

# An Edited Transcript from a Round-Table Conference on Authoritarian Capitalism

This publication is part of Glasshouse Forum's project "The return of the capitalist-authoritarian great powers", which, to date, also includes the titles *The Limits of the China Model*, *Tolerance and Democracy in Liberal and Authoritarian Market Economies* and *White Whale or Red Herring? – Assessing Sovereign Wealth Funds*. Other Glasshouse Forum Projects 2008 are: "A consumed society?", "Short-termism in the long run" and "Globalisation and the middle class in the West".

Glasshouse Forum

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Glasshouse Forum is dedicated to deepening the debate about capitalism through various forms of meetings, seminars and publications.

# An Edited Transcript from a Round-Table Conference on Authoritarian Capitalism

## Glasshouse Forum

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**Maison Louis Carré, Paris**  
**April 23–24, 2008**

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## Preface

What is the relationship between liberal democracy and capitalism? Experience with communism shows that democracy needs some sort of market economy as its basis. Does this also mean that capitalism needs liberal democracy?

After the peaceful victory of the liberal democracies over the communist dictatorships many people have drawn the conclusion that societies that do not develop liberal democracies in the long term are doomed to economic and technological stagnation. The ongoing development in states such as Russia and China may, of course, involve major complications and crises, but ultimately time is working for democracy. As regards China for example, there are, according to this view, two possibilities, both manageable by the West. In order to become a great power China has to democratise, which means that the country may become an economic competitor but not a global political rival of the West. If China remains authoritarian, it will not become a great power, and for this reason not a challenger to the West.

This conviction has come to be called “fukuyamaism”, from the American political scientist Francis Fukuyama’s famous essay “The End of History?”. (This is not quite fair, because Fukuyama by no means rules out the fact that liberal society in the future might be challenged by authoritarian and totalitarian movements.) Fukuyamaism does exclude a third relationship between the market economy and democracy, that states can be and may remain authoritarian and nevertheless economically highly developed. Yet it is this precise possibility which is beginning to look more likely as regards China and Russia, and people have, therefore, now begun to talk about the return of history (see for example “The Return of History and the End of Dreams” by Robert Kagan).

If this is the case, it will have major consequences for the global political order and for the political climate in general. If China achieves the status as a model of an alternative modernity, this will affect not merely the developing countries. Contemporary capitalism is good at creating prosperity, but not at distributing it (see the Glasshouse Forum project “Globalisation and the middle class in

the West”). There are signs that a legitimacy crisis for liberal capitalism is in the offing in the West, and one cannot rule out such a crisis creating a greater acceptance of authoritarian attitudes. The last century was marked by fateful attempts to create alternative modernities – communism, fascism and national socialism – and we may have discounted the latter two too soon.

To study the relationship between capitalism and democracy in this context is completely in line with Glasshouse Forum’s ambition to subject capitalism and its political consequences to critical scrutiny. Linked to the question of whether capitalism is possible without democracy is the question of whether capitalism will give rise to antidemocratic currents in this century too.

In 2007 the Israeli Professor of National Security Azar Gat published a noteworthy essay in *Foreign Affairs* with the title “The Return of Authoritarian Great Powers”. Glasshouse Forum contacted Gat, who agreed to contribute to a project on this theme. Its inception during the first half of 2008 has consisted of two special studies to complement Gat’s essay (see Lagerkvist and Widmalm/Oskarsson) and a round-table discussion at the Maison Louis Carré outside Paris on 23–24 April 2008. The following participated in the discussion:<sup>1</sup>

**Yevgenia Albats**, Political Editor of *The New Times*, Professor Department of Political Science at University – The Higher School of Economics, Moscow, Russia

**Rachel Briggs**, Moderator, Director of the charity Hostage UK, freelance researcher and writer and Member of the Glasshouse Forum Advisory Board, UK

**Azar Gat**, Ezer Weizman Professor of National Security at Tel Aviv University, Israel

**Kay Glans**, Editorial Coordinator of Glasshouse Forum, Sweden

**Johan Lagerkvist**, Dr., Research Fellow at The Swedish Institute of International Affairs, Sweden

**Johanna Laurin**, Head of Secretariat of Glasshouse Forum, Sweden

**Mark Leonard**, Executive Director of the European Council on Foreign Relations, UK

**Edward Lucas**, Central and Eastern Europe correspondent for *The Economist*, UK

**Diana Pinto**, Dr., Senior Research Fellow at the London-based Institute for Jewish Policy Research, Director of the *Voices for the Res Republica* project and Member of the Glasshouse Forum Advisory Board, France

**Gideon Rachman**, Chief foreign affairs columnist for the *Financial Times*, UK

**Daniel Sachs**, CEO of Proventus and Chairman of the Concerned Capitalists Foundation, Sweden

**Robert Weil**, Chairman and owner of Proventus and Member of the Board of the Concerned Capitalists Foundation, Sweden

**Sten Widmalm**, Ph.D., Associate Professor and Director, Master’s Programme in Development Studies Department of Government, Uppsala University, Sweden

**Feng Zhang**, China Programme Manager of the Foreign Policy Centre in London, UK

An edited transcript of this discussion, revised and approved by those participating, will follow below. The intention has been to bring clarity to these issues from different perspectives, and to gain some insight into the best way for Glasshouse Forum to take the analysis and the discussion further.<sup>2</sup>

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1) See Appendix 1 for the participants’ biographies.

2) See Appendix 2 for a strategic analysis by the secretariat of how this work in progress should be pursued.

## Executive summary

Azar Gat presented his ideas which form the basis for this roundtable discussion. Since the beginning of the 1990s the idea that history inexorably leads to a triumph for a liberal capitalist society has had a dominant position in the West. In this way the antagonism with the former superpower Russia and the coming superpower China will turn into the manageable friction which characterises relations between democratic states. It is time to realise that this may not be so, maintained Gat. These authoritarian capitalist great powers are perhaps here to stay.

It is naive to believe that a liberal capitalist society has to be perceived to be the most attractive alternative, continued Gat. Communism, fascism and National Socialism during the last century exercised a strong power of attraction on those people who, after the First World War, were disillusioned by the market economy and liberal democracy. Despite the national or racist context, they exercised an attraction on other groups.

Communism defeated itself. Its system was so ineffectual that it was deselected from history. Fascism and National Socialism were defeated by others, and one cannot draw conclusions that are too far-reaching about the developmental potential of these systems from that. Germany was too small to be able to dominate the world. It is a historical accident that the US is both huge and a democracy. If this had not been the case, then the 20th century would have taken a different course. It is not out of the question that authoritarian capitalist states can be successful economically, and appear as alternatives to liberal society. A model of this kind is perhaps not to be found yet, but both China and Russia are at the beginning of their transitions and may eventually develop models.

A Chinese model may have its starting point in the so-called Asiatic values and may in association with nationalism create an ideology which gradually can take on the mantle of communism. China is much larger than Germany, and will presumably not be defeated in war. Its weight will successively become felt more and more, and China will act in a more self-confident manner the stronger it gets, said Gat. There is in any case a potential for a different

kind of modernity here.

The introductory discussion centred upon whether it was feasible to deal with Russia and China together in this way. Geopolitically they form a potential block (Feng Zhang) but the distrust between them is today extreme (Johan Lagerkvist). There was unity about them differing in significance. Russia is a problem today, not least for Europe, which does not want to perceive the character of the regime and lacks a strategy for mastering its dependence on Russian energy and money (Edward Lucas).

But the economic development of Russia will be impeded by the defective system of rules (Yevgenia Albats) and this type of corporative regime (bureaucratic military authoritarianism) is very expensive, as loyalty on the part of the security services, the army and the administration has to be purchased. Russia lacks the ability to regain its superpower position, and is in the long term a waning problem. Albats feared, however, that the regime would for its legitimacy mobilise the Russian Orthodox tradition and in this way would have similarities with Nazi Germany. The decisive impediment to a development of this kind is that Putin's elite wants to be accepted in the West. Lucas feared a climate characterised by a mixture of nostalgia for Tsarist Russia and the Soviet Union with semi-fascism.

China is currently causing less friction, but is in the longer term the greater challenge to the USA and the West both through its own strength and its power of attraction. Will China become a model for other states, an alternative modernity showing the way to prosperity and power without liberal democracy? Feng Zhang conceded that this is a strain that is heard increasingly often in China, but found it imprudent at the current time to proclaim it a model. The problems remaining to be solved are huge, and the prerequisite for China achieving a position of that kind is that economic growth does not lose its impetus. Nor is there any unity in China as to what the future course should look like. The Chinese elite is not characterised by what has been called the Beijing consensus. Johan Lagerkvist also emphasised that the regime is marked by uncertainty, and that it is groping its way forward to discover what works for China. A gradualism of this kind provides little opportunity for ideological

rivalry, as its general recommendation is that everyone must start from their specific conditions and find their own way.

Mark Leonard, on the other hand, claimed that even today there is a considerable element of ideological power struggle, and that the climate of Chinese debate had changed markedly. Instead of discussing how they can draw closer to the West, more and more intellectuals today are talking about a Chinese path which does not comprise liberal democracy. But it is not certain that the label authoritarian helps us to understand the Chinese system, claimed Leonard. The political changes have in actual fact been just as great as the economic ones, but have not been noticed in the West. The regime is experimenting today with other opportunities of finding support through, for example, focus groups, and should perhaps be called a deliberative dictatorship.

The Chinese do not alone control whether they should be regarded as a model. If, in other parts of the world, people regard them as an alternative to a western model, they will in this way be forced into such a role. Sten Widmalm illustrated the Chinese and Indian advances in Africa, and pointed out that Chinese capitalism in a short time has succeeded in achieving greater development than western aid ever did. They have not least succeeded in breaking those patterns which are called clientelistic. Many African leaders prefer to relate to the Chinese, who have no views on internal political circumstances. This means, according to Widmalm, firstly that the opportunities of combining aid and the promotion of democracy have changed for the worse, secondly that there is cause for the West to re-examine its aid policy.

A moot point was the role of India in this regard. Does the country offer a democratic model for development? Gat claimed that India is at the beginning of its modernisation, and that democracy will be put under pressure when it takes off. Widmalm had a more positive view of Indian democracy, but pointed out that, in its relations with China, India tended to swap liberal values for market goals.

If China does not develop into a liberal democracy and at the same time becomes a superpower, what consequences will this then have for the region and for the world? A Chinese superpower will

increasingly react like the USA, explained Feng Zhang, because that is the way that superpowers act in international politics. A possible scenario is that we acquire a bipolar world order, which is dominated by the USA and China, in the same way as the Cold War was dominated by the Soviet Union and the USA. A constellation of this kind has the advantage that it provides stability and predictability. The likelihood of a direct military confrontation between the superpowers is, according to Feng Zhang, minimal. A multi-polar order on the other hand will be very much more difficult to assess and would contain greater risks of confrontations.

Irrespective of who becomes the next president of the USA, foreign policy will reflect the ideological shift away from “fukuyamaism”, claimed Gideon Rachman. All the candidates will in the short term seek co-operation with China, as the price of confrontation is so high. But in the longer perspective a confrontation cannot be excluded. If we experience a return to authoritarian capitalist great powers, the question of the spheres of interest has to be resolved.

Diana Pinto asked the question whether the world today is not too financially integrated for conflicts to be possible. The world was admittedly globalised before the First World War and retreated from this, but perhaps there is a major difference today, as the integration is financial and not merely industrial. Azar Gat doubted that it would be more difficult to dissolve ties of this kind, and did not rule out the idea that China would take the initiative to a more autarchic order. The country is, of course, a huge market in itself.



## Day 1: Wednesday 23 April

### 1) Panel 1: Historical experiences of the relation between capitalist economy and democracy – introductory speech by Azar Gat

Theme for the panel: Historical experiences of the relation between capitalist economy and democracy: does capitalist development necessarily breed liberal democracy, or are we witnessing the return of capitalist authoritarianism/totalitarianism?

**Azar Gat:** I would like to begin by thanking Glasshouse Forum, Johanna and Kay for initiating this seminar and bringing us all here, and Rachel for kindly agreeing to moderate these meetings.

As you have all received my *Foreign Affairs* article, “The Return of Authoritarian Great Powers”, I shall only outline the main argument in this introductory talk, reserving further comments for the following discussions.

Democracy emerged victorious from all the great power struggles of the twentieth century, surviving both its right-wing and left-wing authoritarian and totalitarian rivals. To many, most recently Francis Fukuyama and Michael Mandelbaum, this suggests some inherent “selective” advantages, conferring an air of inevitability on the past as well as on the future, and supposedly giving much cause for optimism.

I address the question of why the democracies won, and there are two main, interrelated, perspectives on this question: that of great power politics and that of internal development. I start with the former – with great power conflict and war.

I argue that there were very different reasons for the defeat of the communist, as opposed to the capitalist – authoritarian and totalitarian – challengers. The communist great powers, the Soviet Union and China, even though they were potentially larger than the democracies, ultimately lost because they proved to be economically inefficient. It was their system that failed. They were selected out, so to speak.

On the other hand, the capitalist non-democratic great powers

were not defeated because of inefficiency. Germany was at least as advanced as her rivals in both world wars, and Japan exhibited the fastest growth-rate between 1913 and 1939. Their problem, again particularly noticeable with respect to Germany, was that they happened to be too small – both Germany and Japan were middle-size countries with a limited resource and manpower base – to contend with the giants, most notably the US, and were crushed under the weight of the coalitions assembled against them. The reason for their fall was therefore largely contingent. If the US with its continental size had not existed, the European democracies would have most probably lost both world wars, with the result that we would have had a very different, and non-democratic, twentieth century; a very different world today; and a very different story to tell in the form of grand theories of development – probably emphasizing national cohesion, democratic divisiveness and decadence, and so forth. It is a well known, but still often forgotten, truism that history is written by the victors, who naturally tend to generalize and rationalize the reasons for their success.

Throughout the twentieth century United States’ power consistently surpassed that of the next two strongest states combined, and this decisively tilted the global balance of power in favour of the democracies. If any factor gave the liberal-democracies their edge, it was above all the actual existence of the US rather than any inherent advantage of liberal democracy. Now what we have today with China, and to a lesser degree with a blissfully territorially much reduced Russia, is the giant in the system, until recently held back by its inefficient communist economy, switching to a much more efficient, and hence more powerful, form of authoritarianism, and thereby creating a new, historically unprecedented challenge – which is both big and capitalist.

I now turn to the domestic development argument. Again it is widely held that after crossing a certain threshold in terms of development – wealth per capita, education, urbanization and so forth – societies tend to democratize, as we saw in east- and southeast-Asia, southern Europe and Latin America. But again I argue that this notion is an abstraction from a very particular – and contingent – set of circumstances that prevailed after 1945, with the consequence

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that the sample is biased. This is so because all the post-1945 cases involve small countries which, after the defeat of Germany and Japan, could only choose between the communist and capitalist-democratic camps. If they chose the latter, they were invariably exposed to the massive pressures of the hegemonic liberal-democratic centre, pressures which contributed decisively to their eventual democratization.

By contrast, what we have today with China and Russia is giants who may be big enough to set their own rules, building upon their own national cultural-historical traditions. They may have enough weight to create a new non-democratic but economically advanced Second World. They could establish a powerful authoritarian-capitalist order that allies political, economic and military elites, that is nationalist in orientation, and that participates in the global economy on its own terms. Furthermore, the countries of the developing world, where democracy is at best tenuous and authoritarian and populist traditions and forces are strong, might now have a capitalist-authoritarian model to emulate and a capitalist-authoritarian camp to join – neither of which have they had since 1945.

I am not a prophet, so I don't know if China will eventually democratize and Russia reverse its return to authoritarianism. What I suggest is a different reading of 20th century history that is more contingent, less unilineal, and less triumphalist for democracy – and I propose the claim that the democratization of major actors, such as China and Russia, and hence the face of the future, is far from preordained. There is nothing in the historical record to suggest that a transition to democracy by authoritarian-capitalist powers is inevitable, whereas there is a great deal to suggest that such powers have a far greater economic and military potential than their communist predecessors.

This means that the End of History and an era of inter-democratic peace might not be imminent. Although the rise of the authoritarian-capitalist great powers would not necessarily lead to non-democratic hegemony or war, it might imply that the near-total dominance of liberal democracy since the end of the Cold War might be short-lived. We are facing the prospect of ideological rivalry,

potential and actual conflict, mutual insecurity and arms races. In this situation, the existence of an open global economy is of paramount importance, in order to prevent a territorial grab for markets and raw materials, as demonstrated by the disastrous slide into imperial protectionism from before World War I until 1945, which precipitated both world wars. Of course, the openness of the world economy does not depend on the democracies alone, because in time China herself might become more, rather than less, protectionist as she grows wealthier and her current competitive edge diminishes.

Again, as during the twentieth century, the enormous size and strength of the US – and its alliance with Europe and Japan – is the best guarantee for the future of democracy. Despite its problems and weaknesses, the US still commands a global position of strength and is likely to retain it even as the authoritarian-capitalist powers grow fast. Not only are its GDP and productivity growth rate the highest in the developed world, but, as an immigrant country, the US still has considerable potential to grow, whereas others are experiencing ageing and ultimately shrinking populations. India too, with her enormous size, long democratic tradition and recent economic take-off, holds a special position, both in balancing China, and as a successful model for the developing countries. Much of Southeast Asia, Latin America, the Middle East and Africa constitute a periphery that is less securely formed politically and that is likely to be influenced by the political development of the giants.

I am sure we shall go into all of these in the course of this seminar, and explore the various actors and aspects involved; and I would like to wish us all a productive and enjoyable time.

**Rachel Briggs:** Provocations for debate no less. I guess there are very broadly speaking two sorts of questions that arise. One is about the extent to which people agree with your historical analysis of the 20th century and what you have to say about the role of the US, the other about your prognosis for the future. I wonder if we might start by picking up some of those questions about the extent to which your view of history is shared all around the table. Who'd like to kick off?

**Edward Lucas:** I suspect this may be a recurring theme over the next 24 hours. I am extremely cautious about putting Russia and China in the same boat. There are colossal differences, which may be so great that it really doesn't make sense to compare them at all. One is just the obvious question of size – China is strong in a way that Russia is not strong, and China is explicitly authoritarian, whereas Russia at least still pretends to be a democracy. And it's quite easy to see how Russia can go back to being a democracy, whereas for China to become even a bit more democratic would mean an absolute revolution for the Communist Party, which would have to give up its leading role. And, as I know nothing about China, I need to stop talking about China here, and try instead to say a couple of more sentences about Russia.

It's quite wrong to look at what's happened in Russia over the last eight years and say that Russia has become seriously stronger. I think that what has happened is that the ex-KGB people in the Kremlin have become a great deal richer and that living standards for most of the population have gone up a bit. But one of my favourite facts at the moment – it comes from a think tank close to Mr. Medvedev – is that, whereas the number of bureaucrats in Russia has gone up by about 30 per cent since 2000, the paved road network has actually shrunk. That is not a sign of a country that's embarking on a massive programme of modernization and that's reflected in public services and infrastructure generally, so I really don't recognize this picture of strength.

I think you're quite right in your stuff about the sample since 1945. It is a very skewed one but I do think that it's quite hard to see that an authoritarian capitalist system can provide the constraints and redress which is built into the democratic system. It does not always work very well but this is the kind of self correcting characteristics of democratic systems. Though they may be indecisive it's quite unlikely for them to make really big mistakes over a long period of time. What you can get sometimes in a capitalist authoritarian state is a highly sophisticated rule of law. And that just to some extent substitutes for the constraint and the redress.

**Gideon Rachman:** I think that you're right to say history is being

written by the victors and we tend retrospectively to impose a flatter order on it which is that our system inevitably prevails. But that said, I've been sufficiently convinced by the prevailing narratives to slightly agree with Edward that one of the lessons of the collapse of the Soviet Union was that this kind of authoritarian systems in the end do have a tendency to implode. Whether it's simply that they adopted the wrong economic system and that as you suggest you have an authoritarian capitalist system that can go on and on and on, that really is, I suppose, the big question of this conference. When I was covering Asia in the early 90s, I suppose it was the kind of high point of "fukuyamaism" if you want to call it that. We all had Tiananmen Square very much in our minds and there was an assumption that the political system in China was unsustainable. And because I heard that so much at the time – you still hear it all the time – I'm becoming more and more cynical about that simply because that line of argument has been going on for about 20 years now. I heard the same arguments in Russia talking to an American diplomat who said: "Look I can't believe that in the end the Russian middle class won't want to exercise choice about where they get educated, about where they go on holiday, about what they buy. When will the same sort of consumer choice apply to political choice?" But the basic question about whether you can have a pluralistic economy and not ultimately have a pluralistic democracy has not been answered decisively.

