



# THE ROAD OF ASIA

INTERVIEWS WITH  
SHANGHAI FORUM 2016  
GUESTS



*[In Shanghai Forum 2016, we recruited 35 of our top students as student journalists for honored guests at the Forum. Their specialist knowledge, commitment and self-assurance were all employed in taking down these words of wisdom. This book of records from the interviews is a crystallization of that gathering of words of wisdom and exchange of viewpoints with our distinguished guests.*

*Shanghai Forum Organizing Committee extends its heartfelt thanks to every distinguished guest and student interviewer- we hope that ,through this book, we can share the force of thought and wisdom with more of those colleagues engaged with Asia' s Development.]*

## **Shanghai Forum 2016-Name List of Student Journalists**

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FAN Ziqi	School of Journalism
FANG Weiqian	School of Foreign Languages and Literatures
FENG Chenyan	School of Microelectronics
FENG Shan	School of International Relations and Public Affairs
GAO Shilin	School of Foreign Languages and Literatures
GENG Lu	Department of Chinese Languages and Literatures
HE Qiwei	School of Economics
HUANG Chibo	School of Journalism
JI Chao	School of Microelectronics
JIANG Mengshu	Law School
LI Tianqi	School of Foreign Languages and Literatures

LI Xiaodan	School of International Relations and Public Affairs
LI Yifan	School of Information Science and Technology
LI Zhaoqing	School of Journalism
LIN Yuying	School of Social Development and Public Policy
LIU Fang	School of International Relations and Public Affairs
QIN Xu	School of Economics
SONG Ying	School of Social Development and Public Policy
SUN Yining	School of Social Development and Public Policy
TANG Wenping	School of Economics
WANG Danni	School of International Relations and Public Affairs
XING Jiana	School of Journalism
YANG Mingjie	School of International Relations and Public Affairs
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ZENG Jiren	Department of Chemistry
ZENG Qinziqi	School of Social Development and Public Policy
ZHANG Heyi	Department of History
ZHANG Mengjiao	School of Social Development and Public Policy
ZHENG Wenbin	School of Philosophy
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## Nordic way: challenges with more potentials

Editor: QIN Xu

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**Dagfinn Høybråten**  
Secretary General of the Nordic  
Council of Ministers  
Former Chair of the GAVI Alliance  
Board (2011-2015)



Interviewer: **LIU Chunrong**  
Associate Director,  
Fudan-European Centre for China  
Studies

"Interconnectivity" or globalization is a mega trend of human society. We can say that "I am not only me but part of we." The inter-dependence of each other is becoming deep and comprehensive. Over time, Nordic countries have built up an excellent model of social system and its key is flexibility. It's important to respect differences and create a better world together.

**Liu Chunrong:** Mr. Høybråten, Thank you for visiting Fudan University and Shanghai Forum. In this trip, you gave a lecture on Nordic model at Fudan and a keynote speech on

Nordic cooperation at Shanghai Forum. I can see that they have generated a kind of "Nordic fever". I hope our conversation can add more value on the relevance of Nordic model and Nordic approach of cooperation. Let's start from the idea of "interconnectivity", which is the annual theme of Shanghai Forum 2016. How do you understand the concept of "interconnectivity"?

**Dagfinn Høybråten:** It starts from the very basic thing, that we are human-beings on the same planet. We have a collective responsibility for the planet. Based on this, we increasingly understand the dependency and interdependency. It's no longer possible to live in isolation or focus only on our own interest, because your interest is just part of the world. Interconnectivity is essentially "I am not only me, I am the part of we". With the challenge of climate change and immigration, in addition to the old issues of energy and regional resources etc., interconnectivity is becoming much clearer to our human society.

**Liu Chunrong:** Compared to "globalization", do you think it is a better word to describe and maybe prescribe our human condition?

**Dagfinn Høybråten:** In many ways, it's a better word. I would think it is a universal thing. It's not just something coming about just within the last few years. It's been visualized by the challenges we're facing. I am underlying our dependence on each other. The challenges are for political leaders, world leaders as well as local leaders.

**Liu Chunrong:** Nordic countries constitute a huge puzzle – they may be small, but many of their achievements are ranking top in the world. On the other hand, its image varies - they might even be labeled as a kind of socialism, considering its emphasis on social welfare and social equality. Is that a misunderstanding? What are the essential features of Nordic model?

**Dagfinn Høybråten:** Maybe it is a misunderstanding, an outdated perception. The Nordic model is a balance of common good and individual rights. In the Nordic model, there is market economy, mixed with a high degree of government involvement, not necessarily in the production sector, but also in public services. It's a distinctive model, because of its high level of ambition when it comes to social rights and social services on the one hand while at the same time stressing the individual duty to participate on the other. You can describe it as a social contract. You have the rights balanced on your duties and one of the duties is paying your taxes, fairly high taxes. But you get free health care, education, infrastructure and many other public services in return. I think most people in the Nordic countries will say that it's a market economy with governmental involvement and we don't need more labels on that.

**Liu Chunrong:** China nowadays is pursuing long-term growth while investing more social spending in order to build social solidarity. A conventional wisdom is that too much welfare might somehow harm economic innovation and competitiveness. How do these two things go together in



Nordic countries?

**Dagfinn Høybråten:** They go together very well. In the Nordic model, you don't have to fear extreme poverty if you lose your job, because you will get support from government. In this system of flexibility and security, you dare to take risks and that creates creativity, and that helps the efficiency. So I think there's a connection.

**Liu Chunrong:** How adaptable is the Nordic model in a changing context associated with aging, migration and many other challenges? Will there be a consistent Nordic model in the future?

**Dagfinn Høybråten :** We are willing to adapt and reform. If you look at the pension system, you will find it's very different from 15 years ago within the countries. Because of ageing populations, we have to adjust and reform the social systems. Those kinds of changes we have to deal with all the time. Not only on the security field but also on the education field. If we don't do that, I am afraid that we cannot see the continuation of the Nordic model.

**Liu Chunrong:** It is hard to deny the existence of some internal differences and diversities within the Nordic region. Externally, there are also significant differences in its relationship to EU, to NATO etc. As secretary-general of Nordic Council, how do you perceive and manage those differences?

**Dagfinn Høybråten:** Basically, the Nordic countries are friends. We are relatives, sisters, brothers, and cousins. The proximity of these countries gives the development in common history. The countries came out from the Second World War in different situations – but because of proximity, common background, similar culture and languages, our leaders at the time saw the need to cooperate. From that time we started the integration with a common labor market and a convention on social security but with no intention of eliminating all differences. So this is an international cooperation, it's not a supranational one. It means that we need to agree. When we agree we can put these nice intentions into action. When we disagree we don't move. Some would say that's a weakness. On the other hand, the decision-making is very robust. When the countries chose different policy related to EU, many said this would be the end of Nordic cooperation. On the contrary, nowadays, Nordic countries cooperate within Europe, to strengthen it even if the countries have different positions. 20 years ago, Nordic countries didn't consider cooperating on security issues, but now that has become a very common topic. I think it's possible if you respect each other on these variable differences.

**Liu Chunrong:** In general, Nordic countries have developed a dynamic and robust relationship to China. What's your vision about this engagement? What role can Nordic Council of Ministers play in deepening this relationship? And, what would be the prior areas and agendas?

**Dagfinn Høybråten:** The Nordic countries have close and strong relationships with China, from the very beginning and up to now. We see a lot of future opportunities for regional cooperation with China. I think there are areas with mutual interest for exchange, especially on green transformation which has already taken place. Also on the field of educational research, we have some good experience with cooperation among Nordic and Chinese universities and institutes.

**Liu Chunrong:** Despite many common pursuits in the global community, different perspectives on fundamental issues like human rights still remain. What about the Nordic perspective on human rights and human rights in China?

**Dagfinn Høybråten:** I think that we are individual parts of the human community, there are some inherent values to be a human being. When you go into politics, sometimes you may get into different discussions. For Nordic countries, we can pursue common interests in this field with China.

**Liu Chunrong:** When it comes to the Arctic, where many Nordic countries are key stakeholders, what kind of role can China play in this region? Is the Arctic big enough to accommodate China's interconnectivity initiatives?

**Dagfinn Høybråten:** I think China is playing a role and definitely it can play a role. The Nordic countries have a strong focus on international cooperation, based on the international law. And the Arctic Council has become the arena for international cooperation

concerning the Arctic. One should remember that there are 3 million people living in the Arctic region. One of the purposes for the Arctic Council is to support a high-quality life for people there.

**Liu Chunrong:** Two weeks ago, US President Barack Obama met with Nordic leaders. A joint statement was released after the Summit. In a changing global order, how Nordic countries define their relationship with major powers including USA, China, and Russia?

**Dagfinn Høybråten:** It's a great observation that there is a demand for Nordic participation in the global arena. We saw it in Paris Climate Negotiations. I think for the Nordic countries it's natural that we are friends. We sometimes differ in interests, but most of time we come out of the same tradition and have the same angles. We want to contribute to global processes, to United Nation, to different initiatives, to create a better world.

**Liu Chunrong:** Thank you, Mr. Høybråten. I really enjoy and appreciate your insights on these topics.

**Dagfinn Høybråten:** My pleasure. Thank you!

## The EU and China should work together for a stronger Europe-Asia

Editor: SUN Yining

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**Enrico Letta**

Former Prime Minister of Italy,  
Dean of the Paris School of  
International Affairs (PSIA) of  
Sciences Po Paris



Interviewer: **CHEN Zhimin**

Dean, School of International Relations and  
Public Affairs, Fudan University

*The European Union is faced with challenges ranging from refugee crisis to Brexit. Therefore, the European Union has to act wisely and be proactive in foreign policy. China's leadership in the G20 will be decisive in reclaiming the central role of G20. And the world should look into the education and youth to find a solution to future.*

**Chen Zhimin:** Mr. Letta, welcome to Shanghai Forum. You hosted the 2014 Asia-Europe in Italy and you personally

participated in the 2013 G20 meeting. My first question is, what kind of suggestions you would like to offer to China when China is hosting G20 this year?

**Enrico Letta:** The world is looking at the leadership of China in the G20. First of all, the big mission is the recovery of the G20. The G20 was born during the middle of the crises as meeting of the leaders, and G20 meetings from between 2008 to 2011 were really decisive. Leaders focused on finding solutions and sharing values and ideas. It was really effective. Since then, G20 has become less effective. Now, it is absolutely necessary to realize that the G20 was really a good place where we can share views of common problems to work for recovery. The G20 has to be the center as it was in the beginning. The G20 has to be very effective, very focus on problems and very up to date. What is important was to speak about problems that in the top headlines in the political discussion. And at the same time, it is important that the G20 can be the place where to launch projects and long-term initiatives, while engaging other international organizations and other countries. So we are all looking at the Chinese leadership because we need to strengthen the G20. And this year, China's leadership can get this recovery.

**Chen Zhimin:** The G7 summit started in Japan two days ago and the G7 claimed special responsibilities to lead the world in coping with challenges. So what is your vision about the

### relationship between the G7 and G20?

**Enrico Letta:** My point is very clear that the G7 is not in the leading place of the world though it may have been so before. It is a place where western countries may find their positions. In my view, it is the G20 that plays the key role. And the big difference is that the G20 can be effective. The world today is full of empty commitment but empty of the decisions.

The G20 is important because it takes the decisions. I remember the decisions that G20 took to weaken the protectionism when dealing with the crisis. It was decisive as during the crisis, it is crucial to take immediate reaction towards protectionism after the big economic crisis. On the other side, the big push of the G20 in its fight against fiscal heaven should be also noticed. And this is very concrete.

My point is that the G7 is a very important framework within the G20, but it is the G20 where we have to share responsibility and all the countries shoulder their own responsibilities on the most important topics, like environment, development, migrations, finance, economy etc. And I repeat, what is decisive is to take concrete decisions, not just too empty and too general statements which the world today is full of.

**Chen Zhimin:** You talked a lot about the European situations. I think in China, at least two issues got particular attention. One is

the refugee crisis. We know that the EU has reached a deal with Turkey, which calls for visa-free access to Schengen countries for the Turkish people in change for Turkey's strengthening of its border control. We also know that the deal is not yet being well implemented. What do you think is a better way to solve the refugee problem?

**Enrico Letta:** It was the worst crisis after the World War. First of all, the damage and the scale of the crisis are absolutely unique. Second, it was unexpected. In my view it was a big mistake of European countries, because it was absolutely clear that the Syrian war would create such a disease and consequence. But the reality is that we were not well prepared politically.

Therefore, this unexpected crisis created big problems. First, German's decision to accept a big amount of refugees is creating problems in German and stirring up the European public opinions. Second, the UK remaining or Brexit is related to the issue of refugees. Confronted with the unexpected situation, the EU and European countries are not prepared to tackle the problem with a long-term solution.

So this is a big problem that needs to be tackled step by step. The first step was the agreement with Turkey. It was presented as a big agreement although in my view, it is not. If we do not solve the root problem of the migration movement, the refugees will end up finding



other doors after we close one door. And it will remain a dramatic problem.

So we have to find a systemic approach. One aspect is the refugee welcoming procedure in our 20 countries. Second, we need to build up a program with the origin countries. Third, find a solution to the Syria conflict. That is the main problem. In addition, Europe and China need to work together to help build up a stable government of Libya in the North Africa by joint effort. If the situation is not improved, the migration will always be there in an uncontrolled way and the Mediterranean will be the most unfortunate part of the world.

**Chen Zhimin:** You mentioned the Brexit issue. I know you personally support the UK to stay in the EU. So what do you think is the cause and consequence of Brexit? I heard some continental Europeans might be happy to see UK to leave because then the other European countries can move forward without being dragged down by the UK.

**Enrico Letta:** This vision is very short-termed. UK is not the only one that breaks the EU, the truth, in my experience, is that many countries used UK as alibi to block the uniting process and decisions for domestic reasons. UK played an important and useful role in Europe, and I will give you three examples. The first example is the single market, the internal liberalization of EU, which is a result of an

alliance between the European commissions and the UK. UK is a stronger supporter of the single market, the liberalization, and no-border free-trade system among member countries. Second, UK always supports EU towards free-trade agreements in global trade. Third, for security policy, UK is decisive to allow European countries to be more proactive to have a strong security role. That's why it is very important to have UK in board.

Then what is the consequence of the Brexit? First, it will be a disaster for UK to leave EU. Because UK will probably lose unity, as Scotland will probably leave the UK. And the UK may lose the strength to have London as financial capital, the biggest market in the world. That position may move to other financial capitals in Europe, like Frankfurt, Paris and Milan. The other key point is that the EU will lose a lot too. First of all, China will doubt whether the EU is successful or not if one of the big countries leaves. It will also introduce doubts into the idea of the European project itself. In my view, the Brexit will be the beginning of the European decline.

**Chen Zhimin:** The EU is developing its new global security strategy, and do you feel that in this process, people are learning some of the lessons from the past regarding how to secure stable European neighborhoods and to develop a new strategy to avoid mistakes?

**Enrico Letta:** I hope so but I am not so sure, because the big problem is that we are faced with the big change of US's strategy towards the world and the Mediterranean. It is clear that there is a change in US's attitude. And it means, we Europeans need to be more engaged and proactive, because we cannot always wait for the American umbrella-an American solution to the problems. That was one of the problems in Syria, we waited for an American solution, and it did not come when the problem is there, so we have to reconsider our strategy and we need to be more proactive.

The key problem is that our public opinion is not fully supportive of a proactive foreign and defense policy. My answer is that, we did not explain to our public why it is needed until now. The terrorist attack in Europe in the last month showed we need to be more proactive to secure our neighborhood, and to cooperate with China and other great power in the world to fight against terrorism. Terrorism today is the threat in Europe we never had. And we need to secure our environment and avoid the repetition of what happened last month. In a word, a global threat needs a global solution.

**Chen Zhimin:** You mentioned the American factor, and we know that there are two leading candidates in the US presidential election. Based on my understandings, most Europeans do not like Donald Trump. Do you see the possibility of a Trump victory in the election? And what are the possible

prospect of EU-US relationship and the negotiation of TTIP?

**Enrico Letta:** I cannot imagine the Americans voting and electing Donald Trump in the end. I respect and I love the US, this is why I cannot imagine such an outcome, you know that not only US but also European countries are shaken by the process of populism that is a disease and consequence of the crisis, consequence of the globalization. Trump is one of the leaders of the populism practice, but not the only one. They try to speak to and take votes from the losers of the globalizations. So they think that the globalization process is creating losers and winners, and they know that there are many losers, and they work on this cleavage which is the key cleavage in today's political discussion in western countries: people against establishment.

Populism is one of the consequences of the Internet and the social media. With social media, the citizens are more powerful because their voices are more listened. The result is, the intermediating mechanism through the parties, the journalists, the think tanks, and the parliaments is no longer working and the leaders increasingly speak directly to people. This is the approach Trump is using.

And it is unbelievable that he insulted the Latinos, he insulted the Muslims. There are lots of Latinos and Muslims, women in the state, but he continues to do that and he gets votes. So it is a very strange situation, something completely new, this is why we are looking at the

election. And we hope that at the end of election, the situation may tend to be Clinton to win and to strengthen the relationship between the US and the EU, which is decisive to the stability to the world.

**Chen Zhimin:** But even Hillary appeared to be more conservative towards TTIP negotiation. So, if she wins, what do you think is her approach towards this TTIP negotiation?

**Enrico Letta:** I would not be shocked when hearing her prudence on TTIP. You know, it is not only an American problem, now we have the same problem in the European societies. Because in the world today, there is a fear of free trade in terms of less protection--less protection of the poorer and weaker parts of our societies. That's why we need transparency in our negotiations. EU decided to open up and completely disclosure in the negotiation process, which was good.

But there are strong fears even in Europe. So I am not very much optimistic on this process. We will have a lot of obstacles to overcome and it is necessary that this negotiation will be perceived not as a reduction of protection for our consumers. And we have to distinguish protectionism from protection. These two terms are completely different and in the communication process is necessary to show that there is a difference.

**Chen Zhimin:** Come back to EU-China relationship, China's

Silk Road initiative in the beginning did not include Europe, but my view is that in the end, Europe will be an important part of China's Silk Road initiative. What is your view about the value and prospect of China-EU cooperation in the framework of China's Silk Road initiative?

**Enrico Letta:** First, we welcome China's initiative. Although the proposed Asian Infrastructure Investment Bank shall face big challenges, we decided to invest and to be present, because we believe that China's role will be very decisive in the future and this role can be positive if we can work together, and if it is a shared responsibility, not just a unilateral initiative. This is why we think this cooperation is decisive and essential.

So we need to continue to work together, it is a perfect way to share evaluations and solutions and find a common project. I am very optimistic because I see this attitude from China. China's leadership in G20 is the demonstration of this stability and successfulness.

**Chen Zhimin:** In the past few years, the relation between China and EU has been smooth, not so many exciting things but also not so many troubles. But this year we have some issues, the so-called market economy status is one of them. China should be granted the full market economy status by the end of this year. But recently, the Europe parliament comes up with a

resolution calling not to recognize that status to China. And you will have to make a decision by the end of this year. So what decision do you think the EU will make in the end?

**Enrico Letta:** You rightly mentioned and underlined this point that is crucial this year. The deadline of the long-term solution is arriving. My view is that we will find out a common solution because it is a common interest. It is not the interest of the European countries to create troubles. And I think it is also China's interest to move forward towards free market situation step by step.

We have to consider that we are in a period when European public opinions are very much crucial and the public are against the free trade with the US and the rest of the world including China. So this is a point.

But the key point is that, in my view, maybe we are having problems because the legislation and legal framework in this situation is an old one. Maybe 'market economy statue' is an old terminology. A probable solution is to reframe the relationship and the way that EU deals with the rest of the world without these categories.

Certainly we have to work together, China too, to find the solutions to solve some over-capacity problems in some situations. Steel industry, for instance, is one of the key problems that EU is in crises with

jobless situation. And we have to be very sensitive on these issues. But I am not pessimistic because we need to find a common agreement, which I am sure will eventually come up.

**Chen Zhimin:** Last year, you decided to take a rest from Italian politics and took the office of the Dean of the Paris School of International Affairs (PSIA) of Sciences Po Paris. What is your vision to build an excellent school of international relations in France and in the world?

**Enrico Letta:** I was convinced before and now I am convinced more, that the world of today and tomorrow depends on education. Education is the key to the future, to knowing and understanding each other, the key to create coalition and to integrate. Education may be the most important political activities. Yes, I left the political position but I am very much engaged in something that has a big political value, and that is education training.

I am so happy that our university has a big and positive relationship with Chinese universities like Fudan and other universities in Asia. I am happy when I see Asian students including Chinese students in our courses. There are many ideas in Europe discussing about the international relationship. And education is trying to frame a different way to go deep into the heart of the problems. Innovation is the outcome of meeting new people and new cultures using these



approaches.

It is really a great opportunity for me to get in these works, and I am more optimistic for the future, because I work with people in their 20s, which is a generation we can really bet on, because they are a generation that have open mind with good values. It is a generation that we named it the Bataclan generation. Bataclan is a theatre where around 100 people were killed by the terrorists in Paris. We have many people of 20s coming from all over the world to Paris to study and to share the life and the values. It was really the worst attack to the heart. That is why we have to react to this attack and that is why education today is so important.

**Chen Zhimin:** You took the position of Italian minister for European policy at the age of 32, and people said that you were the youngest minister and the second youngest prime minister in Italian history. As you have close connection with the youth, I would like to ask about your suggestions on the Y20 summit this summer, which is a stage for youth to express their opinions for G20 summit organized by Fudan University this year. So what message do you want to convey to the young delegates from the G20 countries?

**Enrico Letta:** The key point is that when we organized the meeting of youth in the past, it is more like a way to say you will love the power

when you grow up. However, with the Internet and social media today, if you are strong with your ideas, you can become a main actor in one or two years no matter how old you are. What I mean is that we have to be prepared for the use of social media and the Internet to a completely different and more flexible world, in which the update of information is more rapid, circulation of ideas is immediate, and the protagonists of ideas can be absolutely conclusive and decisive. In my view, it is the key problem of the education and of the world today.

You know, when I was studying, the problem was how to find and share the information, while the big problem today is not to find information, but how to survive in the enormous amount of information that we have. It is not enough just using Google for academics. Campus needs to have education that links to experience, practice, study and the possibility to be well in managing crises, that is another a big point. The world today is full of crises and we have to train people and ourselves to deal with crises as a usual way to live. This is the most important message to youth and those who practice the education in my view.

There are many interesting topics, like the challenge of leading the G20, how to think and rethink about the international relations in this new world of social media etc. I am sure the young people that will attend the meeting in Fudan will be very happy to share their views on these topics.

**Chen Zhimin:** Thank you Mr. Letta for answering all of my questions and I hope you enjoy your visit in shanghai.

## Getting together and cooperation globally to deal with the climate change

Editor: YANG Wen

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**Frans Berkhout**  
Executive Dean, Faculty of Social  
Science & Public Policy and  
Professor of Environment,  
Society and Climate, King's College London



Interviewer: **CHEN Shiyi**  
Associate Dean of School of Economics,  
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Development Institute, Fudan Development  
Institute

*The climate change and the effects it may cause are getting more and more focused in the world. The Intergovernmental Panel on Climate Change (IPCC), established in 1988, is the international body for assessing the science related to climate change, and researchers from around the world are working for the IPCC assessment report. What should we do when facing the climate change and how can developing countries do comparing with the developed countries? We will always get together to deal with it and a better future will come.*

**Chen Shiya:** Congratulations again for receiving the Nobel Prize in 2007 due to your commission to the IPCC report. So you are one of the leader authors in the AR4 of IPCC sentence center, and contribute most to the Chapter 7. Could you briefly introduce the chapter for us? And what you are playing in the column accrued AR5 and AR6?

**Frans Berkhout:** My interest is in the impact of climate change, so as the climate warms, there are effects like becoming drier in parts of the world, becoming storming or sea levels rise and so on, and ice in the poles may melt. These things are affecting the agriculture systems, also affecting human settlements and industry as well. So the chapter I contributed in IPCC AR4 was concerned with the impact of the climate change on settlement and industry and how our cities would be able to adapt or not, and in AR5, I was looking at the study abroad question about whether we can continue to think of all the addictions happening in response to all levels of climate change. Or whether there are constraints on our ability to adapt or maybe even limit. So there are certain kinds of impacts of climate change that individuals, regions or maybe the world as a whole are simply unable to cope with. And how we judge what might be the affects, so there was a general question that was interested.

**Chen Shiya:** The IPCC report told us three clear messages, the first one is the human influence on the climate change, and the second one is if we distract our climate more, the more severe impacts we will get. The final one is the human activities to make the climate change and give a more sustainable future. So

could you explain the three elements for us?

**Frans Berkhout:** Well, I think the first thing we can measure is the temperature is rising, not only the surface, but also the atmosphere, and certainly also know a lot more about the affect of the oceans are getting warmer. That has a number of affects and the questions are that due to natural variations, maybe variations of the sun or maybe a sign of the natural process, or maybe a natural cycle. But over the last forty years, in science through modeling through observations that we make predictions and so on, through trying to attribute different kinds of effects, I think very wide scientific consensus emerge that the main cause of the observed temperature changes has been in fact forcing. So you know emissions into the atmosphere and changes in land areas by the clear fancy things. I think the first is a really fundamental result and no one I think is really argue that the result anymore. Therefore we know that as we continue to increase emissions, we will also continue to increase the warming of the global climates, and in fact the whole climate system, and having increasing effects. I think it's the main result and then we will see with those impact, some of movie would be quite serious but if we act together, we can actually influence the future. I think it's the main conclusion.

**Chen Shiyi:** As we all know that you contribute advices to several chapters of IPCC reports for us, but also provide the AR4, AR5 and many references, such as nature climate change, global environment change and so on. The key word in your many works is advising, could you introduce the role of application in coping with climate change?

**Frans Berkhout:** Let me give you a very simple example, if you have sea levels rise, think of Shanghai. For a while, we won't care, and we will have a little bit of flooding, but we can cope with it. But in some stage, we may get a major flood, or we may predict a major flood. And we could also make an adjustment in the city, we could raise the port, we could build dikes, or we could build a large garage in the East China Sea, in the way to protect the cost line. Now all of these interventions are technically possible, and the question is whether it is economically feasible, and also whether people in Shanghai want to live in a city which has dikes and so on. This is a very simple example of technical application, but the point is that the climate change effects are all sorts of things such as I said earlier, drier, maybe extremely rain pool, or other effects you have made in Shanghai is that uncertainly with thing that in north west Europe is that the amount of the rainfall over the sea in total of the year is increasing by twenty or twenty-five percent in the last 30 years. But more importantly, a large proportion of that is falling in winter in more intense rainfall events. And the effects are that we have much more flooding events because our infrastructure cannot cope with the amount of water that having in the channel. So we see that in England for instance during winter, far more flooding than there were did 20 years ago. Every winter that seems to be a large flooding winter again with also too economic cost. So you can adapt it as well, you could build a large pipe, you could build reservoirs, or there are also things you could do. And I think the issue is that human natively these kinds of things are happening where were adapting we see just give another example from the UK, which is a nice example, a positive example, in

the south England where I live, which has a huge boom in the wine industry. As it gets warmer, it's possible to produce better grapes and that means that you have in the last ten years seeing a boom in British wine production which maybe a good thing, you know, and British champagne, of some of the best in the world, as a result of global warming, so it's not only a negative effect but also maybe a positive effect as well. But all of these kinds of adjustments which you might call addition to climate change effects.

**Chen Shiyi:** So do you know the Chinese climate expert Qin Dahe? He is the first one that is working in the group in the report. There are also other candidates in the working ceremony. So could you comment on the role of Chinese scientists in composing the IPCC reports?

**Frans Berkhout:** Yes, Qin Dahe was an important member of IPCC, and there are many Chinese scientists who particularly involved in working in the group 1 which is scientific basis of trying to understand the climate system. I think the Chinese scholars are also involved in some of these other chapters in working group two, which is in fact impact which particularly in agriculture. We also have the Chinese member of the group working on the chapter in the file which I was involved in, so there are Chinese scholars play a large important role in the IPCC. They are a very important part of the composition of the inter-governmental panel because we are trying to write an assessment report which is taking a kind of all the signs which is going around the world and which is also credible to politicians from different countries. And therefore it's very important that we have



scientists from around the world, and of course there are many great researchers in Chinese universities. So it's important that they participate.

**Chen Shiyi:** The native of milestone the area of climate change is agreement which is the Paris and UN collaborated, over 105 members have signed the climate deal at the UN headquarters. So you know this is the first step towards reducing the emissions, and is a very good job. So could you give some comments on the role of Chinese government to make the Paris conference succeed?

