformation and presages deepening reform to come. "To be honest," Minister Li told me, "if I hadn't carried out such risky reform experiments, I wouldn't be sitting here today. But I was reflecting the policies of the central government's spirit."

Li was referring to his five years as Communist Party secretary, the highest official, of Jiangsu Province, one of the most advanced in China with about 75 million people and a GDP (2008) of about 3 trillion RMB ($440 billion), larger than Austria, Greece or Argentina. As Jiangsu Party secretary, Li introduced a procedure for soliciting public opinion (*gong shi*) of candidates who were selected for official positions, a procedure which made appointments less opaque to the public.

Li and his team developed what for China was such startlingly fresh transparency in close coordination with CPC General Secretary Hu Jintao who, in his report to the 17th National Party Congress in 2007, alluded to this "oversight role of public opinion" as a model that should be applied to the entire country. But when Jiangsu's initiatives in political reform were first introduced they were experimental, daring, and controversial.

I told Li that at the time when he introduced these political reforms some Party insiders thought they could damage his political career and they "worried" about his personal future.

Li responded with a laugh. "Worry," he said, "may be considered as an expression of acceptance or the highest level of sympathy or empathy." But, Li stressed, "Reformers must take risks."

As a senior leader focused on political reform, Li Yuanchao has the vision, experience and can-do charisma that characterize China's future leaders (Chapter 39).

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The best way to know China—the best way to do business with China—is to know what motivates China's leaders and what drives their policies. This book is founded on my discussions with China's leaders. I speak with them about economic development, political reform, domestic difficulties and international conflicts. I engage them in private companies, state-owned enterprises, banking, foreign affairs, military, science and technology, law, agriculture, healthcare, religion, education, culture, media, press, Internet, film, literature, ideology and more. I invite readers to question the validity of the so-called "China threat" and to consider the relevance of an emerging "China model."

I do not shirk from confronting China's leaders with China's problems. I target economic imbalances, environmental pollution, unsustainable development, human rights, democracy, rule of law, media censorship, corruption, crime, unemployment, migrant workers, minorities, ethnic conflicts, religious tension, social instability, protests and demonstrations, ideological shake-up, shifting moral and family values, death penalty, organs from executed prisoners, global confrontations, resource competition, military expansion, and the impact of the worldwide financial crisis. I find frank acknowledgement of the long road that China must still travel in order to realize President Hu Jintao's vision of a Harmonious Society. There is a deep conviction that China must never repeat its errors of the past and a fervent expectation that the country's long future is bright and ascendant.

* * *

For three decades, from Mao Zedong's founding of the People's Republic in 1949 to the beginning of Deng Xiaoping's reforms in 1978, China's economy had largely stagnated: the state owned all the means of production and people had to live and work where they were assigned. Citizens had virtually no rights, civil or human, and even expressions of personal beliefs were restricted. In today's market economy, people live as they want and work as they please. On the crowded shopping streets of China's cities, there is movement and choice—expressed by the brisk pace of pedestrians, dazzling arrays of products, latest fashions, and ubiquitous mobile phones ringing constantly. People pursue personal goals and satisfy personal wants. They own private property and start private businesses. And they think what they like—even criticize the government—with the single caveat that they do not threaten the leadership of the Communist Party.

Little wonder then that, for many, the 30th anniversary of reform and opening-up was the most meaningful event of 2008, even more than the Beijing Olympics.

Yet the astonishing pace of reform, which generated growth rates that averaged almost 10% per year for three decades, has naturally also brought with it challenges and contradictions. For all its spectacular development, today's China has accumulated a host of seemingly intractable problems

which would have been unthinkable in the perennial poverty of its past, including severe income disparity, endemic corruption, and widespread industrial pollution.

Furthermore, the global financial crisis, with its sudden onset and severe impact, threatened China's stability. "Of course, the world keeps changing," Li Yuanchao noted. "We have a metaphor in Chinese that the world is like the clouds in the sky, always changing. In some places, the sky turns from menacing with thick black clouds to sunny with no clouds in sight, while in other places it's the opposite. On Chinese soil, 1.3 billion people are progressing with confidence to a better and brighter tomorrow under the leadership of the Party."