**Mark Leonard:** I also like the way you're challenging our readings of history and liberal determinism. I think it certainly is helpful to understand that, in the short term, Russia is a declining power, which has temporarily seen some economic growth in the back of high oil prices which may be sustainable for a few more years. But, in the long term, the prognosis is pretty poor and it declined quite dramatically just in the last decade in terms of its sphere of influence and its ability to project itself even in its immediate neighbourhood.

If you look forward 10, 15, 20, 30, 40 years it will get more irrelevant to global politics. A lot of the things it's doing to show its power are a sign of desperation and a lot of it is a simulacra of power. They are not actually trying to achieve anything particularly

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real except control of pipelines and bits of the energy infrastructure in neighbouring countries, but they are not behaving like a purposeful great power in the way China is. Russia is probably a temporary phenomenon rather than a major challenge to liberal democracy. But China, I think, is different because its economy does work in a way that doesn't seem to be contingent on high oil prices. I think one of the challenges is that there is a structural problem with state planning because you can't get access to perfect information so therefore the economy is underperforming, it implodes. Liberals often like to make an analogous argument about political systems. According to liberal theory, the reason that dictatorships implode is because they don't have self-correcting mechanisms, they don't have access to perfect information. Russia and China, by obsessively using opinion polls and focus groups and other ways are trying to understand and manipulate opinion; I think that definitely makes them more resilient than traditional autocracies.

**Azar Gat:** Because it is more a lack of incentives in the economy that I would point out. Information is also a contributing factor, but it was a lack of incentives and individual initiatives that hampered the communist economies.

**Mark Leonard:** Maybe there could be a technological solution for totalitarianism which might allow it to last a lot longer than we think. Because they might not have elections, but they do have continuous polling all over the place. The Kremlin does weekly opinion polls; the Chinese use all sorts of different ways of trying to understand what public opinion wants which allows it to pre-empt discontent and do things which are popular and marginalize the opposition. But it does deprive you of the ability of sharing, like things are done in a procedurally just way. One of the reasons why liberal democracy survives is that people are able to buy into the process and they are willing to be losers. I also think it depends on how long we are talking about. Communism did last quite a long time before it finally collapsed. Even though it didn't work in theory, it took a long time to fail in practice, and until that happened it was an alternative model. So I think we have an alternative model until

China and Russia collapse, which could be quite a long time. It could be longer than most people thought it would be 20 years ago.

**Diana Pinto:** I just wanted to reflect a little bit, or ask questions and make a reference more as a historian, since you chose to speak mainly about the 20th century. There might be something built in to make it a very different case with respect to the present, that authoritarian countries of the extreme right or the communists were prone to military expansion, even to continue giving a purpose to the captive populations. And my understanding of why the two regimes that you mentioned fell can be briefly summarized in one word: Stalingrad. Despite the notion of Russia's great patriotic war, you had armies that were in practice more afraid of the line of the KGB and the Nazi inner security behind the frontline soldiers than they were of the enemy. These are highly controlled societies that have to even make sure that there is a parallel line of intelligence officers next to or stepping on the feet of the actual functioning element of the society, in other words the real generals and real officers. And that to me is a model or rather a symbol of the problem of such authoritarian societies back then.

**Azar Gat:** I think this a great example of military endurance on both sides. I cannot see an economically developed, affluent democratic country that demonstrates such military resilience.

**Diana Pinto:** But why? There were two fronts, the enemy front and, even more frightening, the internal front behind you that would have perhaps also destroyed you. People were just as scared of those behind them, in other words, the power inside their own national camp, than those who were in front. I agree with the Russian and Chinese fundamental difference. I would also simply say it's much too early. Chou En-Lai said that it was too early to decide on the effects of the French revolution because it was only 150 years old. And frankly I do believe that it's much too early for transformations that took place only in the last 25 years to say much, and it can be a gradual process, and I think many things that are said today and tomorrow may sound very strange 30 years down the road.

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**Gideon Rachman:** Actually you have to make some sort of preliminary judgement if you're sitting making policy. Western policy over the last 20 years has had a sort of inbuilt Fukuyama-style assumption that we just have to wait these guys out and it all falls into our lap. What's happening now is that people are beginning to think: well actually it's not going to be like that and we have to make policy on a different basis. Of course, we know that we are sort of groping in the dark and we may look idiotic in ten years time.

**Johan Lagerkvist:** Being a sinologist, I would also say that it is kind of problematic to put Russia and China in the same camp. During the 1940s and 50s there was a democratic alliance against the non-democratic forces of the world. We don't see to the same extent an alliance between Russia and China today, building a non-democratic alliance. Despite all the talk of such an alliance – a lot of people focus on the Shanghai Cooperation Organization – there's so much mutual suspicion still between the Russians and the Chinese, and you have to take that into account as well. As far as I know, the Russian weapons of mass destructions are aimed at Central Asia and China. I often meet with Russian and Chinese diplomats, and they come to me and they ask what the one should think about the other.

**Yevgenia Albats:** Unlike the others, I think there are a lot of similarities between Russia and China. Authoritarian regimes require a lot of resources. The successful authoritarian regimes that we have seen much of in the Middle Eastern countries are based on a very simple formula: welfare in exchange for freedom. You need resources to provide social benefits, welfare goods, low taxes on the subjects, and in exchange those subjects who may or may not consider themselves citizens provide their loyalty to the state. The second important thing that has to do with authoritarian regimes is that you need enough resources to pay the secret services, the army and the police, so they are willing to defend you at the time when you won't have enough resources to provide wealth and goods to your subjects. When you look back at the era of the Soviet Union, you will see that the collapse of this evil power had a lot to do with a lack of resources to pay for loyalty. There were no longer

resources to give bread and boots to the people, and no longer resources to pay decent money to the secret police, the army etc. And, of course, the same was true of the East European states that no longer had any rationale to be part of the empire, and so they walked away. The other republics of the Soviet Union also had no rationale to regard Moscow as their master, because Moscow didn't have money to pay them to be loyal to the *metropolia*. So it's a very expensive thing to run an authoritarian state.

The biggest difference between present-day China and Russia and the former Soviet Union has to do with the fact that both Russia and China are based on the market economy, as opposed to the USSR, which had a state-owned economy. Good market, bad market doesn't matter, really. What is important is that the market economy has one problem. Many problems, but one problem that I would like to point out. It has to do with incomplete contracts. In the market economy you cannot specify everything on paper. There's always something left. One way of dealing with the problem is in the way of creating the rule of law in a country. Otherwise market agents do not trust each other and transactional costs of operating on such a market are becoming excessively high. So you need an institutional framework that will provide you, as an agent, with some security on the market. And that's what unites Russia and China. The institutional design of these countries doesn't allow for the development of the market economy. Their institutional design doesn't fit the condition for the market economy; sooner or later, these will clash.

Apart from the problem of incomplete contracts, there's a problem with information asymmetry. Authoritarian regimes tend to be very much centralised, because that's the way they distribute their resources. So people in decision-making spheres fear they have a constant lack of information. There is information dysfunction in those societies. They don't have institutions that can relieve the burden of information starvation, and they don't have enough information. So they base their decisions on very bad institutional design and on insufficient information. Therefore, they make a lot of mistakes.

Look at the way China has handled the crisis in Tibet. From a

*It's a very expensive thing to run an authoritarian state.*

rational point of view they were supposed to conceal the conflict. In the lead up to the Olympics and the 40th anniversary of the 1948 events in Tibet, Tibet was fated to explode. They were unable to prevent this, because they don't have an institutional framework to do that; they don't have proper information flow to do that. And when Tibet exploded, they behaved exactly the way the Soviets did. But the kinds of conflicts that existed in Tibet are fated to happen on different grounds in China precisely because the institutional design doesn't correspond with the development of its economy. That's exactly why the Soviet Union collapsed. Sooner or later, these countries are fated to explode, precisely because of the contradiction between institutional design, the problem of incomplete contracts, information dysfunction and the needs of the capitalistic economy.

**Feng Zhang:** I can talk about Tibet later. Now I'd rather focus on Azar's main argument. And I would somewhat come to the defence of the argument. As I see it, your main argument is that the triumphalism is over because of the pressure on the states of Russia and China, and I think ultimately that is a valid argument. And putting the two countries together makes sense in another way. If you look at geography, China is actually mainly part of Euro-Asia. There are lots of differences, but in terms of the argument I think it can still stand.

I do have a specific question for you. You've mentioned the democratization of East Asia, and you seem to imply that democratization in these countries, like South Korea, Thailand and Malaysia, are very much influenced by the presence of the United States in this region during the Cold War. I'm not sure whether you are implying that the democratization of these countries is more a kind of external agenda or internally generated?

**Azar Gat:** Both!

**Feng Zhang:** To get to the causes of democratization in this region is very important, because it enables us to see which direction China is taking. Of course size matters, and China is a lot bigger than these countries, but still there's great relevance. I'm not sure how far the

argument has been going in the academic literature.

**Edward Lucas:** I'm very hesitant about the use of the word "democracy" as if we know exactly what it means. One of the problems with Fukuyama was sort of the definition of terms and I think one has to try to articulate that. There are basically three elements: one is political freedom, another is the rule of law and the third is market economics, and we tend to take all those together as if they are an indivisible package, but I don't think they are. I would defend Fukuyama a little bit on the economic and rule of law side, because I think that what has happened since 1989 is a sort of absolutely overwhelming consensus about basic economic models. We can argue about the details – should banks be more strict, be allowed so much leverage and sub-prime stock, but the one thing that any entrepreneur anywhere in the world wants is to make his company big enough to have an IPO in a democratic politically free country. If you say "do you want to have a sophisticated regime for intellectual property" basically every government will say yes. Anyone ambitious for economic development will admit that IP law is really important for innovation, and even the places that can in other respects look like authoritarian regimes accept that. The WTO, the idea of being in a rule-based world trading system, even the Russians are still tiptoeing towards that. So I think there is a kind of Fukuyama consensus on those things which are not just economic; there are all sorts of political economies, all sorts of political structures. I absolutely agree that the idea of along with that comes multi-party democracy of the western model is highly questionable. I think what Yevgenia just said about it being very expensive for an authoritarian country is absolutely true.

I think the absolute key to this is rent seeking. If you have a lot of constraints, and redress and scrutiny, it's quite hard, not impossible by any means but it's quite hard, for ruling elites consistently to capture rent over a long period of time. And it's a lot easier when you're authoritarian. So that then leads on to the question of corruption. One thing I'd love to know from the Chinese specialist here is why China doesn't seem to be as corrupt as Russia? And maybe the people running the Politburo also run China's biggest companies and



pocket billions of dollars, but I certainly haven't read that. Well that really is the case in Russia; it's an extraordinarily predatory corruption, an absolutely unashamed, unvarnished corruption of the top. That then leads onto the question of how does the system tolerate that? And it can tolerate that if the cake is getting bigger every year. If every year the oil price goes up, then there's always more to steal, and that's what lubricates the system. Perhaps in China if the economy is growing very fast then that also means there's more to steal. As I said I don't really know about corruption there, but I thought the point about how the system allows losers to accept their losses is actually very important. If the cake is no longer getting bigger, but is getting smaller, how do authoritarian capitalist systems cope outside conditions of growth, I don't know. My suspicion is that the weaknesses then become very apparent, so they may be conditional on economic growth.

Authoritarian capitalism is not just an economic project, even if the rhetoric is very much about developing some economics. But they have to try and find some political dimension in order to have a sort of life boat for the time when the economy isn't working. Now in Russia that is done with this Kremlin propaganda, and sometimes I think they believe it and sometimes I think it's just made up to prove to people that Russia is a besieged fortress. That then creates a sort of political story, which to some extent may protect them against economic short-comings. How convincing that political story is at home, if at home you mean among the elites, I don't know, but then what happens if the political story means that they have to interact with the outside world in ways that aren't economically rational, which I think is what Russia is doing.

**Johan Lagerkvist:** If I may just respond to the question of corruption in China. It is, of course, a very prevalent problem, and everybody acknowledges that. The problem is that they have to operate on this cancer in themselves – they are both the patient and the surgeon at the same time. And because they have no independent court system, it's difficult to remedy this. What they try to do instead is to try to build some sort of welfare policy that can actually ease the tensions in the countryside, or in the areas that are most heavily pol-

luted, so to speak, by corruption. So the central leadership ease the taxes on farmers, on city-dwellers in the poor areas of China because they know that corruption is difficult to target inside the party and inside the government apparatus. They try to do other things to ease the tensions but it's a core problem, and they will have to deal with this in other ways later on.

**Yevgenia Albats:** It looks like in China they currently have the type of corruption that existed in the Soviet Union and is now in the current Russian state. They just jailed the guy who represented the so-called Shanghai clan and who presented some challenge to the current leadership of the Chinese party. They put him in jail on the basis of his corruption. There is hell a lot of research done on corruption in China being at fault on all levels of authority. Small businesses have to buy their way through the bureaucracy, and the same is true all the way through the entire hierarchy of the Chinese authority.

It was the same in the Soviet Union and then what happened during the 90s was what I call the democratization of bribery. In previous times and in the current Russia it was a privilege to be able to offer a bribe. In the 90s everyone could bribe; there was in a way a democratization of bribery, it was much easier for businesses to survive under these kinds of conditions.

But it is very expensive to run an authoritarian regime, and you need resources. In the Middle East they have oil to buy people off with, you know, to make this trade of loyalty for welfare. We do the same in Russia. China doesn't have these resources, but my guess is they have this immense mass of cheap labour supply, and that's what provides the resources to the Chinese authoritarian state. As the standard of living will rise, labour will become more expensive and the Chinese state will have much less resources for this trade-off. So that's another similarity between China and Russia – that they have both the resources to sustain this very expensive type of regime.

**Mark Leonard:** I just wonder to what extent there is a real ideological element to this. In the West we kind of assume that, given a free choice, most people would opt to live in a liberal democracy, and that impulse for individual freedom is something that is a kind of natural given. Therefore, people are almost choosing against their

*I wonder whether there's some sort of analogy with the 1930s.*

nature if they support these states. They might be scared of being put in prison, and they might do it because they are being bribed by the system. I just wonder whether that is true: to what extent do you think that these capitalist authoritarian great powers might sustain themselves by offering a different account of freedom?

We've been focused on whether these are efficient systems of government. Can they deliver public goods for their citizens? Can they deliver order? These things could earn contingent support. But another way of looking at it would be to ask if they have developed a normative alternative.

**Daniel Sachs:** To me the big threat today is – because I agree with all the things that have been said about the vulnerability of an authoritarian system – that the liberal democratic system is in very poor shape, which would mean that the authoritarian capitalist states could at least survive for longer than they would have if the liberal democratic system was in better shape.

**Gideon Rachman:** Is there an ideological challenge as well? I wonder whether there's some sort of analogy with the 1930s. We are not remotely in such bad shape yet, but if there is a sort of capitalist crisis, and people lose confidence in the kind of market-driven model, then you have some sort of crisis in the West analogous to what happened after the Great Depression. And, if at the same time, you have apparently successful authoritarian capitalist regimes, then I think you do have a sort of slight replay of the ideological arguments of the 1930s. And the fact that the Russians and the Chinese are deeply suspicious of each other, doesn't mean that, seen from outside, they might not present some sort of ideological challenge, just as authoritarianism was appealing in the 1930s. Some people looked to the Soviet Union, some people looked to Nazi Germany. But what they agreed on was that our system doesn't work entirely well, and maybe we can learn something from these guys. Now I think that we in the West are still a long way from jumping to that conclusion, but maybe countries in-between might be tempted.

We were talking earlier about what the common elements between Russian and Chinese ideology were. It seems to me the com-

mon element is nationalism. What they say to their people is: “We have been humiliated; we have been weak and now we’re going to be strong.” And that’s a common element of the narrative project in both China and Russia. Just one footnote thought which struck me is that there is a difference between China and Russia. I think Russia might be an example of what our political scientists call “the oil curse”. Authoritarians have to generate resources to buy people off. China has done that through massive rapid manufacturing-driven growth. Russia has done it in a way a bit like the Middle Eastern countries which haven’t found the need to develop a social contract of the sort that underlies democracy.

**Kay Glans:** You often see a pendulum swinging between freedom and security. Might we see a general trend towards more security? It would draw the balance differently even here in the West. You were mentioning nationalism in these authoritarian states. We also see nationalism of a slightly different kind in the West where people, being threatened by globalization, being provoked by the mobility of the economic elites, grasp for the nation as a vessel wherein they try to create some kind of equality. I call it “national socialism” but it doesn’t have to be racist. But it is an attempt to create a better, a more predictable world within the national frame of reference. I think we have the trend in the West also, and it will interplay with the nationalism of the authoritarian great powers, I think, in shifting the ideological pendulum towards more security.

**Diana Pinto:** I have an intrinsic problem with the notion of the authoritarian capitalist countries becoming models, because I don’t think China sees itself as a model of anything. It’s just itself, and it’s not trying to tell the world “become like me”.

**Mark Leonard:** It takes two sides to create a model. It’s not just a question of whether China sees itself as a model. Lots of people around the world see it as a model and that can become self-fulfilling. So, if you go to Iran and people talk to you about the Chinese model and you go to Nigeria and people talk to you about the Chinese model and you go to Central Asia and people talk to you

about the Chinese model, maybe there is a Chinese model. Maybe the Chinese won’t necessarily recognize their model in the way Iran talks about it. But China has not completely failed to notice that it has done quite well economically over the last generation, and that leads to a rise in self-confidence. Maybe they tell you there are lots of problems in China etc., but they are learning their lessons, they are experimenting with ideas and when they work they roll them out. Actually they do export them in a minor way. In Burma, for example, they’ve been trying to encourage the Burmese political class to learn from the lessons of the Chinese political system in order to make themselves less open to external opprobrium. In Central Asia they did teach various governments how to do proper crowd control, and in Africa they’re opening five special economic zones that are based on the Chinese model of development, and there are thousands of economic zones around the world which are direct copies of the Chinese model. And they are also bringing thousands of people from Africa and other developing countries to China to give them lessons on the Chinese development model. They’re not dragging them there; these people desperately want to go and learn about the Chinese model. There is a degree of export, but it’s not the same as the Soviet Union trying to spread revolution, and it’s not like the Mao era of exporting revolution to other places, but I think it’s becoming a model.

**Gideon Rachman:** There is also a slight racial element to the model. I remember hearing, you know, from a kind of great ideologist of the rise of Asian power saying, you know, one of the attractions of the China story for people like him, who aren’t ethnically Chinese, is that people felt humiliated by the fact that success had been confined to the West, and that what China was saying is that people like him can make it. There are successful societies which aren’t either under the umbrella of the US or follow the model of the US, which have found their own paths that you too can be rich and powerful. And that seems to me potentially quite a powerful message for people who have a very ambivalent relationship with American power.

**Edward Lucas:** I’ve wrestled with this question of wanting to use

the phrase “national socialism” without its Nazi connotations, and I think a better phrase maybe “national welfareism” because the welfare states in their heyday buffered the potential losers from economic change, from its consequences, and that they would buy into the creative destruction that is inherent in capitalism. And maybe that needs to go up another notch because of the intensity of the effects of globalization. The thing which is really important is the question: “Is this for export?” And I don’t know about China, although what Mark says sounds lucid. But I think people often completely misread what is happening in Russia. They say that the corrupt secret police rule doesn’t suit too well here in Russia, so it obviously can’t be for export. I don’t think that’s true at all. It’s quite attractive, and I think this is spreading quite fast actually in Eastern Europe. We’re quite alarmed to see the way in which press freedom is going backwards in Eastern Europe.

### Summary of the first panel

**Azar Gat:** There is a lot on our plate now. During the 20th century there were three big ideological systems. Each had a recipe for organizing modern society and for coming to grips with the problems and changes of modernity and industrial society: capitalist democracy, capitalist non-democracy and communism. Now two of them were given a run during the 20th century and one experiment was cut short by the two world wars. Proponents of both authoritarian capitalism and totalitarian capitalism were simply pulverized in these wars, crushed completely and underwent forced democratization by the victors.

What I’m suggesting is that our database is limited. We think in terms of very few paradigmatic cases which we generalize. We think of fascism, Nazism in Germany, Italy and Japan during the 30s, whose experiment was cut short and has not been represented since 1945. Historical lessons are a tricky thing. If you look at the 20th century, what we can most safely say is that communism proved to be economically inefficient to the point of a lack of viability. So this option is apparently off the table. What we have now is

the return of the option of non-democratic capitalism that was gone after 1945. As I said, I’m not a prophet and I don’t pretend to be. China may democratize and Russia may reverse its drift to authoritarianism. But even if they do, I’m not sure whether this will be because of special circumstances relating to both themselves and the global system, or because of a supposedly intrinsic democratizing tendency in modernity. So things may develop differently from the paradigmatic German case, because of circumstantial differences.