**Frans Berkhout:** I think just see Paris know the first because we have the United Nations framework convention the treaty which was signed in 1992, nearly 25 years ago. We had of course the practical in 1993 which is the first attempt and you know in some ways another way which is successful which to attempt manage emissions certainly have an important impact in Europe. But Paris agreement I think the Chinese government was fundamental, too. Because it is able to be a year earlier to reach the agreement with the USA about the commitment that they would make in Paris, the Chinese government was able to encourage also other governments, eventually large countries like India, but also other countries who will not previously being involved in making pledges on the emission reductions to come forward and participate in thinking about their emissions into the future. The Chinese pledges itself was very important because China is the largest national emitter in the world by quite a long way now. And therefore just in aggregate, Chinese emissions if they can be

controlled may be brought down are very important factor in achieving climate management. So China is very important, but China having made the commitment also brought other countries on board, that was important thing as well.

**Chen Shiyi:** What's the challenge are Chinese government for achieving Paris conference target, how to do the China? Would you give some suggestions?

**Frans Berkhout:** In China, but also in other parts of the world, like Europe and the United States, the key is really in three sectors, one is to do with the lecture of power generation, the second is to do with transportation, and the third is to do with the built environment. Industry is important as well, but industry what you have is substantially improvement industry anyway. The key in Europe I think is probably the key in China as well is really the power sector. The power sector in China are mainly because the heavier relies on coal, is because the major source of carbon emission in China, and it's very important I think across Chinese to address the power sector which means that it should stop the building new coal fire power station, perhaps move to nuclear. But certainly continue this very heavy investment renewable and solar and so on. And six words toward perhaps an early closer of many coal fire power stations perhaps be industry gas position field. Certainly in Europe, dealing with the power sector, we will need decades, and cut the power sector is actually the easiest way to achieve this. The built environment transportation is important as well, but power sectors are fundamental.

**Chen Shiyi:** I agree with you that the industry are main factor to cause the severe emissions in China, so the global climate change includes other countries also have the air pollution causing by the emission, they have also attended the round table meeting about the topic of air pollution governors and the economic transformation in China. So could you comment on the influence of air pollution on climate change? Are they serious on the economic growth in the world?

**Frans Berkhout:** There are many complicated relationships as you know, and coal fire power stations emit not just carbon dioxide, but they also emit black carbon or serf. Serf has an effect in air quality in cities but serf at high levels in the atmosphere also reflect sunlight and actually have a net cooling effect on the atmosphere. So there is a curious double role. It both cools the atmosphere as well as in fact causing some warming at lower levels. Clearly part of cools self-dioxide have major health impacts at lower levels, where experiencing that in Chinese cities today, and certainly the example of European cities where we experiences many years ago I give the example today of the London smog in the earlier 1950s. And the only way to deal with that problem was actually to close coal fire power station in the city until move them further away from the cities that maybe something that is already happening in China. So I think the cancel of new development of coal fire power station not only leads to benefit in terms of carbon emissions and global climate change, it also brings a more immediate coal benefit to health. To do with air pollution in Chinese cities which as we know affects many hundreds of thousands of millions of people, causing disease but also early

death, so that has the measurable effect on society or the economy. And that means in fact we need to make decisions about what to do particularly with coal power.

**Chen Shiyi:** Many people are thinking the reducing air pollution will normally cut down the economic growth. So do you have some suggestions about Chinese government to reducing air pollution but keep the economic growth efficiently during the period of new age?

**Frans Berkhout:** While I think it does depend partly on relatively prices of different fields, at the moment that you have in many other parts of the world is a major move towards gas, so gas is a clean field to operate with and comes at about the same prices as coal. In the longer term as we also say in China, renewable are available, they are becoming increasingly competitive, certainly in large part of the USA, but also in large parts of China, renewable based on electricity is price competitive with the force of alternatives. And certainly when you taken to account the environmental and healthy into compare, and price into coal, then the alternatives become absolutely competitive in price terms, apart from creating benefits like being able to see the blue sky and so on. So I think if you do the economics properly, then being not a tread off, the tread off is simply a part of the way where we are looking alternatives when looking at prices.

**Chen Shiyi:** So one of my research areas is sustainable developing climates. In October, 2014, I once attended a meeting in Copenhagen, so I give you the switch of the

sustainable the environment to available in China. And you are one of the main focuses on the IPCC reports, so could you explain the significance of sustainable development and its relationship with the climate changes or air pollution?

**Frans Berkhout:** I think the point has been made that of course you can never separate the environmental performance of industry or cities from the human welfare and just the issues in theirs' countries in the societies. In order to have successful flourishing sustainable societies, we need to have people who are evaluated and who have some high levels of economic welfare that are not on the too much stress closely inform of thing. And we need to achieve that at the same time as we are achieving a green growth you know clean the air and so on. It's not possible to optimize on simply one objective which trying to realize many objectives. And that is complicated; it leads to tread off things that make people when you have a proper dialogue in society but has to achieve these different goals at the same time. But the important thing is to in fact the changes in relation to thinking climate as well as to adapting to the climate change, which helping us to make the decisions about how to plan our cities, how we live our lives, and how we plan our economies.

**Chen Shiyi:** The Netherlands organization has made some research, they have invited Chinese experts, experts of Europe from the Netherlands, Germany and UK. Could you give some comment on Netherlands in coping with the climate change and the developing the green climate?

**Frans Berkhout:** As I said earlier, some of the main issues that the Netherlands is concerned about in relation to the climate change are sea levels rise and flooding, and the fundamental issue to do is to with water and certainly the way they manage to rivers and water is changing in response to un-expectations of climate change. The Netherlands they say the flooding range case because the cause will be the major energy producer that has major gas with the declining mile. So it's always finding that it's government has an awkward relation with the climate debate where it's government has been very progressive in relation to climate policy in international level. In fact, it has been the leaders in developing renewable energies and so on. That's changing now but it has been much slower than Germany, across the UK or Denmark. On the other hand, there are some examples, the Dutch has invest very heavy in the last few years in electric of the vehicle fleet, so they are one of the world leaders in the relation to the electric vehicles, electric cars, building subsidy incentive systems but also to infrastructure and so on. So I think it's a portrait picture in whole land, in some of the area the way they head in another they are quite slow, and maybe that's a case for all countries and there are some things that they excellent. And I think this coming back to this earlier point that the responses from different countries, the affect they are concerned about having be able to adapt will be quite pacific to different countries that for each country would have its own pathway of dealing with climate change.

**Chen Shiyi:** The signal European general research is multiple. You are once the director of the future earth program. My question is, does it mean the cooperation among the different

foundations of organization, different disciplines have become the main trend of scientific research in current or the future? What's the great role of cooperation in response to the global warming and the global development?

**Frans Berkhout:** I think the international organization design is something that be going on for many years, of course things in certain natural sciences, in physics for instance will be very invalid. I think increasingly something that is happening also in the social sciences. I think the evidence that we need to do far more, and that's why I think the shanghai former exists we have platforms all are able to make all of this to happen. It's a complicated thing to get scientists from different countries to collaborate from different disciplines to collaborate may be to collaborate in a new way of doing science which also involved in different partners from business from different societies. And therefore it's very important that government are supporting those kinds of activities, it doesn't cost a lot, but it's very important that those kinds of international collaboration for platforms are created and they have resources to enable people to have dialogues into learn with each other. So I do think it's a general trend but we need to have more effort and the government may probably the private sector need to find a more generous elevator in the past.

## TPP should involve more countries including China from the experience of NAFTA

Editor: CHEN Junwei

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**Rosario Marin**  
41st Treasurer of United States  
President, Marin & Marin LLC



Interviewer: **ZHANG Qi**  
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Nowadays, the world has become a global world, where economies have been more connected through trades. The regional trade cooperation, NAFTA, has set an example for other trade negotiations. With the election of a new president for the USA, it surely will bring a lot changes to the relationship between China and USA. China is now faced with a lot of challenges.

**Zhang Qi:** Thank you for being with us today. You speak highly of the achievement of NAFTA since its establishment



in 1994. You also mentioned some of its negative effects on those disadvantaged people, like Mexican farmers, workers, and so on. My question is why NAFTA has the negative effects on those disadvantaged people, like Mexican farmers, and what measures should be taken to help them enjoy more benefits and avoid shocks brought about by globalization?

**Rosario Marin:** I think the most important thing is that recognizing with any treaties, there are going to be pros and cons. We have to make sure that the pros always outweigh the cons. It is a lot easier said than done. I remembered President Bush, senior, father, talking about how he realized that when he read that when there were 380,000 jobs lost in factory. That's very sad and tragic. But at the same time 3 millions of jobs were created and that happened with me when I am in the United States. Something similar happened in Mexico and Canada with certain industry. So we already knew with any particular treaty that there is going to be some losses. So the question is that do we medicate that, how do we minimize, reduce or eliminate the negative effects. And often times within the treaty, there are some specific steps, standards, if you will. How do we prevent some of these negative effects from happening that? If we have learned a lesson, that is we should make sure there is enforcement mechanism so when the negative effects happened there is a holistic thing to come along to medicate those negativity. As with the farmers in Mexico, when the USA exported a lot of grains into Mexico then the farmers, they couldn't compete that. There is so much corn, so many other grains coming in, they couldn't compete, and so many of these farmers lost their farms. In addition, some others are competitive, they utilized the

fertilizers. So many people were arguing there is a problem for the environment as well. There are problems to deal with. That one of the problems with Mexico was that for many years the states, the government in Mexico, when the input came in unfortunately, the Mexico government reduces the subsidies, so it makes the worse for the farmers. And obviously some farmers lost their lands, they lost their crops, everything, and that was sad, for some of these farmers, not every farmer. Those were the negative effects of NAFTA. But we know, and there were provisions there. So for me the challenge is to ensure those provisions that were there were forced. Some of the provisions haven't been enforced. The most important thing that we do is about enforcement. There is not prepared law, I have been there for a long time, you create a law, you create a treaty, you create a regulation, it is not prohibited. But since we already knew it, then we make sure that we build a mechanism to correct it when it is going down the tube. Unfortunately, sometimes it is not that case. We need to learn more about that.

**Zhang Qi:** Now the U.S. is seeking to push Trans-Pacific Partnership (TPP) with many Pacific Rim countries. From your perspective, what additional benefits TPP will bring to the U.S. and international society compared with the existing trade treaties?

**Rosario Marin:** I believe in trade and commerce. I believe we are stronger and better by it. The less restriction that we have to trade, the greater growth we are going to have., the more trade we are going to have, the more employment we are going to have. But not everything

is perfect, there is going to be some downside, I believe trades are good and commerce is good. With technology, I can perceive greater employment, greater benefits, more growth, more development, and that is good thing. I think we need to do more trade not less. When we look at history around the world, the countries that more commerce were involved, they are the one that were growing and we see it. So I believe that more trade is better for everybody involved, but the benefits have to outweigh the problems that we created. I believe, with trade, there is a reduction with prices, there is more competition, and there is creation of smaller, medium-size businesses. To me, that is a good thing, even though it is regional, more and more we see it take place around the world. So we need to help lower barrels of the trade so more and more people can actually benefit from all of these important trades. Trade is happening, with or without TPP, NAFTA, and with or without any other treaty. Trade is happening because the world is now the market place; it is not just one region so we want to bring more. I think there are far more benefits than disadvantages in trade.

**Zhang Qi:** Do you think TPP will recur the problem we mentioned just now from NAFTA?

**Rosario Marin:** I believe with the lesson we have learned, not just from NAFTA. Yesterday, Fudan University did a great job bring different organizations that have had treaty among north and south, in exploring the benefits and also the disadvantages. I believe we have learned a lesson. I believe these treaties can implement. One thing is to find a treaty; the other thing is how we are going to implement it.

That we make sure that implication of the spirit of the law is carried out and the enforcement of provision to ensure fair play, that if you make a mistake, you pay for it. I make a mistake, I pay for it. If we both make a mistake, we'd pay for it in the same way. If we do that then we level the playfield, everybody know exactly what the rules of the play are and will play by the same rule. If we do that, then we can be ok we can't expect somebody else to do something that we are not willing to do. If trade, if fair, if equal, then we are all going to benefit and our governor we worked for he used to say when we succeeded, there are going to be a lot of benefits to everybody.

**Zhang Qi:** A relevant issue is that currently TPP will not include China, and very likely it will do the same in the foreseeable future. What is your opinion on this issue?

**Rosario Marin:** I do not know China was excluded. But I think China is doing well in trade around the world, I believe that more is better, more countries involved are better, I give that many more countries from looking that, being participant, that for any reason, they are not part of it, including North America, Korea, I think it is a good thing, I think the more the better. For me, trade is good, let's all do it, let's eliminate all the barriers of the trade, as many as possibly we can have, I think that's a good thing. And if China wants to be part of it, absolutely, if Korea, Peru wants to be part of it, let's welcome them. For me, more trade is better. But we do need to have everybody in same rules and regulations, everybody is equal in trading and the benefits are good.

**Zhang Qi:** And how would you like to evaluate the economic and trade relationship between the U.S. and China during the Obama administration?

**Rosario Marin:** It has grown, I believe some people may argue that there are some imbalances, but it is going to be because we buy more than we sell, consume more of everything than any other nations. Of course, there is going to be that imbalance, but I believe it is a good thing to have trading partners that are looking for the same thing. They both ought to be greater opportunity for the development, for our nation. Whether you are one part of the country, one part of the other world, we all want to have better food, better clothing, better housing, better education, and better health. We all want the same thing. If we can through trade get those goods and services from one place or another, that's better for everybody. We are looking to make this world a better world. We all want to make this world better for us all

**Zhang Qi:** Soon the U.S. is going to have a new president. From your perspective, and if you have the chance, what suggestions do you want to give to the new president?

**Rosario Marin:** I have been a republican all my life since I become a USA citizen, I registered as a republican. Right now, I am deeply concerned and actually deeply ashamed that our candidate would be these gentlemen. I am a republican, he has never been a republican, so now he is going to be the candidate, I am embarrassed that our party has nominated this individual, I will not vote for him. He has insulted

me as a woman, as a Mexican, as an immigrant, as the mother of child with Down syndrome. He made fun of the reporter, this reporter has the disability, and he has mocked him. He has insulted everything that I valued, the people that I care for. He has unearned my vote. Politician do things to earn his vote, he has worked hard to unearn my vote. I hope he is not going to be the president.

**Zhang Qi:** In your career you have made huge efforts to help those disadvantaged people, including the minorities in the U.S. May I ask what factors have motivated you to help these people?

**Rosario Marin:** I was in banking, I had a great life, and I had been promoted. And then my son was born, he was born with Down's syndrome; it was very difficult to foster a child. He is perfect in a different way, but when you are going there to help, and they lost their pregnancy to a different disability. I created a support group for family with children like mine and I realized that there are many that needed a lot of services., then I became strong habitat for people with disabilities, eventually that led me to a governor and we helped change a law to benefit people with disabilities, then I was asked to run for a city counselor, and I won the election and became the mayor of the city, and I met the governor of Texas, who was running to be the president of USA, I helped him. I was very involved with politics since my first son was born, when he became the president of USA, he asked me to be treasurer of USA. I gave it a run for the US senator. I was the first Latino to run for the US senator, the first immigrant to run. I didn't win but then I worked for governor Schwarzenegger. I

worked for him for 5 years as the secretary of state services. And that was my first time when I came to shanghai, he was the governor and i was the secretary of services. I served for 9 years in international board. When this is so close to you when you realized that your child, regardless of his disability, he is a human being. And he deserved the same right, same respect as everybody else. So I have fought for his right as the human being. I want everybody to understand he may not be able to speak so well , not be able to do a lot of things but he has human rights, family, the community, I believe that people like my son Eric really bring hard to grow we are far better people to have them around.

**Zhang Qi:** So what kind of your past experiences are you most proud of?

**Rosario Marin:** I believe having been the treasure of USA. I was able to educate people in financial literacy. There were 10 millions of people that were unbanked that have never been set foot into a banking institution. So educating all of these millions of people the benefits of financial system is a tremendous work. I have done a lot of things from greening the states to creating greening building standards for the states to help people with disabilities. I think that really taking people by their hand and teaching them about the financial system. When they are not part of financial system, it cost them more to do any kind of financial confession. It costs those more to build credit, to then buy the house, to buy the automobile. If they do not have those, they are going to pay a lot high interest

**Zhang Qi:** What are the biggest challenges that you have ever faced

**Rosario Marin:** I had some experiences. I have learned a lot. I have been the first to graduate from college from my family. I have been the first women elected US counselor, the first treasurer of USA that is an immigrant, the first secretary of services who is Latino. Apparently it is hard to be the first. you opened the roads, opened doors that are always closed. It is hard but it is possible .Even though there are people that do not want me to open the door, I opened it. So I like the experiences. I always said that things are worthwhile I need a cheap and faster. They are expensive and they cost my money, long nights, a lot of work, energy and effort .I didn't become treasurer overnight, it took a long time. But it is worthwhile.

**Zhang Qi:** You mentioned you are hardworking. People are talking more and more about social mobility. Actually in my eyes, your experience is vital to move upward through your effort. Surely there are helpers around you, including your family. In your eyes, and as a Latino immigrant, do you think today for American people, social mobility is a problem or not?

**Rosario Marin:** I believe the greatest social mobility tool is education. I encouraged everybody to become educated. As I said, it is not easy. I never got a scholarship. I never got a loan. I earned it. I went to school at night, it was not easy but it has to be done. Education is the greatest people license. You are educated; you have



the same opportunity as everybody else. Go to school and be the best you can be. Do not worry about anybody else. You worked very hard. Keep it to your best, keep it all. Do it with love, do whatever it is. The last time was when I went to work for a bank, every other position came to me even they are in the bank. You want to get promotion, I worked very hard. I have never been the prettiest or the smartest person, but I have worked the hardest and I am proud of the work I am into. If I have never been educated, those opportunities will not come, I will never be what I would have been.

**Zhang Qi:** Do you have any lessons and suggestions you want to give to big developing countries, like China, so that the disadvantaged people in these countries can get more opportunities and better lives?

**Rosario Marin:** Whether it is in China, Mexico or Peru, I believe better education, workforce is going to have far more success than not. If you're older, young people are not educated, especially with technology being what it is today; we need people to be educated. The more we educated our people around the world, the more opportunity we are going to have. If you are not educated, then it will be far more difficult to compete in the new world with new technology. So I would challenge every country to educate its people. You guys have done a very good job.

## ASEAN and China: Better Regional Architecture and Better Cooperation

Editor: GAO Shilin

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**Susilo Bambang Yudhoyono**  
The 6th President of the Republic  
of Indonesia



Interviewer: **WU Xinbo**  
Professor and Executive Dean of Institute of  
International Studies, Fudan University  
Director of the Center for American Studies,  
Fudan University  
Vice Dean, Fudan Development Institute

*We have a good architecture actually, there is ASEAN-China partnership and cooperation, APEC, East Asia Summit and so on. So with that architecture and with the rise of China, China can bring benefits for all of us in the region, so let's invite and welcome China to work together with members of ASEAN and bring prosperity for all.*

**Wu Xinbo:** At the end of last year, the ASEAN Community was established. Looking into the future, what are the

challenges for ASEAN? How do you describe the role that Indonesia plays within ASEAN?

**Susilo Bambang Yudhoyono:** ASEAN was formed in 1967, and expanded as a regional organization, next year ASEAN will celebrate its half-century anniversary. The strength of ASEAN is ASEAN values dealing with all issues and problems within ASEAN, underlines the importance of unity, harmony, consensus building, and also take-and-give philosophy. So that's the strength. If you ask me the challenges after ASEAN becomes one single community, you know there are three panels in ASEAN: ASEAN Economic Community, ASEAN Political-Security Community, ASEAN Socio-Cultural Community.

As far as ASEAN Economic Community is concerned, in my view, the issues and challenges in the years to come is how to integrate more economies of all members of ASEAN. With stronger integration, I do believe that all economies can be further strengthened under the ASEAN Community. And lots of things need to be done in terms of trade and investment, tourism, and other regulations and policies. Remember that there are different levels of economy in ASEAN. We see Singapore, Malaysia and Indonesia at the front side, and we have other countries like Laos and Cambodia. So our challenge is how to ensure our policies, objectives, and regulation will bring benefits to all members of ASEAN.

In terms of Political-Security Community, I have to say that ASEAN has to stay united. The region is very dynamic, including the disputes

over the South China Sea. We know there is dispute between, for example, China and Vietnam and China and Philippines. With that, ASEAN must be part of the solution, on the one hand, building and holding relation with China, and on the other, encouraging Vietnam and Philippines to deal with the problem peacefully while finding proper solutions. So in the politics and security realm, the challenge is how to ensure that all issues can be dealt with peacefully and properly with the aim of maintaining the peace, stability and order in the region, in Southeast Asia and East Asia in general.

Indonesia is of course the biggest country in ASEAN. Actually we underline the so-called “collective leaderships”. Many people say that we are a “Big Brother”, but actually we see ourselves as willing to sit down and talk, and together find solutions. In my view, it must continue encouraging other countries in ASEAN to continue to work together and to solve the problem collectively. I am sure that ASEAN can still play an important role in the region, ASEAN is still in the driving seat during the economy development.

**Wu Xinbo:** How does Indonesia view the rise of China? How do you evaluate the current relations between China and Indonesia?

**Susilo Bambang Yudhoyono:** There are many talks about the rise of China. We are hoping China will rise peacefully and will not be a threat to the region. For me and for Indonesia, I have to say that the rise of China is real, is natural, and is happening. So what we need to do is to build better and stronger partnership with China, better

cooperation. With that and with the size of China's economy, the cooperation will be more successful, because we could integrate all resources we have in the trade and investment, and in other realms as well. So let's welcome the rise of China, because I do believe China will work together with us, with countries in the region, to prosper and to advance our economy for benefits for all. I also believe that China together with all countries in the region will have obligation to maintain the peace, stability and order of the region.

And we have a good architecture. There is ASEAN-China partnership and cooperation. Besides bilateral relation between all countries in the region with China, we are also having other architectures such as APEC, East Asia Summit and so on. So with that architecture, realizing that China is rising and with the rise of China, China can bring benefits for all of us in the region, so let's invite and welcome China to work together with members of ASEAN and bring prosperity for all.

Indeed, I am pleased to say that in 10 years' time when I was the president of Indonesia, our relation grew very well, grew significantly. Then-President Hu Jintao and I could elevate our relationship into strategic partnership and President Xi Jinping again elevates it further to be a comprehensive strategic partnership. Those two things are important, because in reality we could improve our relation, trade, investment, tourism, security cooperation and so on. So of course I am hoping that my successor Joko Widodo can further continue to have better and stronger relationship with China.

**Wu Xinbo:** There exist both geopolitical and geo-economic competition between China and the U.S. in the Asia-Pacific region, what do you think about the competition and in your opinion, how should ASEAN respond to it?

**Susilo Bambang Yudhoyono:** You are mentioning just now two important terminologies, geo-economics and geo-politics. Normally if you are talking about geo-economics, then we talk about economic competitions. It is normal, it is natural. And if we talk about geopolitics, normally we are talking about geopolitics of rivalries, of conflict, of confrontations. I am glad to introduce my cases: why do not we build a geo-economy partnership, and also geopolitics cooperation? I will give you an example: between China and the U.S., I know, there is a rivalry between the two great powers. There's a tension between your country and the U.S. With that, I am hoping that you could manage these tensions well. If you could not eliminate the tension nowadays, then I think you are obliged to manage it, to control the level not to escalate into a situation that we do not expect, you know, things you do not hope to happen. And while managing the ongoing tensions or differences, then you could integrate your economy, investment, trade, and other cooperation, in my view, you could do a lot of things together with the U.S. If China and the US can work together nicely, then all countries could be happy. Trust me, my friend, all countries in the region want to be friend both with China and with the U.S. For me it is good, that's why I am personally hoping that both China and the U.S. can be part of the solution, part of the progress, can play important roles in advancing our economy, in maintaining the stability and order in the region. That's my hope and

ASEAN can play a positive role because ASEAN are friends with both China and the U.S.

**Wu Xinbo:** As compared with the first decade in the 21<sup>st</sup> century, East Asian cooperation has slowed down over the past several years. How do you forecast the future of East Asian cooperation and what's your expectation of China's role in it?

**Susilo Bambang Yudhoyono:** Yes, I agree that East Asian cooperation is really important. China is the natural leader in these cooperation. Even though we have now APEC, intra-Pacific cooperation also matters, the 10+3 cooperation for me is really important. Probably we need to do more in building trust, we should not allow trust deficit for too long. That's why we need to have more dialogue, more consultation, more confidence-building methods if I may say so. With that, we could reduce the ongoing trust deficit. Once we could overcome the trust deficit, then we could probably see how to build a better regional architecture that is involving all countries in East Asia, the 10+3 cooperation. Yes, many things to be done by all of us, but the key is China and the U.S., and ASEAN probably, of course we should have Japan, South Korea and India on board. I am optimistic that for the years to come if we are really willing to sit down and talk and build a better regional architecture, then East Asia will be not only stable and peaceful but also growing economically.

**Wu Xinbo:** During your presidency, you made great contribution to ties between our two countries, in your

experience of working with the Chinese leaders, what impressed you most?

**Susilo Bambang Yudhoyono:** I believe in the importance of personal relationship among leaders, because we have formal diplomacy but also informal diplomacy. I am fortunate because my personal relationship with both President Hu Jintao and Premier Wen Jiabao are not only good but excellent. So we could talk together heart to heart, finding opportunities in strengthening and expanding our bilateral relations. And sometimes with the nature of our personal relationship, even when things really seem difficult, there is a way of how to solve the problem properly. Even with that, we could find more opportunity to advance our bilateral relations. So even though I have been working with President Xi Jinping for only 2 years, I could also maintain my personal closeness with President Xi Jinping and this relationship must be still alive, and I am hoping my successor Joko Widodo to do the same. Because with close partnership, close friendship, then, in my view, the two countries can do more in strengthening and expanding our relationship.

**Wu Xinbo:** Mr. President, this is the first time you attend Shanghai Forum, and this year is the 11<sup>th</sup> anniversary of Shanghai Forum, would you say a few words about this important forum?

**Susilo Bambang Yudhoyono:** Yes. After rethinking what and why and how of this forum, I really hope, professor, that this forum will not only bring benefits for everybody, for every nation, but also can



be part of the solution and progress. I have to say that there are many problems faced by the world nowadays because of lack of understandings, misperceptions, and miscalculations and so on. So with Shanghai Forum, you could bring many stakeholders, politicians, businessmen, and scholars from many countries to just sit down and talk, and try to address challenges we are facing together and hopefully we can find a solution, we can find a way out. So I do really support Shanghai Forum, and I do hope you could continue outreaching countries, leaders, international figures to do together with the spirit of Shanghai Forum. I am glad to be part of Shanghai Forum, and tomorrow I will be delivering my remarks. Hopefully I could also contribute whatever I could contribute to the future of Shanghai Forum.

## Asian Security Order: How to Move from Security Competition to Security Pluralism

Reporters: YE Huichao, CUI Can



### Amitav Acharya

UNESCO Chair in Transnational Challenges and Governance and Distinguished Professor of International Relations at the School of International Service, American University,

Washington, D.C., and the Chair of its ASEAN Studies Initiative.

*[AESAN countries should establish the mechanism of “Security Pluralism”, major powers should not try to distract small countries and it is the best to maintain the current ASEAN-led regional architecture. China should be cautious in case of South China Sea and consider its international image, and China should promote “One Belt, One Road” with more openness and comprehensive]*

**Reporter:** This year, you have mentioned a brand new notion, “Security Pluralism” in one of your articles. How do you think the Asian Infrastructure Investment Bank and “One Belt, One Road” will contribute to the security in Asia?

**Amitav Acharya:** First, let’s look at what ‘security pluralism’ means. It means that security requires multiple conditions and approaches as

well as a positive relationship among them. Security pluralism embraces the core principle of “cooperative security,” meaning that security is best achieved in an inclusive multilateral framework (“security with”), instead of deterrence and containment strategies (“security against”). But security pluralism also recognizes the importance of bilateral measures and the balance of power achieved through defensive postures (consistent with “defensive realism”). Security pluralism also requires economic interdependence and ideological tolerance for ensuring stability. Security pluralism is not purely a system of balance of power. It is less idealistic than “security community” where collective identity emerges and war becomes “unthinkable.” Under security pluralism, the competition of national identities remain, but it is controlled by the interplay of economic interdependence, institutions, norms, and military equilibrium, as well as a shared imperative for avoiding system collapse. Finally, security pluralism is not a concert of powers – a great power club. It respects the autonomy and role of smaller nations such as the members of ASEAN, and fosters not only accommodation among the great powers but also restraint towards the weaker actors.

China is pursuing different types of initiatives, some of which are more consistent with security pluralism than others. The AIIB is a multinational institution with many different stakeholders. It has a shared governance system. Another initiative, The One Belt and One Road is mainly governed by China instead of in a multilateral way. So these two initiatives are different. The key principles of security pluralism and regional stability cooperation are openness and inclusiveness. AIIB is consistent with security pluralism as it opens to

anybody and it is inclusive and transparent. One Belt and One Road is different because it is basically led by the Chinese government. It depends on how the government wants to invest, who is going to be involved and how much of China's own interest and common interest will be considered. I am a little unsure about the One Belt and One Road initiative. If it works well, then I think it must be open and transparent, and it will be good for the regional stability.