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New China's 60th anniversary in 2009 provides my organizing framework for understanding *How China's Leaders Think* with **three** periods of (roughly) 30 years each:

- The **first**, from the founding of the People's Republic in 1949 to the death of Mao Zedong in 1976, embedding the early idealism followed by two decades of political extremism, mass movements and ideological oppression that culminated in the horrific, decade-long Cultural Revolution (1966–1976).
- The **second**, from Deng Xiaoping's seminal "Emancipate the Mind" speech at the 3rd Plenary Session of the 11th CPC National Congress on December 18, 1978 to President Hu Jintao's "Scientific Perspective on Development" at the 17th CPC National Congress in 2007 and the international financial crisis of 2008.
- The **third**, beginning in 2009, after all the struggles and accomplishments and with all the problems and challenges, going out into the middle decades of the 21st century.

Each period should be understood in light of its predecessor period: the first in terms of ancient and modern Chinese history; the second in reaction to the traumas and tragedies of the first; and the third in response to the complications, opportunities and responsibilities generated by the second.

The thrust of this book is the future, the third 30 years, the period in which China plays an increasingly central role in world affairs, the period commencing right now. In forecasting this future, understanding *How China's Leaders Think* is central.

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This book is not a comprehensive description of China, nor a history of the past three decades. It is more an exploration of the present and a forecast of the future in light of the inside story of the past. As the title declares, China's

leaders are my focus, and I seek to examine how they think as well as what they say and do.

Since 2005, when my biography of former President Jiang Zemin, *The Man Who Changed China: The Life and Legacy of Jiang Zemin* was published in China, the first biography of a living Chinese leader on the mainland, I am asked why did I, a scientist by training and an investment banker by profession, write such a book. Similarly, when my interviews and articles about President Hu Jintao's philosophy and policies appear in the American and international media, often in opposition to the views of China experts, I am asked why do I, with a doctorate in brain science and expertise in mergers and acquisitions, allocate such time and effort to explain a Chinese leader's political vision?

The answer to both questions is the same. The reason why I wrote former President Jiang's biography, and the reason why I explain President Hu's policies, is because I feel it essential for international readers to understand the true story of China.

Many Western media have a certain slant in their coverage of China and a built-in assumption about the motivation of China's leaders. It's not so much that such coverage is overtly or demonstrably wrong, it's that Western media largely stress the real problems but ignore the real successes; for example, emphasizing the continuing limitations on certain freedoms in China (i.e., no competing political parties, no public political dissent, no free media) while downplaying the enormous advances in personal and social freedoms (i.e., where to live, work, travel; what to study, believe, say; diversity of entertainment, and the like).

I do not believe that, overall, Western media are malicious or deliberately distort the truth (as some in China suppose). There is a common assumption in the West that unless a nation's political system has multiple political parties that compete legitimately in free elections, a one-person-one-vote democracy, and a free media, that nation is a dictatorship. Furthermore, giving apparent credence to the assumption, there was a time, when Mao still ruled and before the 30 years of reform began, when China was indeed such a dictatorship—a chaotic, self-destructive one at that—and the consequences to the Chinese people were devastating. Thus the common perception in the West is that China's leaders are authoritarians—not as brutal as was Mao, of course, but coercive nonetheless—and that their primary, if not their sole interest is perpetuating their own power. China's leaders, it's assumed, are dictators.

This common perception is untrue. I know some of these leaders personally and they are not dictators. This parody of reality is detrimental to China's development and corrosive to world stability, because it enables attributions of dire and dastardly motivations to Chinese leaders, and a twisting of the meaning of Chinese pride and patriotism, which, when combined with China's growing economic and military strength, can give rise to the so-called "China threat" syndrome.