Let us try to look at the future and see the relevant factors that might affect the outcome. First of all, I know that Russia and China are very different, but I’ll start with the common denominator. Both systems are in transition, indeed in the beginning of transition. They both come from a communist system that was defunct and bankrupt, and they are now looking for a way into a future which is not clear to them. So both lack a clear vision of the future; both lack a guiding ideology. On the other hand, they might in time develop such an ideology, develop their own ethos.

I never said that Russia was strong, Russia is weak and is also small relative to the other players, and this is not going to change. China is huge, of course, and is going to be much stronger, immensely stronger within a generation. It might be yet stronger within two generations. By the 2020s it’s going to be probably equal in GDP to the United States, but not in GDP per capita – many people confuse the two. So it will not be as strong as the United States by the 2020s, but it might be by 2050. And with increasing strength comes self-confidence and growing assertiveness. They are patient and pragmatic and they know that they have to cross this gap, and so they might be less assertive now and may become more assertive later. The Russian success now is based on rising oil and gas prices and other commodities. Would Russia be able to generate industrial success? May this be the next step? It has an educated labour force; its labour costs are still low in comparison to the developed world, so might Russia not follow the Chinese example in this respect? If it does, the foundation of her success as a country might be more secure than with the current raw material bonanza that she’s experiencing. With respect to Russia’s economic success that’s the key question.

Both countries are in a transition, and obviously one of the elements of this transition is going to be the rule of law. Germany was semi-authoritarian until 1918 and yet it had a very strong rule of law; with Japan it was the same until 1945. The rule of law will necessarily be better if the country is to retain its economic success and political viability.

We have touched upon the factor of ideology. We tend to think of liberal democracy as a neutral mechanism for choosing between values. But liberal democracy incorporates a whole set of values, of which some people and some societies are deeply suspicious, and have been since the 18th century. There is a lot of talk about Asian values in East Asia and this obviously represents a genuine sentiment. Western democracy is based on the idea of individualism, which has its own historical roots in Anglo-Saxon societies, mainly in Britain. There's a much stronger emphasis in Asian societies on group-centred values and on hierarchies. May I point out that Japan, which was very successfully democratized by the United States, has practically not seen a change of government since the mid-1950s? This is not the practice that we are used to in democratic societies.

I don't see a crisis of liberal democracy. I think it's working tremendously well. We have nothing like the 1930s. But there is this sense of a deep crisis in western societies, and there have always been a lot of reservations about liberal values, excessive promiscuity, party divisiveness and vulgar mass culture. The catalogue is long and is going back to the late 18th century. Criticism of liberal society was very strong during the 19th century, and it was of course central to the fascist critique of liberal democracy during the early 20th century. We have become more tolerant of the vices of liberal democracy because of its obvious success. Other societies may not be as tolerant, especially where there are deeply grounded value systems which are different from the western – say in East Asia.

Can this become a different model of modernity? I think there is the potential there. We talked about what the components of Chinese ideology might be. They will probably involve Confucian values of hierarchy, of social order and harmony, and be presented as a contrast to liberal divisiveness and individual atomism. And there would be nationalism, of course, not only in the negative sense that

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we rebel against, the dominance of other cultures, but also in the positive sense – I don't mean this in a value sense – of people looking for a source of identification with their societies and with their people, a sentiment which some people feel is lacking in liberal democracies.

There is the making of a different model there. The liberal model is universal in its message, but the message need not necessarily be formulated in universalistic terms to have a broader appeal. Again let's take the fascist and the Nazi message during the 1920s and 30s. This was a very particularistic message. It was national; it was based on "my country". Still it had a lot of devotees, and people who imitated it outside Germany or Italy or Japan. Everybody applied it to his own particular society, to his particular country. So the message might be deeply Chinese, deeply East Asian and still appealing to other societies who would reject the liberal model and look for something more encompassing, something more group-centred, something more hierarchical and supposedly harmonious.

**Johan Lagerkvist:** I'm interested in knowing if India could and wants to become a role model for the developing world, because, to my mind at least, Indians are not really that proud of their democracy, because democracy came to India before the middle class and they nowadays seem to take that for granted, very much the way Europeans do. But we tend to say here in Europe that every new generation has to conquer democracy and we have to win the democratic values for every generation. But Indians don't seem to say that.

**Azar Gat:** India is only beginning to modernize. We know that this process poses challenges to democracy and to national unity. And India is a very fragile case in this respect. I mean it's a nation state with a huge ethnic diversity and it's a poor democracy. Now unity and democracy are going to be under pressure as India modernizes, as the population moves to the cities and so on. So the Indian case is going to be another challenge in the coming decades.

**Rachel Briggs:** We have a couple of hours to probe these questions

further later on this afternoon. So I'm going to thank us all very much and give us a much needed break for a coffee and a walk round these beautiful grounds. I suggest we take a good fifteen minutes.

## **2) Panel 2: Internal dynamics in China and Russia**

Theme for the panel: Authoritarian states today, focusing on China and Russia. Comparisons and predictions about internal developments. Russia's position as an economic-political model is not very strong. Does China represent a viable alternative, an alternative capitalism, in its own eyes and those of others?

**Feng Zhang:** Thanks for inviting me! I want to make clear I'm Chinese in case you need to interrogate me about China. Briefly I will discuss two questions. First the historical pattern of democratization in Western Europe and its relevance for China. Second I will talk about the so-called China model. Is there a China model? And finally I'll discuss how we might conceive the internal dynamics of China's political development.

From a Chinese perspective, I would like to point out the striking fact that today 62 per cent of all countries in the world are democracies, if not liberal democracies in the sense of the Western world. So China is actually surrounded by a whole lot of democratic countries, with the major exception of Russia, of course. But Russia was, as China discovered during the Cold War, highly unreliable, so China has to find a way for itself whether in its domestic or political development and above all in its foreign policy. That fact has been realized by the Chinese Communist Party now.

In 1900 not a single country had what we today would consider a democracy, a government created by elections based on every adult citizen's vote. Today 190 are democracies by that definition. This is a remarkable achievement, and how did it come about? Others have already mentioned several reasons. I would just like to point out a pattern in the democratization of Western Europe. We first need to build a constitutional liberal tradition; then we go on with democratization, that is giving the vote to the people. First of all capitalism and liberty, namely the rule of law, and then democratization.

The question is, of course, whether this will be applicable to countries outside of Western Europe. Many people will say yes, and point to countries like South Korea, Taiwan, Thailand and

Malaysia. You can argue that they have all followed this path. We can discuss whether domestic factors were more important than external ones or vice versa. People argue that as China's economy develops, it too follows the first part of this path, that is economic development and capitalism, and it will inevitably lead to democratization. I'm not sure whether that's true or not, I'll leave the question to a later period.

But I'd like to point out that there is an increasingly important voice from China with influential scholars arguing for a China model. Professor Pan Wei who is a famous academic at Peking University recently gave a talk at the Foreign Policy Centre in London in which he talked about a China model. This model consists of four subsystems: a unique way of social organization; a unique way of developing its economy; a unique way of government, and a unique outlook on the world. Quite a few Chinese analysts have followed him in arguing for a Chinese way of doing things, as distinct from the Western way.

I want to argue otherwise. I have an enormous respect for these scholars, but in this regard their reasoning is fallacious. I wonder, first of all, whether there is a distinct China model. Second, whether this so-called China model can sustain itself. And third, whether it's wise to advocate a China model at this moment.

We need to use the word "model" carefully. Using it loosely we get lots of models. You get the American model for sure, but why not then the French model, the British model, the Western model, the Japanese model. I have no objection to using the "China model" if the word "model" is used in this way. But it tells us nothing interesting about the Chinese path of development. The Chinese are following the Chinese way of doing things, but then of course every people follow their own way of doing things. Why single out China?

I suppose the reason why those in China are talking about a China model is that they're genuinely excited. They feel proud of China's economic achievements over these past 30 years. Recent figures from the World Bank show that, in terms of purchasing power China has already surpassed Japan as the 2nd largest economy in the world. This is wonderful news, and the Chinese should be rightly proud, but it is premature to proclaim a China model at

*I suppose the reason why those in China are talking about a China model is that they're genuinely excited. They feel proud of China's economic achievements over these past 30 years.*



this moment. If you listen to some people, it sounds as if China has again fulfilled its historical destiny of being the centre of the world.

The statistics can often mislead us. They disguise the massive problems that are created by China's rapid economic development. The living standards of the Chinese have been rising considerably in the past 30 years and 400 million people have been lifted out of poverty. But at the same time serious problems have been created, and some of them are still lurking behind the scenes but will become more prominent with each passing day.

Think of the environment, for example. China now releases more CO<sub>2</sub> than any other country in the world. Inefficient use of energy is creating social, political and foreign policy problems for the government. Think of the recent rise of inflation, which creates lots of problems for the Chinese people at this moment. And you can think of a host of other domestic problems, such as corruption, which we briefly mentioned, and problems like land seizures, which recently lead to a clash between the police and peasants in Chinese villages, in which the police fired their weapons on these people.

And there's amongst a section of Chinese society a massive discontent with the current state of China. The Chinese government is worried about social stability more than anything else. You can think of various gaps in Chinese society, gaps between the rich and poor, the rural and urban areas, and the coastal and inner regions. These are all generated by the so-called China model. And, of course, there's the more important question of whether the current wealth can be sustainable. I'm inclined to think that, unless the government makes some substantial innovation, current growth creates problems related to the environment, energy, and a wealth of regional gaps and so on, which will likely derail Chinese economic development in the future.

There have been a lot of structural problems accumulating over the past 30 years, and it will not be easy solving them. In politics there are more problems. Professor Pan Wei put forward the notion that China is now more of a meritocracy than any other country. But can a meritocracy solve the problem of political legitimacy in today's world? In olden days China's emperors could claim the mandate of heaven. In the revolution years the Chinese peasant was seen as the

saviour of China. Now old bases of legitimacy have weakened and new ones will have yet to be created.

There are three kinds of processes that can generate legitimacy: in terms of outcome, in terms of procedure and in terms of fairness. In terms of outcome not everybody gets what was created in the past 30 years. In terms of procedure, not everyone regards the current political system as the right way to govern the country. In terms of fairness, certainly, a lot of people think China is a deeply unfair society today. So there's if not a crisis in legitimacy, then certainly a very serious problem.

With these problems, can you say that China is offering a distinct model? I think the answer is negative. Of course, China may offer more in a generation's time, but to advocate a China model at the moment is misleading as well as harmful for policymaking. For example, it easily generates complacency. China is unique in some respects; there is no problem with that, but so is every other country.

What is more important to recognize are the similarities China increasingly has with other countries. This is perhaps most obvious in its foreign policy. As China becomes a great power, it will increasingly behave like the United States, because that's how great powers behave in the international system. China will intervene in other countries domestic affairs more, and it is increasingly doing so.

The Foreign Policy Centre published a well-known thesis called the Beijing consensus by our friend Joshua Cooper Ramo. But as Mark Leonard shows in his new book, there is no consensus among China's elite today; there's no consensus about how China shall adopt an economic development path, and there is confusion among the Chinese people regarding social values in the society. If there is a Beijing consensus, I prefer to see it rather as a process in which China searches for a development path that best suits its needs. It is a process, leading in an as yet unknown direction. I have confidence in China's ability eventually to generate a China model, but as it stands now, that Beijing consensus, it's hardly a model at all. And certainly the more important thing for China is to fix the myriad problems first, then talk about models.

Where does all this lead us, well, what does all this mean? I'd

*China is already capitalist for sure, but other conditions may derail the direction towards democracy and instead pull it towards other, unknown directions. We can't know for sure what direction China will take in the future.*

like to make two final points. First of all China's development in the past 30 years is better characterized as gradualism, if you want this kind of term, as they search for something that can work for contemporary China. And gradualism is not a model. Second I would like to put the political development of contemporary China in a historical framework. Think of the recent problems in Tibet! Everyone who has a little historical knowledge knows that the Tibetan problem is a legacy of China's imperial past. Tibet was conquered – I use the word conquered because that was exactly what happened – and incorporated into the Chinese empire by the Qing dynasty, the last dynasty of Imperial China. So communist China today is still dealing with this legacy. I am tempted to think that China as a multi-ethnic polity which used to be vast empire can never transform itself into a nation state in the truest sense of the term. Today China in fact exhibits the mixed characteristics of being both an empire and a nation state. The question of whether China can develop liberal democracy depends on whether democracy of whatever kind can solve China's complicated developmental challenges. The eventual political system that will emerge is a system that can successfully manage the mirrored problems that will emerge in a polity of imperial magnitude such as China. This goes back to what I've said in the beginning: the European path of democratization followed the pattern of capitalism and liberty – first the rule of law, then democracy. China may or may not follow this pattern. It is important to recognize that we can't believe in a unilinear view of historical development.

There is a so-called past penance in historical development. China is already capitalist for sure, but other conditions may derail the direction towards democracy and instead pull it towards other, unknown directions. We can't know for sure what direction China will take in the future. There is a lot of past dependence here, and one condition can lead to many, many different outcomes, depending on the intervening processes. So I would just like to conclude that it is premature to say China will become liberal democracy just as it's premature to proclaim a China model at the moment.

**Rachel Briggs:** Thank you very much. We move straight on to Johan Lagerkvist.

**Johan Lagerkvist:** Thank you very much. My paper, with the title "The Limits of the China Model", submitted for this conference, will echo a lot of arguments made by Feng.<sup>3</sup> China today is, of course, to many people in the developing world becoming or emerging as a model. It is interesting to note that China has been a model for East Asian countries for centuries, its Confucian value system extending into Vietnam and Japan etc. And when Socialist China became a world power, it also became a model for African nations and all of South East Asia.

Today however, this model of China is showing a lot of interesting phenomena. On the one hand China is participating in all the global processes – cultural, economic and also to some extent political – but they are trying to limit the influences from globalization processes on China. So while China is becoming more important to all of us, the question we have to ask ourselves is how important are we to China? To what extent are China's values globalizing? We've heard before that China is doing more in the international arena when it comes to solving the nuclear issue on the Korean Peninsula, and they are also sending special envoys to Burma/Myanmar behind the scenes. So if you just speak about the diplomatic elite participating in multilateral fora, China is becoming more internationalized. But Chinese values proper, looking across China, present a different picture. So many new books and articles speak about China as both a model and in the making, so we have to discuss what all these values inside China are. What are they going to be, and will there be a cultural attraction for a Chinese model?

There are quite a few people in China claiming that there is some kind of Chinese way of life, perhaps a political economic model that is taking shape and many people speak about China's soft power as being very important to them. And some even think that they can close the gap with the United States in just three to five years time. That was, of course, before the incidence in Tibet. Not many people would like to have a kind of system that is only creating economic goals and then using the coercive stick when necessary.

But when we discuss China as a superpower in the making we must also try to understand the Chinese leaders' mindset and what they always refer to – political and social stability. What does that mean to them? Is it just an excuse for delaying the democratization of China or is it actually something that we should listen more closely to? I think so because China shares borders with fourteen other countries, some of them hostile: Vietnam, Japan, the Republic of India and Russia. So there's a different kind of setting if you compare to the United States. We have to take this phrase more seriously and realize that they are actually quite insecure about what China will move into in the next phase of transition. Because even the highest leaders in China have actually said that they are not elected by the people and that is something that they are working on, but that will take time. So that also is quite telling, that they know that they have legitimacy but they also know that they are not elected.

When trying to understand why the Chinese government is still very much in the driving seat, so to speak, both shaping public opinion and creating legitimacy for its rule, we also have to see the income disparities in China and the fact that, despite the economic growth, there are problems in China. Not least we can see that through what has happened in Tibet. The Chinese leadership has perhaps focused too much on economic growth and not on other issues such as democratic inclusiveness or political participation and other things that are important when the country modernizes and becomes a middle income country. China is doing that right now with the very significant middle class. But Tibet shows that you can build as much infrastructure as you want, you can build railroads going up onto the Tibetan plateau, and you can pour investment into the area – yet people are unhappy about something and that will of course pertain to other things like identity or religious freedom and social freedom. The Tibetan case is illustrative of other things perhaps still to come in China. In the countryside in China in the Han Chinese areas we also have a lot of discontent and disenfranchisement and losers in the reform process. And you cannot always

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3) See Lagerkvist, Johan, "The Limits of the China Model", Glasshouse Forum 2008.

*And you cannot always pacify these people by making concessions, by investing more and trying to combat corruption locally. You also have to offer a guiding vision for the future. There's a lot of soul searching going on, trying to make use of and tap into Confucian values and all that, but it is not that easy.*

pacify these people by making concessions, by investing more and trying to combat corruption locally. You also have to offer a guiding vision for the future. There's a lot of soul searching going on, trying to make use of and tap into Confucian values and all that, but it is not that easy.

I would also concur with what Yevgenia said before, that these two systems of the former Soviet Union and China today are similar in so far as the Chinese political system still faces this common conflict with having the market-oriented system and an old political structure still existing side by side. Something has got to give way here, and it is the party apparatus. It is reforming, but is it reforming as fast as is necessary? I am very hesitant about that.

But it is interesting that the Chinese are studying the implosion of the Soviet Union very meticulously. And they have understood that there was a crisis of faith in the Soviet system. People in public positions tended to loose faith in the system. You don't see that in China, because the system is generating something and they know how to remedy the emerging crisis. We do not face an imminent collapse of China, but they still have to mitigate those problems that will come with these different systems, the market system and the political system, in place.

There are some people in China, some think tank specialists, some directors in the big cities who are slowly understanding that, yes we have more influence, we have more power, we can do more with our power and all. But most people are still quite insecure, because they carry this cultural inferiority complex that they missed out on the industrial revolution and missed out on catching up with the West. We will never become a superpower, we will never seek hegemony, we don't have the capacity for that, not yet at least. So the study, for example what China is doing abroad in Latin America, in Africa, in Central Asia, shows that they think they should not actually try to push their view on these people, because they have to seek themselves like the Chinese did. So if there's anything that actually exists in the so-called China model it is the promotion of gradualism. Every country should try to find its own reform path, that's the only thing that the Chinese are saying.

**Yevgenia Albats:** First of all, thank you very much for inviting me here. I will very briefly draw a picture of the current regime in Russia since there is a lot of mythology going around especially in the press. First of all it's probably worth clearly defining the nature of the regime that exists now in Russia. It has nothing to do either with democracy or with sovereign democracy. It's a weak authoritarian regime. In some theoretical models it's called a hybrid type of regime. I prefer to use a different definition that clearly explains the driving force of the regime and call it bureaucratic military authoritarianism. It is a regime that is based on a coalition of people; in Russia's case it's predominantly people from the political police which used to be called the KGB and now goes under the acronym FSB, and all other agencies that surround it. This is the most powerful part of the coalition. The second part is the bureaucracy which is not the driving force but are the operatives in the coalition.

These kinds of regimes are nothing new to the world; they existed in many countries in Latin America. It is the question of the amount of violence that a regime chooses to use. The most important part of it is the coalition of two institutions where both institutions are hierarchical in nature and both institutions carry some core values. When it comes to the most important part of the coalition, they have a common background, they have a common language, they usually come from the same schools, they have common values and they have a common understanding of their place in the world etc. Of course, there are all kinds of problems inside, and they are ready to kill each other at any moment, but to the outer world they present themselves as a unity.

This type of corporatist politics is nothing new, you can see it across the twentieth century and across countries in Latin America. So we know the way these regimes work pretty well. There are several things that are embedded in the model. One is that the decision makers' sphere is very secretive, concealed from the public gaze, another that they tend to reduce political mobilization. They don't allow really for the existence of any sort of political parties. They incorporate political parties and organizations of civil society inside the corporation. Thirdly it's very important to take into account that those types of regimes are driven by corporate rules rather than by

institutions.

In the current Russia, people who used to work with the KGB comprise 50 per cent of the people in the state-affiliated companies and in the governmental power structures, in the administration of the president, which is the key centre of power in today's Russia. We have no idea how this will develop after Putin steps down and becomes Prime Minister, and his successor becomes the head of state. I just remind you that Russia is not a clear type of presidential republic; the head of state is not the head of the executive. In the current administration of the president, 68.6 per cent used to work in the KGB or KGB-related institutions. Of them, almost 48 per cent came directly from the KGB. In the executive, 40 per cent of the people are all top executives. This is ministers and deputies, and of them 22 per cent came directly from the KGB. Just to put it in a comparative perspective, in Gorbachev's elite among the top officials, KGB people accounted for only 5 per cent. In the late Yeltsin era they accounted for 33 per cent. So now among the top political elite, KGB people account for 66.7 per cent. Some of this data is my own, I have specialized in the field for approximately 20 years. Some comes from Olga Kryshantovskaya; she's a well-known specialist on Russian elite, and some from Stephen White from Great Britain. They have written a couple of very good papers.