**Reporter:** Since the Washington insists the “Rebalancing Strategy” in Asia Pacific, military and economically, how do you suggest for Asian countries to do in order to maintain the stable condition without sacrificing the interests of major powers?

**Amitav Acharya:** Although US is not an Asian country culturally and geographically, it sees itself as a resident power. What the US does has a very significant implication for Asia because the US has long-standing military presence in the region. And the “rebalancing policy” is supported by many Asian countries, including its allies, such as Japan, Singapore, Philippines and Australia. So the rebalancing strategy is a kind of hedge against China and Chinese behavior, but it is also a kind of US's reflection and realization that Asia is the most important economic and strategic area for its policy in the 21<sup>st</sup> century. In order to maintain the stable condition without sacrificing the interests of major powers, the key is to avoid conflict. Every country wants to exercise its power but they should not push too far. China will exercise its power. When it comes to the question of territory and sovereignty with respect to the Southeast Asian countries, China is more powerful than other countries in the region.

China sometimes has to sacrifice a little, but it is still a big power and needs to act responsibly and with a certain amount of restraint that befits a great power. And if China does that, that will be the best response because the ASEAN will also be careful about taking the America's side. The ASEAN countries do not want to be forced to take a side. They want to remain relatively neutral. If the US pushes too much, they would have to make a choice. That will be bad for everyone. For Japan and India, they have their own interests. Pushing them too far to balance China will be dangerous and counterproductive.

**Reporter:** The Sino-ASEAN Free Trade Zone was established on 2010 and now China is the largest export partner to ASEAN while ASEAN ranks on the third largest trade partner to China, which is a huge success. How do you evaluate this partnership and its contribution towards the whole global integration?

**Amitav Acharya:** It is a positive contribution to the regional stability, China-ASEAN relations and the global economy. There are some concerns about who benefits more. I think generally speaking, it is a positive contribution. But now we have new kinds of initiatives, such as TPP, One Belt and One Road and AIIB. Sino-ASEAN Free Trade Zone is going to be very relevant with those initiatives. Will it be overtaken or overshadowed by those new kinds of initiatives? In the future, maybe it needs to be revived, re-negotiated or strengthened. But it also depends on the political relationships between ASEAN countries and China.

**Reporter:** As we all know, there remains many territory conflicts between China and Vietnam and Malaysia. Do you think the <International Law> and <Declaration on the Code of Conduct on the South China Sea> can solve these problems? Or is there any other proper way to deal with those conflicts in current global environment?

**Amitav Acharya:** Territory disputes impact the most important issues of security in the relations between China and South-east Asia, but it is also one of the most important issues to Asian stabilities today. The Code of Conduct has not worked so far. We only have a declaration of Code of Conduct in 2002 and 2003. It has been delayed and it is moving very slowly. It is really disappointing. The Philippines's action in seeking a ruling on the South China Sea from the Permanent Court of Arbitration (PCA) is a test of the international law. China's reaction to the court's verdict in favour of the Philippines will make a big difference. China has said that it does not accept it. But such a stance has some reputational cost. The international society will see China is not law-abiding. The Chinese government needs to be mindful about its international image. The dispute cannot be totally settled on the law alone. It needs diplomacy and China to make a political calculation. Having good relations with its neighbors, being seen as a law-abiding, constructive and responsible power is good for China will contribute a lot to China's claim of peaceful rise. The political calculation is not a legal issue. It is not about the territory only, but a political issue that has to be decided by the political leaders in China on political grounds.

**Reporter:** Do you think the G7 countries will interrogate with China about the South/East Sea? What's your opinion on the "South Sea Arbitration Case"? After the Philippines got a verdict in its favour, whether the other countries will repeat the process? And if this happens, is there any census reached by ASEAN? Is there any on the part of China?

**Amitav Acharya:** It is quite possible that other countries may follow. After Philippines won the case, even if other ASEAN claimant countries do not follow, it is still a very important landmark because it is the first time international law has been used in South China Sea. If China refuses to follow, it is going to create some image problems for China. That is why I said China should take more considerations of political settlements and do not think of this question as simply sovereignty. It is not the problem between China and the West, but the problem between China and fellow Asian countries, especially less powerful countries. China can afford to be more generous. There are some clarifications China can offer and compromise and manage this issue politically and diplomatically. There is no need for military solutions. China has to take the leadership because it is a big power facing middle and small powers. It has to behave with some restraint. It will become a turning point and China has to be very careful.

**Reporter:** What is Indian's first primary concern on the "Belt and Road" initiative in the coming year of 2017?

**Amitav Acharya:** I cannot speak for India, but I can comment as an observer. I can say that the One Belt and One Road makes India

concern about its own immediate neighbors like Nepal, Sri Lanka. I think India will counter the initiative. China has more power and money, and it can cooperate with Nepal and Sri Lanka. But let's not forget that these countries are living in the shadow of India. China and India should reach an agreement on how far One Belt and One Road can actually influence India's neighboring countries. They can do it in a joint manner. Chinese companies are also investing in India, and India benefits as well from One Belt and One Road. If it becomes a competition, it is impossible that China will end up winning because China does not have geographical advantage. And India has lots of cards to play. It is very important for the two countries to consult on the One Belt and One Road.

**Reporter:** In the beginning of this year, three main ASEAN countries: Vietnam, Myanmar and Lao's all changed their leadership. Especially two traditional socialism countries promoted democracy revolution. How do you think this Democratizing Movement's influence on the current political structure in Asia and World?

**Amitav Acharya:** Myanmar is the only country among the three that has gone democracy. The other two has just changed the leader. People in China and government in China have to pay attention because it may affect Chinese people. At the moment, there is nothing to worry about. If China wants to be democratic, it has to be changed by internal reforms instead of external forces. It is China's own problems and decisions. Most of major powers in Asia are democratic such as Japan, India, South Korea and so on. The question is whether



China wants to have a domestic and foreign policy ideology that is appealing to its neighbors. It also has to have an ideology that can appeal to the people of those countries. The ideology should make China look more generous, attractive and benevolent. In recent years, some neighboring countries have come to see China as a threat, but China should persuade them to accept that there is no threat and they can benefit from good relations with China. In the past China did not colonize these countries but traded with them, which was mutually beneficial. It is a model for China's leaders to shoulder more responsibility and being careful about dealing with less powerful states in the neighborhood. Dealing with the US and Japan is different from dealing with its neighbors.

**Reporter:** There are many small powers in southeastern Asia. As four main powers, how do US, China, Japan and India deal with the conflicts among these small powers and maintain the order in this region efficiently?

**Amitav Acharya:** ASEAN has been in the driver seat. If China wants to dominate the organization, other countries won't accept it. All the big powers of the region must not try to divide the small countries and weaken the unity of ASEAN. The best way is to manage the relationship and competition instead of adding pressure on the small countries to choose sides or trying to divide and dominate it.

**Reporter:** With the further interaction among Asian countries on economy, politics and culture, do you think it is a good direction

to learn some useful tips from European Union? And is there anything we should avoid from European Union's experiences?

**Amitav Acharya:** There are lots of things can be learnt from the EU. They developed from a group of countries fighting all the time in the 19<sup>th</sup> and early 20<sup>th</sup> century to become a very peaceful region. The main powers of EU, such as Germany and France used to have so many wars against each other, but today war is unthinkable. It is a very amazing transformation, which even the recent Brexit cannot take away. It offers lessons for Asian countries. If China can get along with Japan like Germany is getting along with France, the history of Asia will be transformed. But the EU's own path does not apply to Asia because of too many regulations, homogenization and so on. Asian countries are not ready for them. So Asian countries should learn from EU and at the same time find its own way, trying to turn rivalries into friends.

## Beyond the Great Wall: Innovation-Driven Growth and Intellectual Property Rights

Reporters: YE Huichao, CUI Can

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### Antonio Varas

Partner and Managing Director at The Boston Consulting Group (BCG), a leading global management consulting firm with presence in 48 countries. Expert in Technology,

Telecommunications, and Media.

*[Developing countries should create an environment that promotes innovation, both for large corporations and small businesses. Specifically, China has a great opportunity to shape the 'next generation' technology areas such as IoT or robotics. Chinese companies should be engaging globally, leveraging the size of the China domestic market to influence global technology decisions and aiming to develop high-quality Intellectual Property in key innovation / destination markets outside China.]*

**Reporter:** After the global economic crisis in 2009, the world experienced serious recession, especially for developing countries. How do you suggest governments to encourage innovation among entrepreneurs in this kind of economic circumstances?

**Antonio Varas:** Innovation is becoming more global. We used to believe that innovation only took place in the developed world. I think

the mobile industry is a very good example, where there used to be that the technology is invented by West European and American companies, and now, in the last decade, it has become a much more global phenomenon, including China.

That happens in two ways: first, the growth in consumption is coming from emerging markets, and second, countries like China have significantly increased investment in R&D and developed a new generation of scientists and businessmen. When we look at China, the level of investment in innovation has kept on growing even during the recent global economic crisis. Innovation has never stopped.

When it comes to the best way to encourage innovation, governments need to create a framework that supports investment by both large corporation and small companies. In the US 90 per cent of patents are created by large companies and the other 10 per cent are from small companies. But the 10 per cent from small companies tends to have higher value because small companies typically can focus more on more disruptive innovation, new technology and new areas. The innovation in small companies is impactful.

Examples of policies to foster innovation include funding academic research programs in new high-potential technology areas, creating financial incentives for innovation such as tax benefits, and really supporting entrepreneurship. It is important to create an environment where small companies have the opportunity to innovate, reducing all the barriers to creating new companies, helping new companies to get financing, and educating small companies on Intellectual Property

rights and how to recognize the value and protect their innovation.

**Reporter:** Nowadays, the development of technology makes it easier for normal people to access to information. Many countries try to build an “E-Government” based on cloud computing, what do you think is fundamental to maintain the purity and efficiency of the “E- Government”?

**Antonio Varas:** At BCG we are actually doing a lot of digital transformation across the world with many companies, and also with some government agencies. I think the technology is not the most important thing because the technology is there. The most important thing is to change their way of working. What we are seeing and what we have done in different countries is that E-Government requires fundamentally changing how these government institutions work and how they redefine their processes, how they train the work force, and how they provide the access to the new technology-enabled services. You can set up online access, online forums, but they can make a change only if the institutions have redefined their underlying processes. Secondly is that there has to be a mental shift, government has to start looking at the service they provide with the same mindset companies do. They have to think about their customer’s experiences about how they can provide their service as frictionless as possible. That has nothing to do with technology, more to do with customer-centric culture and processes.

**Reporter:** You have been working in the telecommunication industry for decades, which experienced the blowout of

technology. How do you think this development changes people's daily life and whether the advantages overcome the disadvantages?

**Antonio Varas:** Two years ago we published a research report on the economic impact of mobile technologies, titled "The Mobile Revolution". We did a lot of research on businesses and consumers in the U.S., Germany, Korea, China, India and Brazil. I have to say the data supports the claim that the mobile technology has brought a true profound revolution across the world. Mobile is the fastest-adopted technology of all the times compared to cars, TV and so on. Not only now everybody has a mobile phone, but the utility that the users get from the mobile phone is incredible. So we are talking about an industry that has trillions of global revenues. It is changing people's lives. It also has a profound impact on businesses. In our research we found that small businesses have embraced mobile technologies as a key tool to increase their competitiveness with the large companies. For example, nowadays, a lot of small businesses in any country have the ability to attract new customers and market services because they can rely users' reviews on the mobile phone. The small businesses have access to the customers through the mobile phone. In fact, we found that the small businesses that use mobile technology more intensively grow 2 to 3 times faster both in revenues and employment than the businesses who have not yet adopted mobile technology as part of their business operations. The impact is tremendous. Governments do have the ability to play a role in fostering this trend; China is a good example in doing a fast migration from 3G to 4G,

making devices more affordable to promote penetration and also educating consumers on how to use the mobile technology.

**Reporter:** Since you have worked in different countries and now based in US, what elements do you think is the most important in intellectual property protection and innovation cultivation?

**Antonio Varas:** China is now the second country by Research and Development investment in the world, only behind the US. China has also the highest number of patent filings in the world. But most of this activity has happened only in China. Most of these patents have only been filed in China, not in other key innovation and high-tech export markets such as the US, the European Union, Japan or South Korea. China is always a huge domestic market. But Chinese companies should plan their investment in innovation aiming at the global market, they should be leveraging the size of the China domestic market to achieve scale and compete in global markets. The problem companies in developing countries including China face is that they still do not actively think about Intellectual Property and how to leverage it in the global world. They can get patents in China. But they still do not know how to get and use patents in the US, Europe and Japan. In some cases their innovation is good enough for the local market but not that innovative and valuable when you are going to compete globally. Or in some other cases they may have something truly unique but they are not protecting it.

**Reporter:** You have written articles about the intellectual property protection. It is reported that Apple shall pay patent

royalty to HUAWEI, a Chinese telecommunication company, which is a positive progress in intellectual property protection in China. However, China still has a long way to go regarding intellectual property protection. Can you share your opinions on it or offer some advice to Chinese government and technology companies?

**Antonio Varas:** HUAWEI is a good example for Chinese companies. One of the main reasons behind the fast adoption of mobile technology across the world is the existence of global standards, such as 2G, 3G, 4G. While in 3G China decided to use its own domestic version of the technology, in 4G Chinese companies were very significant contributors in setting up the global standards. In fact we estimate that HUAWEI and ZTE have each about 4 per cent of the 4G standard essential patents, the core underlying technology that makes 4G works. This is the type of innovation and patent that is really valuable. They are essential. Every 4G mobile phone in the world will end up using this technology, and therefore potentially generating royalties for HUAWEI. As this example shows, Chinese companies should be engaged globally, creating and protecting valuable IP for the global markets. Chinese innovation has crossed the line and become part of the global innovation. If you only develop the technology for China, you will miss the opportunity to compete in the global market. So the Chinese Intellectual Property authorities could encourage and actively support Chinese companies in getting their IP recognized in the key innovation geographies such as US, European Union and Japan, and in participating in defining the technology standards at a global level.



**Reporter:** On May 13<sup>th</sup>, the Indian cabinet just approved the new Intellectual Property Rights, which aligns with the WTO's TRIPS. Because India is famous for software development, what is your comment on this issue and the influence it may bring in the future?

**Antonio Varas:** It can reflect that innovation is becoming global. Anything that can bring the talents from the countries can bring China and India into the global game. This could be a significant step not just to ensure that intellectual property rights of foreign companies are duly protected in these markets, but also to make sure the innovation happening in India and China can find its way to the global market and can really make a difference.

**Reporter:** In the past several years, the United States International Trade Commission has sued many Chinese technology companies like Lenovo, ZTE and so on, which is called "337 Investigation". Sometimes these companies won the lawsuit and made reconciliation with US government. Some people claim there is conspiracy inside. Do you think there might be political issues in these cases? If not, how can Chinese companies get rid of this kind of problems?

**Antonio Varas:** It is true that there has been some high-profile IP cases involving both US companies in China, and also Chinese companies in the US. . To some extent, this is the reflection of the fact that Chinese companies have now a bigger role in the global market in

high IP sectors such as Telecommunications or Information Technology. We can expect more cases of disputes because China is becoming an innovation power house. It also reflects that Chinese companies have not really invested in getting their IP recognized and protected in the U.S., Japan and Europe.

**Reporter:** China is enlarging the Research and Development sector and is no longer focused on the low cost manufacturing, with the tremendously increasing of the human capital in China. Do you have some suggestions on future development of China's innovative mechanism?

**Antonio Varas:** As mentioned before, the first suggestion is to promote awareness about IP issues and engage globally, making sure they not only focuses on the domestic market, but they innovate for the global market. HUAWEI is a good example for Chinese companies. Chinese companies should leverage China market size to influence global industry-shaping technology decisions. This can create a 'virtuous circle' that reinforces global competitiveness of Chinese companies and delivers superior value to Chinese consumers. Chinese companies should push into 'next generation' adjacencies to critical technology areas i.e. IoT, robotics. This could allow them to build early lead to secure role in establishing foundational technologies, and also provide them with cross-licensing opportunities to shield their position in other more mature areas such as mobile phones.

The third suggestion is to really support the start-ups. There is

research that shows that while small companies account for 7-10% of patents granted in the US, these are typically of higher quality and innovation. Also having patents have a long-lasting positive causal effect on start-ups' growth and success in raising fund.

Finally, a lesson that can be extracted from the history of development of Japan and South Korea is that Chinese companies should be looking at all possible levers, not just build technology on their own. They should be participate very actively in global standard setting bodies, and should also look at opportunities to partner with or acquire other companies outside China. This is an area where BCG has done some research that shows that Chinese companies need new, more advanced capabilities, particularly in IP analytics and development and in cross-border M&A.

## Global Value Chain & Innovation and Upgrading of Manufacturing in China

Reporters: JIANG Mengshu, LI Xiaodan



### Athar Hussain

Director of the Asia Research Centre. He published books entitled *China's Urban Century: Governance, Environment and Socio-Economic Imperatives*, *Marginalization in Urban China: Comparative Perspectives*. His research and teach areas focus

on Asia, China, and Economic Transformation.

*In the changing Global Value Chain, flexibility is a key element in determining the rank of a country or a region in the Chain. China is now rising from low end manufacturing to semi and high end. Intellectual property right protection is important, but for China, so far manufacturing is still essential to ensure rapid economic growth. China and Britain may cooperate in areas like infrastructural construction and finance to achieve a won-won situation.*

**Reporter:** Since the governance pattern of Global Value Chain is always changing, what are the key elements in determining the status of a country or a region in the Chain? And how should a country do to improve its status and competitiveness in the Chain?

**Athar Hussian:** I think it depends on the flexibility. If something is changing, you will in a good position if you can change to the second stance. Basically, a country should improve its human capitalism and infrastructure, and education. Educated people are more flexible than uneducated people. And these will all help improve the flexibility.

**Reporter:** In your opinion, what is the aim of Value Chain in a city? What should we do to improve the Value Chain in Shanghai?

**Athar Hussian:** Take Shanghai as an example, in the value chain, the aim is to increase Shanghai's contribution. And my argument is that in a city the people are responsible for making contribution. So I think what is important is when you look the value chain in Shanghai, you should concentrate on the lower end rather the higher end and is the ordinary people who determine the value chain. So I think the big problem in Shanghai is the “non-locals”, who do not have Shanghai Identity and their children cannot go to school and take the college entrance examination here. So these people who have disadvantages especially in education will be a big problem in the long term for Shanghai, and also cities like Beijing and Guangzhou. So I think Shanghai should improve this problem. And the second thing is when you say Shanghai, it is not clear what Shanghai is, the inner city or the outer city. The population is very different. So you have to decide which Shanghai is since the population and definition is quite different.

**Reporter:** Now all consider Asia as “World Factory”, as is

represented by China and India, what position do you think that Asia is in the Chain?

**Athar Hussian:** Different countries in Asia are quite different. China is very different from India. India values contribution mostly in research and knowledge. And in terms of production, India is not as efficient as China. The infrastructure in China, such as the road, railway, and aircraft is better. And position of India women is not as good as Chinese women. As Chairman Mao said, Chinese woman is half the sky.

**Reporter:** There is a saying that Asian manufacturing powers are gradually progressing into the middle and high-end of Global Value Chain? But others point out that the so called “middle and high end” are the areas that has been eliminated and abandoned by developed countries, who has been transferred into exploring more advanced technology and fields. What’s your opinion?

**Athar Hussian:** Yes, that is what really happened, it has to start somewhere, so you have to not start by the most complicated, you have to start at the lower end, and then you gradually probably make it happen.

**Reporter:** Do you mean that you think Asian manufacturing powers remain to be at the end of Global Value Chain?

**Athar Hussian:** I think it depends whether it can be involved to the higher state, it used to be the loser, but now it is much stronger, And I

think China will do the same.

**Reporter:** But in the past few years, China's economic growth is slowing down. Under this circumstance, how should we decide, to continue strengthening manufacturing or to accelerate research and innovation?

**Athar Hussian:** I think research will be important, but for the time the manufacturing is very important, but china keeps 7% growth, it is very high, if some other country can remain 7% growth, they will be very happy, so we should take this seriously, which it is said "new normal".

**Reporter:** Yes, After all, research and innovation takes time, and China now is facing with the pressure to guarantee economic growth.

**Athar Hussian:** I think it won't happen immediately, but china will gradually progress into scientific technology. Chinese students are much better and better than fifty years ago, and people are more and more going to the outside world.

**Reporter:** So when do you think China will change this low-end status?

**Athar Hussian:** I think it is already happening, because in Guangdong, if you go to Shunde, many manufacturing factories has blocked down, so many manufacturing has moved to elsewhere. So I

saw it already happening.

**Reporter:** China is deemed as “World Factory”, and China’s thriving economy in the past decade mainly relied on the fast development of manufacturing. But this kind of development is unsustainable and can cause serious problems when facing financial crisis, as well as environmental pollution.

**Athar Hussian:** Yes , But I think manufacturing is so important, because we all know any country when we progress in the low-end services to the high-end services technology, you have to do some manufacturing.

**Reporter:** Japan and South Korea both experienced economic transformation from manufacture industry to service industry. Successful transformation can save states from economic downturn. Now china is trying to raise the proportion of service industry in the development of economy, so what’s your opinion on this decision of Chinese government?

**Athar Hussian:** I think it is a good idea, because services are making more and young employment than industry. So I think china can create more jobs, which is a good idea.

**Reporter:** As Asia is quite different from western countries in society, economy, culture and politics, what aspects or issues that Asian countries should pay attention to in the process of innovative transition.



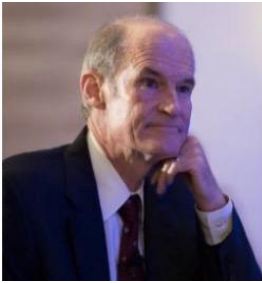
**Athar Hussian:** Innovation is basically a hard work, so if you employ more people, you will be more innovative, after all china invented “The Four Great Inventions”.

**Reporter:** Last October, President Xi paid a visit to the United Kingdom and signed big deals on aviation industry and high-speed train. How should China and Britain cooperate with each other and create double wins?

**Athar Hussian:** Yes, in many ways. For example, the high-speed train. In China, there are many high-speed trains, but in London it is “Man Tie”. Besides, at financial fields, China in London can set RMB from market, so we can make some transformation in RMB.

## Perspective of Network Security Cooperation and Co-Construction and Governance from the Perspective of Asia

Reporter: CHENG Li



### **Bruce McConnell**

One of the world's leading experts on cybersecurity, leads the EastWest Institute's Global Cooperation in Cyberspace Initiative, working with governments and the private sector to make cyberspace safer and more secure. He

also heads EWI's San Francisco office, responsible for building and maintaining relationships in the American West and in the Asia-Pacific region.

*China and the United States are different in the historical culture and forms of government, so it is impossible to make consensus in all issues. However, the close economic and trade ties between the two countries is conducive to the development of the global economy. China and the United States should make grand strategy and grasp cooperation opportunities for mutual development by allowing the differences.*

**Reporter:** For the United States, what is the most important cybersecurity problem, is there any regulation measures, and what is the principle of governance in this field?

**Bruce McConnell:** At present, in terms of network security, the

biggest risk of the United States is a lack of information security awareness. The United States has a large number of Internet users, but they are not yet aware enough of the risks – the threats, vulnerabilities, and consequences of weak security. Often they don't wake up until after a network security incident happens. In the United States, government and industry are working together to improve security awareness, and to invest more in security technology and training.

**Reporter:** What do you think is the core issue of network security? What kind of impact will it have when the network security is encroached?

**Bruce McConnell:** Many issues contribute to weak network security. One area is the lack of authenticated identity in important parts of the network, such as critical infrastructure. Another issue is the uncontrolled development of cyber armaments, which also includes the underworld, the Islamic State, and other non-state actors. It is interesting to note that the most serious network attacks will not make the power grid shut down, but will affect the integrity of the data, which can lead to a loss of confidence.

**Reporter:** we know that EWI has an information sharing community, in this community, individuals, organizations, corporate groups of information can be shared. So what do you do to improve the security of information?

**Bruce McConnell:** For example, not long ago, the EWI held a meeting of 40 people from the major cyber powers to discuss how to improve the security of information and communications technology. Later this year, EWI will publish a buyer's guide book to help users address this issue with their suppliers. By 2020, there will be more equipment associated with the Internet, such as heartbeat health equipment, automotive equipment. These will bring serious security risks. A lot of work and investment will be needed to address this issue.

**Reporter:** The United States has a lot of non-profit service agencies such as EWI, can you tell us the main financial source of EWI?

**Bruce McConnell:** EWI was founded in 1980, as a non-profit organization that committed to promoting security and cooperation of the global network, while reducing international conflicts. In recent years, EWI is actively seeking cooperation with the Asia Pacific region. There are many financial sources including personal donations and public welfare organizations, corporations and private agencies, companies like Microsoft and some Chinese companies, such as Huawei Group, Qihoo 360.

**Reporter:** Is there any relevance between EWI towards the Asia Pacific and the United States returning to Asia Pacific region?

**Bruce McConnell:** Many think that with development of

China's economy and the state, it will become a threat to America and then affect the American interests. The cooperation on network security should conform to the interests of both sides. China and the United States should pay more attention to grand strategy of maintaining good communication and cooperation on major issues such as economic issues.

**Reporter:** As Internet powers, it is to the common interest of both China and US to maintain cyber security. Do you think that China and the US should be committed to promoting international cooperation by setting up an international dialogue and cooperation mechanism to combat cyber terrorism, and if so what approaches and methods are most effective ? And how to strengthen cooperation?

**Bruce McConnell:** The leaders of both countries are aware of the dangers. Therefore, the two countries have made an agreement limit network attacks between each other. Although this is a non-binding agreement, it is a good start from which to build more trust and multilateral cooperation. I highly appreciate the Chinese team, who are willing to make their own efforts to improve network security. China and the United States are different in the historical culture and forms of government, so it is impossible to make consensus in all issues. However, the close economic and trade ties between the two countries is conducive to the development of the global economy. China and the United States should make grand strategy and grasp

cooperation opportunities for mutual development by allowing the differences. There is a good chance to build trust between China and the United States but lacking of a specific framework presently. China and the United States have to establish an effective and practical mechanism to solve the problem. Moreover, we should also apply the Internet to innovation and cooperation in other areas, such as infectious diseases and anti-terrorism.

## EU and China hand in hand: To make more possibility in Economics

Reporter: FENG Shan



### Daniel Gros

Director of CEPS, mainly research on EU economic policy, specifically on the impact of the euro on capital and labour markets, as well as on the international role of the euro, especially in Central

and Eastern Europe.

EU is in relationship with China in economy, not political rivals like United States. The benefit China gain from the EU-China free trade area is better than that of Sino-America. With the development of Chinese industry and the increasing labor force, the companies in China have to enhance its productivity and high-technology. China has large number of investment opportunities, especially in the process of altering in high-tech mode. Some developing countries in Europe are less competitive than China, so they may take some protective measure to keep them from China. For example, the overcapacity can effect on some European industry.

**Reporter:** What specific measures you think are EU and China taking on the interconnection between them? What expectations are EU looking for on the interconnection with China?

**Daniel Gros:** China and EU can make cooperation in many aspects, they cooperate in economics as well. EU is in relationship with China in economy, not political rivals like United States. They can also cooperate in global warming, climate change, business areas with US and the mission ranch they lower ready.

China can develop new market, like service industry. The interconnection between those aspects I think don't need the governments. They are mainly developed through the lower institutions, such like companies, universities, or ourselves.

**Reporter:** How about the trade between EU and China and how about FDI and TTIP?

**Daniel Gros:** I think the most important benefit brought by the free trade is how to eliminate their trade barrier. The trade protectionism in China is stronger than it in European and US. That is why China can gain more benefit through the bilateral trade. No matter what kind of free trade all include two cores---- reducing the tax fees and eliminating trade barrier. Now, China is still an export-oriented economic entity. But it is changing as well, service is growing. The trade between European and China should be strengthened. The main trade between China and Europe in service industry is tourism at present, China need to reduce tax free further.



We have to analyze specific fluctuations of tariff categories in the bilateral trade, which will affect the entire tax situation. We assume that both tariffs can be further limited, such as controlled at 0.8 and 0.9, and then we can further promote the growth of both sides. It can make trade balance better, benefit both the economy of China and the Europe; according to statistics this can benefit China's GDP and economic more. However, the service is now ignored; it only accounted less than 10%.

How to enlarge Trans-Pacific Agreement is the problem that China and Europe need to consider of. The FTA benefit from China and the EU is higher than this in Sino-US.

In addition, for the current political situation, we also need stronger political leadership. In Europe, we may need to take China as a competitor, because of some intervention of Chinese government, but barriers of FDI is good to China. Non-tariff barriers and agreements, is benefit to bilateral trade, this is the outcome our leadership needed to achieve.