A case in point occurred in 1999, when an American aircraft accidentally bombed the Chinese Embassy in Belgrade during the NATO military

campaign against ethnic cleansing in Yugoslavia. When the Chinese government organized buses to transport students from college campuses across Beijing to the U.S. Embassy, for the specific purpose of protesting, the American media assumed that China's leaders had orchestrated the demonstrations to whip up nationalistic fervor in order to divert attention from domestic problems. Chinese leaders, however, say they felt that the students could not be stopped, and they were worried that if marauding students were allowed to march across the city their ranks would swell with workers and citizens, creating an even larger, less manageable problem. So busing the students *contained,* rather than exacerbated, the volatile situation (Chapter 32).

The bombing revealed another dichotomy: More than 90% of Chinese, including highly educated professionals often critical of their own government, saw the American bombing of their Belgrade embassy as deliberate and provocative. The vast majority of Americans, on the other hand, believed that the bombing had been, as U.S. officials maintained, an accident due to "old maps." Why such disparity? The Chinese have an idealized picture of America as so technologically advanced that it would have been seemingly impossible to have made such a stupid mistake. Americans are quite used to their government making stupid mistakes.

Such gulfs in perception run deep: Many Chinese believe that America seeks to "contain China" and thwart its historic resurgence as a great nation. This is the real reason, many Chinese imagine, why America supports Taiwan—not as a worthy democracy, but as an "unsinkable aircraft carrier" by which the U.S. can assert its dominance over China and keep the "motherland" divided. These Chinese people see America encircling them through military alliances with Japan, Taiwan, and perhaps India; forcing open their markets to control China's industries and exploit Chinese consumers; fomenting "extremism, separatism and terrorism" in the violent riots or "mass incidents" (or uprisings) in Tibet and Xinjiang (Uyghur Muslims); and introducing Western culture to overwhelm Chinese culture, thereby eroding China's independence and sovereignty.[1]

Many Americans, meanwhile, believe that China is not only a voracious economic competitor but also a looming political and military challenger, an emergent superpower whose opaque intentions grow threatening. The perception is that China acts solely in its own interests, even to the detriment of the international order (e.g., selling weapons to Iran and supporting rogue states like North Korea). China is seen as a mercantile predator which keeps its currency artificially low to boost exports and steal jobs; as a repressed society that tramples human rights to maintain Communist control; and as a potential military force that harbors expansionist ambitions.

China's leaders, of course, do not deny that their policies benefit their own people. But they assert that, in an integrated global economy, China's stability and development is essential for world peace and prosperity. Disturb the former, they warn, and you disrupt the latter. One-party rule, they insist, is essential to maintaining such stability and development.

One way to mitigate misunderstandings and reduce distortion is for foreigners to appreciate how China's leaders think. This is my purpose. In this book, I focus not only on the country's most senior leaders, but also on officials and intellectuals who form the foundation of thinking in China today. I do not claim to represent the views of every sector of society, but I would suggest that in today's China—unlike in pre-reform China—what the nation's leaders think is well aligned with the reality of the country and the needs of the people. (As for the conspiratorial charge that what China's leaders tell me is *not* what they really think and believe, but rather what they want me, a naïve foreigner intoxicated by China's allure, to hear and repeat, I can only plead my case: 20 years back-and-forth to China, thousands of conversations, a fascination with belief systems, and a not wholly dull sense of human cognition. Anyway, I'd argue, the charge is moot: First-hand, content-specific talk from dozens of China's leaders—too varied to be rehearsed and even if subliminally modulated—can be used to triangulate ways of thinking valuable for assessing this now-critical country.)

I therefore seek to make China's leaders more transparent, their ideas and attitudes more accessible, and to help foreign readers understand the challenges they face and the decisions they make. President Hu Jintao would be frustrated by the assumption that he is an authoritarian dictator controlling a totalitarian state: Hu is recognized in China as an intelligent, decent man of humility and high integrity who is fundamentally committed to maintaining stability, continuing reform and building China.