So we were first talking about the regime that is based on a coalition and by nature is a very unstable regime, as is any coalition regime that doesn't have a broad base, but is based on just two institutions and not grounded in any party structure. And second, it is a corporatist type of regime. What we see right now is the process of the institutionalization of the regime in Russia. Institutions were destroyed in the early 90s. Then new institutions came in their place in the mid 90s, like parliament, like the constitution. Parliament is nobody any more. It's just a coalition of yes-men who say yes to the executive. This puppet party that was set up by the presidential administration comprises the constitution majority in Russia today.

The constitution became quite real in the 90s. Of course you know that Stalin's constitution was the most democratic constitution that ever existed in the world. But still the constitution became something like an icon for many Russians in the 90s. However, step

by step Putin and his buddies have violated one article after another. Just recently Putin violated Article 10, chapter 1 of the Russian constitution. The reason I am telling you the numbers is because this is the foundation. This chapter is called The Constitutional Foundation of the Russian Republic. And any changes to this require a popular referendum. Anyway, he became the leader of this United Russia Party, which has a constitutional majority in the parliament and he's going to become the chief of the executive, the Prime Minister after May 8th. The Russian constitution doesn't allow for that. Article 10 prescribes the separation of powers. No one has even noticed this: Putin is going to combine in one person the chief of the executive, the Prime Minister and also leader of the majority in the legislature. So the constitution doesn't exist; a lot of laws that derive from the constitution no longer work. The rule of law, good or bad doesn't matter, that existed in the 90s, has evaporated by now.

Now what kind of future should we expect in that context? There is a joke in Russia; what's the difference between an optimist and a pessimist? The optimist says it can get worse, the pessimist says there is no way it can get worse. So I'm an optimist; I believe that we have yet to hit bottom. The whole question is how badly this will go, because the regime does understand that it is lacking in legitimacy, and that there is a need to bring in something, some ideal, some ideology in order to provide it with more legitimacy. Currently they are trying to play with Russian Orthodoxy, and Russian Orthodoxy has recently become a substitute for the communist party. So Russian Orthodoxy in a way is becoming an idea that should sort of unite all Russians, because there is no other basis to reunite the people. There is a huge disparity in terms of incomes. There are 2 per cent of super rich and still 15 per cent or 20 per cent, depending on how you count, who live below the poverty line etc.

If it goes this way then, I don't want to say that we're going to repeat Nazi Germany, but we may come very close. I don't think that they will go to excesses; there is no need for the gas chambers anymore probably, but it could go that bad. On the other hand, a lot of people from Putin's elite tend to secure their money in offshore accounts and in different Swiss banks. They send their kids to study at western universities, a sign of chic is to take a private jet at

*There's a joke in Russia; what's the difference between an optimist and a pessimist? The optimist says it can get worse, the pessimist says there is no way it can get worse. So I'm an optimist.*

Moscow Airport, to take street girls and bring them to Paris. They have their own understanding of luxury. They love to have quiche in Nice or the places around Nice, so they don't really see themselves constrained inside the borders of Russia. They love the life that Europe provides them; they are attached to European vacations and the way of life, and they buy houses in Germany and in Switzerland and in Paris and in France and all around Europe. This is the only constraint that I see that may allow Russia to evade the worst-case scenario. People from Putin's elite – we are talking about several hundreds of people, not more – really want to be accepted in the outside world.

The next couple of months are probably going to be quite complicated. It's not clear how Putin and Medvedev are going to share power. They will have to set out some framework. It has nothing to do with the Russian constitution or laws or anything like that but it's a huge problem here with the loyalty of the people in the political elite. There are some 15 agencies in total; they report to the president of the country; however people in the political elite don't recognize Mr Medvedev as head of state. They know better than anyone else that he has managed to collect some 31 per cent of the vote in the last election, so he is not legitimate to them, and nor is he part of the corporation. He comes from a law enforcement agency; he's not a part of the corporation, but an outsider. So how this will go, whether Putin manages to keep an eye on people in the political elite, constrain them, provide for them, buy them off with more oil wells, gas pipe lines or land, this remains to be seen, but we are stepping into a period of profound uncertainty. And this is something that the western world doesn't really understand, it's so blinded by these tons of oil and cubic meters of gas that Russia pumps, and of course you know the European dependency upon Russian gas is definitely profound. I would say that the future is extremely unclear both in terms of domestic and international politics.

**Edward Lucas:** I think it's very interesting, this question of what is really distinctive about Russia. And I would agree that you can find things in Latin America perhaps in past decades that look a bit sim-

ilar to this sort of coalition of secret police people and bureaucrats. But I think there is something very distinctive, which is what people often call the Stalinist legacy. I just think one always has to say Leninist, because Lenin invented practically all the things that Stalin continued, and what that left was a sort of profound reach for the NKVD and other agencies, the *Chekisty* for short, in society. I think that even in the Latin American dictatorship there wasn't quite the same sort of memories of mass deportation and mass murder and mass starvation which they had in the Soviet Union at the hands of those people. They have more blood on their hands and they are scarier. So in the general population a certain generation flinches at the thought of those organs in ways that I suspect doesn't happen in the other countries.

So that's one legacy, the other is this extraordinary lasting use of World War II as the sort of defining story for the Soviets and now the Russian states and all the problems that that brings with regard to relations with other countries. I don't think that Brazil or Paraguay are actually fixated on what it was doing in what was happening 50 years ago and get, you know, really cross at their neighbours when they have a different version of history. The way that Mr. Putin visibly gets furious when he is asked in public about the Molotov-Ribbentrop pact, it literally hits a red button for him.

The other thing which I think is very important is that Russia is still to some extent an empire. It inherited the territorial conquests of the Tsarist Empire. It has chiefly shed most of the Soviet gains. This is a highly unusual continuous empire, and is still really undigested. It is really interesting in this way to look at the relationship with Tatarstan. First they tried to co-opt and buy the Tatars; sometimes there would be a bit of bullying of things that the Kremlin really minds about, like writing the tartar language in Latin letters rather than Cyrillic. They slapped this down very hard. But I think there is a real problem with this nationalities issue, and there is a real problem in using orthodoxy as the axis, as a sort of central platform. Where does that leave the 20 something per cent of non-Slav Russians, in particular the Muslims? This will be instantly alienating to many. I think that we have the mood of a kind of red-white-brown coalition: red for Soviet nostalgia, white for tsarist nostalgia

and brown for semi-fascism. In the West we tend to have the idea that it is just a matter of time before it gets democratic, but it might just as well go black, especially if this chauvinist great Russian idea really becomes the central thing. On the question of the way that the elite feels global, I think you are absolutely right. I think the important thing in this is that they cannot pay any price attached to this. When Britain was restricting visas for the elite after the Litvinenko murder thing, which is a very good thing that we did; we thought it's outrageous. They were complaining that they have children in boarding schools and my wife can't visit. A very small but I think very telling example was when Estonia joined Schengen. The first thing they did was to put the visas of the Nashi leadership<sup>4</sup> on the Schengen black list. So these golden youths of Russian politics suddenly found that they couldn't go to France any more. Actually Europe has a lot of soft power, if people choose to use it.

**Gideon Rachman:** I was listening to what Ed had to say about the Soviet memory of deportation and some national trauma. That did strike me as a possible parallel to China, because it's also a country which went through this unbelievably traumatic period in its history. I am thinking about the Cultural Revolution. And the Communist Party is still in charge in China.

**Feng Zhang:** The Cultural Revolution obviously was settled for a time in the early 1980s when Deng Xiaoping became paramount leader and tried to re-evaluate Mao Zedong and what he did to this country. And since then we have had no major reevaluation. So at least ordinary people don't talk much about the Cultural Revolution. But some segments of the population do feel that the country was more egalitarian under Mao Zedong. Now it's highly unequal. So in their sense people began to feel that there was something indeed worthy in the Mao Zedong era, whereas now everything is quite chaotic.

In China there's been a long period of so-called victim mentality which basically says China is a victim of great power politics, of imperialism since the middle of the 19th century, beginning with the Opium War, and ending with the Japanese invasion of China.

But now as China becomes stronger, people have begun to argue that it should have a great power mentality to suit its new status in the international system. Again this is nothing surprising. As a country becomes a great power, its thinking will inevitably change and we should expect in the future, as China becomes stronger, it will have more of this kind of new thinking of how China should behave in the new international system. And China has to behave at least in some ways as the United States has behaved.

Chinese policy makers certainly have to expect that, as you grow stronger, outside powers see a threat and respond to it with a variety of strategies. One is to try to prevent Chinese economic penetration in the West. This partly explains why Chinese companies tend to expand in Africa and the Middle East, because there's nowhere else for them to go. I'm aware that Chinese companies are investing in Western European countries, but they tend to go much more frequently to parts of the Africa and Middle East because in terms of political environment, that's more hospitable to their expansion. As you grow stronger, you inevitably want to expand your interests. The Chinese government says that China doesn't have expansive interests, we are quite content with what's going on here, but the reality will refute their argument. What we're seeing today is exactly the Chinese expanding their interests around the world. They expand first into easy areas, of course.

**Azar Gat:** I am intrigued by the nationalist-imperialist tension. You said that you don't see China becoming a nation state, while I mainly think of China as a nation state. It has more than 90 per cent Han Chinese; minorities, well they have the Tibetans and the Muslims of north-western China, but they're only 7 per cent all together. It's more of a national state than many, maybe than most. As far as imperial ambitions are concerned, they are mostly directed at Taiwan which they regard as Chinese in terms of culture, ethnicity and so forth. So what is it that prevents you from looking at China as a nation state? Now with respect to Russia, thanks to

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<sup>4</sup>) The government-funded youth movement in Russia.



the collapse of the Soviet Union, Russia is more Russian than ever before, but they are also haunted by their imperial past and by the loss of the empire and the little brothers as they call them – Ukraine and Belarus. So there is a challenge to nationalism that may be posed by imperial dreams, I don't know if you can say ambitions. If you could elaborate on Russia and China from this point of view: why is it that you cannot see China as a nation state?

**Robert Weil:** So much of the Chinese industry has been built up on exporting to America, but now we know we have the biggest consumption bubble since the 1920s and that Americans probably won't be able to buy Chinese products as before. China built so much of its wealth on being a trading partner with America instead of building a strong society. If the Chinese middle class had been stronger, the Chinese society would not have been solely dependent on America and the West. If the consumption bubble bursts now, then I think there is a big risk that the people of China will be upset with their government that it didn't foresee the vulnerability of the West.

**Feng Zhang:** When I say China can be conceived in some respects as an empire, I do not mean China is imperially ambitious as in the past to expand its territory. China exhibits mixed characteristics of both empire and nation state. The Chinese government now frames the Taiwan issue as an issue of national unification so in that mindset they take the Chinese nation state. But when I say China also tends to exhibit a capitalistic sort of empire, I primarily mean that China has yet to solve the kind of problems that manifest themselves in imperial times. It is true that over 90 per cent of the population is Han Chinese, and some minorities are very tiny in proportion of the population. But if you look at the territory, again it is true that the Han Chinese constitutes a majority of Chinese territory, but again look at Tibet in the west of China. In the old days people used to call it Chinese Turkistan. That was also a conquered region in the last dynasty in imperial China, and some of the problems the Chinese government is dealing with it today are quite similar to what imperial governments have dealt with in imperial times. The Chinese

government is also centralized; there's a highly developed central bureaucracy, so in other words there is no difference between China now and China then. The political norm is entirely different, a rationale entirely different in the past. Emperors can claim the mandate of the heaven – that was their basis for legitimacy. I guess this is where the problem is: the Chinese have to find a base for the legitimacy of their own rule in the future. Immediately following 1949 they could base their legitimacy on the revolution. Perhaps in the 1980s and 1990s there came economic growth. Now things are different. On the one hand there are lots of problems, on the other hand you do have to deal with political legitimacy in today's world. So I'm not trying to suggest that China is an empire exactly in the way it was in the past, but I try to emphasize some of the characteristics so we can understand them better.

**Rachel Briggs:** Do you see the sort of economic expansion in Africa and the Middle East as part of an ideological project for China, as opposed to kind of a pragmatic economic growth project?

**Feng Zhang:** Economic expansion in these areas is quite natural, and we can expect that as the economy grows, Chinese companies want to expand for a variety of reasons. The government may want certain companies to secure resource supplies; the companies will want to expand for their own economic and financial interests.

**Gideon Rachman:** But I think it does almost by accident take on a slice of ideological tinge as a sort of post-hoc justification. The Chinese come under attack because of the way they are behaving in Africa, and if you talk to China-Africa experts they will then say, well hang on, we act legitimately and we are helping to develop Africa and you in the West as former imperialists are not in a position to lecture us. The economic rationale comes first, but then as you become challenged, you have to develop a slight theory of what you're doing and why we are doing it and why it is legitimate.

**Diana Pinto:** Looking back on these authoritarian capitalist regimes that we had in the western world, they slowly sank for all sorts of

*But after China develops, she may choose to go protectionist herself, especially if her competitive edge diminishes because of a rise in labour costs and so on. She's the largest market.*

reasons into autarchy. Or anyway, there was this notion of socialism in one country or “buy German, be German”, “only buy Italian” and so forth. And I was just wondering concerning this authoritarian mood, if you look at China today or Russia as you've mentioned about the elites screaming because they can't go to see their children at Oxford this month, does this model, is it of use in a highly globalized world where China has invested and has phoney American money in its portfolios. This is rather new isn't it?

**Azar Gat:** We had the first globalized era at the end of the 19th and beginning of the 20th centuries. The share of the GDP that was traded was as large as it is today, and that order collapsed with the return of protectionism and imperialism and eventually, after the collapse of the world economy in 1929, with autarchy. Obviously it's very important that this will not repeat itself. Whatever you said earlier, regression can also come from China. China is now interwoven into global trade as, by the way, was Germany before World War I and it didn't prevent the war, even though Britain was the second largest trading partner of Germany and vice versa; it didn't prevent the First World War, even though many believed it would. But after China develops, she may choose to go protectionist herself, especially if her competitive edge diminishes because of a rise in labour costs and so on. She's the largest market. She may choose to go on her own. We have had such massive reversals in the past.

**Diana Pinto:** I know we will talk sooner or later about sovereign wealth funds, but trade for me did mean that you brought things from one country to the other. That could collapse; you could create a continental blockade or whatever. But now that countries are so fully invested into the pension funds of others, involved into what used to be domestic economic investments, how can you untangle these things?

**Azar Gat:** Why do you think that investment is more difficult to untangle than industrial production? I would say that industrial production as it was internationally intertwined before World War I was much more difficult to untangle, and yet each country did surpris-

ingly well, at least during World War I, and then less well.

**Diana Pinto:** I think it's more difficult to untangle investment because it's immaterial and all over the place rather than, yes you can change the size of rail road gauges and the cut for support.

**Gideon Rachman:** It's a very interesting question. If the Chinese own 15 per cent of Wall Street, presumably they'll want Wall Street to succeed.

**Diana Pinto:** Feng mentioned three times that China was not really yet a model. Was this rhetoric or a long term prognosis? Was it an elegant way of saying it can't be a model, or is it that you think there were elements with which it can become a model 50 years down the line, or 30 or 40?

**Feng Zhang:** If the word model is to be used usefully, we can't talk of a China model now but as I also said, I do have confidence in China having a model, let's hope in a generation's time. By that time, if China is relatively developed, not that it won't have problems, but that it can sustain itself for a fairly long period of time, then we can start to think what this Chinese development path is. To be a model it has to be at least to some extent sustainable.

**Gideon Rachman:** In a way it seems very modest of you. You have had 300 million people lifted out of poverty in 20 years. So you could say, well look here, something quite remarkable has happened that others might try to learn from.

**Feng Zhang:** Yes, it was remarkable but let's think of the problem in this way. In 1976 China had just emerged from the Cultural Revolution which almost damaged the country; it almost collapsed. Then Deng Xiaoping sensed the problem; he developed a solution without being fully aware of its exact content. In 1980 China was desperately poor, and so there's a lot of potential for improvement and from a low base you can develop very well, very fast. That's true of every country. They enter into a certain stage where a level of for

example 3 per cent or 4 per cent, that's quite good. China is still developing at 9 or 10 per cent. I think at some stage there has to be a major structural readjustment.

### 3) Panel 3: China and Russia in regional and global politics

Theme for the panel: What role will Russia play in its relation with the rand states and for European developments? What does the relation between Germany and Russia look like? China's role in Asia, Latin America and Africa. What impact will China's rise have on global power dynamics, and on the international institutions? How will relationships with the US be affected? The significance of a democratic India and Japan.

**Sten Widmalm:** I will make a few points about the development we're seeing when India and China are increasing their trade with Africa. First I will mention some of the encouraging trends and this mainly has to do with economic growth and the possibilities of building something like a welfare state or states with greater responsibilities. And this will lead us to a question I have that should be raised about current aid policies in Africa, which run into problems facing these developments. Then I will finish in a more gloomy way, I suppose, where I will be discussing the consequences of the current increase in trade between Asia and Africa and how this relates to security issues.

There's no doubt that China and India are establishing themselves in Africa in an unprecedented way; it's quite spectacular from an economic perspective. Harry G. Broadman has written a very important piece on development there and claims that exports from Africa to Asia grew at a rate of 15 per cent between 2000 and 2005. He also says that Africa's exports to China alone increased at annual rate of 48 per cent between 2000 and 2005. The figures for the EU and the US are much lower and this, of course, depends on the starting point – it's easy to double the volume of trade if you have nothing to begin with. But something is going on here which is very important obviously.

Much of the activities are centred around a number of countries. We're talking of sub-Saharan Africa, mainly Angola, Equatorial Guinea, Nigeria, Republic of Congo, Sudan, South Africa. Much is oil, there's a lot of copper and natural resources in general. But there's more going on in the economic exchange. Industries in

Africa are being modernized to a great extent and the middle class in both China and India are buying household consumer goods, processed foods, telecommunications, and they are going to Africa for tourism. It would be an exaggeration to say that India and China are lifting Africa out of poverty, since the scale of it is not that big yet, but one must admit that the impact is quite great.

There's also a political impact following from this. Asia now buys as much from Africa as the EU or the US, Africa's traditional partners. India and China are now more important for Africa than Japan and South Korea, and China will soon invest more in Africa than the IMF and the World Bank are lending to Africa. And many African leaders find it convenient to deal with the Chinese, for example, because they are not as patronizing as the people from the EU and the US and things can happen very fast. To set up a contract can take a few months instead of negotiating things for years and years with members of the European Union.

The strategies used by India and China are different, however. We can speak about horizontal and vertical integration patterns. The horizontal one is represented by India, using its own communities that have lived in the area, in eastern Africa and South Africa, for a long time. Family-owned firms play quite a major role there; they are establishing themselves and negotiating their economic enterprises. China, on the other hand, is building its enterprises by the contacts between governments, that's the vertical integration. Altogether this creates great changes and modernization in some sense. One of the classic problems for Africa is clientelism, and it seems that the powers of capitalism are so strong that these clientelistic patterns of power have been broken in many areas in Africa. New businesses are managing to establish themselves, and no aid project in the past few decades has managed to do anything like that. We have been aware of this problem for a long time but we haven't found any way to handle this, so this shows something of the power at work here.

Aid is not very good at creating economic growth and top-down large-scale projects tend to fail and even create more problems than they solve. On the other hand, for example the big polio projects have been successful, so one needs to have a balanced view.

But, if India and China are having an impact on Africa, this can be turned into quite a big critique of the many aid projects going on in Africa today. We may finally be asked if aid is something we use for ourselves to morally hi-jack people like me, political scientists for example. I don't believe in some conspiracy, but the effect could be something like that and we certainly need to reassess it here. Aid policies cannot look the same in the future and certainly not in Africa.

China is trading with African countries with no political demands attached. Not so long ago, the people working for our aid agencies could travel in Africa and just lift the telephone and tell the minister of finance to come to their hotel to meet them and they would do so very quickly. A few years back India all of a sudden said to Sweden that we don't want to have a bilateral aid project unless you give very much more, because it costs more for us to run these things. So they just cancelled bilateral aid with Sweden. The same thing will happen in Africa quite soon. If there ever was an impact of tying aid to liberal democratic values, the scope for that is growing smaller. Aid is just opposed to Chinese investments.