The add up GDP of European countries are more than China, but China is catching-up, while per capita GDP of Chinese will take longer to catch up with the EU. China is a deposit -oriented country, but this is changing, China won't always buy US debt, it will also buy Europe debt, which may lead to the rising of FDI. The three largest economic entities—China, US and EU are changing, which will cause profound influence, including influence on The Belt and Road and so on.

**Reporter:** How do you think of the development of Chinese industry?

**Daniel Gros:** Now China has become more sophisticated and they become complementary to many of the machinery groupment which is used to build in North Europe.

I think European companies actually have the same task as Chinese once, and have to upgrade their technology and productivity. The southern Europe have been lagging, and they stopped do it, now they have to start it.

**Reporter:** How to treat the industrial development of China and EU, especially the area of high-technology?

**Daniel Gros:** You cannot jump over the state of developed. You can grow up rapidly, but you cannot jump. I think we set the example that country grow up late but develop rapidly like China. Indonesia is at bottom, China is at middle and US, and EU is at top.

Those poor countries, which follow China as an example, are developing by having open trading relationships, including Malaysia.

I think now we have merely investment opportunities in Europe. Take an example of human, Europe is in old age now. It has not so many investment opportunities. But China is on the contrary, especially when china is in the process of altering in high-tech mode.

Actually, Europe is better at middle end technology. The advantage of

it is the quality of its technology. For example, level of precision. But I do not think Europe play a leading role in this area. The US is the leader of this area. But, I have to admit that Europe need to transit from the middle-end to high-end technology in the future, while this kind of transition is not rapidly than China.

**Reporter:** What is your opinion about the “Belt and Road”? Is there any worry of EU?

**Daniel Gros:** It is natural for European countries participate, this bank can have a certainly influence, but the private investments are much more important than governance. I think it is a very important occasion to show China is a constructive country. Asian constructive development bank is open and professional. It is an indication China can make constructive contribution to global economy.

If it works it will be very useful to strengthen stronger state, but the problem of the states between China and Europe here is not money, not capital, its corruption and this is difficult to change. So the funds that invested in these countries may lose its effect because of corruption in these countries. But the other countries of European can form a prospect of win-win cooperation by The Belt and Road. However, it is still impossible for China to make money by The Belt and Road, as the countries along this road are too corrupt, such like Pakistan. So the cooperation between China and EU here is hard to realize. If The Belt and Road really establish, officially EU will make an announcement. But it is indeterminacy to take real actions. Anyway, The Belt and Road do take effect on both side. Some developing

countries in Europe are less competitive than China, so they may take some protective measure to keep them from China. For example, the overcapacity can effect on some European industry.

**Reporter:** How do you think of the relationship between the “Belt and Road” and overcapacity of China, especially iron industry in China? EU parliament has passed an agreement about denying the market economy status of China, do you think there is a relationship between this action and resist of Chinese overcapacity?

**Daniel Gros :** First of all, steel production is a specific industry, because steel facing the problem of over production all around the world. So, European countries are expecting China export more steel to Central-East countries but not European indeed. However, for the other industries, I think Europe can get benefit from them. For example, European countries can obtain better transport facilities and so on. As a result, the advantages of cooperation outweigh the disadvantages. However, this kind of hit makes a difference to less developed countries. As the competitiveness of these countries are poor, these country may resistant to cooperate with China to protect their own industries.

## Policies for Economy, Health and Society in Aging China

Reporters: FANG Weiqian, YU Qianni

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### David Canning

Ph.D. in Economics, Cambridge University. Richard Saltonstall Professor of Population Sciences & Professor of Economics and International Health at Harvard University.

Deputy Director of the Program on the Global Demography of Aging. Consultant to the World Health Organization, the World Bank, and the Asian Development Bank. Member of Working Group One of the World Health Organization's Commission on Macroeconomics and Health.

*The difficulty with population aging is that the institutions have to change and societies have to adapt to it. The society cannot keep the same institutions, particularly the pension systems, because transfer systems and families or working people looking after the elderly are very difficult to sustain with population aging.*

**Reporter:** Professor Canning, we are pleased to have discussions concerning your research interests and the current hot issues in China with you during the forum. The Chinese government has released a policy to extend the retirement age because the Chinese people have a longer life span in a society with better medical conditions. What do you think are the positive and

negative effects of this policy on the development of China's economy?

**David Canning:** I think it is a common idea that because people are living longer, they should work longer. On the other hand, what we see in almost every country is that people get richer and they want more leisure time. So we see the development of the weekend. Also, retirement is essentially a product of getting rich. Rich people retire early. So you have these two forces. In most of the world, the income effect dominates, so what we see is that people are retiring earlier because they are getting richer. There is a very negative form of retirement which is when it is forced because of laws that restrict working or pension incentives that make people retire at later ages. But my own view is that people should be free to choose the age of retirement and make a trade-off between working longer and getting more money and retiring earlier with less money. Provided they do that, then whatever age they choose is fine. They will probably choose earlier ages as they get richer.

**Reporter:** Do you think that lifting the retirement age will have enormous impacts on youth for seeking a job?

**David Canning:** No, I think there is a fallacy that there are only a fixed number of jobs and if old people work then there will be fewer jobs for young people. But that is just not true because I think there is

a potential for job for everyone. We can create more jobs. The old do not have to stop working to make jobs for young people.

**Reporter:** Currently in China, it is common for a couple to support four parents and one child. The burden increases if a family has a second child under the encouragement of the governments. Do you think that the two-child policy will affect the Chinese people's health conditions from the economic perspective?

**David Canning:** The fertility now in the urban areas in China is very low and I think it will stay low. What we see throughout Asia is that in urban areas, fertility is low because the housing price is very high and it is expensive to educate children and women want to work. So we see the norm in most countries is 1.1 or 1.2 or 1.3 children per woman. And I think China has gone to that norm. It is very likely that it will go up again. Now in Singapore, the government is trying many policies to increase fertility. It is paying cash incentives and giving many incentives for fertility. But children are so expensive. It is very hard to increase fertility once it has fallen so low. The cost of children is in terms of time, particularly for women, and in terms of educating the children. I think nowadays the enormous emphasis in China is on investing in the health and education of children. When you have many children, that is much more difficult to do. So I see probably a very little effect of the change in policy on fertility. Even if China

moves towards more plural-child policies, that will probably be very difficult to increase fertility.

**Reporter:** The need for the elderly care service is surging in China but there is a huge gap between the demand and the supply at present. Does it provide new opportunities for the development of the medical industry in an aging society?

**David Canning:** I think the major issue is the inequality of income in China. Some urban provinces, particularly coastal provinces like Shanghai or municipalities, are very rich. If they were countries, they would be middle-income countries. But areas in the interior of China are still at the underdeveloped levels. So we need to think more about the works at the provincial level. The coastal regions, the richer regions, are capable of funding health care for the elderly. This can be funded by the governments or by the people themselves. However, there are still extreme poverty in rural areas. That is much more difficult to establish a health care system. Their people are much more relying on their family. Though now there has been introduction of the new rural health insurance scheme and the new rural pensions which are being helpful, they are still at a very low level. In addition, it requires fiscal transfers to unify the pension and health systems which would imply financial transfers from the richer provinces to the poorer provinces. I think the government is moving in a right direction. The long-term goal is a unified system.



**Reporter:** Concerning the current policies and situations in China, what will be the advantages and disadvantages of China's future demographic structure? To what extent will the demographic structure exert an influence on the economic development?

**David Canning:** We have modeled the Chinese economy and we think it will be a quite big slow down in the economic growth as measured by the GDP. So there will be fewer workers coming into the labor force and the GDP growth will slow. That is not so bad because GDP per capita will stay quite high. I think the really big worry for China is that with its slowing labor force growth, it has very high rates of stagnation in investment. China gets into a situation of having too much capital that has the investment that is not productive. That could lead to a very low rate of return for saving and the possibility of losses on investment and financial instability within the financial sector. So I think this is a difficult question for China of managing a slowdown to a slower rate of growth. I think China is still outperform the rest of the world but instead of growing at 8% a year, it may be growing at 4 or 5 percent a year, which still exceeds the 1 or 2 percent in developed countries. Part of the growth in China over the last 30 years has been because of the surging workforce and because of the demographic change. And now, that is reversing. I think managing is the key challenge for the next ten or twenty years in China, that is, to manage in a way that does not lead to crisis.

**Reporter:** The average life expectancy of a big city is much longer than that of a small city. When the retirement age is raised, the small cities will lack labor force compared with big cities. Is it more beneficial to the big cities? How will it affect China's economy?

**David Canning:** I am not sure about that. I think that it is important to have a view on long-term issues around health in China. China's economic success dates some around 1980. Before 1980, there was limited economic growth. If you look at health, there were very big health improvements from 1960 to 1980. China was actually a success story in the 60s and the 70s because of the investments particularly in child health. I think one of the reasons why China was so successful over the last three decades was because of having a very healthy and well-educated workforce. I think today Africa suffers enormously because of health problems that hamper economic development. In the period from the 60s to 80s, there were very big increases in life expectancy in China. Unfortunately, after 1980, life expectancy improvements have slowed down a lot in China with very little increase in life expectancy. I think it is partly due to moving towards private sector's pervasion of health. The emphasis on harmonious development and the move away from economic growth that is so policy objective has been very beneficial. And I would put more emphasis on health as part of human welfare. People really like being

healthy and to live long lives and they are prepared to pay a lot of money to be healthy. It is important to reform the health system so that it produces health. I worry that there is a lot of evidence today that the Chinese health system is expensive and requires a lot of payment both by the government as health insurer and out of people's pocket. But it is not good at producing health. Reforming the health system would become more effective in producing health. It is really a big issue for China.

**Reporter:** In what ways can we reduce the impacts of population aging on China's economy?

**David Canning:** I think population aging is not a bad thing because living a long time is beneficial. The difficulty with population aging is that the institutions have to change and societies have to adapt to it. The society cannot keep the same institutions, particularly the pension systems, because transfer systems and families or working people looking after the elderly are very difficult to sustain with population aging. If the old save for themselves, for their own retirement, they are not dependents and there is no problem over an aging population. China has a very high savings rate and the secret is to have policies that ensure real saving. I think Singapore has a good model. The individuals save 30% of force but the government save 30% of their income for their pension and health care when they are old. I think that aging is really a challenge for institutions. The government has to

improve social welfare by reforming these institutions. The institutions have to change to serve the people instead of letting people change to serve the related institutions and policies. I hope that China sets up institutions that are beneficial for an aging population and sustainable in a long term.

**Reporter:** The housing price is very high in China now. If parents buy a house for their child, they may very likely do not have enough savings for their retirement.

**David Canning:** Housing is a form of saving. It is not a good idea to have all your investment in housing but historically it is a very effective way of saving because house prices have historically gone up. I worry a little bit about the housing market whenever the population starts declining. It means that there will be low return to capital and perhaps house prices will fall. I think the most worrying at the moment is the secular stagnation in Japan. Japan is the most advanced aging country and Japan economically has not done well for twenty years. It may be that this is a product of aging, even though I hope not. It may be that Japan is undergoing an unusual circumstance. But it is possible that all aging countries will get into a period of low return as estate price decline. If houses are losing value and the stock market is losing value, saving becomes very unattractive but saving is needed to support the elderly.

**Reporter:** At present, China has more and more conflicts between doctors and patients. Does it have something to do with the effects of the rapid economic development in recent decades on medical care mechanism? Will the tensions affect the future health conditions of the Chinese people?

**David Canning:** I think it is partly driven by the economic model of fee-for-service. I would emphasize the need for strong medical ethics and code of conduct for doctors. I think the fee-for-service approach can lead to overtreatment of patients. And there is an issue that doctors know much more what is required than patients. Patients really do not know what the right thing is medically. They have to trust the doctor. If that trust breaks down, the situation becomes very difficult. I think the answer may be to remove the incentives for doctors that are linked so closely to treatment. In Britain and in some parts of the US, doctors are paid fixed salary and get very little in the way of incentives and they have strong medical ethics to behave properly. I think a system that depends entirely on financial incentives is not the right system for health care. I worry one of the reforms in the 1980s in terms of privatization and market incentives with the health system. They may not be an appropriate change. One problem is that once doctors get used to be paid a lot, it is very hard to change the system. They become a vested interested group within a system that resists change. As the medical system becomes very profitable in China, it is very hard to change that back.

I think the Chinese would be useful to look at models in other countries and to think about which is the appropriate model for China. I know that a few years ago, China looked up several countries and thought about a British National Health Service versus a more American-style private health industry with fee-for-service. It has decided on the fee-for-service model. But I was not sure that was the right decision. I think we should rethink this. One thing I think China has been very good at over the years is to introduce different policies at the provincial level as experiments and learn what works at the provincial level before rolling things out to national programs. I would encourage China to experiment at the provincial level and let some provinces to move ahead or move towards and doctors are paid at least fixed salaries rather than a purely private sector of fee-for-service. What is appropriate for other countries may not be appropriate for China. There is very strong evidence that the current approach is becoming very expensive and not good at producing health. That is a big worry because that problem will probably get worse if it is left as is. There has to be a system of trust between the doctors and patients. This is partly professional ethics and it is partly that making sure that the doctors' interests are aligned with those of the patients. Some sectors in China have been very successful in introducing market-based system but it is not appropriate for every sector.

## Multilateral Collaboration and Institutional Innovation: Inspirations for China's IP Development

Reporter: FENG Chenyan

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### David J. Kappos

Partner at Cravath, Swaine & Moore LLP. He is widely recognized as one of the world's foremost leaders in the field of intellectual property. From 2009 to 2013, Mr. Kappos served as Under Secretary of Commerce and Director of the United States Patent and Trademark Office (USPTO).

*It is actually healthy that you have all those different channels, since each is effective at addressing a different type of problem.*

**Reporter:** During your position as the Under Secretary of Commerce and Director of the United States Patent and Trademark Office (USPTO), you were instrumental in achieving the greatest legislative reform of the U.S. patent system. What do you think are the best ways to solve challenges one encounters when pursuing legal reform?

**David J. Kappos:** That is where the Amicus System is very useful. Created by the British hundreds of years ago, the idea permits entities who are not litigants in the lawsuit, but nonetheless interested in the

outcome, to offer information relevant to the case. In the British-created system, these entities are known as amici curiae, or “friends of the court”, and are permitted to send Amicus briefs which help introduce the broader concerns of the case at hand, and help ensure the court addresses these issues. The Amicus System is also very popular in other countries, including Japan, the United States and Great Britain, and is something my friend and I have been working on here in China.

**Reporter:** It goes without saying that the law plays a crucial role in protecting intellectual property rights. How do you define a well-established and effective IP system? What should we do if the law cannot catch up with the fast-paced development of technology?

**David J. Kappos:** An IP system, or any legal system for that matter, does not have to be old to be well-established and effective. But it does need to be governed by the rule of law and centered on an independent judiciary. As for whether or not the law can catch up with technological advances, the law always naturally tracks behind technology, which is as it should be. You want the law to lag technology, not the other way around.

**Reporter:** The traditional way of fostering international collaboration was through multilateral forums such as the WIPO or WTO, but in recent years there is an increasing trend toward plurilateral negotiations. For example, the U.S. is a member of



the TPP (Trans-Pacific Partnership Agreement) while China is a member of the RCEP (Regional Comprehensive Economic Partnership). What is your opinion on this trend? Do you think it will help break the north-south divide between developing and developed countries?

**David J. Kappos:** I think a little bit of all of those things is going on. There is TPP as an example at the trade level, but there is also IP5 (the Five IP Offices), which includes China, the U.S., Korea, EPO (the European Patent Office) and JPO (the Japan Patent Office). There is also a large organization comprising most of the European countries that is working on treaty setting and norm setting in the IP area. There are similar things on the trademark side, such as Trademark Trilateral. So all these forums are a reflection of the complexity of the problems: some can be solved on a bilateral or plurilateral basis, while others require a more global solution. So in my view it is actually healthy that you have all those different channels, since each is effective at addressing a different type of problem.

**Reporter:** You previously worked for IBM Corporation. In 2005, the Chinese company Lenovo made a deal with IBM for their personal computing division. Can you talk a bit about the major IP issue during the acquisition?

**David J. Kappos:** Lenovo, yes, I helped with that deal. I remember the IP component in that deal was a large number of patents that were signed over to Lenovo to help them gain a foothold in the industry and establish credibility as being a patent holder. They had a big

innovation-based business, and patent assets are needed to protect that kind of business.

**Reporter:** Recently the Chinese telecommunications company Huawei decided to sue Samsung, a famous Korean telecommunications company, for IP infringement relating to fingerprinting. This is unusual since normally it is the Chinese companies that are being sued by foreign companies. What is your take on this suit from your previous experience as the Under Secretary regarding the responsibility for intellectual copyrights and properties?

**David J. Kappos:** This is definitely a turning point, no question about it. This lawsuit was not just about one patent; there were ten patents filed simultaneously in China and in the Northern District of California. This provides an opportunity for U.S. and the Chinese courts to benefit from each other's work. It's a really important opportunity. I think it's just great that Huawei, the very innovative global company based in China, selected the courts in our two countries to take this action and to champion its intellectual property position. I think it's definitely a turning point, a bright one, for China and the U.S., especially when we were just talking about the importance of innovation and technical competition earlier.

**Reporter:** We are also aware that in addition to companies, universities and research institutions are important players for innovation and technological advancement. How do you see their roles?

**David J. Kappos:** I think universities produce hugely important innovation, and Fudan is a great university. I think it's wonderful that students and university faculties are involved in innovation, and pursuing their ambition in both the academic world and the business one. Why? Because, unfortunately, great research often fails to make it into the marketplace due to the difficulty of transitioning from the lab to the commercial market. Who better to do that than the students and professors—people who created the technology in the first place—who understand it and have a passion for taking it forward?

## Future Tasks under Paris Agreement and Experience of Germany

Reporter: ZENG Jiren



### Elmar Kriegler

Dr. Elmar Kriegler is a senior scientist at the Potsdam Institute for Climate Impact Research (PIK), deputy chair of the Research Domain “Sustainable Solutions”, and head of the integrated assessment modeling activities at PIK. His research focuses on the integrated assessment of climate change mitigation policies, scenario analysis and decision making under uncertainty. He has coordinated several international integrated assessment modeling projects (e.g. AMPERE and EMF27), and is currently contributing to the development of new scenarios for climate change research. He has been a lead author for the chapter on transformation pathways in the Fifth Assessment Report of Working Group 3 of the IPCC. Elmar Kriegler earned a diploma in Physics at the University of Freiburg, and a Ph.D. in Physics at the University of Potsdam, Germany.

*Current intended Nationally Determined Contributions are not enough to keep the 2 °C target within reach. If we want the Paris Agreement to be successful, leadership of major emitters is essential. Meanwhile, we should establish disincentives for fossil fuels to send a clear signal to investors that the end of fossil fuel is coming.*

**Reporter:** The Paris Agreement mentions to hold global mean

temperature rise well within 2°C, and pursue effort to keep it within 1.5°C. Many countries have already issued their intended nationally determined contributions (NDCs) accordingly. Do you think current NDCs are enough to achieve this 2°C target? Do you think countries have already reached their full potential in current NDCs?

**Elmar Kriegler:** I do not think current intended NDCs are enough for the 2°C target. Our analyses show that the NDCs lead to 53~55 gigatons of CO<sub>2</sub> equivalent emissions in 2030, with some uncertainty of course; but in order to get down to 2°C, it will require rapid peaking in emissions and steep reduction afterwards. If nations continued with their NDCs such a rapid trend break in 2030 would be politically not feasible. I therefore think nations should do more before 2030 in order to keep the 2°C target within reach, and if they want to reach the 1.5°C target, they definitely need to do much more than current NDCs.

Meanwhile, I think that the status of current NDCs can be quite different across countries. Some countries may have just started the process of identifying their NDCs according to their needs and potentials, and they could probably strengthen their action. Some other countries, including China are ambitious in terms of its national action but reluctant to commit this level of ambition in an international agreement. So the national policy of China might be much more stringent than what its NDC suggests. There might be a mechanism to overachieve the NDC.

**Reporter:** What do you think the role of major emitters including China, U.S and EU is in this emission reduction process?

**Elmar Kriegler:** For China, I think peaking of carbon emission in 2030 is important, and I want to ask whether they can reach the peak earlier. Also, peaking in 2030 can mean different things, i.e. at a high level or at a low level, and that is not fully clarified yet. Definitely if China can do more that would be great. At the same time, for industrialized countries, they need to think seriously about doing more.

For U.S, there are a lot of political constraints given their political landscape. Under Obama's administration, U.S has submitted an NDC which is at the limit of what they can achieve with regulatory action, as described in the clean power plan, more ambitious action would require legislative action by Congress. If Donald Trump became the president of U.S, it might even influence U.S's participation in the Paris Agreement. But for the Agreement to be successful, the U.S at least needs to deliver the NDC, if not more.

In Europe, emission didn't increase as much as initially expected due to the economic crisis, so Europe can achieve the target of 40% emissions reduction in 2030 relative to 1990 fairly well. Full implementation of that target doesn't necessarily mean damage to economy, and it may be even beneficial if we had a higher carbon price spurring more low-carbon innovation. But the political will to strengthen the emissions target is currently lacking in Europe. What I believe is, if we want Paris Agreement to be successful, leadership of

major emitters such as U.S, China and Europe would be essential. If they don't deliver ambitious NDCs, why would other countries strengthen their NDCs?

**Reporter:** You mentioned international cooperation is crucial for the fulfillment of the target, then what kind of cooperation should be established? What do you think about the most disputed technology and finance cooperation issue?

**Elmar Kriegler:** There are several critical elements of international cooperation. First is the process within the Paris Agreement. Every 5 years countries need to submit NDCs for review and there will be stock take to find whether they are in line with the long term goals. I do believe countries need to find mechanisms to strengthen their targets not only after 2030 but also for 2030. Second is technology. I think bilateral and multilateral cooperation can be very useful in terms of technology cooperation. For example, I know that U.S and China, and U.S and India have institutes for technology jointly supported by top universities in both countries. That's effective. But this is just in R&D side. In terms of diffusion of technologies, I think intellectual property rights should be handled liberally so that low carbon technologies can be diffused into developing countries. Third is financial cooperation. Mechanisms such as emission trading system between countries might be good ways of cooperation.

I want to make clear that we are not only talking about mitigation efforts but also adaptation efforts. The Paris Agreement mentions 100 billion dollars financial support from developed countries each year

and this number should be gradually increased after 2020. To this end, developing countries are looking even more to adaptation support than mitigation support. For least developed countries this makes a lot of sense, because they don't emit very much, but they are affected by climate change the most. While for key emitting developing countries, the mitigation side seems more important. But least developed countries should also support these efforts on mitigation cooperation, because their adaptive cost would be much higher if we don't manage to reduce emission.

**Reporter:** You mentioned currently there are a lot of incentives for renewable energy and relatively less disincentives for fossil fuel. Why do you think is it necessary to establish disincentives? What kind of detailed measure could become disincentive?

**Elmar Kriegler:** First, across the globe there are still a lot of subsidies for fossil fuels. There are many attempts to phase out these subsidies and there is progress but it's very hard to do due to many reasons. To cut the subsidies would be the first step to phase out fossil fuels. The second step is to make sure that investors could receive clear signals that the time for fossil fuel is over, at least for coal, which I think is the prime target to be phased out now, while we might continue to use oil for some time. Coal has the highest carbon emission per unit energy and it's mainly used as a solid fuel in industry, for household heating, and for generating electricity. There are many alternatives to replace it. Replacing oil, which is mostly used as liquid fuel in transport, is more difficult. In addition, oil has some more high-value applications such as in pharmaceutical industry,



etc. So it will be used longer than coal. Natural gas has the lowest carbon emission per unit energy among the fossil fuels, so it could be used as a kind of bridging energy source in the near to medium term, but finally the era of fossil fuels will have to come to an end.

But after Paris, industries and governments are still unclear about the future of coal. There is risk that no clear policy signals are given. What kind of policy could send such a signal? I think the most important policy is the carbon price. Putting a price on carbon would definitely be instrumental to really start phasing out fossil fuels. Subsidizing renewables has been effective in the past and it has been economically justified because it helped to promote technology development, but it's not sufficient to phase out fossil fuels. If you want to phase out fossil fuels, you need to price carbon.

**Reporter:** But both China and Germany depend heavily on coal. What do you think we can do to phase out coal, and minimize its influence over job market?

**Elmar Kriegler:** That is a good question. Concerning coal, China and Germany are alike. Both of us are rich , in coal which is a major domestic energy source for both countries. Although renewable energy has increased rapidly in Germany, there is still a lot of coal in the energy mix. There is also a great political battle over the future of coal. First I think there is no one-size-fits-all solution for each country. It's depending on each country's challenge and difficulty. For example, Norway has a huge hydro power potential, and they have already decarbonized their electricity system. For them, coal is not a problem,

while for others countries like China and Germany, coal is a big topic. What I think needs to be done is to make alternative energy sources for electricity generation competitive. I think renewable energy can play the largest role here. This will create new jobs.

Of course there will be losers, it's inevitable. Especially for coal miners and their families, it would be hard to shift to other fields. And for regions that depend heavily on the coal industry, you need to have some re-structure program. This will not be easy, particularly if these regions do not have rich renewable energy resources. But in the end it has to be done. However, with coal there is an additional twist. There is a technology called CCS, Carbon Capture and Storage, which means you capture the CO<sub>2</sub> and store it under ground. This can prolong the lifetime of coal industry. So countries and regions heavily dependent on coal should look into CCS.

**Reporter:** It's reported Germany will shut down all nuclear power stations by 2022 and coal power stations by 2050. Then what's your energy replacement?

**Elmar Kriegler:** Germany has strong preferences to reduce emissions and phase out nuclear power, but these two preferences are not in line with each other because nuclear power is an important energy source for electricity generation with no CO<sub>2</sub> emission. So our third goal is to push renewables strongly. Now basically renewables have replaced nuclear power. You have seen ramping down of nuclear and strong ramping up of renewables. But the carbon intensity of electricity hasn't changed much because coal plays a similar role as 20 years ago.

So our next question is how to phase out coal. This might be a big challenge because those big energy companies relying on coal and nuclear power may agree to lose one source of revenue, but if you also took away the second source of revenue, the political and economic resistance would become much stronger. So I do think Germany is struggling with this step. And we also need to guarantee the stability of grid operation, so some back-up energy capacities such as gas and hydro are needed. These are all infrastructure investment needs that are unlikely to be filled by the private sector without government intervention and support.

The public opinion in Germany supports climate policy very much. But I think renewables were over-subsidized in recent years, and this part of cost is finally transmitted to consumers, and traditionally the energy price in Germany is very high so far. I do think they should ramp down subsidies, which they are already doing, focus more on the coal side of the story and promote policies like carbon pricing.

**Reporter:** You mentioned energy price in Germany is very high. Do you think introduction of more renewable energy will further increase the price? Will the price of renewables be competitive to fossil fuel in the future?

**Elmar Kriegler:** That's exactly the point. The retailing energy price for consumers is very high in Germany and it has gradually increased in the past 10~15 years. This is partly due to the fact that subsidies for renewables are transmitted to the consumer price. If you introduced carbon price system, probably you would not see a significant rise in

electricity price, because there is excess capacity for electricity generation in Germany right now.

The price of oil is low now but it was very high in the past so there are always fluctuations. But without carbon price and disincentives, you won't get motivated to replace cheap fossil fuels. That's why I say it's not enough to just subsidize renewables to push them into market because at some point you need to stop subsidies and they need to be competitive against fossil fuels. In order to realize that, we need to price the externality of fossil fuels, which is climate change. And fossil fuels also have other impacts on the environment. Take coal as an example, there is a concern about air pollution, and coal mining is a dirty business which caused many deaths. So if you price carbon, I think renewables could be competitive, otherwise it would be hard. But if you look at big fossil fuel multinational companies, they still have a lot of business in oil and gas. In Europe, due to the strict political environment, they are moving to alternatives. While U.S multinational company like Exxon Mobile still think fossil fuel will not end. Therefore one thing for Paris Agreement to succeed is that we use disincentives of fossil fuel to make clear signal to investors that the end of fossil fuel is coming.

**Reporter:** Do you think Germany will restart nuclear power station in the future?

**Elmar Kriegler:** No. Public opinion in Germany is strongly opposed to nuclear power. It is opposed by 85% of people, by both conservatives and left leaning people. No one across the whole

political spectrum support nuclear power. So there is no future for nuclear in Germany. People don't believe it's safe. The Chernobyl incident was a big moment. After this event, people moved completely against nuclear power. They no longer trust the government if it says nuclear power is safe.

**Reporter:** Without nuclear power, do you think Germany's domestic renewable energy is enough for its need? Is it possible to import energy from other countries? Can the energy security of Germany be guaranteed?