Indeed, one objective of the book is to describe how President Hu thinks—specifically by introducing his Scientific Perspective on Development a modern, sophisticated way of thinking that optimizes social, environmental and political concerns along with continuing economic growth. Since my personal perspective is scientific—I created and host a public television series on new knowledge in science, *Closer To Truth* (www.closertotruth.com)[2]—I was intrigued when Hu, who studied technology at Tsinghua University, China's finest science school, first articulated this theory. After studying its foundations and witnessing its real-world applications (particularly in different provinces with different challenges), I began to use it as a conceptual lens through which to view contemporary China, its remarkable development and current challenges.

The book also highlights political reform, notably the theory of "intra-Party democracy," which is not only vital for understanding China's continuing reforms but also provides insight into the current thinking and future direction of senior leaders. Political reform is the aspect of China most criticized by foreigners, and, not surprisingly, one of the least understood. But it is a critical component of President Hu's core political philosophy—which also includes the concepts of Harmonious Society and Putting People First.

This is not to say that China's political system is free in the Western sense. Obviously it is not. Political parties do not compete and there are no national elections. But the transformation of Chinese society and the change in how the

Chinese people think is, as we shall see, the biggest and best part of this epic story. That is why this book explores the impact of reform on diverse sectors of society, including, as noted, culture, media, science, education, healthcare and religion, as well as on state-owned enterprises, private business, and banking.

* * *

This book also reflects my own engagement with China. I first came to China in early 1989, at the invitation of Dr. Song Jian, chairman of the State Science and Technology Commission (under the auspices of former CPC General Secretary Zhao Ziyang), to advise Chinese research institutes on their early efforts of reform, especially how to adapt to the incipient market economy. As an investment banker trained as a scientist, not as a lawyer, I've joked that perhaps at the time I seemed less threatening.

Over the years, I've advised on economics, finance, M&A, media, culture, international communications, Sino-American relations, science, and religion (never for payment).[3] Yet, although for 20 years I have spent a good deal of time in China, I am neither a China scholar by training nor a China hand by profession. I speak only rudimentary Chinese and recognize only a few characters. In 2005, when I was starting work on a new book, friends advised me to make a series of trips around China, saying that while I knew much about the country, my Beijing-centric focus limited my vision.

In particular, Minister Leng Rong, then vice president of the Chinese Academy of Social Sciences[4] (now head of the CPC Party Literature Research Center) recommended an ambitious itinerary targeting special situations in each of China's primary regions—northeast, central, southern, western, border areas. Leng, who first helped me plumb the depths of Chinese political theory, stressed that one cannot understand China, or appreciate the significance of the Scientific Perspective on Development, without seeing the diversity and challenges of all China. In addition, Leng called my attention to the "Zhejiang model," which stressed private business and entrepreneurship: he and then Zhejiang Provincial Party Secretary Xi Jinping, now China's vice president, and their teams were then collaborating on a multi-volume analysis of Zhejiang's astonishing success.

As a result, in 2005 and 2006, I had the privilege of visiting some 35 cities (22 provinces, regions, and major municipalities) in China, meeting local leaders (Party, government, business, academic) and ordinary people (farmers, students, soldiers, workers, migrant workers, laid-off workers, retirees, reporters, police). These travels, often driving five to six hours between cities, provided me with first-hand experience of what was happening on the ground and what the people, leaders and common folk, were saying. I learned how different provinces had and handled different problems. The complexities of the real China undercut the generally simplistic view of China held by many abroad.

My journeys, taken with my partner Adam Zhu, revealed both the commonality and the cacophony that compose the real China. I witnessed China's

multifaceted struggle with serious, systemic problems—including, as listed earlier, increasing economic disparity, widespread unemployment, endemic corruption, fragile financial systems, energy limitations, unsustainable development, environmental pollution, and more. Some problems resulted from dramatic economic growth; some from rapid transition to a market economy; and some from the need for deepening economic, social and political reforms. ("Deepen" is a Chinese way to express progress toward a market economy.)