There is a slightly darker side to this process. It has to do with what is happening with the money made from increased global trade in general, and in particular the money made by China, India and to some extent Russia. The general trend in the world is that military spending is on the increase again, and I think there is a connection. Beyond the war on terrorism for example, it also has to do with the emerging economies, which is happening at the global scale and the patterns I just described here. A general boost in trade creates difficult political situations on the ground. For example, some exports from China and India are competing with the local markets and some people are being put out of business and you can see political conflicts emerging from this. And Chinese investments are not to be seen only as market strategies; they are also part of the well-integrated geopolitical strategy. There is a lot of security thinking behind this. India is pursuing some of these things as well. We have big summits, for example the big India-Africa summit just last week. But China has plans as well and they are not discussed in open summits as much.

Of course things like this can be said about the EU or the US as well, I don't want it to seem like China is the main culprit here. But this development posits a challenge to liberal democratic values and institutions. One can see that reflected, for example, in the relationship between India and China. There is a tendency in India to swap liberal values for market goals when they are dealing with China. You may have heard that India entered into an agreement with China not to allow protestors to approach the Chinese border. As early as 2003 it was agreed between India and China that India would recognize China's claim to Tibet if the borders of Sikkim would stay the same as they are already. This has been a big source of dispute between India and China before. So one can certainly see tendencies here and the relationship between China and India is quite cosy. They are even doing military exercises together.

These countries keep up investment and growth and they realize that you need to protect your investments. A lot of the countries are not increasing their spending on health care so much and things like that. You can see that traditional security doctrines apply and the US, Russia, Germany and France export a lot of arms. They are the top arms exporters around the world and the main receivers are China, the United Arab Emirates and India.

And when you look at Africa, we have an abundance of small arms in these countries and most of the states are really weak. And to use this as a playground for capitalism has a lot of dangers that one should be aware of. Increased trade is good for a lot of countries but it's not only creating stability. There is a great competition for resources and these resources are scarce and this will ignite certain conflicts. So in the near future one could expect more conflicts, first between authoritarian regimes and then also between authoritarian regimes and democracies as well because of this competition for resources.

**Mark Leonard:** We need to have a fundamental change in the way that we think about China. We have thought about it largely in economic terms; more recently we've started to think about it in political terms. Simply talking about authoritarian capitalism or authoritarianism is kind of unhelpful in terms of understanding China.

There isn't a ready-made Chinese model which is perfect, but there is one which is being forged out of very lively debates within China at the moment and China is starting to chart its own path. If we look a lot at the first 30 years of its development, it can be seen as a gradual process of rejoining the world, assimilating ideas from the West. The next 30 years or so are probably going to be more about China projecting its own ideas onto the world. Some have been digested and adapted from the West, other ideas are not western, more indigenous and a consensus is emerging from these debates, which is going to lead to a different model of capitalism, a different model of political organization and a different model of world order. I don't have time here to go into this in depth but in my book I do try spell out some of these arguments.

In the economic realm there is a battle going on between members of a pro-market, new-right people who believe in a kind of night watchman state that exists largely to protect property rights. They have been so influential for most of the last 30 years that Chinese academics talk about the 90s as the dictatorship of the economists. Their ideas were absolutely essential to development in China but, having been these glamorous, exciting figures, they are now about as popular as traffic wardens in central London. They are constantly under attack. They literally say that we feel we are under siege at the moment, and their political masters, the people who gave them so much protection in the 90s and in the early years of this century, are also less dominant than they were. There has been this well-publicized political shift from Jiang Zemin's Shanghai set, that believed in economic growth above all else and had a more kind of free market vision, to the new regime of Hu Jintao that is more interested in the circumstances of the provinces that haven't benefited as much from the last 30 years. And the regime is increasingly picking up some of the ideas of a loose group of intellectuals who are called by their enemies "the new left". They don't like being called the new left because for most of the 90s the term left wing was an insult.

They are people who want a gentler form of capitalism and a social safety net. They want to develop different types of ownership, protect public property from privatization, have low price health-care, give workers a say over their future, and stop China from

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destroying the environment. There's been a shift from the sort of capitalism which developed in the coastal regions to a different kind of a programme which hasn't yet been realized. The shift is happening first in rhetorical terms towards an idea that development should be more even, should deliver for a wider group of people. This type of state capitalism – where profits are used to deliver deeper social goals – is an alternative to the Washington consensus. It is against privatization; it's in favour of having an active industrial policy which is led by the state.

The second realm of political debate is about the question of what form of political organization China should have. And there has been a big shift here as well. In the 1980s most public intellectual thinkers, people in the elite, thought that China's future was to go towards some form of liberal democracy. They would argue about whether to go for a presidential system like in the US or a more parliamentary system on the Westminster model. After Tiananmen Square the debate disappeared but not just because a lot of people who were making these arguments ended up in prison or in exile. Because of China's own success, a lot of serious people are asking serious questions about how useful elections and democracy are for China. You had this movement in the 90s to create grassroots democracy with elections at village level and they brought in laws into make this compulsory, and then provinces, particularly Sichuan, tried having elections at the slightly higher level of townships, but that process is more or less stalled.

There are still Chinese scholars who believe in elections. They will talk a lot about inner party democracy and how you can have democracy in the party before you have it in the rest of society. That would be a big step forward: the Chinese Communist Party has more party members than any country in Europe has citizens.

I know some experiments have been happening. I went to this place in Szechuan called Pinchang which is the first place in China where all the townships had to elect their party secretaries. It was quite revolutionary because normally each level of government appoints the party secretaries on the levels below it. But Pinchang is a pretty poor and miserable place and I don't see anyone seeing it as a model for the future of China. Moreover, there is a growing num-

ber of intellectuals like Pan Wei who think China is better off avoiding elections all together and instead focusing on introducing the rule of law, what he calls the consultative rule of law. That means having the rule of law and a meritocratic, technocratic government of high quality civil servants. But they also want to make sure it's consultative so that it knows what's going on in society. That's why, alongside some of these experiments in interparty democracy, they have done all sorts of other experiments in introducing forms of consultation. So in Chongqing, which is a city bigger than most European countries, they have introduced a law which means any significant decision is to go out to public consultation. So these public consultations happen on the internet, in person, some of them are even televised.

And some people have gone even further. Some of you might know the work of this Stanford political scientist James Fishkin who developed the idea of deliberative polling. The Chinese came across this, so they tested it out in a coastal province, where they decided to use deliberative polling to decide how to use their public works budget. So they got a representative sample of people together for a day and they got different people to make presentations, about 30 possible projects from a proposed sewer works to building roads, schools, etc. And the people were allowed to decide which ones they wanted to do. What's emerging is a different kind of one party rule and I don't think that this idea of authoritarianism is necessarily the best way of understanding it.

It's vastly different from the sort of one party rule that you had when Mao was in power or even Deng Xiaoping when it was one person sitting in a room making decisions. And the changes in China's political system have been almost as dramatic as the changes in the economic system. But they've been almost totally unrecognized by the West, because our only idea of change is moving towards a western type of liberal democracy. This is the second realm where there is a debate going on, and what's emerging is what I called deliberative dictatorship rather than democracy.

And the third realm is foreign policy. What's very interesting is that Chinese thinkers have embraced and used some of the most cutting edge western ideas about globalization, but turned them on

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their head into tools for projecting and strengthening what they call comprehensive national power, CNP for short. And it's a sort of national obsession within China to both measure China's power and to rank it against other countries' power.

There were eight different indexes developed by all the different think tanks in Beijing which have different ways of measuring it. It is unashamedly *national* – even in this era of globalization and universal norms. Secondly it is comprehensive, I mean really it's quite comprehensive so they're very different from kind of Donald Rumsfeld who claimed that he had no idea what soft power was and had never heard of it. The Chinese are obsessed with soft power and they are trying to work out ways of measuring it and including it in these different indexes.

But my main point is that what is interesting is the way that ideas in the West that seem to be descriptions of the decline of the nation state have been turned into tools of power projection. I'll just focus on three very briefly; one is the idea of soft power which we kind of tend to associate with non-state actors and jeans and Hollywood and in China is very much about the rules of the international system. There's a quote from a guy called Yang Yi who was head of one of the PLA think tanks in Beijing. He talks about how the West has captured the moral high ground of international politics and created a strategic siege of China. It has put itself in a position where it has the final say on making and revising the international rules of the game, so that when China does anything then it's the West which decides whether this is legitimate and responsible or irresponsible and illegitimate. So, soft power and this idea of increasing Chinese soft power, has become a very important and a real issue for them. They're sick and tired of being on the defensive, having to justify everything they do according to rules which are made elsewhere.

There was a big conference a couple of years ago where they talked about the China dream which could be a counterpart to the American dream and what's interesting about it is that it is less about kind of Jackie Chan and green tea and cultural attractiveness – though they are setting up Confucius centres and setting up an international TV station and teaching Chinese etc – but the real

content of it is trying to associate China with powerful ideas such as economic development, of sovereignty and independence from western intervention.

The second thing which is maybe even more interesting is the whole idea of multilateralism, which again in the West we kind of think of is the decline and the regulation of nation states. In China the people who've been keenest on multilateralism tend to be assertive nationalists, people I call the neo-comms. They understood that if you really want to assert yourself, a very good way of doing that is by creating multilateral institutions which enshrine and embody your values and your ways of doing things.

There was a revolution in Chinese thinking about multilateralism in the mid 90s. They realized that the US didn't really care about multilateral institutions and in fact preferred to have a "hub and spokes" approach to its neighbours and so it had bilateral relationships with every single country rather than generally trying to create multilateral accords. So China saw a market opportunity and decided to create a new security concept which would allow China to build a different sort of relationship with its neighbours and to reassure them a stake in its rise. That happened both westwards through the creation of the Shanghai Cooperation Organization but also in Asia itself.

The third idea is this idea of asymmetric warfare, which in the West again we associate with non-state actors, whereas in China there is an obsession with the idea of how to defeat a technologically superior opponent, probably the United States. There is also a military dimension to that. Chinese military spending is going up very rapidly, but the idea is not to match the US presence in Asia bomb for bomb, dollar for dollar, and to get sucked into an arms race that will destroy it in the same way that it destroyed the Soviet Union. Instead it's about trying to neutralize American political power. What they're looking for in Taiwan, for example, is a way of increasing the cost of warfare for the US by taking satellites out and to blind the Americans.

What is more interesting is the applications of these ideas outside of the military. There's a very famous book which came out in the late 90s called "Unrestricted Warfare" which looks at what this

is going to mean in economic terms. They were fascinated by the Asian financial crisis and the damage which George Soros could wreak within East Asia. If a single individual could do that without a fiscal agenda, how much damage could a state do that really wanted to do this sort of thing. Equally there's the whole idea of "law-fare", how you use international law to bind other countries in and to restrict them.

In broader terms there is a kind of quest to control, to create a world where national governments can be masters of their own destiny, not subject to the winds of global capital and American foreign policy. They want a world where investment technology, market access are available from the rest of the world but they don't come with a price in terms of absorbing western values and western ways of doing things. There is a coherent agenda emerging through these things which is not only attractive within China but with governments in Africa, Central Asia, Latin America, and the Middle East. It means that there is no longer a binary choice between assimilation of western ideas and isolation. There is an alternative option emerging, a particular economic model of state capitalism, independence and sovereignty.

How would this affect the rest of the world? People often misunderstand how China will impact on the rest of the world because they don't start by looking at how China has changed itself. There is this idea that it is a revolutionary power and it's going to overthrow the existing world order and replace it with a new one. But we need to look at how China changed its own system. The most revolutionary idea behind China's rise is this idea of gradualism. Look at how China moved from being a state-controlled economy to a market economy. If you look at the realm of pricing for example, instead of just going from an economy where prices were set by officials to one where they were set by the market, they created pockets of an alternative reality where certain goods and services continued to be sold at state-controlled prices and others at market prices. Over time, the proportion of goods sold at market prices steadily increased, until by the early 90s almost all products were sold at market prices. So rather than closing down the old central planning system and then opening up a new one, you create an

alternative reality within it. The most famous alternative reality was Shenzhen in the beginning of the 1980s, an unremarkable fishing village and now it's one of the emblems of global capitalism. It was the first "Special Economic Zone" which was given tax breaks, freedom from government regulation and licenses to pioneer new market ideas. The way in which China will affect us in the future is with the creation of these new pockets of Chinese world order. And you can see them happening in each of the different realms I talked about earlier. China is starting to create these special economic zones within Africa. So it is literally transplanting its growth model into another continent and African countries are fighting to get Chinese special economic zones.

You have similar things going on in the political realm, where the Chinese government has both helped various governments by protecting them in the United Nations but also very concrete help with reform, doing enough to avoid opprobrium from the West. In the foreign policy realm I do think that there are these new pockets of Chinese world order being built by the Shanghai Cooperation Organization, East Asian Community. But even existing institutions are being transformed. It's fascinating to see the extent to which the UN is becoming an amplifier for the Chinese world view. If you look at votes within the UN system on human rights issues, China has gone from 5 years ago winning about 40 per cent of the votes to 80 per cent of the votes, and the US has gone from winning maybe just under 60 per cent of the votes to just over 20 per cent of the votes for human rights issues.

So those are the two points. One is that there is an alternative model being developed; secondly that the way it will be spread is by creating these alternative pockets of reality, changing facts on the ground rather than overthrowing the existing world order. To what extent does China have to be missionary about spreading this system really to become a model? Because it is already seen as a model in places – as long as China succeeds, and it seems to be succeeding, it will be a model. When it fails, it won't be a model any more, but the Soviet Union did take quite a long time to collapse in practice and until 1991 it was an alternative model to the West. And that was even when it was performing less well than the West. China is ob-

viously completely different from the Soviet Union; it's not an alternative to capitalism but it does involve a different way of doing things, and I think some of its legitimacy on the world stage comes from the fact there are these ideas which are important to different people about economic development, national sovereignty, and not being the United States. Because China is the biggest and most dramatic place in the world, it will benefit from association with those ideas and will become emblematic of them as well. Woody Allan said that 80 per cent of success is just showing up, and I think that China in the next few years is going to show up. Not being the United States, being an alternative power will get it quite a lot of traction. Now it might not be enough in 15 years time but it is certainly changing the dynamics in many parts of the world already.

**Azar Gat:** I would like to make both sides of the argument. The first question is what kind of comparison is appropriate. One comparison would be, as you said, the Washington Consensus, with the developed world of today. China is in the internet era, has many advanced technologies and so on. The other, though, would be to compare it with states that just finished the early stage of modernization. That would put China in the same category as, say, the European states system at the beginning of the 20th century, the late 19th century. They have the same concerns, after the first spread of high capitalism, how to contain the market, how to protect society against the ills of unrestricted capitalism, how to preserve group values, traditional values. This would be an old story again, not a new one. It can be regarded as a phase in the development through which the other European countries went and then proceeded. Or it can be argued that other European states such as Germany, and non-European states such as Japan, tried to define a different path, pretty much along the lines that you have just suggested, and they might have succeeded, had they not been crushed in the two world wars. China is not going to be crushed in war, presumably, so it may stand a better chance than Germany and Japan at realising a different model. It's both a new story and an old one and it maybe realisable this time.

**Johan Lagerkvist:** It is interesting to read what the Chinese-Africanists actually write. When they worry about Africa and what is going on there, it also becomes a projection screen for developments inside China. They discuss human rights institutions in Rwanda, for example. They have national human rights institutions and they have set an effective rule of law now, and they look to this constantly, and that also, of course, bounces back on the Chinese reality, not having a sufficient rule of law. So once again there is not a coherent set of values. There are different opinions in different parts of the Chinese intellectual elite. You have the bureaucrats and you have the policymakers, you have the intellectuals. The problem is, of course, is that all these people with more honest voices who know what is going on the ground seldom actually manage to influence the top policymakers. But we should not think of China as having this formula for dealing with other nations now because what they are doing in Africa, Latin America in some places, foreign policy is a by-product of China's economic engagement with the world. They haven't really written this in stone yet.

**Sten Widmalm:** I was thinking about the possibility for democratization in China and you mentioned these experiments that have been going on the ground and that they have basically stalled. That was how India's democratization came about – gradually from the bottom up. It started at the *Panchayat* level and it was a gradual process that took a long time. But that also gave a chance for certain values to root themselves, and out of this came a very stable democratic state.

**Feng Zhang:** I am not an expert on this, but I think the simple explanation that the reform can't go out into the township, even city level, is because then the fundamental structure of China's government will have to be changed. If you can elect city officials, then the question will be different from if you just allow it in the villages. If you move up to the city level, you create discontent; there will be lots of side effects of this reform. Because Chinese government hasn't thought out how to initiate reform from the top down, they have to adopt a strategy from the bottom up. "Let's just try from the bottom

up.” And they want to see how far they can go. Quite a lot of Chinese theories on democracy are serious thinking about what kind of democracy will work for China. And this village level is certainly an experiment for them. I may be wrong or maybe I’ll be offering a misleading view of what is really going on in China, but I sense they haven’t worked out what a clear government structure in today’s China would look like. And today the government certainly wants to account for the people’s demands in society and a lot of other areas. They have yet to work out how an institutional government structure can be constructed.

Can we just briefly say a few words about China’s soft power? Certainly we see a lot of Confucius institutes being set up in the world, over a hundred now. Again I think it’s fallacious to think that setting up a Confucius institute can enhance China’s soft power. If it’s not entirely fallacious, it’s at least misleading, because soft power is basically if you believe in your ability to attract people, not to coerce people. The most effective way to attract is by behaving yourself. Whether your behaviour can be attractive to the people, whether they can judge by themselves, whether that’s the thing we want to admire or whatever. Diplomacy can be helpful, but that’s not the whole story certainly. And the biggest problem in China is soft power socializing its internal development. What kind of political model is China offering the world? To many people, the model is terrible. World opinion nowadays is in favour of human rights. And the Chinese image on human rights is terrible. You can’t expect Chinese soft power to grow in these kinds of situations, at least not in the West.

At the moment the Chinese realize there’s a fundamental conflict between the Chinese and the West. So they shift their gravity elsewhere. They want to create their own laws and sphere of influence so they can say to the West: “What we are doing is liked by people, for example in Africa or wherever, so you can’t criticize it.” The biggest battle for China, if at all they indeed want to win this ideological battle, is with the West. What I am trying to suggest is that soft power grows by example, by how you behave internally and externally. And if your internal dynamics don’t appeal to a great majority of people outside your own borders, then this trade is not

going to be very effective.

**Azar Gat:** China considers itself still relatively weak, so every veto power that it can have is welcome to China. That’s why it is in favour of multilateralism. The more it grows in power, and it’s growing in power rapidly, the more it will behave like a superpower, and it is natural that this will be so. And if you have competition in the market place for ideas, so yes, the liberal hegemony will be compromised, there will be alternatives, and the power of liberal values in the international arena will be that much compromised.

**Johan Lagerkvist:** What you just mentioned, Azar, was the realist position. Eventually China will grow out of the mindset it has now, but that’s still very much a minority position. Inside China most security analysts tend to think about China as a nation that would never seek hegemony, a nation that has a peaceful and idealist past. There were a few people that tend to look to Chinese spheres of influence that must be increased especially to protect the flow of energy and keep the economy running. You have these analysts who want China to become a naval power to protect its commercial roots overseas. But this is still a minority question.

**Yevgenia Albats:** If I may ask a question? I don’t understand what you, Mark, are saying about soft power. You have some products to sell. So far what we see, that the only product that the Chinese are capable of selling is access for businesses to come and operate in China. So far they have to send their students to western universities. Should Feng speak like that in his home China about human rights, well I really don’t see him making a career in China with this type of mindset. So people like Feng come back to China; they bring different values and they in turn change China in that way. So I really don’t know what you are talking about. If you mean by soft power that China is capable of providing anti-Americanism to the outer world... give me a break.

**Mark Leonard:** What I mean by soft power is non-material forms of power. It’s not market, it’s not bribing people, it’s not sanctions. It’s

the battle for rules and to say what is legitimate and illegitimate. In the past the West has decided which regimes were legitimate and illegitimate and when it was legitimate or illegitimate to use military power. So we decided in 1999 that it was legitimate for us to bomb Kosovo without any authorization from the United Nations. Actually quite a lot of people in the world agreed with it. When it comes to big international decisions in the future about climate change, whether a country can intervene or not, what kind of regime you use for dealing with proliferation, whether you use sanctions or not, it's partly hard power because they block things in the Security Council.