**Elmar Kriegler:** That's a good point. For Europe, we should think more from the perspective of the European Union. Because in EU, there are 28 countries with different energy policies and there would be plenty of efficiency gains from cooperation. Some countries such as Germany want to do renewables and phase out nuclear, while some other might want to invest more in nuclear. But thinking about European grids, you can really couple different countries' electricity system and that makes a lot of sense. If they are moving to that direction, the large hydro power reserve in Norway can then be used to buffer fluctuations of renewables in Germany, and excess of renewable energy in Germany can be exported and when lacked it could be imported. So the larger the market becomes, the more flexible it will be.

There is already European-wide grid now. But the problem is about whether you still want to build new interconnecting lines. Even within Germany, people are discussing to build a new transmission line from

north to south because most renewable energy is in north. It has been proposed to build more interconnecting lines between Norway and mainland Europe to better take advantage of Norway's hydropower potential.

Concerning energy security issues, I thin within the EU you can trust the reliability of other EU countries. But the neighborhood of Europe is not that stable, for example, gas supply from Russia is a big topic. Russia is known to use gas supply as a political bargain chip, not against Europe yet, but definitely against Ukraine. Then you have Turkey and the unstable Middle East region. So this is a difficult energy environment. An important step to ensure energy security is to internationalize gas markets. The oil market is internationalized and you can buy oil from many sources. But for gas, we still depend much on Russia.

**Reporter:** Personally speaking, are you optimistic or pessimistic on the future of climate change issue?

**Elmar Kriegler:** I remain optimistic. It's a challenging issue and there were many setbacks like the Copenhagen conference. I think the Paris Agreement is a success although it's fragile. As climate change will continue and it's going to be warmer and warmer, it will remind all of us about our common responsibility. I do think step by step, countries will move to success.

## The South-China-Sea Conflict Could be an Obstacle for China's Economic Development

Reporter : ZHOU Yang



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### James Markusen

Professor of economics at the University of Colorado Boulder. His principal research interests are international trade. In the last 25 years, he has focused on the location, production, and welfare effects of large-scale firms and multinational corporations. His most recent work focuses on non-homothetic preferences and explores the role of income elasticity in explaining empirical and policy puzzles.

*“In terms of the south-east Asian countries, it is about division of industry chain. China now could shift their labor-intensive industry to south-east Asian countries and become the owner of oversea factories using the green-field investment strategy. But conflicts on South China Sea area could make those small countries more likely to follow the U.S. It is a dangerous signal to Chinese government and could make China lose their trade partners and this would be a big economic loss.”*

**Reporter:** The topic of conference you attend in Shanghai forum is ‘How to prosper Asian Economy’. How do you evaluate Asian economic development in the past ten years?

**James R. Markusen:** Well, Asia used to be the economic engine for the last twenty years leading the world development. However, it seems like they are running out of steam recently. The majority of Asian countries excel at manufacturing industry, as the market become saturated and developed countries like European and American countries tend to sell more services which has a higher value. The economic structure of Asia is no longer the engine to push Asian economic forward. Big countries like China are also facing the problem that labor-intensive industry made less money than before, most of firms are still manufacturing ones and do not involve much expertise.

**Reporter:** You mentioned that China is also suffering an economic slowdown which we called it the “new normal” phenomenon in China. Under this context, our government announced the industrial structure adjustment, which has been experienced by other developed countries. How do you like the adjustment in China and what experience can be referred for China from those countries?

**James R. Markusen:** I think their words are more than actions. Chinese government said that they would begin the industrial structure reform, but they took few substantial actions. I did not see they shut down many low-efficient state-owned enterprises and make more space for small firms to compete in the market.



On studying reform experience from other developed countries, I should say different countries have different cultural and political environment, like US and European countries, they have more skilled workers and rely more on free market. I think the Chinese government still regards itself the controller of the industrial reform, and maybe it should give more trust to the market and private corporations. Let the transformation process happen naturally, private incentives focus on accumulating expertise so as to move on to higher technical levels, thus they do not have to be managed by the government.

**Reporter:** China's economic reform is mostly led by the government but its neighbor Japan has a typical small government that is still suffering from its economic slowdown. Could you explain this interesting phenomenon? Do you think Japan、South Korea and China could cooperate more with each other to boost their economy in FTA form?

**James R. Markusen:** As to the economic structure, Japan, China and Korea share lots of similarities. Japan also needs to upgrade their industrial structure.

About collaboration, it is good for countries to collaborate, but Japan and China still have some political issues to handle. I don't see much benefits that the free trade area can bring to each countries, because

their product market are too similar, especially Korea and Japan. And here let me mention a little about TPP. Actually the US government expects that TPP will open Asian agricultural market, but both Japan and Korea set the trade barriers to protect their agricultural sectors, because they regard it as their security industry.

**Reporter:** There are other scholars stated that Japan chose to protect their agricultural industry is because they afraid their farmers will be worse off once the agricultural sector is open to the world? How do you like this opinion?

**James R. Markusen:** Yes, the government has its own consideration. But the Japanese consumers will have a welfare-loss from the agricultural protection policy, I have been in Japan for three months recently, and the rice price is four times higher than in America, seriously. If they choose to implement the policy and ignore the benefit that trade could bring to their country, it is all about security and political things. When we talk about trade, we should also take the politics within countries into consideration.

As a scholar, I have to make a serious political statement that Chinese government should really care about what is happening in South China Sea area now, not only US but the rest of the world are confused with the motives of Chinese government. I have heard the latest news that US begin to sell military devices to Vietnam again

and it has never happened in US history. It is a dangerous signal to Chinese government. The political conflicts on South China Sea area could make those small south-east Asian countries such as Vietnam, Philippines, and Malaysia more likely to follow US, and this would be a big economic loss for China.

**Reporter:** Our government has recently focus more on the relationship with central Asia which they announce the “Belt and Road” initiative. Do you think this is the reason they may not concern about their interests in south-east Asian area?

**James R. Markusen:** China has different interests in these two areas. They are seeking a reliable and strong relationship with central Asian countries for their oils and other resources. In terms of the south-east Asian countries, it is about division of industry chain. China now could shift their labor-intensive industry to south-east Asian countries and become the owner of oversea factories using the green-field investment strategy. But conflicts in the south-sea area will make China lose their trade partners and those small countries would be likely to trade with America. Until now I still got no idea what Chinese government want to do on the South China Sea area issue.

**Reporter:** Since we talk about the FDI to other countries, what is your opinion on oversea expansion trend of Chinese big corporations in the recent years on the context of China’s

economic new normal?

**James R. Markusen:** For Chinese firms going out, most of them chose to merge or annex one foreign company instead of green-field investment, I think those firms are just want to use their money in the bank account, because Chinese firms has a large amount of money in their bank account. But I am not saying those firms are wasting money, maybe they have their own purposes for taking M&A strategy.

**Reporter:** Even though many Chinese firms choose M&A strategy, Alibaba did not and surprisingly they did quite well in oversea market. I wonder how you evaluate the oversea performance of Alibaba especially in US market.

**James R. Markusen:** Yes, Alibaba group is a special case. I am a little out-of-date. I seldom use e-commerce in America and know less about e-commerce area. But I think the entry mode of Alibaba Group could be a good testing for Chinese firm to expand their oversea market and I am quite looking forward to see how they will operate in the future.

## China's Health Care Reform and Aging Population

Reporters: SONG Ying, TANG Wenping



### Karen N. Eggleston

Center Fellow and Asia Health Policy Program Director, Walter H. Shorenstein Asia-Pacific Research Center, Freeman Spogli Institute for International Studies, Stanford University

*“population aging definitely is a very large, very important trend and we should not ignore it. But I do think there is a way that the societies can think ahead and prepare for an older society, and develop institutions that are compatible with older society and older age structure.”*

**Reporter:** In your presentation this morning, you mentioned the use of big data in Diabetes in managing patients in outpatient settings to improve healthcare spending in the region of Hong Kong, Singapore, Japan and Taiwan. How can we improve the big data accessibility in China especially in Tier 2, Tier 3 cities and less developed areas?

**Karen N. Eggleston:** It's a very important question for researchers. Generally, it has been easier and easier. There are more surveys collected, and there are more organizations are open to share data, or arranging ways that people can access very confidential data. In some

way they de-identify it so you don't know the person's name, where they live, but you can still study important social policy questions. When I collaborate with local officials, some are quite aware of the need for this kind of research. As you know you have a policy of "scientific development" in China, and one part of that is to think rigorously how to evaluate that policies what's working on what's not. But it can be very difficult particularly health insurance in China are very busy just paying bills, and trying to keep up to make sure their premiums collected, and are enough to cover the bills they paid, and don't think necessarily about investing in a kind of information infrastructure that also enables research. And they have justified concerns maybe the risk exceeds the reward, so they need to be put in place structures to minimize the risk, unintentional getting access to individual information and private information. There needs to be a set of institutional review boards for researchers so that they can apply for data and a formal process so that agencies are not accused to making money on their side by selling their data. But there should be a formal structure to make the data available to researchers and you do need to have funding for that, so the programmer can develop separate code for each person to make it de-identify, and explain the data to the researchers and they can understand the results and feed that back for better policy.

**Reporter:** What are the recommended measurements for healthcare spending quality?

**Karen N. Eggleston:** It can be very challenging to measure quality across a broad range of healthcare. There are many metrics that have been developed in different context that are recently adopted in different parts of China and in other parts of the world. So one of the studies we are working on uses a set of quality indicators develop by... there is an agency in US HRQ, and OECD countries has a set of quality indicators as well. Some of those more accepted definitions can be used to think about quality change, such as whether a patient with Diabetes passed an admission for a hospital can be avoided if there was good quality primary care. So that's one of the measures that we used for example in our study of Diabetes. But you have to be careful because sometimes some hospitals might treat patients who are already very sick before they come to the hospital. So your measure of quality you will find high mortality rates in hospitals that treat very sick patients, and you got to be careful to distinguish whether it is just the case mix up the patients from the quality of the care provided, you wouldn't want to label a hospital as be in poor quality because many people die there, if the fact is that the most desperate patients choose to go there because they are actually high quality. So quality measures have to be adjusted for the mix of patients they treat. And that's very tricky to do. But it can be done. Increasingly it's done.

**Reporter:** When we talk about the drug price reform, we would like to know how we can balance the pharmaceutical companies'

### incentive for profit versus innovation?

**Karen N. Eggleston:** That's a complicated question, I do think it is a very important trade-off in terms of national policies to think about incentives in developing new drugs, versus guaranteeing access to existing drugs. And often patients and population will think that the best policy is just to make it free or very low price so that everybody has access. But the problem with that of course is that suppliers don't have incentive to innovate, in some cases they don't even to supply. So if you keep reducing prices, you may not get the kind of supply responses that you need. And so it's a difficult balance, and I think policy in China has sometimes put an overemphasis on thinking about the price that the patients see and in drug policy particularly saying by reducing the drug prices we can save a lot of money for everybody, but it causes some other problems down the road. If you don't make money here, you make money somewhere else. So that's why I think we really need to think about paying for value, rather than specific things like drugs. If you pay for the value created by the better management of a patient with diabetes, then the medication through diabetes can be part of that creation of that value, and hopefully can help to address this complicated question.

**Reporter:** My next question is about mobile health care. Nowadays there are apps that help us to do online hospital registration or purchase OTC medicine online. How do you see



this trend in healthcare industry? Will it substantially help to balance demand and supply for healthcare service?

**Karen N. Eggleston:** Very interesting question. Yes it seems a very encouraging trend, and almost inevitable trend and definitely can make healthcare service more accessible and address this well-known problem “看病难，看病贵”，it’s not just expensive but it’s “难”，so this convenience factor is very important. On the other hand, you have to think carefully about regulation and ensuring quality when people are buying things from the web it can be exacerbated the issue of quality assurance. And getting appropriate information to know where they can get appropriate treatment. There is a recent tragedy in China and so on. So there are many layers of challenges there, and they can be met but they have to be thought through carefully. And people think about how we can make access to quality healthcare available to everybody. It takes incremental steps, and pilots. And again I will say using big data with rigorous valuation, “scientific development” if you will, to see what works what doesn’t.

**Reporter:** 70% of health care resources in China is in large cities, 80% of which are in big public hospitals. While the big hospitals have overdeveloped with equipment and personnel, primary hospitals and medical centres in urban and rural communities are suffering serious shortage of good medical equipment and qualified general practitioners. What’s your opinion on uneven

distribution of health care resource? How should government regulate primary hospitals while keeping its positive role in narrowing the demand for healthcare service?

**Karen N. Eggleston:** Well that's a very important and complicated question, right? Because we know that you wouldn't expect to have completely equal access everywhere in the country. No country has completely equal access in rural remote areas as in their capital city. For example, you often want to have a tier system where people with the most complicated cases are referred to another place farther away. So the fact that doctors are not completely evenly distributed with something by designed should be understood. But on the other hand, there is a severe problem that many reforms in China are specifically supposed to address, and in some cases are intended in fact to make it worse, which is the problem of patients all want to go to the most reputable provider in the big city because they trusted the quality of care there more than the local provider. So I think the policymakers who are well aware of this challenge at many areas are trying to experiment with strain on primary care institutions in rural areas. And many countries around the world have the problem of retaining high-quality health care personnel, not only doctors but nurses and so on in very remote rural areas. And I have tried different ways to address that in China's working land that as well. But I think that many of the steps have been positive and one way to continue that momentum is to keep that focus on prior care. It is part of the

important principle of this reform but the way of implementing is always put the emphasis on that. So the more local areas can show promising ways on which they actually gained more patients' trust. And local healthcare providers, I think, again, all the ways sound like a broken record, if you can measure quality of care and actually show people they can get the same quality of care at lower-cost community health centre that would help to address this problem.

**Reporter:** The next part is about aging population. Aging population challenges China in every aspect, especially in medical treatment and public health. There is a view that the pressure brought by aging population is virtually the opportunity of deepening Chinese health care reform. To what extent do you agree?

Karen N. Eggleston: I do think the changing population structure has implications for health system. And just give an example, health systems are often set up originally to deal with controlled and communicable disease and to treat acute conditions. But more and more health systems in China have to really focus on management of chronic diseases. And instead of going always to a hospital—maybe that's the best place to go for appendicitis, now a few managing of patient with high pretension of diabetes, maybe you need to have very strong primary health-care sector to manage that close to their home and community. So there is a link between this question and the

previous question. And with more population aging in more complicated chronic diseases, there are even more opportunities for developing that primary health-care infrastructure, so the patients believe that they can get good quality management in their community.

**Reporter:** Some analysts claim that the aging of China's population represents a crisis. *The economist* argues that demography is China's "deadly point of unseen weakness" ----its Achilles' heel (The Economist 2012). What is your comment on such opinions?

**Karen N. Eggleston :** Well, population aging definitely is a very large, very important trend and we should not ignore it. But I do think there is a way that the societies can think ahead and prepare for an older society, and develop institutions that are compatible with older society and older age structure. By looking at some countries and areas, Japan, Korea, Taiwan, HK, Singapore and some other regions in Europe, different countries have taken different approaches to adjust their institutions. But I don't think that it has to be a tremendous stopper on the economy unless the policies still adjust as they need to. So it's quite dramatic that in China the absolute scale of a population aging is formidable. We need to think this in a few decades. The population age 65 of older in China is almost 1/3 of the United States'. But on the other hand, China has developed rapidly,

has higher fiscal income than some other countries that are also aging rapidly and hopefully can manage that process in a way equitable and efficient, to move towards the society that's more focused on consumption rather than very high investment. That's compatible with investing in things like health-care and other services in the society. So that's kind of changing the economic structure. It is compatible with addressing the question of an old-age structure.

**Reporter:** Chinese government has implemented the new Two-child Policy since October,2015. Based on your forecast, how would the new Two-child Policy affect Chinese aging population? What demographic changes will China go through in the near future? Excluding the Two-child policy, what other options or policies can the authorities take or follow in order to reduce the aging population pressure?

**Karen N. Eggleston:** Well I think there are many very well-qualified experts here in china can forecast more valid responds to the policy changes. But according to some demographers I spoke with, who do quite a few researches on fertility policy in China, they forecast some responds but not a huge one. As I like to tell my American colleagues who are less familiar with China, that one city has very, very slow fertility that never had so-called one-child policy. That is Hong Kong. That kind of low level of fertility is something that once economy developed to a certain point and it is not necessarily product of the

policy. Japan, Korea and some other areas also have that situation without having one-child policy. So there will be natural constraints on how much response there is. I don't have a crystal ball to say exactly what would happen, but I think most demographers would agree that there will be some increase in birth and some better balance in terms of population aging structure in China. But that is not going to change fundamental trend. It will just allow China to have a little bit more time to think about the institutions. And in short term, there will be more dependence because they will have more children as well as more elderly. That's something china can prepare for. Although it's a great policy choice that will restore some aspects of choices to Chinese, it's just a piece of the puzzle.

## A National and Joint Family Decision: The Design and Choice on Pension Program

Reporter: GAO Shilin



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### Raimond Maurer

Professor of Finance, specializing in investment portfolio management and retirement insurance at Goethe University. Member of the German Society for insurance and financial mathematics.

Each pension system is a part of a complex legal/economic/cultural framework. It is not easy to export one country pension system simply into another country. Pension systems are connected to the situation in the labor market, the political sector and the financial sector.

**Reporter:** In your speech, you used two models divided by marital status, and they seem to present very different pension investment choices. What role does pension plays in household finance choices?

**Raimond Maurer:** Pensions are very important for families. Especially couples have to take it into consideration that individual lifetimes are different and uncertain - you don't know how long you live, or how long your partner is living. Typically, women live substantially longer,

five to ten years than the male. That is to say, wives live longer than their husbands, and couples have to prepare for that very early, in order to avoid that women are left in poverty when their husbands die and they are too old to work. So to build up a lifelong income stream for both members is very important. And it's a joint family decision, not done separately, which means, family has to think, as a whole, about what happens as long as both are alive, and what happens if one dies. A good way is to buy life annuity when they are both alive. It's kind of a pension which pays not only on you, but pays on both.

**Reporter:** Since many Asian countries have a tradition of children taking care of their retired parents, how to incentivize households to invest in their own future? Should there be policy measures to incentivize households to invest in those products?

**Raimond Maurer:** In China many kids have to support their parents as a traditional system, and in part we also have it in Germany. But it's very risky for the parents to solely rely on the idea that their kids will support them. Maybe this is the tradition, but for the young generation, it's better to start early to build up their own pension, because looking after the elder people is very time-consuming, and those are the time that you can put into work, or raising your own kids. The question for the young generation is: Do you want to spend your time, a lot of time, to look after your parents? Or do you want to pay? If you want to pay, do you want to pay individually, or do you want to pay collectively?

To pay collectively means something like long-term pension program. If you have higher contribution to the pension program, then your



parents have higher pensions, they have higher long-term care, thus they can live better on their own. So basically it is a question that if you want to pay higher taxes. If you pay higher taxes, when you are young you have less, but maybe later you have much more time for yourself, because there is a nationwide pension program which allows your parents to have a good pension. So it's a "pay as you go" system, a generation system. The young are paying for the old, not individually, but into nationwide fund, which is much more effective, and easier to regulate as well.

More importantly, it provides mobility. If you have to look after your parents individually, it poses great pressure for you to decide whether to have a job in another place far away from your parents, which means less flexibility. Now China is a moving country, it's rapidly developing and people are going around a lot. So maybe participating in a nationwide long-term care program and a nationwide organized pension program is a good step, both for individual development and nation economy - it cost money, it is not for free.

As for implementation, it should be State-operating and compulsory. If you have too many choices, people tend to look like optimizing their choice which is not really working. Especially if you are looking at the poorer population, many people are not so highly educated, and for them compulsory State public pension program provides basic livings. Private ones are personal choices, and there should be a balance between nationwide public pension program and private ones.

**Reporter:** Many people speak highly of the Scandinavian

countries' pension systems, what is your opinion about it? Can their mode be applied to other countries as well? What are the key factors in shaping a country's pension system?

**Raimond Maurer:** The key idea of the Scandinavian model is to provide a state organized social welfare program for the population. Countries in Scandinavia are highly social-welfare-orientated. In this sense the Scandinavian pension system is based on two parts, both state organized and mandatory: One part is the (non-funded) DB-program, traditional social security program, which you make contribution and get pension; it provides a basic lifelong pension. For the second part, you are required to put part of your assets into funded pension programs, and it is based on compulsory investments in mutual funds. They are organized, and you can choose from some two hundred funds. If you don't make a choice, your money is going into the so-called default fund. But you can always go out of this and revise your decision. The good part is that, because it is mandatory, the participation of households is high, everybody has it, and it is relative cheap in terms of fees, distribution fees, transaction costs, etc. The disadvantage is that tax rates in Scandinavian countries are relatively high.

Each pension system is part of a complex legal/economic/cultural framework. It is not easy to export one country pension system simply into another country, because if you do that, you have to change laws, culture, and politics, which is not easy. Pension systems are connected to the situation in the labor market, the political sector and the financial sector. The political sector decides about to which extend a

mandatory Social Security program for the complete population is implemented, like how to do it, how much it should be, and should it be mandatory or not. The political sector has to decide and to implement it. China is a big country, much bigger than the Scandinavian countries, and to implement it nationwide is not easy. As for financial sector, if you have a funded pension system, where you build up capital, it is very important that you have very developed financial sector. It means a life insurance industry, a mutual fund industry, pension funds, working and open capital markets, and, very importantly, very good regulation, because financial market without good regulation is not good for individuals. Regulation needs to be in place to protect people, a functioning regulatory/supervisory framework should be in place to protect individual households.

**Reporter:** Year 2016 is the first year of China's pension fund being allowed to invest in stock market. Some people consider it a bold and risky move, while some think it is high time to do so. What is your opinion about this approach? Considering the global stock market is highly volatile, what do you think should be paid special attention to while conducting such reform?

**Raimond Maurer:** If you want to have higher returns in the long run, you have to accept short time volatility. And earning reasonable returns over the long run is important for each fund. Very stable return which is low means that pensions are costly. If one takes a look around, many national pension funds, like in Korea, Norway, Japan, are investing a part of their assets into equities because of the very low interest rate. So China is following an international trend.

Considering the economic development, the stocks, the real estate, or private equity are relatively better in catching up with the inflation than bonds or bank account. It is true that stock markets are always highly volatile for short term returns. This is unavoidable. When one goes into the stock market, it is impossible to avoid short-term instability. It always has ups and downs. What is important is that you should have diversification across other asset classes, bonds, real estate, and private equity.

**Reporter:** China has recently delayed the retirement age; what influence do you think such a move would have on Chinese pension system and other relevant fields?

**Raimond Maurer:** Many countries have done this over the last year. For example, Germany is going to gradually increase the normal retirement age from 65 to 67, the same to both male and female. This is a natural reaction to the increasing life expectancy of the population. With people living longer, the retirement age should increase. China is no exemption. Yet, a very important thing is that, if you do that, the labor market should be prepared for that. If you increase the retirement age, there should also be jobs for elder people. Simply increasing the retirement age and there are no jobs or the jobs are too hot, then it would be unfair. So it should be paid especial attention to that it should be possible for elder people to find reasonable jobs. In Germany we are doing more and more of that, because we need them - both the elderly and the youth. Typically, the young can work hard but have less experience; the elderly have more experience but are less likely to work hard. There should be a good mix of that. If you

increase the retirement age, you should also think about how to include the elder people in the workforce in a respectful way. State could invest in education of the elderly, and training on the job for them. We also have to be careful about the differences between two questions. One question is when do I stop working; the other question is that when do I get my pension. One is a working decision and the other is a financial decision. I can have my pension and my work at the same time, it's possible; or I can have my pension and I don't work. Sometimes people use their money to finance their consumption, and wait to get their pension later because during the waiting time there will be an increase in the pension. So the flexibility in retirement is very important.

## International Developmental Cooperation and G20 Summit

**Reporter:** WANG Danni



### **Richard Carey**

Development Adviser-consultant-facilitator, OECD Chair, International Advisory Committee, China International Development Research Network (2013 - present) Member, Advisory Council, IDS Rising Powers in Development Programme,

Institute of Development Studies at Sussex University (2012-present)

Member, KOICA Advisory Board for ODA Innovation, Korean International Cooperation Agency (2013- present)

*Developmental cooperation emerged after WWII. Different from traditional donors, China is trying a new form of development aid.*

**Reporter:** Cooperation is essential for an emerging economy to develop. From your perspective, what are the main forms of developmental cooperation? Currently what are the major actors in leading such cooperation practice?

**Richard Carey:** I would like to start this question with the Development Assistance Committee (DAC) in OECD. It began with four people who were trying to write history in development assistance after World War II. The idea came from United States, where it tried to revitalize European economy through technological assistance and capital input after the War. It held the idea that

developing countries can be modernized with technical assistance and capital. Then the World Bank, established in 1947, it was designed to help countries recover from the War. The International Bank of Reconstruction and Development (IBRD) and the Marshall plan followed up. Since then developing aid became a necessary part for countries to develop, it also became an obligation for more developed countries to help the underdeveloped. Then in 1960s the United States carried out two initiatives on recovery. One was the World Bank should have a special mechanism to give low interest loans to developing countries; it was called the “World Bank Soft Window”. The word “aid”, which came up during that time, was indeed a “gift” for the receiving countries. The second was setting up a Development Assistance Committee (DAC) of the developed countries. This committee’s job was to increase the amount of aid and make sure the money was used effectively. We were having an increasing amount of development aid and it became more effective in reconstruction. The concept was also enriched by incorporating transferring of welfare. This change could largely tribute to the 1955 Bandung Conference, where South-South cooperation mode was first created, and more developing countries became the receivers of development aid. Now let’s get back to the question, currently the DAC is encouraging more advanced countries to provide foreign aid to the less developed ones. Our suggested figure is 0.7% of the GNP as ODA, it is only a reference point and up to now only Nordic countries and UK have reached this figure.

**Reporter:** Through such long a history of development, are there any results in foreign aid? What are the patterns of

giving and receiving foreign aid for developing and developed countries respectively? Do you have any comments on China's foreign aid strategy?

**Richard Carey:** During the past decades of practice, we have witnessed the rising of new economies, like in Europe and Asian tigers. Since the 1960s, we have had a counting system of recording countries giving and receiving foreign aid. But in the South-South cooperation, we don't have the concept of "counting", because they don't give each other money, rather, they give each other experience. Even today, the difference still exists in the South-South cooperation and the North-South foreign aid. Now China, last year, held the South-South summit, proposing the idea of New South-South cooperation, which will be more substantive and comprehensive. As a result of being a richer country, now China is more possible to try developmental finance, including grants or loans, injecting various capitals into developing states. We can tell that China is very dedicated to developing aid. China has been cooperating with Africa since 1960s and it became part of China's foreign policy.

**Reporter:** Are there any new findings or changes in countries' development patterns?

**Richard Carey:** Yes, we have also noticed that the development process is much longer. It more or less depends on the country's political commitment to develop. For those countries which have a strong commitment to develop, we call them "developmental states". In Asia, this may include Japan, South Korea, Singapore, Malaysia



and China. The developmental states have achieved much progress and nearly all of them are engaging themselves in foreign developmental aid.

**Reporter:** You have just mentioned China as a developmental state, do you have any comments on that?

**Richard Carey:** A very important point of understanding Chinese development pattern is to acknowledge the philosophy that economic development comes ahead of political development. The Chinese government is trying to make sure everyone's economic well-being before political participation. But as economic develops, China will reach a stage called "elite capture", where elites are taking advantage of their relatively high social and economic status to maximize their interest. When China reaches this stage, the whole development speed will slow down and both the society and the government need to reconsider its developmental path, it is the point where reform will take form again.

**Reporter:** China is also making its presence in developmental cooperation, how will you describe the relationship between emerging donors like China and traditional donors as OECD members?

**Richard Carey:** Unlike traditional donors, China does not confine its means to financial aid. Its active role in peacekeeping is a way of helping conflict regions to reconstruct. Also the recent "One Belt, One Road" initiative can also be regarded as foreign aid. Moreover,

China's economic injection into these regions will undermine the support of terrorists, because it is also a road leading to the Middle East. And as China puts it, it's a road of peacekeeping. So we expect China will play its role in global governance, especially in the Middle East where problems are getting increasingly urgent. The political and peace-building effects differ China from other traditional donors in the 1960s.

## The road to integration: It's of great importance for Asia and Europe to learn from each other

Reporter: QIN Xu



### Sebastian Płóciennik

PhD habil. in economics, coordinator of the EU – program at the Polish Institute of International Affairs (PISM) in Warsaw. His research focuses on the economic system of Germany and the European integration. He is a member of the Board of the Polish-German Foundation for Cooperation. He has taught as a visiting professor at universities in Germany, South Korea, South Africa, Canada and India.

Although EU and Asia remain lots of difference, it's beneficial for both sides to compare their perspectives on regional integration. The lesson from the European experience is that a economic integration always needs a political fundament of shared goals and values.

**Reporter:** In today's session, the guests made a lot of comparisons between the form of Asian and European integration, would you like to make more comments on it? To what extent do you think they can be put on the same table?