In March 2006, I met with then Zhejiang Party Secretary Xi Jinping, who, although we had arrived unexpectedly, graciously offered advice on how to communicate China to the world. Xi said that it was natural foreigners would seek to characterize China in a single sentence, or to encapsulate the country with a single methodology, but the nation was far too complex to do so. He used the classic story of blind men touching different parts of an elephant: "The blind man who felt the leg believed it was a pillar, the blind man who felt the back believed it was a wall," he said. "None reached the truth because all of them failed to feel the whole elephant and get the whole picture."

It was an analogy, he explained, which was appropriate to China, a nation of 56 ethnic groups with great disparities between wealthy coastal and poorer inland areas. "China is a diverse country," he went on. "Those who only stay in eastern regions are like the blind man who felt the leg of the elephant, while those who only stay in western regions are like the blind man who felt the back of the elephant. Xi recommended that I study China both "horizontally" across diverse regions and "vertically" through the history of its development. I couldn't know it at the time, but this book would become the expression of both: following the horizontal approach (across sectors as well as geographies) and embedding the vertical approach, over the decades, as I sought to discern how China's leaders think.

My dual objective is to trace China's monumental story of trauma and transformation and to understand the motivations and mechanisms underlying the decisions and policies of China's leaders, individually and in their sequential generations. I am honored by the trust of those whom I interviewed, some of whom had not spoken publicly of these matters before, not even to the Chinese media. After my interview with one high-ranking person, he said to me anxiously: "You now have my head on your chopping block."

* * *

I planned, wrote and financed this book myself. Never did anyone assume that I must write what I was told. I was offered advice, but never did anyone even attempt to coerce or control me or monitor or check my words. I had special access but made no concession in terms of independence. I selected what I liked, rejected what I did not. I've made mistakes, no doubt, but they are all my own.

I checked facts and ideas with others, including some in China—various experts, Party historians, friends (many of whom work in government). But

at all times I maintained absolute editorial control, and no one in China ever thought otherwise. In fact, prior to publication, no one in China—no government official, no interviewee, no intermediary—ever even asked to see the English manuscript. (Several interviewees wanted to edit their own quotes but never beyond.)

I learned from reactions to the Chinese edition of this book, which was published and publicized prior to the English, and I have incorporated these ideas here.[5] Although I delivered the manuscript to English and Chinese publishers at the same time, the Chinese published faster, even with the added burden of translation and multiple layers of editing and censorship—primarily because the launch date of the Chinese-language book was to coincide with the 30th anniversary of reform and opening-up in mid December 2008. In addition to restoring wholly in the English edition material censored in the Chinese edition, I have had further conversations with China's leaders and incorporate here those of their ideas or ways of thinking which I deem revelatory, insightful or suggestive.

I'm often asked how I react when my published works are censored in China. My flip answer is that if 15% is removed, that means 85% remains, which enables Chinese readers to access what are often perspectives that differ from the official "Party line."

More seriously, here's the deal for my Chinese-language versions: I can be cut but not altered. It is never the case of changing what I write (unless I make errors of fact). I do suppose that more is excised than "has to be"—that's simple sociology with multiple censors—but the excisers aren't joyous in their excising and most wish it were otherwise.

Even so, considering this book's political sensitivity, the Chinese publisher felt compelled to insert a disclaimer upfront, something to the effect that although "the author has rather good understanding of China's history, national conditions, and social conditions, as a Westerner, his understanding has certain differences from ours. We believe our readers would understand and grasp this." That this English edition differs from the Chinese edition is known widely in China, and some Chinese look forward to reading it. This, I submit, is a real step in the right direction. History is history and all should be told. Diverse interpretations exist and all should be heard.

There were three probative reactions to this book's Chinese edition from Chinese media and bloggers: wondering how I'd arranged so many high-level interviews; weighing how I deal with China's widespread and virulent problems; and assessing (or questioning) my motives. Each of the three had an investigative edge, scratching (and occasionally digging) beneath the surface. Good progress for China, I thought! (I face such inquiries often and enjoy engaging my interlocutors.)