**Yevgenia Albats:** The Security Council is no entity anymore!

**Mark Leonard:** Not in your country but in most European countries it is a big deal.

**Azar Gat:** Let me try! We agree on Chinese food. Apart from Chinese food – we are talking a generation or two from now – group values as opposed to individual values, social cohesion, all these things as a different model may be appealing to many people.

**Yevgenia Albats:** You want to change human nature!

**Azar Gat:** No I don't. Let me remind you that during the 1920s and 30s the fascist message was hugely appealing. The democracies were viewed as decadent, dispirited, divisive. There fascist ideology had a huge appeal. It may return, not necessarily in the same form as European fascism of the 20s and 30s, but in a different form.

**Mark Leonard:** If you go back to 10 years ago, everyone was privatizing their state sectors, now they are not. Countries which believed that you weren't allowed to have an active industrial policy led by the state are not doing that now. The idea of planning your economy, having very capital intensive ways of investing any technology, national champions, strategic sectors, all of these sorts of things are not all down to China, but it's got a lot do with the Chinese eco-

omic model. If you look at the economic policies prevailing in countries like Vietnam, in Brazil, in most Latin American countries, in most of the Middle East, it has got quite a lot to do with China. That's just in the economic realm. In the political realm – we talked about the United Nations – it's becoming quite dramatic. 46 countries that voted with Europe and America five years ago now vote with China. The fact that they vote against European and American resolutions in the General Assembly has more to do with soft power than with hard power. Ideas about what's acceptable and what's not acceptable have slightly changed.

**Diana Pinto:** I was just thinking about the nature of our collective discussion. We were talking about capitalist authoritarian great powers, and even this particular section had China and Russia in regional and global politics. Yet Russia just evaporated. We're all fascinated by this monument of a country called China and it is irrespective of whether it's capitalist, authoritarian, or Confucian. When you put 1.4 billion people on the road to something, it becomes the topic about town. The notion of Russia and China being similar, which we discussed earlier as we began the afternoon, has just not only evaporated but it's like the Persian letters of Montesquieu. You're thinking about something else and there's this monster next door that you know, even if you killed 300 million of them by some kind of nuclear weapon, there's still a billion left. We would have the same kind of debate if China had become democratic. It is the notion, the essence of China that's been fascinating us, the power of it, irrespective of its system.

**Azar Gat:** But the system matters! When China was communist, it was huge but weak, it was undeveloped and unlikely to develop. If China becomes democratic and develops, then we have reason to assume that relations between China and the West would be less conflictual. So it matters if China is communist or democratic or authoritarian. China is a big player, but what system China possesses has huge implications for the international system.

**Diana Pinto:** But what if it were more democratic, wouldn't it be

pursuing exactly the same venues in Africa or elsewhere... Why should it be because it's capitalist and authoritarian?

**Azar Gat:** The main problem from the point of view of the international system is whether or not we are going to have two different camps that will develop an acute ideological rivalry, a conflict situation and arms races, and spheres of influence. If China becomes democratic and pursues development in Africa or Latin America, it would not be different than, say, the US or the European Union each pursuing its goals within an open economic system. That would all be alright.

**Kay Glans:** A comment about China as model; there are obviously conflicting interpretations here. China is the focus for such projections whether it wants or not, and that will of course fit into an internal dynamic. There is a distinction between bourgeois and late bourgeois society. Bourgeois capitalism still had its roots in religion and traditional culture; late bourgeois capitalism has lost all that. You have science and technology on the one hand and then a totally relativistic world. And we saw two major attempts to conquer that world, national socialism and communism. We haven't seen them since they lost and we have had a period of, let's say, negative integration: don't do like the Nazis. And perhaps also to some extent: don't do like the stalinists. My intuition is that this era is gone and we will see the same attempt to overcome this late capitalist world's lack of connection, rootedness, meaning and *Gemeinschaft* that we have seen earlier. They won't be exactly the same. Both bolsjevism and National Socialism were closely linked to the First World War. They didn't just happen, they were results of great historical catastrophes. But we'll see, I think, the same kind of theme. We must bring this into the discussion of China's influence also: how well we in the West perceive our own model to work. It won't be a direct import, but it will keep moving this tectonic plate, the political spectrum.

**Rachel Briggs:** Before we finish, I have asked Gideon and Yevgenia if they could make some brief concluding comments.

**Gideon Rachman:** The central theme of the discussion is: are new models of capitalist authoritarianism emerging? I think you can break that down into three areas, maybe more. Is there an internal model that works, a system that can produce results in terms of great prosperity, political stability that can stand in comparison with liberal democracy. The second question is: is there a model that might strike others as attractive or alternatively as a threat. So we are talking about the kinds of soft power but also about the foreign policy implications of the rise of countries like Russia and China which do not share our values but which are nonetheless deeply integrated into the world economic system and which are players. There is a very broad sense that its development is a challenge to the Fukuyama thesis that they all converge around a single system, capitalism, so far at least, it has not lead to the triumph of democracy. We've discussed this question about whether this is simply a matter of time or whether Fukuyama will be right in 20 years time rather than now – that's ... that I think is the question. Are they attractive simply as a development story, do they have forms of cultural attraction? That then brings us to this whole question of the return of ideological competition, which is another theme for our conversation today. Azar suggested quite interestingly that the early experiment from capitalist authoritarianism would never really run its course because of the Second World War. Is there something distinctive about this new set of capitalist authoritarians? They are deeply integrated into the world's economy and I think maybe that's the question we can look at more tomorrow, when we talk about their place in the international system. What are the implications of these countries which define themselves as separate politically, but which are part of the game economically, and how is that going to work out?

**Yevgenia Albats:** The main idea that we discussed during the session was the profound uncertainty about what was going to happen with Russia and China and with the rest of the world. There are a couple of things that we know for sure. We know that back in 1975 there were 22 per cent of the countries in the world that were democracies. In 2005 more than 50 per cent of the countries in the

world are considered to be pro-democracy. So we see that there is the clear-cut trend that the world moves from authoritarian states to democratic ones. The reason people choose democracy as opposed to authoritarianism is that two things never happen in democracies, first there is never mass starvation in a democracy, second mass murder never happens in democratic regimes. And both countries in question, China and Russia, went through mass murder and mass starvation and maybe they are short of making their homework and learning lessons out of this but one thing is a clear cut: that in both countries there are people who definitely don't want to experience signs of any total authoritarian state. But everything is up in the air and uncertainty will prevail in the next couple of years.

#### **4) Presentation of a commissioned paper, "Tolerance and Democracy in Liberal and Authoritarian Market Economies", and responses**

**Sten Widmalm:** In this article we explore a currently less often used approach to understanding the direction in which the "authoritarian great powers" and other states in the world are moving.<sup>5</sup> We hold that social tolerance is the key factor for unpacking the mores of the leading states in the world. This reveals that the US, Sweden, Germany, India, Brazil, Argentina and South Africa are maintaining a steady course in spite of serious challenges. On the other hand, worrying trends are to be found in the "great authoritarian powers" China and Russia. We also observe some worrying indications of a dramatic decline in tolerance in France. The observed trends urge us, in the second part of the article, to explore the interplay between modernization, income inequality, tolerance and democracy. We find support for the conclusion that modernization and economic development positively affect norms of tolerance which, in their turn, are a prerequisite for democracy. Moreover, although conclusions on this topic must be expressed with some caution, we can show that the relationship between modernization and tolerance is conditional on income inequality. In societies with too great an income inequality, tolerance remains fragile, in spite of high and rising levels of modernization.

**Diana Pinto:** In these very brief comments, I shall simply question two of the "intuitive" certitudes which underpin Sten Widmalm's paper. The first concerns his thesis that "We find support for the conclusion that modernization and economic development positively affect norms of tolerance which, in their turn, are a prerequisite for democracy." The second concerns his analysis of France as belonging to those countries, such as Russia and China, that have moved "backwards" with respect to the level of tolerance, and

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5) See Sten Widmalm & Sven Oskarsson, "Tolerance and Democracy in Liberal and Authoritarian Market Economies", Glasshouse Forum 2008.

therefore democracy in the last few years. Finally, I shall conclude with an assessment of France as a very interesting model that proves that a historical democracy can manifest the same characteristics Widmalm attributes to authoritarian regimes.

Is democracy based on tolerance? The coupling of these two concepts seems intuitively obvious, for they both incarnate positive and even generous inclusive values. Yet, I would argue that democracies do not have tolerance (social or otherwise) as their backbone, but rather the far stiffer concept of “the rule of law” (which can but also may not lead to democratic contexts).

Tolerance first of all is an evolving word, and its use today is no longer as “virtuous” as in the past. It was a highly positive concept in the 17th century when Catholics and Protestants “tolerated” each other in complex mixed settings, first and foremost within the Netherlands, France and the German States. But this “tolerance” did not last. Protestants were expelled from France after 1685 and peace returned to Germany with the Treaty of Westphalia and its famous decree that the citizens of each principality would take on the religion of their respective princes, the only *modus vivendi* continuing to exist in the Netherlands, once they had separated themselves from Spain. “Tolerance” emerged again in the 18th century as a highly noble enlightenment-derived concept with the “Edicts of Tolerance” whose beneficiaries were Europe’s Jews, both in the Hapsburg empire and then through the French Revolution in France and its subsequently “liberated/occupied lands” under Napoleon. Tolerance implied at the time that Europe’s most important “others”, the Jews, were allowed to live among Christians without the debilitating restrictions of the past, and, within certain limits, provided they met state-sanctioned preconditions, could even aspire to full rights as subjects and citizens.

Tolerance today no longer carries the same positive connotation, even in daily life. To “tolerate” implies that you “sort of” accept a situation or an “other” but without implicit inexorable indivisible rights for those who are “tolerated”. In France, parking in certain streets is “tolerated”, but that does not constitute an inalienable right. The police can remove it in two seconds as soon as they deem it is necessary. Noise may be “tolerated” at certain hours,

but these too can be expanded or restricted at the behest of the entity that does the “tolerating” without any accountability to those who were “tolerated”.

It is, therefore, difficult to imagine that democracies can be based on tolerance, since the term has a certain element of condescension built into it. Modern democracies are based, at least in principle, on the absolute political equality of their citizens. They are also based on the existence of different political views and parties. If they are true democracies, the opposition is not simply “tolerated” but constitutes a structural beam of the political system. Having an opposition is not the result but the absolute prerequisite of a political democracy.

Tolerance can exist in oppressed, non-democratic and even economically backward settings. One tolerates others who are technically or religiously different, because they are just as oppressed as “we”. Such tolerance stems from the solidarity of “underdogs”. This was often the case in the Italian South or in other backward national settings. Tolerance can also be rooted in indifference based on fundamental inequality. One lets others “live and let live” because the others in questions are not meant to be integrated into one’s own cherished democracy. This was the case of the Netherlands for a long time *vis-à-vis* their own marginals and foreign immigrants, who were “tolerated” because they were not deemed to be dangerous to the body politic to which they either did not wish to belong or did not belong. Conversely, exemplary democratic countries can also engage in active intolerance. This has often been the case in Switzerland, whose Swiss democratic credentials are impeccable, all the more so that democracy is exercised often at the very local level. Yet, intolerance runs high against those who do not belong to the given canton or to the larger Swiss body politic. This there is no clear cut correlation between democracy, economic development and tolerance. And if one wishes to be pessimistic about the world, one can add that economic development and growth offer no guarantee that they will lead to growing tolerance or even democracy.

Widmalm mentions in passing France as one of the countries that are going down the wrong path in terms of tolerance, citing the extreme right-winger Le Pen’s vote of 2003 and the suburban riots



*The line separating democracies from authoritarian capitalist regimes can be often quite fine indeed. And the blurring of such lines is not just to be found in non-European lands, but historically in the midst of them.*

of 2005 as proof of this negative development. I beg to differ. First the extreme right has virtually disappeared from the French political landscape, which has been powerfully recast by the coming to power of both Presidents Chirac and Sarkozy. Second, and more important as a critique of Widmalm's argument, the riots of 2005 do not prove that the "tolerance" factor in France is decreasing. On the contrary, they exemplified the full entrance of a frustrated lower class generation of Black and Arab youths who were tired of not being treated as equals in terms of education and job opportunities. One needs to stress that the youths who rioted were practically all French citizens, so that their protests were closer to the Black rioting in the United States in the 1960s than to any foreign immigrant "insurrection", much less something led by foreign Muslim extremists. The riots showed the degree to which these youths were paradoxically "integrated" in the French system, since they used the same type of urban violence that French peasants and fishermen also use (albeit in greater numbers and with greater force). Tolerance in terms of interaction is far greater in France than one might suspect, as proven by these youths' commercial and cultural visibility in society at large. There was far greater intolerance in the French population towards the immigrant parents of these youths, who kept their heads down and tried to assimilate by never raising their voice. The new tensions are in effect the proof of a changed state of mind and a greater willingness to make demands as citizens seeking full-fledged equality and opportunities.

France as an interesting case study in the realm of authoritarian capitalist regimes: The line separating democracies from authoritarian capitalist regimes can be often quite fine indeed. And the blurring of such lines is not just to be found in non-European lands, but historically in the midst of them. And once again France offers the best proof of just how democracies often share the same characteristics attributed to the new authoritarian powers. Post-revolutionary 19th century France made a "break with the break" in ways that were quite similar to Russia's and China's coming out of the years of international humiliation. It too sought to consolidate power against democratic demands and the chaos that accompanied them, by regaining a strong centralized hold on the country. The

entire 19th century in France can be read as a conscious effort to control and prevent the return of the French revolutionary fervour, and the demands of the “people” from “below”. France also sought to overcome historical and political cleavages by prodding economic growth, best incarnated in the famous slogan of Prime Minister Guizot, *enrichissez-vous!* – not unlike Russia and China today.

France also built its political identity on the principle of an external enemy that would stimulate internal national consensus, like an identity glue. The UK as the 18th century nemesis was replaced in the second half of the 19th century by Wilhelmine Germany. But the most symbolic “enemy” which got far more mileage per effort was the United States, criticized for its power, cultural and economic imperialism, arrogance, and meddling in internal affairs. This need to have a nemesis that helped define the national interest and national emotions is obviously playing a major role for both Russia and China (against the West), but it exists also in that brand of authoritarian democracies, which best defined France, until quite recently, even under Mitterrand.

To those who might respond aghast that France has been a democratic republic with an elected parliament since 1875 and therefore hardly qualifies as an autocratic state, there is one reply. Elections per se do not guarantee a democratic setting, for they can take place in countries where the rule of law is missing or woefully inadequate. Democracies are far more complex organisms which imply the positive interaction between, but also separation from, at least a dozen actors – see my own paper “The Twelve Apostles of Democracy” submitted to the conference – in order to flourish.

France’s post-war emphasis on her own “grandeur”, her choice to go at it alone in matters of defence after the pulling out of NATO in 1966, her espousal of economic dirigisme, the opaque intertwining of its political and economic elites during most of the post-war period; her supervised media; her intolerance for regional differentiation and for civil society, her international “touchiness”, and her dislike of western powers stronger than she...all attest to a capitalist authoritarian predisposition, whose power has only been dismantled in the last two decades. It may well be that a similar reversal can also occur in the “authoritarian” powers which lie at

the heart of this seminar, once a more mobile and individualistic middle class emerges. The French in 19th and 20th century Europe can thus shed an interesting light in the national identities and international behaviour of both Russia and China today.

**Day 2: Thursday 24 April, 9.00–11.30 am**

**5) Panel 4: China, Russia and the West**

Theme for the panel: When will their economic power have real political consequences? What are the consequences of their extensive ownership of sovereign wealth funds on the economic and political climate in the West? What impact will eventual takeovers by large authoritarian state-owned companies have on business culture in Western societies? Will authoritarian great powers take any responsibility for long-term global challenges (such as climate change) or will they rather disclaim such liabilities and use the competitive advantages that might result from such short-termism?

**Rachel Briggs:** We finished yesterday by asking a series of questions about the extent to which Russia and China are entering the world, locked into formal institutions, ways of thinking, alliances and so on, and so it's quite appropriate that we start this morning by really focusing on those questions in more detail both in terms of their entry into the global system and also then how we "as the West" respond to that and what that means. So we have Gideon speaking about China, Russia and the US, Feng speaking about China and the West and Edward about Russia and the West. Each will speak for about 10–15 minutes, and then a more lively discussions will follow!

**Gideon Rachman:** Thanks very much! If you think about how the US relates to China and Russia, the first thing to note is that American foreign policy during the Bush administration has been defined by 9/11. In a strange way that was a huge strategic boon to both China and Russia. Last time I was in Beijing a Chinese academic was saying to me, more seriously than not seriously, that the best thing that had ever happened to China was 9/11. By which she meant that, when the people around Bush were thinking about foreign policy ahead of his presidency, they were thinking a lot about China – if you look at what the neocons were writing, there was a big sense that this was the next big strategic challenge – and had 9/11 not happened, you would have seen a lot of that sort of muscle

flexing directed towards China that was later directed towards the Middle East. Not in terms of an invasion but there would have been more concentration on the China threat, as it were. That kind of disappeared because of 9/11. It's been great for China, because it means that they have had some eight uninterrupted years, seven, where they have been growing at 10 per cent a year, putting a lot of money into the military and going more or less unmolested.

You get Rumsfeld making a speech in Singapore saying, we've noticed you are spending a lot on your military, why are you doing that? Then he goes back to focus on Iraq. The same I think goes for Russia to an extent and I think that the Americans in the administration that have to deal with Russia have been anxious, because they think that the Russians think that the Americans are so tied up in the Middle East that they can't actually focus on Russia at the same time. I remember a guy in the State Department, who is particularly exercised about what he regards as aggressive Russian acts, actually saying to me that the Russians got to realize that we can chew gum and walk at the same time. We can focus on the Middle East and deal with them; it's not impossible for us. But as a matter of fact it is the case. There is a limited number of confrontations the Americans can take on, and so that has given both Russia and China some space.

What's happening though is that obviously the problems in Iraq and the Middle East are not resolved. They will continue to be the central focus of American foreign policy, but the strategic thinkers around the new presidential candidates are beginning to re-focus on Russia and China.

One sign of that is this new book by Robert Kagan, "The Return of History", which is in fact precisely a refutation of the Fukuyama thesis which says that we are all going to converge around liberal democracy. He says that great power competition and ideological competition are coming back – it's an interesting argument, similar obviously to a lot of things we've been talking about. Part of the significance of this is who's making it, because Kagan is very close to McCain. Certainly I think that's how McCain thinks. McCain, interestingly, is probably more pre-occupied by Russia than by China, and Russia's behaviour recently has been more obviously

troublesome. I think if you sat the McCain advisers down, they would say, sure if you are looking in the long term China actually is the bigger problem because it's a bigger country, it's growing faster. I think the general perception of Russia in the US is that it's basically a declining power, that a boom in oil wealth is covering up a long term demographic disaster in decline, but as a matter of fact at the moment Russia's behaviour is more troublesome than that of China, which I think is why the people around McCain and indeed Hillary Clinton would be particularly thinking about how to deal with Russia in the short term.

I think McCain would be particularly confrontational for lack of a better word. They would certainly take a tougher line with both Russia and China, and the day McCain becomes president that will become quite evident quite quickly. But I think that you would see variants of that, even if Obama or Clinton becomes president. I think that there has been almost a sort of consensus now specifically about Russia, that the behaviour of the Putin government is increasingly troublesome. In the speech that Putin gave in Munich about a year ago he was – as far as the Americans are concerned – astonishingly confrontational. Obviously people will be looking to see if that is a shift with Medvedev etc., but I think the assumption is that it would be naïve to assume that it will be, and that it will probably continue in this way.

The Medvedev litmus test issue is what you do about Georgia's ambitions to join NATO. At the recent NATO summit the Americans were very strongly in favour. It was blocked essentially by the French and the Germans. I think that is a point around which there is going to be quite a consensus in America. The Americans will continue to push for NATO expansion. If America continues to push for NATO membership for those countries, that will mean that they are going to have a difficult relationship with Russia.

The relationship with China is sort of the obverse. The Americans think of Russia as troublesome in the short term, but in the long term not that difficult, because they will be a declining power. A friend of mine who is working for Obama had gone to Moscow and he said: "The Russians keep saying you are treating us very badly. Can't we just go 50-50 on these issues", and he said to

me: "they have to be kidding, it's 90-10 if you look at the relative power, that's the way we've got to treat them; they are not in a position to demand 50-50". I think this is the Russians' darkest fears about how the Americans think about them – but that did appear to be his take on how they should be treated.