**Sebastian Płóciennik:** It's not easy to discuss Asian and the European

integration together, because they are on different stage. Asia is still on the level of trade agreements with additional areas of cooperation moving towards common market solutions, while Europe has a common currency and a very advanced single market with field of deepened integration. However, it is interesting to look at drivers of these processes and compare them. In Asia, the integration is driven by large companies, in Europe it's primarily a political project using economic mechanisms. Thus, we should analyze driving energy behind the forces of integration, because there might some lessons for ourselves and for the world economy. Personally I think that Asia needs more than just business: a political idea behind integration is unavoidable and China could play a focal role in formulating such idea.

**Reporter:** Do you think the political issues are the most important factors to influence the integration?

**Sebastian Plociennik:** The lesson from Europe confirms this view. The determination to integrate followed from the terrible experience of the World War II. So the Europeans decided to develop the integration as a reaction to the biggest tragedy in its history. The cooperation, development of mutual trust and a joint goal to cope together with economic and political challenges has led to the united Europe. Many believed and still believe – despite of the current crisis - that it will end in United States of Europe.

Economic measures were crucial in this process. Through trade and cooperation people get closer, know each other, and start to appreciate mutual exchange. At a certain state of this cooperation wars and military conflicts are hardly imaginable. This is one reason. Another one is that integration delivered economic growth, which was extremely important for the devastated continent after 1945. In addition, Europeans quickly realized that their states cannot hold separately in the globalizing world, it is better to pool their capabilities in order to achieve joint goals.

In Asia, it's different. First, for countries of the regions national sovereignty is just too important and they have had difficulties to identify a political reason to accept any restrictions of it. In fact, the Asian integration is an effect of the emergence of the global market, the economic liberalization and strong economic growth in the region. Business from Asian countries appreciates similar conditions at home and abroad, thus it may push towards establishing a single market with freedom of trade in goods and services, mobility of people and mobility of capital. So this is something I think is achievable in around ten to twenty years. The Asean+3 have made an agreement on single market in 2015, but the implementation is the key problem. However, Asia can become more determined when its countries discover, that e.g. they have a chance to represent their interest on the global arena in a more effective way using the political power followed from integration.

**Reporter:** For integration, as you mentioned, leadership is quite important. For EU, Germany seemed to be pushed to be the leader. Could you please give a more specific explanation? Also for Asia and China, what kind of leadership do we need?

**Sebastian Plociennik:** Leadership is very important, because it means someone coins ideas, takes the responsibility for further development and is able to build consensus over specific political solutions without dominating over smaller countries. In the past the Europe's leadership followed from the Franco-German cooperation. In addition to that, there was a generation of politicians, who understood the integration as an insurance against the war and more commitment to their societies. Thus, few questioned the sense of integration before 2000.

The current situation is more challenging in the sense that the memory on the war has faded and the younger generations hardly internalize this perspective. There are many Eurosceptic movements which blame the EU for the current wave of crisis or at least claim it is not able to deliver any sensible reaction. Under this circumstances Germany – the only large country not suffering from the economic turmoil – has been labeled a leader. But in fact, Germany is reluctant to lead. The country's political elite wants to avoid any bad associations with its difficult past and the memory on the tragic heritage of the German hegemony. In addition to that Germany knows limits of its capabilities

and economic power. It does need other countries to share the responsibility.

I think China has the position to be a natural leader in Asia. It has large population, also great potential in economy and political influences. No doubts, China have a potential to create rules and enforce them. But it is also internationally intertwined and dependent on the prosperity of its direct neighbors. To be a respected leader, China needs a lot of soft power and mechanisms of inviting other Asian countries to decision making process. This is why I think China needs a regional integration – as an engine of mutual trust in the region.

**Reporter:** "Brexit" has aroused great attention from world. What's your attitude towards that?

**Sebastian Plociennik:** It is a great loss for Europe. We will miss the British liberal way of thinking about the economy and of course its economic power. However, I think that UK has more to lose than EU. The integration will be probably deepened – now without the British attempts to slow it down – and the Eurozone will probably strengthen its financial centers like Frankfurt or Paris at the cost of London. UK risks also economic recession and the secession of Scotland, which is still interested in staying in the EU.

**Reporter:** EU is actually confronting complicated inner contradictions. Like Mr. Antonio Villafranca emphasized the "disparity" among nations, do you think the disparity is the most serious barrier against the further development of EU?

**Sebastian Plociennik:** It is impossible to question the importance of differences in the Union of 28 members, but there is a particular problem of differences within the Eurozone. Member countries have different economic structures and capabilities to react on external shocks. But it does not mean that the EMU needs less integration or should be given up. We need now deeper fiscal integration and completion of the banking union.

**Reporter:** President Xi Jinping will visit Poland this year. What is the relationship between Poland and China? And in what areas do you think we have opportunities to cooperate with each other?

**Sebastian Plociennik:** China is a big market and Polish companies are eager to expand on it. On the other hand, Poland is one of a few really growing economies in Europe (close to 4% last year) and the clear number one in Central Europe in terms of economic potential. This market cannot be ignored by Chinese business. Poland is also very interested in the initiative One Belt One Road as well as in participating in the project of the AIIB.



**Reporter:** Poland has maintained a stable increase in recent years and earned a pretty good reputation. The economy of China has been experiencing a period we called "the new normal", which indicates a slower increase of GDP but focus more on instructive revolution. What are the main factors that contribute to your success? And what do you think China can learn from it, especially during economic update period?

**Sebastian Plociennik:** Poland's growth is an effect of successful transformation to free market economy and the European integration. Our strength had been the openness, low labor costs and quite sound institutions. Now, after two decades of growth we are getting too expensive for "simple" production and need to develop own innovation and new product portfolio. Economists call that the challenge the middle income traps. China has a similar problem, so we can learn from each other how to boost innovations. Both economies should devote also more attention to sustainable growth.

# The Blueprint EIA Reform and the Environmental Governance Promotion Calls for Formation of Multi-force

Reporter: ZENG Qin Ziqi



## Bao Cunkuan

Director of Rural and Environment Management Office, New Rural Development Institute, Fudan University; Distinguished Fellow Researcher at the Urban Development Institute, Fudan University; Distinguished Professor at the Collaborative

Innovation Center of Intelligent Urbanization at High-density Regions, Tongji University; He is mainly engaged in research and teaching in environmental strategic assessment and integrated decision-making, and eco-city and its Blueprint theory, circular economy and environmental economics.

*"In 1990s, people's awareness on environmental issues and environmental management was split. People often said: 'economic development depends on the market, while environmental protection by the government.' This not only pit economic development against environmental protection, but also created a division of environmental responsibility, while ignoring to create joint forces that are needed to fundamentally solve environmental challenges at all. In 2004 Premier Li Keqiang has proposed at the two sessions a united front to declare war on pollution. This requires our government, social (public) and market*

(companies) and other parties to form a joint force. "

**Reporter:** Hello, Good to meet you, Professor Bao. You talked about some challenges and problems of the "EIA Law" (The Environmental Impact Assessment law of the People's Republic of China) and the issues of public participation at the sub-forum. How do you see these challenges and problems?

**Bao Cunkuan:** There are two constraints. One is the law itself. The upper-level legislation of "the EIA Law" which was entered into effect in 2003 is the "Environmental Protection Law" which was enacted in 1989 and was amended in 2014 and re-entered into force in 2015. That is to say, the upper-level legislation which is the base of the "EIA Law" has changed. Thus, the 2003 "EIA Law" inevitably shows great limitations as relative to the 2014 newly revised "Environmental Protection Law". Second, the law lags behind against rapid increase of people's "environmental demands" over the past ten years. In 2003, the country's GDP per capita was about a thousand dollars and now is seven or eight thousand dollars per capita GDP, the urbanization has increased rapidly from 40% to 56%, and people's life has seen huge changes in the past decade, especially the eco-products, ecological services and environmental quality improvement have become products and services of "necessity", so the "EIA law" already cannot meet the demands of the people in environment, it also lies a limitation there.

Whether it is the reforms or the modes of traditional environmental protection taken in the past years, they are all issue-oriented. While

this indeed can ensure accuracy and expertise in application of the reforms and environmental policies to target at the issues and problems, it also inevitably shows a feature of “fragmentization” of the system. The third plenary session of the 18th central committee of the Chinese communist party stressed the "top-level design," which is critically necessary both in terms of deepening reform and protection of environment. Therefore, the "Environmental Protection Law” and the "EIA Law" and other relevant laws which were introduced at particular times and are issue-oriented are needed for comprehensive, systematic combing, overhaul, process reengineering, system reconfiguration and upgrades, in light of CPC civilization system construction, new regulations and new requirements, and new spirit of public involvement since the 18th session.

**Reporter:** In your opinion, how to adjust the EIA relationship with the public? How to better mobilize the enthusiasm of the masses and improve public participation?

**Bao Cunkuan:** You can say that in the field of environmental protection and environmental impact assessment, previously there were no public participation both in terms of legislation and practice. The development "the EIA Law" has solved the problem of no public participation. In 2005, when the Ministry of Environmental Protection was not formed yet, it was the state environmental protection administration (SEPA) which specially issued an environmental management practice facilitating for public participation. We can say that the introduction of systems, institution and mechanisms for public participation in EIA means a new start of the entire system, and a

gradual progressing. Back in 2007, marked by the Xiamen PX event, the demand of the public for participation in environmental protection (not limited to the EIA) has seen growing in an unprecedented rapid way. This also unexpectedly caught off the step the environmental protection bureaus or local governments who were struggling to cope with. On the one hand it shows lacks of managing experience and enough preparations; on the other hand it shows deficiencies in the laws and regulations availability for protecting public environmental rights and interests, regulating behaviors of public participation, and consultation to solve environmental conflicts. Therefore, the so-called "mobilize enthusiasm of the masses, improve public participation" should be adjusted to "improve effectiveness as the goal, and based on system construction, promote orderly participation of public organizations."

**Reporter:** You had mentioned in your speech that Blueprint EIA is a "power-sharing" in regards to administrative decision-making, and in practice the Blueprint EIA suffered resistance from the governmental system. In your opinion, what are major conceptual and institutional obstacles faced by the EIA system reform?

**Bao Cunkuan:** First of all, when starting the Blueprint EIA system, a lot of plans and the planning system which are the objects of EIA evaluation system have already existed for ten years or even longer, and even have collectively become a strong institutional system, embodied by such things as relevant legislations on planning, planning departmental and institutional settings, especially the construction of disciplines and theoretical system of planning and

urban planning that are much more powerful and sophisticated than the Blueprint EIA. More importantly, the EIA is an involvement and intervention into the current planning system, and is a "power-sharing" in planning decisions, whether be it because of "routine dependence" in the traditional decision-making mode or because of the "natural wariness" against the "foreign interloper" of Blueprint EIA, so it is not hard to understand the powerful resistance and obstacles encountered in the construction of the Blueprint EIA system and in practice

Practically, it has shown strong resistance encountered in Blueprint EIA. For example, since launch of the EIA law, its enforcement rate is low, and is unbalanced among many implementation areas or sectors. During the inspection of "the EIA Law" enforcement by the National People's Congress in 2008, five years since its enactment, it is found that then Blueprint EIA implementation rate was less than 10%, according to incomplete statistics. After that it has significantly improved, between January 2009 to June 2013 there are a total of more than 3700 cases of Blueprint environmental impact assessment that were carried out, which is a little more than 1/3 of the estimated (approximately 2000 per year) but is less than 50%. The implementation of 14 classes of Blueprint EIA under the "EIA Law" varies widely. Those that carried out the most EIAs are industrial parks (about 75%), followed by the transportation blueprint (6%), Basin Water Resources and Hydropower (5 %), energy and mineral resources development (4%), urban Blueprint and tourism Blueprint 3% each. For forestry planning and land planning, the EIA implementation is rare, and even at some areas there still has no

implementation.

In addition, it lacks of effective response from the planning institutional systems. For example, the revised "Town and Country Planning Act" of 2008 did not even mention Blueprint EIA.

**Reporter:** In today's speech a guest also mentioned the issue of EIA performance under the large data background. Do you think, in what areas we needs to enhance EIA transparency in the context of big data?

**Bao Cunkuan:** Big data requires open of government public information, but now both in terms of the Blueprint EIA or project EIA, there are a serious shortage of information disclosure. Information and data is scattered in various departments that hinders information sharing, communication, and causes insufficiency of information integration. Information of meteorological departments, water conservancy departments, and statistics departments, among others, should be open to the public, because they relate to the public interest. But theses information is held by the governmental departments and staff, and is seen as their own interests or rights. Non-disclosure of the information has become a key problem in the Big Data era. "Big" in the big data refers to the "large in size of the data", but more importantly, it stresses that these information should be shared, and can play a major role (large scale effect) after it is open to the public. Increasing of departmental/sectoral data on the data platform, its marginal effect is incremented. In the future in environmental impact assessment, the so-called big data should be

that it builds a common service platform for all the relevant EIA departments, agencies and the public. To ensure information be disclosed, it calls for legislation. China has adopted the "Regulations on Open Government Information," but it will take some time from introduction of a law to the law's "effective enforcement" and it is still a long way from the "effective enforcement" to producing legislation effects and benefits".

**Reporter:** You published opinions in terms of corruption occurred in the EIA system. In your opinion, do you believe is there any relations between corruption and the pursuit of high performance?

**Bao Cunkuan:** Either in the EIA or environmental protection, or other areas, I do not think corruption has anything to do with seeking high performance. The problem is indeed present in the system design. I think corruption occurs in decision-making process and insufficiency of transparent information disclosure, which is a result of loss control over the power of decision-making and environmental evaluation. For example, it is normal for project EIA be rewarded if it is conducted in accordance with the market rules to provide a good service for the project owner. However, the problem comes that it specially emphasizes on administrative review and approval of the EIA report, but lacks of environmental supervision and accountability in place during application and operation of a project - Thus, to measure whether an EIA can really provide good services for owners, it is not whether it can help the owners reduce the environmental risks during project running, instead, it morphs into a norm whether it can help the



owners pass through the required "approval procedures." And the "discretionary power" of EIA approval, in the absence of effective supervision over the approval authority, tends to become arbitrary, power abusing, and even corrupted.

**Reporter:** The "Master Plan of Ecological Reform" required taking balanced urban and rural environmental protection as one of the core contents of urban and rural management, in order to strengthen rural environmental supervision and law enforcement. In your opinion, do you think any differences in urban and rural environmental supervision and law enforcement, and how to deal with them accordingly?

**Bao Cunkuan:** In the past few decades, our issue-oriented pollution control logic is to define priorities and focuses, that is: First control industrial pollution, then the pollution of urban cities, and then the rural Non-point source (NPS) pollution. Among the priorities, it always takes them in the order: first key contaminated areas ( as the old industrial area), second major pollutants (such as the soot, sulfur dioxide and others in 1980s and 1990s), and then key sources of pollution- here it implies a logic that is "Only waiting for small pollution to grow into serious pollution and then to solve the problem" - - and apparently it contradicts with the "prevention first" principle emphasized in national environmental protection, and it often results in that while one problem has been addressed, another problems ensues after, thus it is unable to root out the problems: After industrial pollutions are settled, come ensued the problem of urban pollution which, after being addressed, come ensued the rural pollutions; and

then problem of sewage, and sludge, and soot, and sulfur dioxide and other traditional air pollution, and carbon dioxide and greenhouse gas emissions, one after another..... On the other hand, due to long term neglect of rural environmental infrastructure construction and insufficient investment in agricultural environmental protection infrastructure, it results in overuse of pesticide and fertilizer that affects large areas of farmland, or a serious shortage of garbage and sewage treatment and disposal, and facilities in rural areas, resulting in contamination.

We will apply the EIA in rural and agricultural construction projects. For example, to engage in remediation of basic farmland, repair water conservancy projects, while engaging in new rural construction and plan rural residential buildings. It can be from two aspects to distinguish the activities of agricultural development and the activities of industrial development. From this perspective, whether be it project EIA or blueprint EIA, we rushed into the problem of unbalanced treatments, that is, pay far more importance on EIA of heavy industries and urban development, while less on EIA of rural and agricultural projects.

**Reporter:** So in your opinion, what can be enhanced so to pay more importance to EIA on rural areas?

**Bao Cunkuan:** Strengthen environmental infrastructure construction in rural areas, provide pollution treatment system. Classify, collect, recycle and safely dispose manufacturing rural garbage. Now our nation's focus is on urban and industrial areas, we should gradually

shift to rural areas.

**Reporter:** Data released that shows that in 2015, excellent days were 55, good days were 203, and 73 days slightly polluted, 26 days moderately polluted and 8 days severely polluted, generally speaking, the city's air quality is tended to get better. But the World Health Organization issued a report that for particle pollutions among global megacities, Shanghai is ranked 7th, just following Beijing. We see that while it already shows moving the right direction, it is still ranked top in the world in terms of particle contamination. How do you see the current pollution state of the city?

**Bao Cunkuan:** Local environmental problem cannot be solved overnight. It may temporarily get improved in a short time, but in the long run it may be just a short-lived improvement, and cannot hold long. For example, the back and forth of air pollution improvement and deterioration is not only related to living and production activities, intensities and ways, but also affected by climatic and weather conditions. This coexistence shows both the nature of inevitability and fortuity.

Another point is, in the process of industrialization and urbanization, the stage of environmental degradation seems impossible to pass by. Moreover, people's environmental awareness is also correlated with the level of socio-economic development. The regional differences in our country, North and South, East and West, the natural conditions and social and economic development varied hugely. Correspondingly,

people's environmental awareness and environmental demands are significantly different. We want to build a moderately prosperous society by 2020, it is expected the demands for future environmental improvement and the environmental awareness and the call for environmental protection will rise. To balance between universality and variety in treatment of environment, we need a very fine system design.

**Reporter:** You mentioned a lot of social costs required in haze control in your previous article. Could you tell us, under the new normal and new policy of the government, how to achieve to optimize social cost allocation in treating haze?

**Bao Cunkuan:** Fairly sharing is involved with that whether the parties are willing or unwilling, able or able, to come up with enough money to control haze. In fact, we said moments before, the government should establish a united front to deal with corporate social pollution, and continue playing a role in improving efficiency. It still needs to mechanism design. This mechanism involves sharing of the costs used in pollution control. What are the social costs that governments, enterprises, and society should respectively bear? What kind of coordination mechanisms should be taken so that to join the three forces to work together to improve quality of the environment? This requires a very fine system design. We can put in by lending from the Chinese medicine science, in which there is a dialectically so-called drug prescription, that is, in Chinese medicine, it generally comprised of four herbs - Monarch, minister, assistant and guide: Monarch herbs play a major role in the treatment of diseases; Minister drugs assist

monarch drug efficacy; Adjuvant drugs are assistants to curb main drugs' toxic side effects, repair and remedy human organs, and soften and minimize the damage as all drugs have side effects; and the Guide medicines are to coordinate the above medicines to form a joint force. In our solving environmental problems, it is to make the government, enterprises and the public to form an integrated mechanism and force.

**Reporter:** How to coordinate relations between the three?

**Bao Cunkuan:** It is important to define responsibility boundaries of the three; accurate demarcation of the borders is the base. It can only form a force of the three after demarcation of the border, and cooperation can be made only on the basis of their performance of all their respective duties. If the boundaries are unclear, it would be hard to judge which should take the responsibilities should an environmental issue occurs. Maybe, all of them share the responsibilities, or maybe, in the end all takes no responsibilities.

**Reporter:** Do you think what opportunities are there in developing new environmental governance? Stimulate economic growth?

**Bao Cunkuan:** Desulfurization and denitrification and others that were previously emphasized are for controlling the primary pollutants. Ozone and PM2.5 that are emphasized in recent years are all the secondary pollutants. To response to these challenges, we should seek answers from the source of pollutions - that is, fossil fuels. We should seek for coordinated control over pollutants, traditional contaminants

and non-traditional pollutants in the future. Such as, to control haze and carbon, it includes energy system upgrade, especially the use of zero-carbon-based energy. The source of carbon emissions is fossil energy. So I think that the practice of isolated and itemized control of pollutants should be changed. We should start it from the source of pollution, the whole process, and comprehensive, coordinated control of air pollution, to promote improvement of energy structure, upgrading the industrial structure, promote or force economic restructuring, promote new style urbanization, promoting green, low carbonation of lifestyle behaviors and inhabitation, and increase eco-products and ecological services, to promote normalcy of EP law enforcement and healthy development of the environmental protection industry, and to completely change the traditional adverse directions in pushing for environmental protection and economic development.

**Reporter:** So how to better integrate the market mechanism with the integrated control mechanism?

**Bao Cunkuan:** The 13th Five Year Plan mentioned total control of coal. It is committed to achieving in the future a reduction of one hundred million tons of coal use by 2020, that is, the total use of coal to be controlled below 40 million tons. This is the country's macro-control. How to achieve this goal, how to assign the task among various industries in the provinces, we need market mechanisms. Government task is to define a bottom line, try to efficiently implement it with market mechanism. Through the market mechanism to allocate quota, it can best use resources in the areas that can best play its effectiveness. Government is only responsible for stipulating

requirements of management and control.

**Reporter:** This year the theme of Shanghai Forum is "towards the Common Destiny of Asian Communities". In terms of the environmental governance, do you think how we can create a fate-shared community?

**Bao Cunkuan:** Not only an Asian community, but also to construction of a world community. Last spring, I once again took a dialogue with NASA scholars over the Pacific. The NASA scholars have pointed out that the extreme weather of the United States blizzard in the early last year has something to do with air pollutions in Asia, particularly China. I responded by saying that the global ecosystem is a whole, and it is probably impossible there is no relationship with China. However, this system is extremely complex, how much is it related to China? 90%, or 1%? It is hard to answer. The key is that similar arguments make of no use for solving problems, but it may only delay our collective act to find measures to deal with. Asia also has seen similar finger points, for example scholars in South Korea or Japan said that China is diffusing atmospheric pollution that affect their countries. Since the 1980s, Japan launched a number of environmental assistance and loan projects in China. China also works together with Southeast Asian countries and regions to establish a common platform and governance mechanism for the Lancang River and the Mekong River Basins. Earlier this year, Southeast Asia has suffered a drought that is so severe that it has never been seen in a hundred years of time. In response, China lifted the watergate and let the water down the rivers. The year when the dam was under construction, Southeast Asian

countries expressed concerns and misgivings, worrying that China would hold water in the country when they need water resources. Facts have proved that China can prove its words. All of these reflect the common environmental fate of the Asian community.



## Optimistic about the future of China -Latin America relations

Reporter: HUANG Chibo,LI Zhaoqing



### Chen Duqing

Director of the Brazil Research Center, Institute of Latin America, Chinese Academy of Social Sciences; Fellow Researcher, China Foundation for International Studies. He had served as Chinese ambassador plenipotentiary to the Republic of Mozambique, the Democratic Republic of Timor, and the Federal Republic of Brazil. In 2009, he was awarded "the National Order of the Southern Cross" by Brazilian Government.

*"For the 'One Belt, One Road' Initiative, it should consider the traffic issue that is an issue of interconnection, interworking and interoperability."*

**Reporter:** You said before that the Brazilian economy will not sink down. How do you look at the current political and economic situation in Brazil?

**Chen Duqing:** Due to the changes to the international financial situation, the world economy has come to slump; not only Brazil, but all major economies which rely on exports of primary products are encountering difficulties. However, Brazil's economic ship will not sink, though it faces challenges. After the Labor Party took office in

2003, they did not take the advantage of the excellent situation of economic development, trade surplus and other achievements they made to launch economic reform and structural adjustment, but just focusing on granting of social welfare. Yes, granting of social welfare does play a big role to reduce poverty, but welfare alone does not work for the country. Yes, increasing the income of low-income people is good, but it still has to do so step by step, because once the finance situation of an economy suffers, problems come ensued. Brazilian deficit is too large, and government finances are highly strained.

But on the other hand, Brazil is a relatively self-sufficient country. Whether in terms of forests, land, sunlight, and water, the resources are sufficient, and life of people is relatively easy, and productions of food, oil and other necessities are huge. Even though they close their doors, they can still live. The problem is just that they would use less luxuries, and travel abroad less. In typical Chinese mindset, difficulty means getting nothing to feed. But Brazil is in good shape. Difficulties mean that previously they can generally travel abroad twice a year, but now, they could hardly even make one. In contrast, the poor would suffer greater, but the government relief can guarantee their daily needs for food and clothing. Furthermore, Brazil itself is a country with relatively complete industrial categories, and is not a small country that can only produce seldom products. So there is quite large room for it to maneuver.

Now the biggest problem for Brazil is no one willing to give up the interests they have on hand. When encountering problems, people do

not come together to fight for a common goal and find ways to overcome, but instead, all sectors are considering their own interests. So, with this intransigence, they cannot find a way out and reach a consensus.

Brazil's current political situation is a mess, and this chaos might not come to an end soon. During 180 days after Rousseff was suspended on May 13, any things can change. But I personally think the likelihood for Rousseff to come back in power is unlikely, because the number of both congressmen in the House and Senate who supported impeachment are more than two-thirds, unless significant errors would have been committed by the interim President Temer and his economic team in that 180 days. When in impeachment vote, all members' statement are televised, so no one dare to change their position easily.

**Reporter:** Economically and politically in the current crisis, which one is the country's biggest problem?

**Chen Duqing:** The politics is a factor far larger than the economic factors.

Now the political problem has not been fully settled down yet, and no one could push an effective solution to address the current political mess in Brazil. The measures taken by the interim government are in line with what Ms. Rousseff wanted to implement. Those who supported the impeachment of Rousseff may not like the current policy, but they had to agree. In Brazil, there is no the concept of consistence between higher and lower levels of Brazilian political

parties, lawmakers consider and care more for family and constituency benefits, rather than the interests of the whole nation. This makes it difficult to reach a consensus country-wide.

Brazilian elections allow corporate donations, resulting in companies betting on both sides. Corruption is rampant that has something greatly to do with the political system. If no changes happened to the system, no problems would get addressed. Currently in regards to political issues, it temporarily has the initial results, but the economic problems again come to the spotlight. To solve the economic problems, it first should address the political mess.

**Reporter:** Brazilians have been quite focused on low-carbon development. Could it bring Chinese enterprises any opportunities? And what kinds of the opportunities would be?

**Chen Duqing:** Brazil is generally a country with blue sky and clear water, and nearly 80% of the energy comes from hydropower. So, from the angle of energy structure point of view, it is too dependent on weathers. As long as it does not rain and drought in large interval, the problem of energy supply would float to the surface. Brazil is very rich in solar, wind and tidal energy resources, but currently their development is still very primitive. There is no independent solar and wind energy industries in the country, it requires a lot of investment, such as hoping China and other countries to bring in capital and technologies.

What is highlighted in Brazil is bioenergy. Long ago after the first oil

crisis that happened in the 1970s last century, the Brazilian government had begun the alcohol program, that is, to extract alcohol from sugar cane bagasse. Currently, this technology is very mature, and Brazilian ethanol cost is only one-fifth to one-third of that of the United States. With the decline of international oil prices, alcohol is also affected. Latin American countries, including Brazil, hope to develop economy by engaging in development of clean energy. So in this regards, Chinese companies have a great opportunity. Some enterprises of our country such as Goldwind and the Three Gorges Group have entered the Brazilian market. If you want to develop clean energy industry in Latin America, you must set up factories in local regions to produce equipment.

**Reporter:** On April 15, BRIC Bank has lent loans of USD811 million to support China, India, Brazil and South Africa to develop green energy projects. Why does it grant loans to green energy at this time around?

**Chen Duqing:** The establishment of the BRIC Bank is a very specific and concrete result of cooperation between BRICS countries. BRICS system becomes a real platform initially from the very idea of Mr. O'Neal. Not only it pays attention to economic cooperation, but it has a greater role to make common voice politically.

The role of BRIC countries will not be easily fading although currently the Brazilian and Russian economies are suffering. The BRIC countries are so named because of their high economic growth, and it has now evolved into a comprehensive collaboration platform.

That is very important. BRIC banks is not to replace the World Bank and Asian Development Bank; it's just a supplement. The lending criterion definitely is first to consider the needs of the BRIC countries, and whether the projects under consideration are in consistence with the principles of sustainable development, green development, infrastructure and so on. I believe that those projects which are in line with the BRICS Bank principles will be credited by the bank.

**Reporter:** In your prediction, how likely would the Rio Olympics boost the Brazilian economy?

**Chen Duqing:** I think it is very limited for the Olympics to boost Brazil's economy.

Because Olympics is different with World Cup, the World Cup holds in 12 cities that have a large economy-driven effect. While the Olympic Games is to be held in Rio, and there are only the Olympic venues, the Olympic Village as well as some infrastructure to be constructed, so it would drive less for economic development. Secondly, due to the current chaos in Brazil, the media bad-mouthing on the political situation, the security problems and the outbreaking of Zika virus, it renders a relatively cool atmosphere leading to the Olympic Game.

But by judging the major diplomatic events and the meetings organized by Brazil, we see Brazil is fully experienced and has the ability to host the Olympic Games. The first such big event held in South America is significant; in fact, Brazilians quite love sports. While Olympics could do only limited boost to the economy, it may

have an effect to boost Brazilians spirit significantly. By boosting the confidence of the people through sports game, this is very important for Brazil to go out of the woods.