I repeat in public what Politburo member Liu Yunshan, the head of the CPC Publicity (Propaganda) Department, told me in private: "Pure facts tell China's story. The truth about China is best told in an honest, matter-of-fact way. Painting rosy pictures doesn't work; beautifying us isn't helpful. Real-life

stories and cases are what counts. Convey the interviewees' own words; dig out their life experiences; reveal their innermost thoughts. That will capture the real China."[6]

One of my interviewees, Du Daozheng, the 85-year-old Party intellectual who facilitated deposed Party chief Zhao Ziyang's memoirs,[7] made the point memorably: "I'm a Communist Party insider," he said. "I used to be a 'leftist' [i.e., Communist ideologue, conservative[8]], and I attacked others for what they believed. After many rounds of attacking and being attacked, I gradually woke up, gained some independent thinking, and became a little bit more objective. Therefore [he told me] my advice for you is to interview and listen to people from all sides. They all have their own opinions. Listen first; judge later. There have been intense conflicts and historic struggles. We have a great many stories of China's leaders."

I try to tell these stories as truthfully as I can. In general, this book is about what China's leaders think, not about what I think. (When my opinion intrudes, I try to make it obvious.) What follows, I proffer, is *How China's Leaders Think*.

Endnotes

1 American insensitivity and egocentric naïveté do not help. Ambassador James Sasser relates an incident from a 1997 congressional visit to Beijing. After a senior Chinese official briefed the delegation, he invited questions. "I just want to know," a Congressman inquired, "if you've accepted Jesus Christ as your personal savior." The Chinese official, Sasser recalls, looked stunned. (Robert M. Hathaway, "The Lingering Legacy of Tiananmen," *Foreign Affairs*, September/October 2003.)

2 *Closer To Truth: Cosmos, Consciousness, God*—www.closertotruth.com. Prior season, *Closer To Truth: Science, Meaning and the Future*—www.pbs.org/closertotruth. I have argued how a scientific way of thinking can influence global society and bring together people with disparate ethnicities, religions or politics ("Science as Democratizer," *American Scientist* magazine, September-October 2003).

3 I've lectured on mergers and acquisitions for the State Economic and Trade Commission, on political philosophy and the American experience at the China Executive Leadership [Party] Academy Pudong, and on Western religion at the State Administration of Religious Affairs. I created a China-U.S. workshop on "Scientists' Social and Ethical Responsibilities" between the American Association for the Advancement of Science and the China Association for Science and Technology. I've spoken at a conference on Taoism (*Daodejing*) focusing on science and religion. I've had several co-productions with China Central Television (CCTV) and five of my books have been published in China (*Investment Banking Study,* published in 1996, was said to be the first of its kind published on the Chinese mainland).

4 The Chinese Academy of Social Sciences is the leading national think tank housing more than 3,000 scholars and researchers.

5 Robert Lawrence Kuhn, *Zhongguo 30 Nian: Renlei Shehui De Yici Weida Bian Qian* (China 30 Years: A Great Transformation of Human Society), Horizon Media/Shanghai Century Publishing Group, 2008.

6 Author's meeting with Liu Yunshan, Beijing, December 2007, June 2008.

7 Zhao Ziyang, *Prisoner of the State: The Secret Journal of Premier Zhao Ziyang* (Simon & Schuster, 2009). There were reports that Du withdrew his support for the book, claiming

that both the title and the preface of the English book lack objectivity and misrepresented Zhao's original intention.

8. In China, the political labels "left" and "right" mean the reverse of what they do in America with respect to "conservative" or "liberal" views. In America, "left" is liberal and "right" is conservative. In China, "leftists" are "conservatives," whose political views skew towards traditional socialist or Communist ways along with the political controls to keep them such. On the other hand, "rightists" are "liberals," more inclined to the principles and policies of the free-market economies and open democratic governments of the West. If one doesn't know the linguistic landscape, one can be facing the wrong direction and not even realize it.