With China it is very different, because I think there is this feeling that China is a rising power, clearly, and that – with the exception of Taiwan, which is clearly a possible flash point and has been for years and years – it's not a very dangerous relationship in the short term. It's a dangerous relationship in the long term, and I think that actually there's been a sort of bipartisan agreement in America to try for a co-operative relationship. It's interesting to see the way Bush has handled China. He has, especially in Europe, this reputation for being extremely confrontational by instinct, but actually that's not the way he's handled China at all. Bush is deliberately trying to avoid confrontation with China. Look at the way he's treated the Taiwanese; he has absolutely lent on them not to do anything that looks like a declaration of independence that might provoke confrontation with China.

When it comes to Georgia, Bush is very much saying, you know I'm standing on principle, and this small country which wants to head towards democracy – we're going to back them all the way. When it comes to Taiwan, they surprisingly say don't become too democratic and independent and free, you could provoke a war with China. Last time I was in Beijing, I was with this group of Americans, some of them were ex-Pentagon, and so we got in to see the China's People's Liberation army which was a very bizarre experience. At some stage the head general turned to us and said "you should know that if Taiwan declares independence that means war", and the head of the American delegation said, "well you know you should realize that if you attack Taiwan, America will come in and defend it and there will be a general war". There was a slightly awkward silence, but it was kind of rather revealing because you know behind this deeply co-operative economic relationship or deeply intertwined economic relationship there's this huge dangerous strategic issue which is unresolved. Both sides to some extent are trying to bluff each other. I have no idea whether the Americans

would come in if the Chinese attacked Taiwan, but they obviously need the Chinese to think that. Similarly the Chinese need the Americans to think that they really would attack because otherwise, what would stop the Americans from recognizing Taiwanese independence?

But obviously the meat of the Chinese-American relationship is an economic relationship, and again I think that the Americans are conscious that – dependent may be too a strong a word – but it's their most important economic relationship now, you know the manufactured goods flooding into America, Wall-Mart etc. But the Chinese are also massive buyers of American treasury bonds, and so, if that economic relationship unravels for political reasons, the consequences for the world economy would be incalculable, they'd be very grave. Definitely knowing quite what would happen is difficult, but it wouldn't be good and so they're conscious that that relationship needs to be managed. I think it's important to realize there's a very big pro-China lobby in America as a result of that, in the way there isn't a pro-Russia lobby in America. There are investment bankers, manufacturers etc. who have the ear of the White House and the Congress and who will argue very strongly for a co-operative relationship with China.

My sense is that there will be some continuity on China policy. All three main candidates will. Because the stakes are so high economically and strategically, while worrying in the medium to long term that the rise of a great power like China might well spell confrontation but precisely because they got that worry, their central prospect policy would be to try to avoid that – to have a co-operative relationship. But what do you precisely mean by co-operation?

I think there is a debate going on in America about the incorporation of both Russia and China into international institutions and there's quite an interesting divide opening up between the Democrats and the Republicans. McCain's big idea, so far as I can work out, is an alliance of democracies, trying to get all the world's democratic countries together in a sort of coalition with the US – I suppose a non-military equivalent to NATO. Republicans in particular are fed up with the UN, do not like the idea of the UN as the sole source of international legitimacy. They say: "Well, Russia and China have

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seats on the Security Council so they can block us forever on that. And we found over Iraq that the world is saying, well hang on, this was illegitimate because you didn't have a second resolution". The way Americans and Republicans think about it is that, yes that war was legitimate because "the good" is us. And other democratic nations saw a need to act. The fact that the Russians and the Chinese, authoritarians, dictatorships, stick up for other dictatorships – so what? And it's bad that the source of international legitimacy is the UN Security Council on which these authoritarian great powers have a say. So let's try and create some other forum which can confer legitimacy on our interventions or whatever else we want to do in foreign policy, sanctions and so on.

Personally I don't think that idea's going to fly, because having talked to Europeans about it – they should be first in to join up – they are just not very interested. In fact they are highly sceptical. A senior British diplomat said to me this is a ridiculous idea, because countries don't always stay as democracies. Can we have a promotion and relegation system at the end of each year in which we say this country is no longer a democracy?

Beyond that sort of technical objection, there's a broader philosophical argument about how you deal with Russia and China and other authoritarian great powers. Do you try to bind them into the international system and say: "Yes actually it's pretty good they're on the UN Security Council because if they're not, then there's no forum in which we meet and sort out our differences?" Or do you say: "Because of the nature of our systems, we're never really going to agree so let's talk amongst ourselves and then try and present them with a position". The Democrats and certainly the Europeans, they would incline more to the sort of "bind them into the system". McCain wants to throw Russia out of the G8, whereas I think that the Democrats may say: "Well Russia as an economy doesn't deserve to be in the G8 and maybe if they do something really terrible, they should be thrown out". But I think their basic position is that we should certainly have China in the G8, regardless of whether it's a dictatorship or not. It's a great power and we need to have it there to talk to about everything from, you know, the balance of power in Asia to climate change or whatever. If you're looking for a philo-

sophical divide within American foreign policy, that really will be it. If you deal with the authoritarian great powers Russia and China by saying: "We don't like them but they've got to be round the table with us because of traditional great power issues. Also there's this whole new set of current issues like climate change where we're all in this together, we've got to solve it". Or do you say: "Actually, they're not like us, we've got to set up new institutions where we, the democracies, talk together, and then maybe we'll talk to the Russians and the Chinese".

**Rachel Briggs:** Thanks Gideon! Feng?

**Feng Zhang:** I'm going to focus on two issues. First of all the implication of China being a great power. By that I mean China's strength rising to near or near equal to the United States. Second, I am going to focus on China as an authoritarian power, although the usefulness of the word authoritarian is suspect, because I think the Chinese polity will continue to evolve in the next couple of decades.

Talking of China being a great power, one first has to assume that China would continue to rise and that means it will maintain it's economic growth more or less like it is doing today, at maybe 8 or 9 per cent a year. That's just an assumption; there may be serious economic problems in the next few years, and it's possible that China will encounter some serious problems in its process of rising. Then we may no longer talk about China being a state equal to United States; we'll talk about managing the China problem, because of its internal difficulties.

But let us for the moment assume that China continues to rise and becomes a great power equal to that of the United States. One way to look at the implication is simply to look at how international politics operate. At the moment people generally believe it is a unipolar world, but there is also a wide consensus that this American unipolarity will end sooner or later, perhaps in 10 years time. Some people are arguing it has already ended now because of the rise of China and India. So what would the polarity of the world be in let's say 20 years time? If China has some serious problem

it may well be an American unipolarity of international politics which operates more or less as it does today. Or it could be a bipolarity with China and the US, or a multi-polarity. That depends on whether the EU could become a pole. To be a pole power, there are some requirements. Especially important is that the state or coalition of states, like the EU, has freedom in its foreign policy, especially in security affairs. That's the pre-requisite for being a great power in international relations. And I'm not sure about Russia; if Russia is a declining power, then perhaps we could discount it. But then I'm not sure about India and countries like Japan.

Anyway, the question is really whether it will be bipolarity or multi-polarity. If it's bipolarity between China and the US, I think it will be relatively easy to manage. Bipolarity – if you look at the Cold War and the confrontation between the United States and the Soviet Union – has its simplicity and although it was very dangerous, it was not desperate. The Cold War couldn't become a hot war. A major war between great powers is now quite unthinkable because of the prevalence of nuclear weapons. There have been numerous peripheral wars fought during the Cold War but there has never been a war fought in the centre of international politics. So, if we assume that the future world order would be bipolarity between the US and China, it would be easy to manage. The most important thing is respective spheres of influence, the respective interests China and the US will have. And it's not just all confrontation, because there are lots of problems that have to be managed together by great powers like environmental problems and a host of that kind of issues. So I don't believe there would be a new cold war, but even if there were, the situation would not be desperate. I don't think we have to fear – as we did during the Cold War – that at some stage there would be war between the great powers. I don't think US-China relations will erupt into a sort of traditional great power rivalry like we have seen before the Second World War. There would be, of course, competition – that is inherent in any international system. There's, of course, the case of Taiwan, but the entire problem evolves slowly in a peaceful way. But, even if a war were to erupt it, would be a peripheral war, a war fought on a limited basis and it's not going to erupt into a huge international confrontation.

*The most important thing is respective spheres of influence, the respective interests China and the US will have.*

And what if it's a multi-polarity? What if we have three or four major powers, say, for example, the European Union or Russia, in the system? I think that would be more problematic because the simplicity would be lost. Three or four great powers where we have freedom of actions in foreign affairs, then it becomes more complicated. So it's not easy to see how that would evolve, but still multi-polarity in the 21st century will be a lot more benign than multi-polarity, for example, before the Second World War or in the 19th century, primarily because of international norms and international institutions. In the 19th century it was quite legitimate to fight wars, because this was the time of imperialism and people believed that conquest pays. But today that is a quite unthinkable notion.

If there is a Chinese conception of the world order, what would that mean for the current West-dominated international order? Is China as an ideological power different from that of the western liberal democracies? I'm not sure whether China has a distinct view of the world order. We of course hear the Chinese government say "the harmonious world". That is the concept put forward by President Hu Jintao in 2005 at the UN Summit, in which he officially politicized this concept of a Chinese way of seeing the world as harmonious. Every country has a mutual interest to advance the welfare of the world. That may be a view, but it doesn't say a lot about the substance of Chinese foreign policy.

And that view of a harmonious world is quite against the nature of international politics. International politics is primarily the politics of conflict, the politics of confrontational interest. I don't mean war, I mean a kind of power competition. We can't have a totally harmonious world in dealing with international systems. There's got to be a power competition. We're seeing that all the time. We are seeing it today in a competition between China and the US and between China and a lot of other countries and, of course, in some areas among western countries themselves as well.

I think the best scenario is, of course, if China and the West develop lots of common interests. And in these areas common interest are easy to develop, in the area of climate change, in the area of managing one's security threat. And they can easily develop common

interests to manage these problems. That's the best scenario. And the worst scenario is, I think, simply a replay of the Cold War. But as I said, even in this kind of scenario the situations are not desperate. The Cold War was highly stable so it was easily calculable. So even if there's a cold war, I wouldn't worry much about that.

But what is more likely is something in between or at the same time a competition of interest between China and the West and at the same time accommodation on a host of other issues. That is not an ideal situation but not a bad one. That actually confirms the operative principles of international politics. You have this competition, you have this accommodation, you need to develop a way to manage the relations.

In terms of China-US relations, I think it's not very troublesome except for Taiwan. I mean China's goal is moderate. Of course, as I said yesterday, every great power wants to expand its interests. But China is not trying to establish a regional or even global hegemony. It will try to realize its legitimate interests, as in the case of Taiwan, and will try to protect its interests, for instance its commercial interests in Africa, Latin America and so on. But that is probably all. Even if the great powers want to expand, there is a limit to expansion and we need to think of where China's limit of expansion lies. If China goes moderate, then we can be optimistic about a presumed confrontation between China and the West. For the next five years the West doesn't have to worry about China at all in terms of having a confrontational situation. The reason is very simple. First of all there are accidental constraints in China's foreign policy. Realistically China cannot do a lot because of its relative capability. Second, there are enormous domestic constraints facing China. Because of this I don't think China is able to create lots of disturbance in the international system even if it wants to. The final point that I want to make is that there appears to me to be a meaningless debate about China as an inherently peaceful power on the one hand and China as an inherently aggressive power on the other hand. Chinese people want to say China is an inherently peaceful power; it's been peaceful throughout its history and doesn't seek hegemony. And some people outside of China are trying to say that it will want to have hegemony in East Asia and perhaps beyond.



I think the issue is to look at what would determine China's foreign policy behaviour by looking at the power configuration of the international system; what would stir, or would drive China to be peaceful or aggressive? Second, what would the implication be of China being an ideological power?

**Edward Lucas:** I think the first thing is clearly that Russia is not a global threat in the way that China might or might not be. It may well be that it just proves to be a kleptocracy, that all the Kremlin is, is a machine for stealing from Siberia and putting the money into investments in the West and that it doesn't really matter any more than that. In a way this is a sort of optimistic scenario. Everything in Putin's speech is really just part of a kind of camouflage to show the Russian population that they have great leaders doing great things. It is really scaremongering about the West, which is therefore a cover for stealing billions of dollars. I think there is another possibility and probably the truth lies between the two. In my darkest moments I feel the *Chekisty*, these ex-KGB people, want not only to recover but perhaps even strengthen the role they had in Russia in the last seventy years. Because in fact under the Soviet system the KGB did not run the country and they weren't allowed to spy on the communist party. They were terrifying handmaidens of power rather than power themselves. For the first time in Russia's history these guys are in charge, albeit in a coalition with bureaucracies, as Yevgenia said.

Being paranoid, which comes very easily to me, and I've been staying 20 years in the region, I think this is the same aim: regaining political and economic dominance in the countries that used to be in the Soviet sphere of influence, perhaps not in a very adverse way. I think they realize that doing it with tanks doesn't work anymore; you can do quite effectively with banks. We see a tide of Russian money flowing through these badly governed, recently independent or recently democratic countries. It is buying politicians very clearly, political parties, institutions and in some cases buying whole countries and we don't really have an answer to that. So that's number one and number two, which is even more worrying in a way, is the part two of this, which is to finlandize Western Europe. That may sound

rather dramatic but I think if you look at what's happened in Germany, for example, and to some extent in Italy, the idea doesn't seem completely fanciful. The NATO summit in Bucharest was really striking on this point. When push came to shove, Germany cared more about its relations with Russia and indeed about the interests with Russia than about any of its East European NATO-EU allies.

You have Poland which is a big country of 40 million people saying very bluntly to Germany: "We really care about this matter; it's of great national importance to us that Ukraine gets a firm promise". And the Germans say: "Sorry guys we can't work without Russia". I think that may go down as a watershed and it is certainly something the Russians were delighted about. They felt that they had really managed to snub the Americans. Certainly you can see that the Americans handled the whole thing extremely badly and with better diplomacy this might have been avoided. But what I provocatively called "finlandization" is certainly happening in some countries. Not much goes on that Russia doesn't know about and they don't do anything Russia doesn't like. In turn they get preferential economic relations and some of the top people have extremely advantageous personal deals. If I sat here seven or eight years ago and said that the serving German Chancellor in his final weeks in office would sign off on a gas deal which is so threatening to Poland's security that they called it the energy version of the Molotov-Ribbentrop pact, and then weeks after leaving office take a lucrative job at the consortium building that gas plant, you'd have thought I was completely nuts. That's exactly what Gerhard Schröder has done and he's just the tip of the iceberg. And it's not just in Germany, it's obviously in America too.

Although I've provocatively called my book "The New Cold War", it's absolutely not like the old Cold War. First thing, we don't need to worry about the military because the Russian military is a shadow of its former self. Even with these huge increases in military budget which are troubling in terms of the attention and wanting to throw a 20, 30 per cent increase into this, they are still producing very little at the other end because corruption is so huge. We need to talk a lot more seriously about nukes and space because those are

the two things where Russia is still the Number 2 power. And I think, to some extent, some of the unpleasant behaviour we're seeing is a cry to be taken seriously. The Americans have gone in quite wrongly under this administration for the idea that dominance is all you need and dominance equals stability. With nukes it doesn't, because as the Russian arsenal decays and they don't have submarines that launch nuclear missiles anymore and the bombs are very old and they have difficulty in producing the solid-fuel land-based missiles that are most difficult to hit, they worry that America will be able to have a first strike capability, that America will wipe out their nuclear weapons in a strike. Now obviously that's not what is going to happen. America would be insane to do it, but the way nuclear planners think is that as soon as you fear you can be attacked, you attack, and that's really dangerous for America. It would be really important to start talking about START 3 at once, because START 2 is running out. And secondly, I don't think that to have anarchy in space is good for the United States and again there is not much that we in Europe can do about this. But I do argue very, very strongly, and I think that on all the big label issues, global warming, economics or whatever, we're not in the cold war era where conversations were cold and icy. There's a lot to talk about whether Russia is run by thieves, bullies or democrats, it doesn't matter – we need to keep Russia integrated in the global system. But we also have to assume – particularly in the main theatre of whatever's going on, the sharp strategic conflict in Europe, whatever you call it – that we're dealing with a manipulative bully. We're dealing with good chess players, and pretty ruthless, and they don't like us.

The great mistake the West has made over the past 10 years really has been to pretend that Russia is a giant version of Poland. This is just a normal country with normal people working normal incentives and, we'll go for win-win and then we'll all be happy and it really isn't like that. They see the world in zero-sum terms and they have poignantly to sacrifice both the interests of their corporation, sometimes even money, to do things that are nasty for us, like their energy blockades on their neighbours.

One of the classic sorts of Russian diplomacy is what I call the "Incredible Hulk approach", don't get me angry, you won't

like when I'm angry. And this works pretty well, particularly with the Germans who say the Russians will react very badly to that. There was a good saying in the Cold War: The Soviet Union reacts very badly to pressure, but without pressure it doesn't react at all, and when we've been tough there's a lot of huffing and puffing and then actually we get all we want on the whole. And in fact Russia is quite weak, and so long as we're talking about things that they really care about, we can afford to ignore what I call these manufactured hysterics. There's one poll which is showing that 40 per cent of Russians thought the country's main enemy was Estonia, when next door they have a country which is eight times bigger and quite wants more natural resources. That shows how the Kremlin propaganda has shaped perceptions. As the Estonians say: In our alliance with China against Russia we have a combined population of 1.33 billion.

So we need to boost our weaknesses and we have to accentuate our strengths and not accept simple trade offs. Our biggest weakness is gas. The European Union has a population 3 times bigger than Russia and has an economy 11 times bigger; we are on an 11 trillion dollar economy, and they are a one trillion dollar economy. So if you looked from outside, you'd say it's preposterous that the Gazprom tail is wagging the European dog and we buy gas from lots of countries – North Africa, Norway, Britain – and we import only 25 per cent from Russia. Now it would be a good idea perhaps not to make that rise, and in fact when Ronald Reagan saw Europe building the first gas pipeline he said watch out because there will always be the temptation to take more gas or with gas will come political dependence. And the European leaders said we'll never take more than 30 per cent of our gas from Russia. That was a promise we made in 1985, long since forgotten. We need to make sure we're always in a position where Russia needs us as a customer more than we need Russia as a supplier. How to do it I don't know; it's very difficult with the five big European countries all very happy doing bilateral deals with Russia and ignoring collective interests.

One of the things Russia really needs is access to our capital markets. Russian companies borrowed 100 billion dollars last year. I suspect a lot has been stolen and it would be quiet interesting to

see whether they can re-finance it in the tougher conditions this year, but one of the first things a big Russian company does is to borrow money in the West. Well we've been incredibly lax about letting really dodgy Russians borrow money. When New York says sorry guys you can't come here, you don't pass our smell test, the London Stock Exchange then immediately puts on a road show in Moscow saying we'd like to point out our listing requirements are much less arduous and more flexible. So the OECD, which basically has all the world's big capital markets in it, has got to get together and say we have some clear bottom standards for access to our capital markets. And that much would be good for Russia, because what we need the Russian companies to do is to clean up their act.

I think we need to do some quite bold diplomatic things. On the G8, I think the case is half right. What I'd do is say the G8 is no longer a democracies' club, it's a big countries' club. So we have India and China maybe, and some others will be talking about big global things. And there'll be some kind of caucus of democratic countries that can meet beforehand. And yeah, who turns up is a matter of choice but it'll only be pretext that Russia is one of the world's top eight democracies. I think we have to do something quite soon, sharply symbolic, which is to suspend Russia from the Council of Europe. The main reason for having Russia in the Council of Europe is that it gives Russians access to the European Court of Human Rights. But if Russia doesn't take any notice of this and is trying to sabotage the workings of the court, I don't think even that is much of a plus. And I think it's absolutely scandalous that you have psychiatric incarcerations, rigged elections, venomous anti-western propaganda, and all the other things we've been discussing. And we still maintain the pretence that Russia is a fair country to be in. I think we have to fight the soft power battle much more effectively. But we had a very unique thing, a lucky constellation of circumstances at the end of the last Cold War, which is that the one party state and planned economy collapsed just at a time that the western system was looking really good. We had impressive politicians, kind of convincing advocates for political freedom and the rule of law. And I think we burned that, partly through bad luck, partly through incompetence, partly through laziness and cynicism.

We don't have much moral authority there anymore. And my worry is that if the Putinist, *Chekist* experiment hits the buffers, which I think it will because it's just so incompetent inside Russia, that whereas Russians in 1989–91 naturally looked West, now I'm not sure if they look at Berlusconi. I'm not sure they say, "Gosh that's a really sharp alternative to what we've got. We should try more like that." I think they would say that this is all part of the same thing. So somehow we have to try to get back that self-confidence in institutional credibility, that our system basically works and delivers things. Which I think we did have in 1989 but I don't think we have now.