**Reporter:** Whether the 5G technology proposed on the seventh Long Term Technology Evolution (LTE) Conference held annually in the Latin America in this April will become a new breakthrough for new trade growth between China and Latin America, in addition to the trade of food and crude oil and other commodities.

**Chen Duqing:** Currently China's Huawei together with a number of local universities in Brazil has carried out jointly effective researches. As far as I know, Huawei had donated a number of large data equipment to many Brazilian universities. And 5G technology of China that is represented by Huawei has come in forefront of the world. But Latin American countries are inhabited with a serious tendency liking receiving free donations from overseas countries: Latin American countries had introduced a lot of technologies, and they are ok in applications; but they are generally weak in basic research. They cannot conduct R&D completely on their own; so that currently it is not unlikely to take the 5G as a breakthrough to boost trades and investment with Latin American countries.

**Reporter:** As separated by vast oceans, what kind of impacts will the language and cultural barriers have on trade between China and Latin America? And as the "One Belt, One Road" initiative proposed by China does not include Latin America, what is your

## opinion on it?

**Chen Duqing:** This time, the Shanghai Forum has a sub-forum called [China and Latin America: development partners across the Pacific], and the guests for the conference include former Brazilian diplomats and former ambassadors. We attach importance to this meeting, because there is a consensus between the parties that is: Although there are some cultural differences between the two sides, the vast oceans does not barrier the relations of China and Latin America. Currently, a lot of Chinese Confucius Institutes have been set up in Brazil and other Latin American countries, there are a lot of Chinese people learning Spanish, and there are lots of Brazilians also very enthusiastic to learn Chinese.

Two years ago, China's investment in Latin America has surpassed more than one hundred billion dollars. Now China's "One Belt, One Road" initiate compasses lots of countries, ranging along the road from the Middle East to Southeast Asia, to Africa, then to Europe, totally more than 60 countries. And historically, the Marine Silk Road of ancient dynastic China had passed Luzon Island of the Philippines to Mexico.

For the "One Belt, One Road" Initiative, it should consider the traffic issue that is an issue of interconnection, interworking and interoperability. No direct link, no communication. The contact across the ocean can be made by plane or ship. The "One Belt, One Road" Initiative President Xi put forward is a large open policy, and whoever are willing to expand exchanges with China, we are positive toward



expanding cooperation with them."

**Reporter:** 2016 is a Cultural Exchange Year between Latin America and China. In recent years, the cultural exchanges between the two places are brisk. In your past diplomatic career, Brazil is the country where you served longest as Chinese ambassador, and everyone says you are a "Brazil-Guru". In your opinion, in what aspects Latin America and China can work together to improve bilateral education and culture exchanges?

**Chen Duqing:** In the World Expo Shanghai, Brazil's samba dance troupe had come to China, and was well received and caused a good enthusiasm; at the end of March this year, the opening ceremony of the Cultural Year held in Beijing has invited Latin American art groups to perform. I think, we should distinguish the cultural business operation of general public with the formal international cultural exchange between governments of countries. For cultural exchanges between countries, governments should grant some financial support each year to let people increase understanding of cultures of Latin American countries and cultivate public cultural taste and quality. It is conducive to enhancing mutual understanding. It is worth for governments to spend money on it.

**Reporter:** Recently the Latin American political situation has changed dramatically. What impacts could be produced on the relationships between China and Latin America, and how China to cope with such challenges?

**Chen Duqing:** Talking about the Sino-Latin American relations now, I think no matter who comes to power, there would be no big changes to our relations with the whole Latin America, given by the closeness of relations between the two. We do not need to worry so. As long as we respond calmly, we can basically deal with them with a detached attitude, and not intervene in their internal politics. When the Interim President Temer as Chairman of Brazil Senior Coordination Committee visited China, he was received by President Xi Jinping and by Vice-Premier Wang Yang. He is willing to develop relations with China. The voice they now delivered is not by individuals, but a whole entrepreneurial class it represents. The Provisional Government foreign minister Sierra also said that we must attach importance to relations with China.

**Reporter:** Do you think in the future how will China - Latin American relations develop, and what are your advices to the Chinese Government?

**Chen Duqing:** I am optimistic on our relations with entire Latin America in the future. The biggest problem is the lack of mutual understanding. This time around, China Central Television will cover the Rio Olympics, and the news channels came to me and asked me to serve as an adviser. You see even media people know less about Brazil, lest the most common people. Geographical distance is indeed one of the reasons. We should take net 23 hours flight to get to Brazil. I feel China -Latin America relations are in good shape and prospect and it is with great potential. For example, Chinese people are more and more concerned about food safety, thus we may increases China's

imports of agricultural and food products from Latin American. With improvement of the quality of general public life in China, it is expected this demand will grow more vigorously in the future.

From the perspective of industry chain, Latin American countries are still upstream, we are in the middle, and high-end is in Europe and North America. The combination of China and Latin America is beneficial to the formation of industry chains. Taking Brazil as an example, many Chinese manufacturing, including Sinopec, Huawei, ZTE, the National Grid, the Three Gorges, Chery, JAC, Sany, XCMG, Zoomlion and so on have entered the Brazilian market, and with the increase of Chinese investment in Latin American countries, the influence of Chinese enterprises in Brazil will increase greatly. Brazil's market is large. Of course, we are more than export. We also do imports. We have a greater demand on Brazilian business jets, regional aircraft; and Brazil leather shoes are good in quality. And Brazilian perfumes are also very well-known; the raw materials of Europe perfumes are all extracted from the Amazon forest timbers.

## Speak Truth is A Fundamental Responsibility of Think Tanks

Reporters: XING Jiana, HE Qiwei

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### Feng Yujun



Professor of Institute of international studies, Fudan University; Researcher; Doctoral tutor; Executive director at the Institute of Russia, East European and Central Asia Studies, CASS (IREECAS); Deputy secretary general of the Institute of China-Russia Relation History Studies; Executive director of the Good-neighbor Friendly Cooperation

Committee of Shanghai Cooperation Organization (GNFCC, SCO); and executive director of the Center of Shanghai Cooperation Organization Studies. He is mainly engaged in researches on the Russia's Central Asia Issues, Eurasian Affairs, Shanghai Cooperation Organization, relations between big powers, international diplomacy and energy security, China surrounding security and Russia international relations.

"Whether it is government or universities, it should let think tanks be more open, independent, and their interactions with think tanks on issues of governmental or social decision-making to be smoother. Only by this way, it can encourage every people of think tanks to be more committed to engaging in-depth research, and encourage more diverse of voices."

**Reporter:** Hi, Mr. Feng Good to see you. Mr. Zheng Yongnian, director of the East Asian Institute of the National University of

Singapore, recently pointed out on "China Economic Forum" held by China Business Network Co., Ltd. (CBN) that: "pursuit of influence should not be a top priority of think tanks; the top priority is to tell truth. " How do you think of the view?

**Feng Yujun:** Undoubtedly the view is correct, because the function of think tanks is to serve for governmental decision-making and for communities. If only for pursuit of influence, but your ideas and your suggestions are bad or wrong, it would first mislead decision making, and second, adversely affect social development. That is to say, the first obligation for us is to speak truth which is a most fundamental responsibility of think tanks. Only when you saw the nature of the development of things, and provide things really needed for community and government decision making through your intellectual work, your existence is proven valuable.

**Reporter:** In the round-table discussion, you just mentioned personality and ethnics of scholars in the think tank. Some critics say the majority of think tanks are within the governmental system, and in most cases their duty has become explanation for the existing policies, or make appropriate expectations based on the governmental needs, and part of them deviate from the principle of objectiveness and impartialness that is a wanted altitude a researcher should have. How do you think of the view?

**Feng Yujun:** I think primarily it doesn't matter whether is within governmental system or not. Scholars outside the system also made blind explanations and publicity. In contrast, those within the system

maybe feel greater responsibilities and obligations. From this perspective, the focus is not on “within and without”, but on the entire social environment that must get an overall improvement in order for development of think tanks in the country. From the government's perspective, it should give think tanks a free, liberal development environment, and during the process of interactions between it and think-tanks, respect independence and scientific research of think tanks. From the prospective of think tanks, whether be it of the think tanks and investigators, they should keep in mind and know better their defined social responsibilities. Think tanks are committed to serving for scientific decision-making, and for social progress, and should be avoided from being influenced by a particular consortium or corporation, so to be more fair and transparent.

**Reporter:** In addition to the government and think tanks, whether the public opinion environment should be included for consideration? For example, what kind of environment should the society provide in order for development of think tanks?

**Feng Yujun:** The relationship between society and think tanks is also served for social advancement. In the entire media, think tanks need to make voice, but the fundamental purpose of voicing is to provide scientific advice for the government's decision-making on the one hand, and to let the whole community be able to receive the results of scientific researches of think tanks on the one hand. The cooperation between think tanks and media is also an important part in the whole process of government decision making. Researches of think tank are through media to influence public opinion, and public opinion will

have an impact on government's decision. This is an interactive process.

**Reporter:** Do you think now to what degree main think tanks may influence government policy?

**Feng Yujun:** It depends on several factors. The first is areas; on some major economic problems, the government may prefer to hear voice from some independent think tank. In terms of high-risk political security and diplomatic issues, although they will also seek advice from think tank, the government may itself play a greater role in the decision-making process. There is no unified standard.

**Reporter:** The state has issued an “Opinion on Strengthening Construction of Think Tanks with Chinese Characteristics,” Do you think what is new there?

**Feng Yujun:** The first “new” is to stress quality of researches carried out think tanks, so to provide better reference for decision-making. The second “new” is stress “a more open environment” for think tanks to shift from a relatively enclosed environment to a more liberal environment in which think tanks can have more communications with international counterparts. The third is to highlight its mission that is to serve China’s new normal economy, and new normal social development, to take compelling issues faced by China as research subjects, as the focal point, so that think tanks can play an active role to serve for the country, for the community.

**Reporter:** In this process, the main constraint is mechanism or talent?

**Feng Yujun:** I think both. On the one hand our institutional mechanism is rigid, such as the rules on fund management, overseas visiting management, talent education and training management, etc., that allows a relatively small space and low degree freedom for think tanks to make self-arrangement. On the other hand, the talent pool of think tanks, generally speaking, is still difficult to meet the needs of national development, both in terms of economic sphere, foreign affairs, and defense. This is a great historic problem. We cannot say that now with the country stressing to constructs think tanks, talents would spring up to the fore in just a few years, but it depends on the entire education system which is lagging behind to support construction of think tanks. But in this context, we cannot hope to address the problem by introduction of a large number of talents from overseas; we should cultivate our own talents. The most fundamental way for cultivation of our own talents is to deepen reform, remove constraints of institutional mechanisms that would constrain growth of talents, and conduct training. Give more space for talents to grow and develop, enable them to have more time, facilities and resources to engage in the real thing. For example, those who do research should spend time to do research, rather than focus on seeking publicity and influence and fame.

**Reporter:** Some people say colleges and universities can do things that think tanks do; and think tanks are not easy to do pure research. Do you agree with this opinion? In terms of attracting



talent, are governmental think tanks weaker than the university and colleges?

**Feng Yujun:** No such things. Because the composition of think tanks is diverse, some are under the jurisdiction of the government, some are under companies, and some are with the Chinese Academy of Sciences and the Academy of Social Sciences, and Fudan also has think tank - Fudan Development Institute, so the argument of "government think tanks are hard to attract talents" has found no ground.

**Reporter:** what is the main difference between government think tanks and university think tanks, or, what are the characteristics and advantages of the government think-tanks?

**Feng Yujun:** government think tanks have close relationship with government. They have specific channels to influence decision-making process, such as by submission of notes and reports, and some of notes or reports can even be directly sent to the hands of the ministries or the central leadership. This is the advantage of government think-tanks. Of course, now university think tanks are slowly widening the channels in this regard, government agencies including the Office of CPC Central Committee and the Office of the State Office, in addition to listening to the voice from government sponsored think-tanks, also broaden their channels to hear voices from university think tanks, and sometimes even directly meet individual experts of universities. That is to say, the gap is gradually narrowing. Compared to university think tanks, one of the weaknesses of

Government sponsored think tanks is they are subject to stronger institutional constraints. Even for daily management, think tanks of specific ministries or agencies may be affected by the institutions which oversee them.

**Reporter:** You just mentioned the difference between government think tanks and university think tanks is gradually narrowing. Will it eventually lead to serious homogeneity, and bring a waste of resources?

**Feng Yujun:** I think the key is not about affiliation, but about a great social environment for the development of think tanks. Whether it is government or universities, it should let think tanks be more open, independent, and their interactions with think tanks on governmental or social decision-making to be smoother.

**Reporter:** Do you think currently whether the channels of communication of think tanks is smooth enough to connect the decision-making bodies, or that is there a lot of work to do to bring it closer?

**Feng Yujun:** It is not always the case. In the process during Think tanks have sprung up in the explosive growth way, it is sure it would go through a process of survival of the fittest. Those think tanks which are capable of holding a serious research attitude, and can also build positive interaction with the government and society and the media, will survive through the process and gradually grow.

**Reporter:** now another issue is that during construction of think tanks, it is often said that think tanks pursue professional influence, government influence, social influence and international influence. And it seems that think tanks, such as the Horizon Research, and China Finance 40 Forum, enjoy certain social influence. For the government think-tanks, it seems they cannot do such ways. How do you think of it?

**Feng Yujun:** Influence can be categorized in several levels, such as influence over government decision-making, influence with the media and influence over public opinion, and more long-term influence on society, as well as influence over international community. For what is now emerged and so-called independent think tanks, a prominent feature they share is, that is, they bind closer and contact more with media, and people could hear them more. However, broadly voicing is not meant their influence. That is completely different. The standardization of influence is very complex, it is not to say that the louder a media voice is, the more influence it would have.

**Reporter:** it actually reflects a problem that the government think tanks are weakened their relations with civil society.

**Feng Yujun:** Our official think tanks need to take actions in the process of participating in decision-making. They should not take the traditional way, only by submitting a note or a report to participate the decision making process. They should strengthen communication and interaction with societies, to strengthen exchanges with the media, and to strengthen interaction with international community. On the one

hand, their research results should serve for leaderships, on the other hand, to serve the community. This is a direction where official think-tanks should head for in the future.

## China Need To Seek Balanced Approach for Environmental Protection and Economic Development

Reporter: ZHU Yiyun



**Fu Qingyan**

Deputy director of the Shanghai Environmental Monitoring Center, and the honored title holder as Cutting-edge environmental monitoring talent of the "Three-5X" Talent Project by the Ministry of Environmental Protection, she has long been engaged in environmental research and monitoring, and has led and presided over more than 30 provincial and local environmental research projects and special tasks. She has won a second prize of Science and Technology Award from the Ministry of environmental Protection, second prize of Science and Technology progress Award from Shanghai Government, and a first prize for consultation and decision-making from Shanghai Government.

*"When urban development has become a regional proposition, what we seek is not only economic development, but also fine management, only by this way the enterprises and people can live together more harmoniously."*

**Reporter:** Recently, PM2.5 has become a hot topic among households. Do you think for all these years, whether there is changes in Shanghai's environmental indicators, and if so, what is behind these changes?

**Fu Qingyan:** Through the three-year implementation of the environmental action plan and the National 10 guidelines of the country, Shanghai's air quality has gotten improved overall. Despite the weather conditions that made fluctuations of the air indicators from year to year, overall many indicators rewardingly shows a downward trend. In 2015, the annual average concentrations of PM10, SO<sub>2</sub> and NO<sub>2</sub> had decreased by 13.9%, 41.4% and 8% as compared to that of 2010, of which, the PM10 and SO<sub>2</sub> concentrations reached the benchmark and are at the historical low (the PM10 reached the benchmark for the first time); except slight increase in ozone, other indicators showed significant declines that suggested effective controls over coal-fired sources and dust sources. The main driving factor behind is the introduction of new air quality standards. In 2012, the nation launched the "National Ambient Air Quality Standard" which set up more stringent requirements on pollutant concentrations that makes all walks of life continue to improve technical levels to meet the national standards requirements.

**Reporter:** Over the past two years, the Yangtze River Delta PM<sub>2.5</sub> control has seen fruitful, however, ozone problems began to emerge. During 2013, 2014 and 2015 the ozone averagely exceeded the standards by 13.2%, 20.2% and 20.1%, respectively, showing an upward trend year by year. In your opinion, how to do collaborative synergistic governance over different air pollutants?

**Fu Qingyan:** Synergistic governance is very important, you know,

most of previous measures have focused on mitigation of just a single contamination, for example: In the 1980s, we discovered the major contaminations in the urbanization areas of China were industrial smoke dust, so the country began to promote different urban layout and heavy industry relocation, meanwhile requiring transfer of coal-fired boilers and use of low-sulfur coal; but then after that, coal-burning pollution came and we began to focus on coal-burning pollution, so the national government turned to the new focus to require for coal desulfurization. In the governance process to such single pollutants, the corresponding indicators indeed had been improved correspondingly.

However, the PM<sub>2.5</sub> pollution sources vary largely, mainly the stationary sources, mobile sources, and the non-point source. Since the PM<sub>2.5</sub> pollution doesn't necessarily show a linear relation with single pollution, so, even though a single source of pollution declined, other sources emissions can make the indicator rise, so to control a single source of pollution may not be effective, and it needs synergistic governance. With uprising of the ozone pollution problems, the synergistic governance of PM<sub>2.5</sub> and ozone shows even more prominent. Through control of the sources of PM<sub>2.5</sub>, it could generate certain corresponding control effects. However, there exist complex chemical reactions between the levels of ozone concentration, nitrogen oxides and volatile organic compounds and other precursor pollutants. Scientific research shows that it would be not the case by reductions of nitrogen oxides and volatile organic compounds to simultaneously reduce ozone concentration. When the proportion of both emissions control is inappropriate, the concentration of ozone in

the air would be likely to rise in the short term, other than downfall. Therefore, controlling the concentration of ozone cannot be done by simply reducing nitrogen oxides and volatile organic compounds emissions.

However in China, the treatment methods on PM2.5 and ozone emissions is still by reduction of common pollutants, through best technologies and controlling of easiest controllable pollutants to control sources of pollution. Everyone is clear about basic ways of pollution control. But when it comes to specific provinces, regions, and cities, differences may exist among them; and vehicle exhaust, the petrochemical industry as well as a large number of solvent-based industries emit nitrogen oxides, and volatile organic compounds. Therefore, before taking measures to control pollutions, we first need to have scientific research tracking and study of mechanisms that causes pollution.

**Reporter:** During the 2011 - 2012 when the haze problem outbreak, you were involved in a lot of environmental protection task forces. Could you tell us, after personally getting involved in the air pollution control work, what are insufficiencies and inadequateness in air control that China encounters? What challenges China faces that remains unsolved yet?

**Fu Qingyan:** If we say the synergistic governance of various pollutions is an issue of “tactics” we face, then from the “strategic” level, how to find a suitable development path while looking at both the urban economy development and environmental protection is the



biggest problem facing us currently. Currently we are still difficult to achieve the both. In a situation facing grim ambient pollutions, we need to promote pollution prevention at the expense of the economy growth slowdown. China is still a developing country, and we cannot use the method of transferring or relocating industries as a way to reduce pollutions that has been used in Europe or the US. Now, urban development is not limited to certain mega cities, with the rise of second and third tier cities, the regional economic active areas in China has been dispersed from single cities into city agglomerations; the intensive development of industry has led to over contamination of one city that can contagion pollutions into excessive areas, polluting hundreds of thousands of square kilometers. Therefore, even if some of the cities with heavy industrial pollution moved to surrounding underdeveloped areas, the cities' environment may not get improved. For example, Beijing, even although it has effectively controlled local pollution emissions, the air pollution there is still in high levels. To solve this problem, besides that we can no longer continue the coarse, extensive development mode and lifestyle, we should promote national citizen quality, and encourage the public to participate in the initiative of emission reduction, pollution control and improving of environment. We can learn the fine management from developed cities and regions. For example, in Japan's big cities where there are also many steel companies and petrochemical companies, but these companies can live in friendship with communities and residents. The reasons behind is that the enterprises implement high standards in the whole process from design, management and pollution control facilities, and strive to enhance the level of industrial technology, while minimizing the emissions.

**Reporter:** You have been committed to research and management of air quality for many years. Then, in your opinion, what is China's biggest achievement at this stage?

**Fu Qingyan:** In terms of pollution governance, we are now still in the infancy stage. We have achieved many phased objectives, but have not yet reached our ultimate goals. We have not achieved significant results. But I think our biggest progress is we have successfully changed the public attitudes toward air pollution from their original ignorance to rational cognizant. The Environmental monitoring activities I engaged have 3 roles to play in raising public awareness: First, accurate monitoring of air quality, and real-time data to reflect quality of the environment; second, through multi-channel publishing, make the public familiar and get informed of air quality state, to help the public well prepared to take measures to prevent heavy pollutions; Finally, through jointing with universities and research institutes, conducting the city's air quality pollution cause analysis and research, to provide technical information and find the causes and sources of pollution for the government to develop governance policies.

**Reporter:** Among the air pollution control measures mentioned by all guest speakers on the meeting, do you think which guest's treatment method is best for us to directly adopt?

**Fu Qingyan:** The remark made by Prof. Frans Berkhout from King's College London deeply inspired me. There are many highlights in the UK pollution control process can be learned from for Shanghai, for

example, the adjustment of energy structure that should be an important measure we can take; Meanwhile, we can also set the low emission zone and other control methods to control emissions of ordinary vehicles, heavy-duty diesel vehicles; Finally, to ensure transparency of the air quality monitoring information, although the move may lead to social pressure, it would help the public understand city pollution situation, and form a social force to jointly monitor and promote pollution control.

**Reporter:** In addition to the changes in industry structure, what other policies can be adopted?

**Fu Qingyan:** While we must adhere to the policy of industrial and energy structure adjustment, Shanghai should also push the implementation of sophisticated fine management: First, enterprises should strive to improve the technological level to meet strict emission standards and requirements; secondly, on the basis to meet the standard, it should be possible to reduce pollutant emissions per unit area and unit of population. Shanghai should continue developing public transport, downsizing overall energy consumption and reducing pollutant emissions from transport.

## “House-for-pension Scheme” Calls More China Style Thinking

Reporter: LIN Yuying



### Gan Li

Professor at the Department of Economics, Texas A & M University, US; senior fellow at the US National Economic Research Service; dean of the Economics and Management Institute of the Southwest University of Finance and Economics; director of China Household Financial Survey and Research Center, Southwest University of Finance

and Economics. He published dozens of papers in English and Chinese such as the “Analysis of Chinese Household Assets and Housing Demands”, mainly focusing on applied microeconomics, and econometrics.

*“The house-for-pension scheme” in China is a way inevitable, but we cannot fall into the trap of “reverse mortgage for retirement”.*  
*“Selling House for Pension” is the right choice, and can be better to help solve the current challenges faced by older agers. ”*

**Reporter:** You mentioned that “The house-for-pension scheme” in China is a way inevitable for retirement. However, you held a more passive attitude towards it previously, why is the change?

**Gan Li:** Currently in China, 90% assets of the elderly are housing assets which determines their retirement pension should be largely dependent on the houses they own and that's why I say that

house-for-pension scheme is a must and inevitable. The use of housing assets is mainly in two ways: one is the reverse mortgage for retirement pension. Currently Chinese government is girding to promote further development of this model; about a year and a half ago, the government proposed to allow insurance company to carry out the business of reverse mortgage. But after a year and a half time, there are very few transaction made in the country, seeming little development. I have also made some points, believing that the market prospects of this model is dim, largely because it is difficult to know prices of houses which could rise and fall in unexpected way in the future, and insurance companies would face significant risks, making it difficult to reach a consensus between the insured and the insurers. This great gap cannot be solved, so it is difficult to get the model on the tract. In the United States, the reverse mortgage market has existed for decades, and the data show that only fewer than 3 percent, or even lower, of people choose this way for pension. Thus the key to the house-for-pension scheme is not "mortgage the House for pension," but instead, is the "selling house for pension" that is, sell existing housing assets for cash, and by this way, the risk of price fluctuations is avoided. The elderly may choose communities for their retirement life, they may lease houses to live, or if unwilling to move, can continue to rent the house they originally held before it is sold. If the housing assets have not been realized, then it is the assets that cannot be consumable, and some the elderly would lack pension funds to meet their needed consumption; If home equity is realized for them to get cash, the elderly would have the funds to meet retirement needs, and lease house to live. This way, it is possible to convince the elderly. According to research data, 50% of households with old guys have

two or more housing assets, so it is possible for them to sell housing assets. Many of them are reluctant, mainly believing that prices of the houses could rise further, and hoping to get large gains in the future. China should develop the house-for-pension scheme, not based on the "reverse mortgage for retirement," but based on the model of "selling-house for pension."

**Reporter:** There are opinions thinking that the house-for-pension scheme must be implemented in the first-tier cities, how do you think of that?

**Gan Li:** I do not agree with this view. People generally have higher expectations on house prices in first-tier cities. For the current situation, prices of house in first-tier cities are indeed on the rise. Residents generally have higher expectations of houses in the first-tier cities, making it easy to reach consensus with insurance companies. As the risk of house price assessment is relatively small, therefore it is relatively easy to implement to the scheme in first-tier cities. However, the elderly population of first-tier cities is much smaller as compared to the whole population of the country; in addition, their income is relatively high, suggesting they got a relatively solid economic condition and a considerable part of them meets no challenges in regards to retirement.

**Reporter:** In development of the model, the insurers need to face risks of house prices and retirees' longevity and many other risks. In your opinions, what is the role the government could play in between the insured and the insurers?

**Gan Li:** I think the government should not involve in it too much, where it cannot play a big role. Generally, the insured and the insurance company have a big difference in assessing housing assets. If too much government involvement, the two sides will put hopes on the government, hoping the Government can make up the gap, but this amount is too large that could cause a lot of pressure on the government's finance. Government may introduce some encouraging stimulating policies, such as for the sixty years old or older who sell their houses, providing a series of taxes reduction or exemption for the transactions, and encouraging those elderly who are not very willing selling house to sell their housing assets. These similar incentives could not cost too much of government financial copper, but the gesture of support can be demonstrated obviously. The government may play the role of providing main incentive and guide, but should not enter the contractual relationship between the insured and the insurance company in which the negotiations should rely on the market mechanism.

**Reporter:** You mentioned in the "Chinese family housing assets and the asset allocation" that currently in most households' assets, home equity accounted for a quite large proportion, then how and to what degree the development of house-for-pension scheme would affect household asset allocation in the future?

**Gan Li:** No so much impact. Whether in the present or in the future, the most appropriate way of pension is savings and investments in prudent financial products, rather than relying on housing assets. In

the United States, housing assets in American family is definitely not a major pillar for retirement pension. The US residents tend to take a certain monthly income into savings account, and through the value-added saving account to guarantee their future pension needs, this is one of the main pension ways for American families. In addition to savings, people can also rely on the social security system that covers the whole society. The government may, through tax incentives and other policies, encourage the residents of our country to put money into a savings account. But it also involves the problem of insufficiency of China's consumption that could drag on the economy. Whether the funds are used for savings, or for consumption? But one thing had to be mentioned is, even if you choose savings account and investment of soundness financial products for accumulation of retirement fund, the effect is not necessarily ideal. For example, in USA, there are still one third of the older Americans retirees with almost zero assets the time when they retire. So no matter what kind of old-age pension way will be taken, they encounter a certain degree of difficulty, and need us to continue studying and exploring. Back to the original topic, I think the prospect of house-for-pension scheme is not optimistic, and will not have too much impact on the asset allocation of households in the country.

**Reporter:** Currently for the old age groups who are facing retirement problems, it is difficult to convince them to shift to model of selling-house for pension. How do you view this challenge?

**Gan Li:** for the elderly who have home equity but don't have



additional assets, the only option they can choose is by the housing assets they hold to exchange pension funds. Of course, here we don't consider the scenario of their children involvement to provide sources of pension. For this group, the government could launch supportive policy measures such as tax reduction or exemption and subsidies, to encourage them to sell houses. If the older age group can utilize their housing assets, they almost need not worry about pension issues. For some of this part of the elderly, the houses are actually like a "pie falling from the sky". When they were young, because of special housing reform policy, they got the housing assets they currently own which, if with their personal savings alone they could be never affordable. Now, prices of house in most areas are increasing, this part of the elderly is actually the beneficiaries, they need to seize the opportunity, timely to translate housing assets into their pension funds, after all, prices of house will not rise indefinitely. For them now is a good time, they need to change the old ideas, to take timely action.

**Reporter:** Many older people lack financial knowledge and don't know how to get a way for their retirement scheme. Do you have any kind of suggestions or ideas to improve financial literacy of the residents in the country?