Part I

Guiding Principles

Pride

Observing New China's 60th anniversary in 2009, Westerners marvel at the country's momentous changes. The obvious improvement in the standard of living of most Chinese, and the economic strength of the country, is evidenced in virtually every city and town. The diversity in dress and entertainment, the new flexibility in sexual behaviors—even the increase in divorce and legions of lawyers—all speak to the uncontestable fact that China is no longer the drab, monolithic society so ingrained in Western consciousness.

But even more fundamental is the change in outlook and spirit. One need only speak with Chinese people in the major cities to sense their newfound self-confidence and enthusiasm. They tell you plainly what they think—whether how to make money, or their dislike of government bureaucracy, or of the omnipresent air pollution. They give you their opinions bluntly—you don't have to ask twice—and they don't look over their shoulder before they speak out.

The change in the economic lives of the Chinese people has been staggering: Since 1978, China's GDP per capita has increased more than 40 fold. Arguably, the Chinese economy is now the second largest in the world,[1] and in another 30 years it may well be the largest. Average salaries are low by Western standards, but prices are also low, so that most people, even rural farmers, are living far better than the income statistics indicate. Over a billion people have access to television; three decades ago only 10 million did. In 1978 there were 200 foreign companies doing business in China; today there are hundreds of thousands. In fact, China absorbs more foreign investment than any country in the world except the United States. Chinese corporations are selling internet routers and refrigerators competitively around the world and Chinese entrepreneurs are building strong private businesses on the Internet. The old communist ideal of the glorious masses in class struggle is dead and buried. It has been replaced by something new and dynamic, an economic engine fueled by personal dreams and national pride.

Although economic improvement—higher standard of living, financial success, luxuries of life—are goals in every country, there is extra energy to achieve these goals in China. The motivation goes beyond material benefits: the Chinese want to show the world that they are in every way a modern

nation and in every sense a great power. If this demonstration requires material wealth, technological prowess, military strength, a world-class aerospace program, then these are what they must and will achieve. In every sphere of human endeavor, from business to culture, Olympic athletes to space *taikonauts*, music and art to modern science and ancient philosophy, China seeks its fair share of world leaders. For example, in every industry of importance, China's leaders expect its corporations to become among the largest and most successful in the world. When Zhang Ruimin, CEO of household electronics giant Haier, stated in the middle 1990s that Haier's goal was to become a leading global company, foreign analysts yawned or smirked. Today, Haier is the world's second largest manufacturer of refrigerators (after Whirlpool), among the top 1000 manufacturers in the world, and its brand name has joined the prestigious list of the World's 100 Most Recognizable Brands. China is proud that the stock market capitalizations of its companies in energy, telecommunications and banking are among the largest in the world.

The roots of this pride go deep, to the visceral feelings of a people whose civilization of culture and technology led the world for centuries, only to be humiliated and oppressed by foreign invaders and then stymied and scourged by domestic tyrants.

"To understand our dedication to revitalize the country, one has to appreciate the pride that Chinese people take in our glorious ancient civilization," says China Vice President Xi Jinping. "This is the historical driving force inspiring people today to build the nation. The Chinese people made great contributions to world civilization and enjoyed long-term prosperity," he explains. "Then we suffered over a century of national weakness, oppression and humiliation. So we have a deep self-motivation to build our country. Our commitment and determination is rooted in our historic and national pride."[2]

Xi is at pains to stress that pride in China's recent achievements should not engender complacency: "Compared with our long history, our speed of development is not so impressive, because it took thousands of years for us to reach where we are now. We need to assess ourselves objectively," he emphasizes. "But no matter what, China's development, at least in part, is driven by patriotism and pride."

Li Yuanchao, head of the Party Organization Department, which is responsible for all high-level personnel appointments in the Party, government and large state-owned enterprises, emphasizes that it's China's national spirit that has motivated people to keep looking ahead and seeking further progress.

"Although the Chinese people are not as wealthy as Westerners, and China lags behind developed countries in many areas such as technology, social systems, and environmental protection," Li says, "I am confident that the Chinese people as a whole are very positive about their country's development and have confidence in their future. We have a sense of adventure and pride and we are ambitious to build our society."[3]

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