**Gideon Rachman:** I think one foreign policy question, if we accept the return of the great power competitions, is to what extent we think about spheres of influence and concede spheres of influence to Russia and China. When you adhere to a sort of Fukuyama thesis that really wasn't a question; in the long run we would all adhere to the same sort of system. I think the contrast between Taiwan and Georgia is quite an interesting one. Clearly on Taiwan we're not prepared to push the Chinese at all, because they say it is part of their country and they're big and scary and it's just not worth risking a war over that. There's arguably an American legal obligation to defend Taiwan under the Taiwan Relations Act but it's pretty ambiguous.

On Russia, I think there's a really interesting question of, do you say as an American settling in Georgia, look we've got to put ourselves in their shoes. If Russia was signing a defence treaty with Mexico and Canada, we would be absolutely livid about it and we would regard it as a threat, and so we shouldn't push them. It's an analogy that's made and it's one way of looking at the situation. Or do you say, we're strong at the moment; we can consolidate our gains; we could make an act of principle.

**Azar Gat:** It's a lot of commitment! If Russia invades Georgia, do you really envision the West going in with military forces? NATO is a military alliance and I was against extending it to Eastern Europe in general. It's pointless. If the Russians are stupid enough to go

there, they're going to experience tremendous problems in any of these countries, tremendous problems, and the right response would not be a military response by the West in any part in Eastern Europe. It's not going to happen in any case. If they invade, there are not going to be western forces sent to Georgia, Ukraine or even the Baltic.

**Johan Lagerkvist:** By and large China is doing fairly well in engaging the West and discussing important issues. Unlike Russia, China is not sabotaging discussions and negotiations. Of course, this is due to the fact that the Chinese want to shape the agenda and want to shape international norms so they get into all kinds of organizations and processes. But you also see perhaps some constraint and problems in the long run where we have to depend more and more on China in dealing with difficult regimes like Zimbabwe, Burma and North Korea. China is to some extent the world stage whisperer and we have to lean on that in order to get what we want from these countries.

**Yevgenia Albats:** You mean sending weapons to Zimbabwe? What did you mean exactly when you mentioned China and Zimbabwe? Please elaborate on that.

**Johan Lagerkvist:** Zimbabwe is just one case where we do not see yet what we will perhaps need from China in order to settle the problem there. But looking at Burma and North Korea we have been dependent on China's active participation in facilitating discussion and putting pressure on North Korea for example. Perhaps we believe China can put pressure on the Mugabe government and also we need them to put pressure on the government in Khartoum, the El Bashir government in Sudan. We cannot because we have this problem in dealing with rogue states or in general third world countries because we have a legacy of colonialism and imperialism and the Chinese haven't.

**Yevgenia Albats:** Just right now, the Chinese government sold weapons or sent weapons – it's a very unclear situation – that were

stopped in Cape Town. These weapons that were sent by the Chinese government were destined for Mugabe in Zimbabwe to crush his opposition. So if you mean this as a way of Chinese participation in dealing as you said with hard countries like Zimbabwe, that is a very peculiar way of resolving conflicts.

**Johan Lagerkvist:** By and large the Chinese are complying with international norms, but of course China has that huge bureaucratic apparatus and some parts of the government and apparatus don't know what the other parts are doing. They have the PLA and the Communist Party and you have all kinds of interests competing with each other also. I'm not really sure that everybody in the government knew about this ship. But by and large the Chinese government is complying with international rules to a much larger extent than the Russian government.

**Daniel Sachs:** Even if the Cold War meant stability in terms of not having a major world war, there is power struggle and competition and what I'm scared of is that there will be a major shift away from liberal values, and that's what we are potentially facing. Politics is increasingly subordinated to economic power. This new kind of Cold War era – if that's the word – an era which is multi-polar or even nonpolar, where we cover up our ideology and our differences in order to keep stimulating our economy – where does that leave us? The voice of politics is increasingly weak and this is really a kind of a world integrity issue that is very interesting at one point to look much more into.

**Mark Leonard:** I think NATO is a partly post military alliance. In some ways it's a surrogate for European Union membership. Its original purpose was about containing Russia and about collective defence. Now it's about integrating countries on the periphery of Europe into a Euro-Atlantic alliance and maybe even bringing countries outside of Europe into it. So that we have a military tool kit which you can use for particular operations, but above all it's a way of cementing an alliance of democratic nations in our neighbourhood.

There is a basic asymmetry between Russia and the European Union. Russia is a purposeful state with a clear, relatively narrow, set of interests that is willing to mobilize whatever power it can behind achieving those things. The European Union is a bunch of democratic countries that don't have a clear sense of what they are trying to do, they've got very diffuse interests and haven't been able to marshal their power.

There are fundamentally different interests at stake for the US from the European Union, particularly when it comes to dealing with Russia and to some extent when it comes to dealing with China, because we have different world views. The Americans could by and large sign up to a sort of great power world bargain with a sphere of influence where you negotiate things. But the whole idea at the heart of the European project is of a different way of ordering the world which is more about law than about power, which is about international institutions.

**Rachel Briggs:** We're now going to hand over to Azar, he's got the unenviable task of summing up everything we talked about.

**Azar Gat:** I got up today at 5:30 and turned on BBC World and saw *Hard Talk*, and there was the former ambassador of Singapore to the UN who just wrote a book on the rise of the East. His main line was that the West should stop lecturing the East about human rights, about universal values and so on.

Ultimately the question is whether or not there exist different paths to modernity other than the western democratic one. Within the West also there were various paths. There was the French path which was more state-centred, very centralistic, republican, collectivist to a much greater degree than the Anglo-Saxon concept with its night watch state. Somehow because of the strength of the British model in the 19th century and the size of America, this model has become subsumed under the Anglo-American version. And of course there were the non-democratic paths to modernity during the 19th and 20th centuries with Germany, of course, being highly successful but crushed during the Second World War.

What we now have is modernization in the East, in East Asia.

This is the place of some of the oldest civilizations on the globe, which for millennia have been major players, with Europe just an appendix in the far corner of Eurasia. They are coming back now and they comprise the majority of the world's population. India and China themselves are 35 per cent of world population. And there has been for quite a while this persistent talk about Asian values as opposed to western values and there is an amazing modernization process. China is only the last. We had Japan with a 10 per cent annual growth rate until 1973 and we had all the others with similar growth rates. China is now taking the same route.

The others were democratized in the process, partly at least because they were small enough and because of American and western hegemony. The question now is whether China is going to be different and how it is going to affect all the others. They don't know the answers themselves and they are still searching for their own way. Within twenty years they will be much wealthier, much more affluent, much more powerful and gaining in self-confidence and experience. They are looking for ways of establishing an alternative order. What that means we don't know. Without a legitimizing ideology, without an ethos, you cannot sustain a system for long. So will they develop an alternative ideology and what that might be? Can they form alliances and co-opt sufficiently powerful elements within society into the regime? Can they tame popular sentiments and bring them somehow in without democratic institutions? Compensate for the shortcomings of the regime, say, greater corruption and so on, by other advantages, say, greater social cohesion, greater national cohesion, greater social mobilization – I don't know. Germany did, would China be able to? It's not clear. How do you change government? How do you change the leadership? All these are very tricky questions.

**Rachel Briggs:** Thank you, now over to Kay and Johanna.

**Kay Glans:** Thank you for a very fascinating discussion. Johanna and I we somehow sensed it would be very exciting and I think it has been even more exciting than we expected!

**Johanna Laurin:** Thank you very much. We are looking forward to continuing the discussion and will get back to you shortly with the Secretariat's suggestions on how to proceed with Glasshouse Forum's work on these issues.<sup>6</sup>

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<sup>6</sup> See Appendix 2.

## Appendix 1

### Participants' biographies

#### **Yevgenia M. Albats**

Yevgenia M. Albats is Political Editor of *The New Times* and Professor of Political Science at the University – The Moscow Higher School of Economics. She is a talk-show host at the radio station *Echo Moskvy* and a member of the International Consortium of Investigative Journalists. Albats is the author of *The State within a State: KGB and Its Hold on Russia* (1994). Other books and documentaries include *Bureaucracy: Struggle for Survival* (2001), *The Jewish Question* (1995), *Country in the Shadow of the KGB* (documentary, 1993), *White Fields with Black Squares* (1987) and *Eye to Eye* (1984). In 1989, she received the Golden Pen Award, the highest journalism honour in the then-Soviet Union. Albats has free-lanced for several publications, including the *Chicago Tribune* and *Newsweek*, been a columnist of *Moscow Times* and *IZVESTIA*, and a political analyst and feature writer of *Moscow News*. She was a Nieman Fellow at Harvard University in 1992–1993 and has a Ph.D. in Government from the same university.

#### **Rachel Briggs**

Rachel Briggs is Director of the charity, Hostage UK, which is chaired by former Beirut hostage Terry Waite. Hostage UK aims to provide support to hostages and their families, and provides educational services for organisations sending employees to kidnap hotspots. She does this on a part-time basis, and combines it with freelance research, writing and policy advice. Rachel has written a number of reports which have impacted on government and business policy. She is associate editor of the journal *Renewal*, a member of the Steering Group for the UK Foreign Office's Global Opportunity Fund's Economic Governance programme, a member of the Academic Council of Wilton Park (an executive agency of the Foreign Office), a Council member of the Risk and Security Management Forum, and a member of Glasshouse Forum's Advisory Board. She was previously Head of International Strategy

and Head of Identity Programme at Demos, and Risk and Security Research Programme Manager at The Foreign Policy Centre.

### **Azar Gat**

Azar Gat is a professor and the incumbent of the Ezer Weitzman Chair for National Security in the Department of Political Science at Tel Aviv University, which he chaired in 1999–2003. He took his BA from Haifa University (1978), MA from Tel Aviv University (1983), and DPhil from the University of Oxford (1986). His publications include: *The Origins of Military Thought from the Enlightenment to Clausewitz* (Oxford UP, 1989), *The Development of Military Thought: The Nineteenth Century* (Oxford UP, 1992), *Fascist and Liberal Visions of War: Fuller, Liddell Hart, Douhet, and Other Modernists* (Oxford UP, 1998), and *British Armour Theory and the Rise of the Panzer Arm: Revising the Revisionists* (Macmillan, 2000). The first three books have been reissued in one volume as *A History of Military Thought: From the Enlightenment to the Cold War* (Oxford UP, 2001). Together with Zeev Maoz he edited *War in a Changing World* (Michigan UP, 2001). His wide-ranging interdisciplinary book, *War in Human Civilization*, was published by Oxford in 2006 and was named one of the best books of the year by the *Times Literary Supplement* (TLS). His more recent articles include: “The Democratic Peace Theory Reframed: The Impact of Modernity”, *World Politics*, Oct. 2005, and “The Return of Authoritarian Great Powers”, *Foreign Affairs*, July–Aug. 2007. He is currently engaged in work on two book projects: *Why Democracy Won and is It Bound to Triumph* and a major theoretical book on nationalism. Professor Gat has been an Alexander von Humboldt Fellow in Germany (Freiburg), a Fulbright Fellow in the USA (Yale), a British Council Scholar in Britain (Oxford), a visiting fellow at the Mershon Center, The Ohio State University, the Goldman Visiting Professor at Georgetown, and the Koret Distinguished Visiting Fellow at the Hoover Institution, Stanford. He is the founder and head of the Executive Master’s Program in Diplomacy and Security at Tel Aviv, as well as being the head of the regular Master’s Program in Security Studies at that university.

### **Kay Glans**

Kay Glans is editorial coordinator of Glasshouse Forum. He started his career as a freelance-writer for the Swedish daily newspaper *Svenska Dagbladet* in 1979. Recurrent themes in his essays are psychoanalysis and its relation to literature, and German and Austrian history and culture in the twentieth century. He published his first book of poetry in 1980 and a second collection in 1986. He has written the manuscript for a documentary about Vienna for Swedish Television, worked for Swedish Radio and was vice president of the Swedish PEN-club 1987–1990. In 1995 he became editor of the essay-section in *Svenska Dagbladet* and in 2001 he started the magazine *Axess*, published by the Ax:son Johnson Foundation. He was editor-in-chief for the magazine until August 2006 and simultaneously a member of the advisory board of the Foundation. In that capacity he was also involved in research funding, book publishing and the Engelsberg conferences.

### **Johan Lagerkvist**

Johan Lagerkvist is a research fellow with The Swedish Institute of International Affairs (SIIA). He received his PhD in Chinese from Lund University. His dissertation *China and the Internet: Unlocking and Containing the Public Sphere*, was published by Lund University Press in 2006. He has published articles and book chapters in several international journals and research anthologies, as well as serving as guest editor for two theme issues of *Contemporary Chinese Thought*. His main research interests include the social and political impacts of China’s globalisation, mass media and internet development in China and Southeast Asia, China’s intellectual history in the 20th century and political change in authoritarian states.

### **Johanna Laurin**

Johanna Laurin is Head of Glasshouse Forum’s Secretariat, and Head of Research and Communication at the private investment company Proventus. Before joining Proventus and starting Glasshouse Forum, she was Research Director and Project Manager at the Swedish think tank Centre for Business and Policy Studies (SNS) where she ran research projects on media and democracy,

journalism and PR, and women in top positions in business, as well as initiating and managing Swedish and European networks for young leaders. Prior to that she finished her MSc in Comparative Politics at the London School of Economics and worked as Arts Officer and Public Affairs Officer at The British Council in Stockholm.

### **Mark Leonard**

Mark Leonard is Executive Director of the European Council on Foreign Relations. Previously he was Director of Foreign Policy at the Centre for European Reform, and Director of the Foreign Policy Centre, a think-tank he founded under the patronage of British Prime Minister Tony Blair. Mark has spent time in Washington as a Transatlantic fellow at the German Marshall Fund of the United States, and in Beijing as a visiting scholar at the Chinese Academy for Social Sciences. He is a prolific writer and commentator whose work has appeared in publications including *Time*, *Newsweek*, *The Guardian*, *The Independent*, *The Daily Telegraph*, *Prospect*, *The Spectator*, *New Statesman*, *Foreign Policy*, *The Washington Quarterly*, *Country Life*, *Arena*, *The Mirror*, *The Express*, *The Sun*, *The Financial Times*, *The International Herald Tribune*, *The Wall Street Journal*, *The Economist*, and *Wired*. As well as opinion pieces he occasionally writes features for the *Financial Times Magazine* and *The Spectator* – assignments that have led him to seek out barbecues in Texas, prisons in Egypt and cutting-edge architecture in China. His first book, *Why Europe will run the 21st Century*, has been translated into 18 languages. February 2008 saw the publication of his second book, *What does China think?*, published by Fourth Estate in the UK and Public Affairs in the US.

### **Edward Lucas**

Edward Lucas is Central and Eastern Europe correspondent for *The Economist*, the London-based global weekly paper. He has spent 20 years dealing with the region as a journalist and publisher, working for news organisations including the BBC, *The Independent* and *The Economist*, and at an English-language weekly in the Baltic states in which he was the major shareholder. He became editorial director of

the Economist Intelligence Unit's eastern and central Europe office in Vienna in 1994; in 1996 he moved to Berlin as *The Economist's* correspondent covering business and finance in Germany and eastern Europe. From 1998 to 2002 he was Moscow Bureau Chief, covering the former Soviet Union. He then returned to London, spending three years as Britain correspondent, before taking up his current post in mid-2005. Major stories he has covered include the collapse of communism in central Europe, the fall of the Soviet Union, the war in Afghanistan, and the conflicts in the Caucasus. Edward Lucas studied economics at LSE and speaks five languages (German, Russian, Polish, Czech and Lithuanian). He is a frequent contributor to British and foreign radio and television programmes. He is the author of *The New Cold War* published in 11 editions including UK and US (Bloomsbury and Palgrave respectively) in 2008–02–27.

### **Diana Pinto**

Historian and writer living in Paris. The daughter of Italian Jewish parents, educated in the US (Harvard B.A. and Ph.D.) and a resident of France, she is a Senior Fellow of the London based Institute for Jewish Policy Research where she directs a Ford Foundation sponsored pan-European project, *Voices for the res publica*. The project seeks to establish new bases of common belonging for Europe's various religious and ethnic majorities and minorities, reflecting on the Jewish transformations of the last two decades as a backdrop and, when applicable, reference. The author of *Entre deux mondes*, she has lectured widely on transatlantic issues and on Jewish life in contemporary Europe for academic, European and Jewish policy audiences. Her articles have been published across the continent. Formerly Editor in Chief of *Belvédère*, France's first pan-European review and Consultant to the Political Directorate of the Council of Europe for its civil society programmes in Eastern Europe and the former Soviet Union. She has been a Fulbright Fellow, a Fellow of the American Council of Learned Societies, of Collegium Budapest in Hungary and of the Einstein Forum in Potsdam.



### **Gideon Rachman**

Gideon Rachman became chief foreign affairs columnist for the *Financial Times* in July 2006. He joined the FT after a 15-year career at *The Economist*, which included spells as a foreign correspondent in Brussels, Washington and Bangkok. He also edited *The Economist's* business and Asia sections. His particular interests include American foreign policy, the European Union and globalisation.

### **Daniel Sachs**

Daniel Sachs is the CEO of Proventus AB, a private company based in Sweden that invests internationally in companies in need of change and which provides growth and restructuring capital to mid-sized companies. He is Chairman of the Board of Design Research Ltd, BRIO AB, J. Lindeberg AB and Nordic Broadcasting Oy, as well as Member of the Board of Artek Oy and Proventus AB. Daniel Sachs is also Member of the Board of Dramaten (The Swedish Royal Dramatic Theatre) and Umeå University, and, through Proventus' involvement in the Jewish Theatre and Magasin 3 Stockholm Konsthall, engaged in the arts. Daniel Sachs was nominated Young Global Leader by the World Economic Forum in 2007. He is a member of the European Council on Foreign Relations and is the Chairman of the Concerned Capitalists Foundation, the foundation behind Glasshouse Forum. He holds an MBA from the Stockholm School of Economics and The Wharton School at the University of Pennsylvania.

### **Robert Weil**

Robert Weil is the Chairman of Proventus, of which he is the founder and owner. He is also the Chairman of Magasin 3 Stockholm Konsthall, and the Jewish Theater in Stockholm, and a member of the international advisory board for the Batsheva Dance Company in Tel Aviv. Robert Weil is committed to encouraging, supporting, and preserving art in its many forms. Through Proventus he established the art museum Magasin 3 Stockholm Konsthall and the Jewish Theater in Stockholm. Through Proventus, Robert Weil is also strongly engaged, both financially and culturally, in the Batsheva

Dance Company in Israel. Robert Weil serves as an active member for several boards e.g. Concerned Capitalists Foundation and The Jewish Community in Stockholm, including Chairman of The Jewish Cultural Heritage Foundation.

### **Sten Widmalm**

Sten Widmalm is Associate Professor and the director of the 'Master's Programme in Development Studies' at the Department of Government at Uppsala university, Uppsala, Sweden. He has worked and written extensively on politics in South Asia, democracy and development. Sten Widmalm is the author of *Decentralisation, Corruption and Social Capital – From India to the West* (Sage, 2008) and *Kashmir in Comparative Perspective – Democracy and Violent Separatism in India* (Oxford, 2006).

### **Feng Zhang**

Feng Zhang is the China Programme Manager of the Foreign Policy Centre in London. At the moment he is leading a major project on corporate social responsibility in emerging markets in association with Coca Cola Great Britain. He is a regular contributor to the *BBC World Service's Business Programme*, and has appeared on *BBC Newsnight*, *The World*, and CNBC's *Squawk Box*. Before joining the FPC Feng worked as an editor of the International Forum page of the *Global Times* newspaper in China, and is a freelance commentator on international affairs for major Chinese newspapers. Meanwhile he is completing a PhD in International Relations at the London School of Economics and Political Science.

## Appendix 2

The Glasshouse Forum secretariat's strategic assessment of the round-table conference on "The return of the capitalist-authoritarian great powers", 23–24 April, 2008:

At this stage we distinguish four points of focus for further discussion and analysis:

1. A clarification of the historical experience, primarily as regards the Third Reich. Would a regime of that kind have been able to stabilise itself and reproduce economic, technical and scientific knowledge?
2. Is there a Chinese model? Let us hear the conclusions arrived at by Chinese and Western intellectuals at an intellectual summit.
3. The return of state capitalism in the West? State-owned companies seem to be back as major players, and through sovereign wealth funds they are also players in other states. How are the economic and political agendas balanced against one another?
4. Spheres of interest and financial intertwining. What would the division of the world into spheres of influence between the superpowers look like, and is their rivalry influenced by financial intertwining?