**Gan Li:** Relevant research data shows that if the average level of financial literacy for the residents of the Western countries could reach the college student degree, then the average level of financial literacy of people in our country is equivalent to junior high school. Compared therewith, there is still a large gap. Overall in terms of average level, the financial knowledge is insufficient. For the elderly,

they mainly rely on their children's advice to take actions, and the advice of external forces on them is rare and tiny; for young people, to improve their financial literacy level, it requires their participation of financial institutions. Fund foundations in our country play the role to improve financial literacy, but cover not that wide. At present most of the residents due to the lack of financial knowledge, put a large amount of money into the real estate market, but the residents having good financial literacy will be more inclined to invest in financial assets. Thus on universal education of financial literacy, financial institutions should have the most motivation. But we see at present China's financial institutions do not take concerted, large-scale campaign. We should repeatedly communicate with staff of financial institutions, so that enable them to recognize that improvement of financial literacy of residents can effectively promote their own business to develop, and thus be willing to invest time, energy or money to promote financial knowledge for residents.

## China needs to make quick and steady transition in energy

Reporter: ZENG Jiren

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### Jiang Kejun

Dr. Kejun Jiang is a researcher in the energy research institute of National Development and Reform Commission of China. He is a member of China Energy Research Society, guest professor of both Peking University and Tsinghua University, recipient of special allowance of the State Council of China. Internationally, he is a member of science and policy directing committee of the 5th Global Environment Outlook (GEO5), member of directing committee of Integrated Assessment Modeling Consortium, coordinate lead author of working group 3 report of the IPCC 5th assessment report (AR5), and one of the lead authors of comprehensive assessment report of AR5.

*The carbon emission of China will peak around 2020~2022, and China will fulfill current international promises in great advance. The percentage of coal in China's energy mix will decrease to far below 60% by 2020. The prohibition and replacement of scattered coal has entered a crucial stage. The economy of northeastern provinces may not be able to recover in ten to twenty years, and the next province concerning us is Xinjiang province. People don't have to be anxious too much about the problems of development of renewable energy, while China still needs to put great effort in*

developing technology related, especially fundamental science.

**Reporter:** What's your comment on China's promising to peak in carbon emission before 2030, and the future trend of carbon intensity of China?

**Jiang Kejun:** China has proposed in 2008 at Copenhagen to peak in carbon emission by 2030 and reduce carbon intensity by 40~45%. While considering what already happened during the 11<sup>th</sup> and 12<sup>th</sup> Five-Year Plan period, and our design in the 13<sup>th</sup> Five-Year Plan, definitely we will overachieve the goal raised in Copenhagen. Meanwhile it is proposed in China's intended Nationally Determined Contribution (NDC) in Paris that China will peak in 2030, and China will pursue the effort to peak in advance. This latter sentence came from us. The time we assessed for China to peak is around 2020~2022. China proposed in NDC to reduce carbon intensity by 60~65%, while the number we propose is 70~75%. Speaking of climate target, today we are going to discuss something more severe, that is to say we talked about 2°C before, while we will discuss how to reach the 1.5°C target today.

Actually most countries didn't give out the most stern target in their NDCs. Instead every country gives out a medium number. Therefore many institutes and scholars would analyze scenario distribution under different circumstances. However, our institute is a governmental agency and what we are thinking is how much on earth government can do, rather than we cannot peak by 2030. This is definitely within reach, and I'm sure we can peak in around

2020~2022. In this case, our task is to tell government what they should do in the 13<sup>th</sup> Five-Year Plan and turn our research into real policy.

**Reporter:** The most imperative step for emission reduction is to control fossil fuel. You mentioned last year our coal consumption had already peaked. Then what do you think about the decreasing trend of coal consumption in the future? What do you think are factors leading to peaking and decreasing?

**Jiang Kejun:** Originally our judgement was coal consumption would peak before 2020, but now it looks like that we already peak in 2014 and will start to ramp down then. We are assessing how much it will decrease now. As we are institutes of National Development and Reform Commission, we need to consider more about the factual situation of our country, society and economy, such as taking job loss of miners into consideration, to judge what the proper scale is for coal consumption to decrease, and then give out suggestions for policy making.

The main cause leading to coal consumption peaking is economic restructuring, rather than economic recession. According to our model, China's economy is relatively good. In the past seven to eight years most ineffective investment flowed into high energy consuming industries, while development of such industries has enter a plateau, resulting in reduction in coal consumption. This is the first core factor. The second factor is development of renewable energy, nuclear energy and natural gas is very fast. These three energy sources are already

enough to fulfill the increment of energy demand of our country. Oil consumption might continue to grow for a while, but coal already peaks according to our judgment.

**Reporter:** Some says the future of coal as an energy source is bleak, but the future of coal chemical industry might be promising. What's your view on such opinions?

**Jiang Kejun:** The future of coal chemical industry is also bleak. Once we have also counted on coal chemical industry development. Unfortunately, according to our model of oil and gas, at first we assessed coal chemical industry could be profitable if oil price is higher than \$80 per barrel, and now thanks to the effort of those colleagues working in coal chemical industries, this number is reduced \$60 per barrel, however now we could judge that oil price would never rise back to over \$50 per barrel. There might be some events happening in the short term causing oil price go back to over \$50, but in the long run, the annual average of oil price, or two-year, three-year average of oil price would never go back to over \$50, and even worse. Under such circumstance, those several big coal chemical industry programs licensed to start in Xinjiang and Inner Mongolia are very likely to be shut down in the future, as one day's operation means one day's loss. At first people hoped oil price would rise back, but now it seems hopeless.

**Reporter:** But China is rich in coal but poor in oil, and we are highly dependent on coal. Besides, clean use of coal has been written into many national strategic plans. What's your comment

on this?

**Jiang Kejun:** This is exactly what is thorny to China, since we cannot say coal is doomed to fail frankly and publicly. According to official data, there are more than 7 million miners in China, and this number could be even bigger in folk. Meanwhile, there are 20 million labors working in coal related industries, and this number could rise to 40 million if their families are taken into calculation, which is a horrendous number. Once there is small turbulence in coal, 40 million people's life in our country will be influenced. That's why we need to make steady transition in coal and avoid tumbling, cliff-like change. Therefore, as you said, many scholars think coal is still an important energy source in the future, so our solution is to find a proper way to use coal, and that is clean coal, which must be written into national strategy. No doubt China will support clean coal strongly. But don't misunderstand coal strategy as supporting the increase consumption of coal, instead it's a strategy about how to use coal in a best way.

**Reporter:** There have been already many reports in the first half of this year about the bleak economy of the three northeastern provinces. These three provinces are also traditional heavy industry regions highly dependent on fossil fuel. How do you think of such phenomenon? Which provinces else do you think should also take this as an alert?

**Jiang Kejun:** That's right. When we analyze national energy demand, we must differ our analysis according to situation of different regions. What makes me feel pessimistic is that probably the economy of

northeastern provinces may not be able to recover in ten to twenty years, so you have to re-think national strategy. I think northeastern provinces shouldn't be only positioned as heavy industry base, instead they should pursue integrated development in finance, education, health, etc. If there is only one supporting industry in such a large region, the collapse of this industry will lead to the fall of entire region. The next province concerning us is Xinjiang. There are many coal chemical industries and coal power stations in Xinjiang which I think are very likely to encounter difficulties soon. Traditional large coal-producing provinces except Shanxi are generally close to consumer center, so they might rebound in several years. Their economy structure is relatively well balanced. There is plenty of natural gas and renewable energy sources in Xinjiang, so we must shape a clean Xinjiang. Under the strategy of "One Belt One Road", Xinjiang should be considered as not only a transport corridor, but also a bridgehead, a central city of the entire region depending on not industry, but service, finance, technology, education and healthcare. Just as people go to Beijing for best healthcare, in the future we should make it that people from Kazakhstan, Turkmenistan go to Xinjiang for best healthcare, go to Urumqi for best service. These are what we should give Xinjiang full support to develop, rather than just industry and tourism. Xinjiang should become the center of central Asia area. My worry is if economy development is not good enough, ethnic minority problem could get worse. Supposing the economy situation is satisfying and there is sufficient freedom, there would be nothing to worry about for ethnic minority problem. However, current development relies too much on policy and financial support, which inevitably brings maldistribution issues in resources allocation and



breeds ethnic minority problems.

**Reporter:** Many people think the development of renewable energy is overheated and there is much overcapacity. What's your view on the phenomenon of “wind and solar energy curtailment”?

**Jiang Kejun:** Speaking of this, I always tell my colleague in renewable sector not to worry. Generally the wind and solar curtailment rate now is around 10~20%, not very high. You know 100% full use of wind and solar energy is even theoretically impossible. So generally it's normal to abandon 5~8%. If you look at other industries, you'll find those who suffering the most serious overcapacity have already abandoned 40% of their capacity. The gross hour of coal power generation last year is around 4300~4500, which means they have abandoned over 20%. That is to say everyone is abandoning and curtailing, so I think we don't have to worry. The development of renewable energy is fast now and will inevitably meet with such problems. Once people realize these problems, they will begin to solve them, so there is nothing to worry about. In China, everything develops fast. Newly increased installed capacity of renewable energy in China accounts for 1/3 in the world, and in this process we are destined to meet such problems.

What's more, overcapacity in renewable energy power generation is just relative overcapacity. For example, annual newly installed capacity in China is 20 million kilowatts (KW), while our annual capacity is 40 million KW, that is what we say overcapacity.

Supposing we increase newly installed capacity to 30 million KW and export 10 million KW, there will be no overcapacity then. It's all about what our country wants to do. Once our annual capacity was 35 million KW and China's annual newly installed capacity was only 2 million KW. At that time everything was also fine when over 95% capacity was exported. Afterwards Europe launched anti-dumping and anti-subsidy measures against China, but our domestic market grew up rapidly. Last year alone we have around 17~20 million KW newly installed capacity, which absorbed this capacity at one blow. In addition, the majority of photovoltaics enterprises are private enterprises now. They are sensitive to market and they are good at technology investment, R&D, etc. I think they are the healthiest enterprises in China now, unlike those industries leading by central enterprises still have problems in opening their mind.

Another issue is how our energy system can accept more renewable energy. Actually it has been only 3 to 4 years since the renewable energy in China took off, so our energy system hasn't finished preparation for it yet. Especially for our grid, it never occurred to them the annual increase was that much. The wind and solar capacity they approved to enter grid is far less than newly installed capacity. So actually the reason for many enterprises to curtail wind and solar power is they don't have approval rather than the grid is not able to accept it. Qinghai wants to develop photovoltaics, and central government approved 10 million, while under support of Qinghai local government they developed 15 million. The result was that 5 million couldn't enter the grid. They need approval from bureau of energy. Therefore the whole system needs to gradually adapt to this.

However, this won't be long. After 3 or 4 years we can finish the turn. The investment of State Grid Corporation of China is 700 billion RMB per year, so if renewable energy power generation is determined to be the future direction, soon everything will follow. It's just the direction of future power generation has to be determined based on further investigation of technology route.

**Reporter:** The cost of renewable energy is relatively high now. Do you think further increase of renewable energy in the whole energy mix will increase national fiscal burden?

**Jiang Kejun:** Developing renewable energy won't increase fiscal burden of our government. Because subsidy for renewable energy power generation comes from the several cents of renewable energy surcharge in our electricity price, while subsidy directly given by government isn't much. Local government of Beijing, Shanghai and some other places pays some for subsidy but it's not a big amount. As cost will continue to ramp down with the progress of technology, subsidy from government will gradually decrease as well.

Nonetheless, I also have some worries, especially about new energy automobile and battery. According to our latest conclusion, blade electric vehicles will occupy the market 100% by 2025. Plus, the fuel cell car of Toyota is only \$60,000 now. How many Chinese enterprises have kept their pace with this roadmap? So we are worried if China don't keep pace in technology in the future, we may face a cliff-like drop in market share and China may descend to a second-class country in technology, becoming a servant country like

Thailand in which every citizen work for other countries. There are a dozen fuel cell research groups pursuing different technology routes in Toyota, and as long as there is one breakthrough, the entire world might be revolutionized. The national strategy of Japan supports Toyota, and there are many universities and institutes cooperating with Toyota. Missions are allocated precisely to each institutes according to the technology roadmap of Toyota. Are there any enterprises and universities in China who can act like that? In addition to Japan and Toyota, fundamental science research in the U.S is also scarily awesome. Shortly before they have reported a completely new type of battery. Fundamental science research of China is still far inferior to them. Therefore China still needs to put great effort in developing technology related, especially fundamental science.

**Reporter:** What's the key information energy institute wants to convey and get in this forum?

**Jiang Kejun:** The key problem we want to discuss most is how China could make quick transition. China shall make quick and steady transition in energy structure and will fulfill many international promises in great advance. In the future it's very likely that China will propose to reduce emission in a stance even more positive than the U.S, EU, etc. But further elaborated consideration is needed for detailed plan and social issues.

## Seeking Inclusive Development: Ethnic, Religious and the Future of Asia

Reporters: FAN Ziqi; YANG Mingjie



### Li Hongjie

Deputy Director of the Policy Research Office of the State Ethnic Affairs Commission; guest professor at the Minzu University of China; his representative works include "From Self-determination to Autonomy" and "From Hibernation to Recovery" and so on.

"We not only want to find value from traditional Chinese cultures, such as the values of "Harmony in diversity" and "Inclusive Nationalities", but also should find common values of other cultures such as India. Finding common points that fit for all of us, this is crucial. "

**Reporter:** We often heard the argument for Asian Community, and President Xi proposed the "Common Destiny of Communities" at the Boao Forum. With small difference in wording, what do you think that means?

**Li Hongjie:** "Common Destiny of Communities" emphasizes the common fate and destiny of the man kinds that includes not just Asia, but across the world, and also stresses common value and concept of humanity. The Common Destiny of Asian Communities should not be

understood as an enclosed concept, it is dynamic and open, and is constantly morphing and changing. The dynamics and openness embodies not only in the emphasis on human commonality, but also on the inclusiveness of diversity, differences, and different cultures. In construction of human Common Destiny of Communities, Asia is one level, an important part, and meanwhile with the rise of status of Asia in the world, it may play a strong role in promoting the common value for the whole, showing its significant value and meaning. The Common Destiny of Communities is not just involved the fate of Asian, but also the fate of the common people around the world. It can be said all the man kinds share the same fate.

**Reporter:** The thematic topic of the roundtable meeting is to discuss the construction of Common Destiny of Asian Communities from the angel of Ethnics, Culture and Religion. In your opinion, what is the most critical factor in the construction of the Common Destiny of Asian Communities?

**Li Hongjie:** Don't look it and make judgment with just from a single perspective. The thinking way under the Industrial civilization which excessively stresses on efficiency tends to produce the determinism of a particular force, and always takes a thing as an absolute dominant. In fact, in our open era, we should take these different things in an interactive process, and not take that one outperforms one other, better than the others. More likely, at some time some points and some places, there is a particular force that stands out, but in general, no factor is able to take the upper hand always. Just as the ethnic, cultural and religious dimensions we talked about today, they are actually

different things of cultural evolution in particular stage of social development. In fact, religion and ethnicities are all the carriers of culture. For example, in India, religion enjoy an important place. Hinduism is likely to produce an absolute domination over the whole Indian society on the whole, as well as internal minority dominating over Hindu; but in China, we stressed more on secular culture, stressing co-development of multi-ethnicities. So I think this does not mean who is the stronger who is weak. We can only say that in a specific environment and a specific era, some specific factors may prevail.

**Reporter:** As a big country that advocate the idea of Common Destiny of Communities, what role can China play in building an Asian community that shares common destiny? What pressure it is facing? And How to deal with it?

**Li Hongjie:** In reality, China's role has already shown somewhat. General Secretary Xi Jinping stressed the Common Destiny of Asian Communities in many different diplomatic occasions. In fact, China has started taking actions, for example, president Xi proposed major initiatives to build "Silk Road Economic Belt" and "21st Century Maritime Silk Road" ("One Belt, One Road"). Of which, the external pressures faced mainly comes from confrontations of the old forces. China is an emerging nation, and its status is on the rise. The balance of power of the world is changing. There is a very prominent feature in international politics, in which, a newly borne force will challenge and adjust the old pattern, and the challenge and adjustment often means instability, means restructuring of the old pattern. Today, our

neighboring countries are "hedge" on both sides, that they want to ride on the wind of China's development benefits on the one hand, but also to prevent the Chinese rise on the other hand, fearing the rise of a great power will generate too much influence over them. Therefore, what is most important for China is to shape up its own ideas and its images towards other Asian countries, and among the Asia countries, the relationship with India comes of very importance.

**Reporter:** The theme of the speech in the forum is “Common Dancing - Dragon and Elephant”, as Asia's two largest countries, what is the influence/affection of China-India relations on construction of the Common Destiny of Asian Communities? And how China can handle the relationship with India, our friendly neighbor and competitor?

**Li Hongjie:** China and India share thousands of kilometers of boundary, and the combined populations accounts for one third of the world's total. In the future's world, human resources will play a leading role. So it is vital to improve relations between the two populous countries. Historically and in reality, there are some disputes between the two countries that have not been resolved yet. But I believe that politicians will work it out. For the "One Belt, One Road" initiative, India's attitude is ambiguous. But for all the different attitudes and perceptions of other countries towards the initiatives, we should adopt an inclusive approach: emphasizing its core, its spirit, but not necessarily emphasizing what it's called or named, and how much the political supports. In putting forward the "One Belt, One Road" initiative, China should strive to inject the Asian values while



paying attention to idea and image reshaping. Not only do we want to find value from traditional Chinese cultures, such as the values of “Harmony in diversity”, and “Inclusive Nationalities”, but should also find common values of other cultures such as India. Finding common points that fit for all of us, this is crucial. "

**Reporter:** India and China share common Buddhist cultural roots. Whether it is possible to use religious identity as a connection to promote their recognition of the Silk Road Initiative? And what kinds of forms can be taken?

**Li Hongjie:** This is the problem that is sensitive to China and India and is difficult to get a way out. There is a lot of things that China and India should do to enhance mutual trust. Meanwhile, the two countries are more realistic and self-confident for their own traditions and realities, which requires social science society to be good at finding common ground, of which Cross — border Ethnicity could play an important positive force.

Just as the general secretary Xi Jinping put it on the Central National Working Conference, if the cross-border ethnicity logic is in play, it could make good use of the resources; otherwise, it could become a weak spot. In managing the cross-border ethnicities and neighboring relations, what is important is national self-confidence. In the past we have been subject to imperialist aggression that led us with a weakling mentality. With this attitude, it is sure that we cannot handle properly the relations with our neighboring countries. Now we need to gradually build up our confidence. Originally, we put the cross —

border ethnicities as a negative thing, and academics has even denied the concept itself. The General Secretary speech has now revealed a high level of confidence, and what is to explore for the next step is how to translate the country's confidence into actions of the whole country. This expression of confidence shows a tolerant attitude and goodness when dealing with neighboring countries. Of course, when dealing with some key issues (such as the South China Sea disputes, and territorial sovereignty), we got no way to retreat. However, while keeping that premise in mind, we should be as inclusive and open as possible towards dealing with neighboring countries. Although Indian folks are rampant with the "China threat theory", we must also see that India is a pluralistic system of society, and that saying just reflects one section of the country, and the majority took towards a harmonious development with neighbors. We should not take to enlarge the partial, negative things - certainly it could not do any good to handle well the bilateral relations - instead, we should be good at finding or even creating positive and harmonious force/factors. Now China has greatly enhanced the economic strength. Why do we not take the initiative to do some something positive and instructive?

**Reporter:** In recent years, Islamic extremism and violent terrorist activities have been raging and rampant throughout Europe, the religious and cultural conflicts around the world have been intensified and the risks deepened. In your opinion, do you think what kind of impact it will produce on Asia and China?

**Li Hongjie:** Perhaps Islamic civilization is the only civilization of the world that stretches across the Eurasian, and it is both "a Western and

an oriental civilization." One of the crises the Islamic civilization is now facing is outsiders' demonization. After the rise of American Christian fundamentalism, the West has gradually demonized Islam, and the long-term demonization will produce an intensively strained negative effect. Between China and Europe, there is a large chunk of Islamic civilizations. If we cannot establish normal ties with the Islamic world, we would be not able to carry out the One Belt One Road initiative smoothly. Yet among the ethnic issues domestically in China, the more intense discussions remains demonization of Islam. I fear that this demonization will lead to the effect of "self-fulfilling prophecy", if it goes on in longer term, it would really make part of the group become a "demon". On the other hand, Asia is the epitome of world civilization, and the Eurasian continent is the birthplace of several major world civilizations, while Africa and Latin America are the results of outward diffusion of the Asia's civilizations. If Eurasian civilizations come together well side by side, and to get the wagon train of the "One Belt, One Road" initiative goes well on the tract, it will create better conditions to help solve the world's problems.

**Reporter:** Since the Islamic civilization is a religion factor in construction of the initiative that must be considered, in light of China's current situation and characteristics, in your opinion, do you think how we can better tell our "China's stories" and enhance mutual understanding from religious point of view?

**Li Hongjie:** For example, just last year China opened a port at Nathula, Tibet. And there are news reports saying that it could be a route for pilgrims. Mount Kailash and Lake Mansarovar are holy

mountain and lake for Tibetan Buddhists, Hinduists and other South Asia religions, and each year there comes many Indian pilgrims for pilgrimage. The Opening of the Nathula port has created a good condition for pilgrims by allowing them to avoid bypassing from India to China, and also to bring benefits to local people, this is a kind of cultural interaction.

On the other hand, there are a lot of cross-border ethnicities that are widely distributed along the border. If it could be in play, it will be a very good resource for the country. Other countries tend to see Chinese culture as Han culture, but in fact China is multicultural. Tibetan Buddhism's influence in South Asia is irreplaceable; in Bhutan, Nepal and many northern India regions, the dominate religions there are all Tibetan Buddhism. So we should take the Tibetan Buddhism as a very good resource to approach to South Asia countries which can enable us to come close to them and reduce the sensitivity.

At this level, we first should do our homework of ethnics, genuinely taking the Tibetan Buddhism as a very important part of Chinese civilization. The Chinese culture can be not only understood as a Han culture, or a Confucian culture. We must consciously incorporate minority traditional culture, and with Tibetan Buddhism to get closer relations with India, Bhutan, Nepal and other countries. In Xinjiang, in the western part of the country, we should do our homework of Islam, to improve relations with the Islamic world; we should do our homework of Tibetan Buddhism, to improve relations with South Asia; we should do our homework in Guangxi and Yunnan, to create a good

relationship with Southeast Asia with; and we should do our homework of Inner Mongolia, to improve relations with Mongolia. It is difficult to completely separate the national and international boundaries at this level.

**Reporter:** in 2014, you have expressed agreement to the view of "multi-ethnicity is not a burden, but is a resource and a source of vitality." Two years later, what is the progress you think the country has made in the practice of activating each ethnicity's vitality and vibrancy? What are your recommendations?

**Li Hongjie:** What I would like to say more is what we needs to do. In terms of hardware, the national government has paid enough attention to minorities, and also invested a lot. But what is the key is where investments are made, we have made huge investment on road construction in many places, but it is focused more often on trunk roads and highway, but insufficient on country-sides. We should more extensively out-reach to the grassroots. Software wise, it is about how we bind together our investments with the demands and appeals of local minority people, and how to activate the vitality of minority cultures. For this regards, we got a lot of things to do. Not just about money, but rather how to mobilize their vitality, that is where the poverty alleviation work in minority regions about.

Taking the Oroqen as an example, we always think that it is primitive, backward, and think we should ask them to come down from mountainous regions they live to plain lands so to access to farming civilization. Coming down from mountainous region is

understandable, but they have never had the tradition of farming, so asking them to shift to agricultural production will only lead them lagging behind in the foreseeable future. More importantly, it will also lead to a cultural fault: the hunting ethnic people will hunt no more, its ethnic culture will no more get inherited, and the people will get lost and lose confidence.

If they play to the advantages of their cultural heritage, to carry on their cultural resources for example, by developing hunting tourism, the ethnic minority will get developed very soon. Otherwise, no matter how much money is spent on them it would be useless. Worse, it might mess things up and screw them. Activating their value is a true fairness. Ethnic policies should be made by looking at local conditions, and not on imposition of our own value of happiness on them.

## The Future of Think Tank: To Learn from West, and Build China's "Brookings"

Reporters: LI Tianqi; ZHENG Wenbin



### Qi Ye

China famous environmental policy expert; Professor at the Institute of Public Administration, Tsinghua University; Director of Tsinghua - Brookings Center for Public Policy. His research focuses on China's climate change, environment, energy, natural resources and urban policy. In recent years, he is mainly engaged in the research of China's low-carbon development, and published related annual report, analyzing how China would balance its economic growth and environmental challenges.

*"At this stage, China's heat on think tank can be described as an unprecedented spectacle in the Chinese society. But within this heat, we should see the shortages, shortcomings and deficiencies that exist in Chinese think tanks. How to achieve" high-quality, independence and influence" of Chinese think tanks and to create international high-level think-tanks, it needs us to learn from successful foreign experience and Western approaches. "*

**Reporter:** The Brookings Institution which you serve for is well known for its "high-quality, independence, influence," and it can be said it is the benchmark for global think tanks. In your opinions, what the cause is for the success of the think tank, and which aspects that deserves us to learn from it and other

### successful think tanks?

**Qi Ye:** The Brookings Institution had a very clear goal at the time when it was originally established that is how to provide better public goods for society. But generally speaking in theory, the government is the most important institution to provide public goods. Therefore, under this perception, the goal of setup of the Brookings was to help the government make better decisions and provide better public goods. This is the very clear goal it was established for. The goal at the time when it was established has something quite to do with the then social and political context of the United States. We know that the then American society (After the World War I) shares many similar features with today's Chinese society: both of the societies developed very rapidly, the economy grew very fast, but there also emerged lots of social problems. That is so-called "America's progressive era". A lot of insightful people thought, while under the background of rapid economic development, how to provide good public goods for the society. The goal of the Brookings Institution was clear, and the service target is also clear, showing Brookings strong customer awareness.

Secondly, after establishment of Brookings, it quite emphasized the need to have a very solid knowledge base and research, not just to provide opinions and suggestions; instead, behind the opinions and suggestions, it must be backed with high quality and solid researches. From the very beginning, the research fellows Brookings recruited were scholars having very achievements in a variety of areas. At the same time, they should have a strong issue-oriented awareness. The



Institute recruited talents from the government, who were thoughtful retired officials and in particular, senior government officials having unique vision, who themselves as decision makers and enforcers, have very profound understanding of policy issues.

On the Brookings mission and goals, it had also been involved with the bipartisan struggling background. Some think tanks made choices among the two parties. For example, when it comes to Center for American Progress, you know it has a tendency supporting the Democratic Party, and when it comes to the Heritage Foundation, which has a propensity to help the Republican Party. But Brookings' original choice was to do objective studies, so it is positioned as a non-partisan, neutral, objective and independent institution. This is a choice, and is not an inevitable requirement. It is not to say that neutrality or independence is good, and unneutrality is bad. However, let's look back over the past century, we see because it has a clear vision of providing social services and public value, has a clear issue-oriented and customer-service awareness, a solid and active researcher base, as well as adheres to an independent research attitude, it can be said just because of these factors Brookings had developed so healthily for so many decades.

**Reporter:** Yes, it is just getting better.

**Qi Ye:** ah, just mentioned, it is positioned and aimed to continue carrying on the cause into the next century. In the past, it has been focusing on the government, helping the government do better decisions. In the next century, it has raised the bar that it will not only

continue help the Government, but also to improve governance of society. Perspectively, it is a very important turning point.

**Reporter:** You mentioned its new vision that is to promote good governance of society. In your opinion, whether it is a developing trend of think tanks in the future? And what the points can we get for development of our country's think tanks?

**Qi Ye:** I personally think that in the past century, the role of government in social affairs has been constantly enhanced and strengthened, and has a great role in play to the rise of nation and state, war, peace, economic development and among other issues. However, with development of society, many problems and challenges have become much more complex, and more difficult to deal with. In this context, if it only depends on a government to manage society and provide public goods and public value, it would be far from enough to satisfy the needs of the social community. In addition to governments, we need (to rely on) civil society - the citizens who are as individuals, citizen organizations, or other NGOs. Its rise, first it is because it has responsibilities, second, it has capability, and third, it has the willingness. This is a very positive development. So it actually fit to the call for a plurality of actors, multiple stakeholders, and multiple agencies to jointly provide public goods, an idea that is advocated in recent years. Active participation of multiple agencies and actors itself is a good thing, of course, they should not only have the willingness to participate, but more importantly, they should have the ability to participate. Think tanks can play a unique role in this regards. As like the past they helped governments improve their decision-making

ability, they can also help other sectors and organizations of the society to improve their ability to participate, and improve their ability to participate in public governance. So I think in this area think tanks have a very great role to play.

**Reporter:** Just a moment ago, the whole round table was talking about China's heat of think tank, but now some people suggested the opposite - cooling. How do you view this phenomenon? Do you think this is a good thing or a bad thing?

**Qi Ye:** I think we should consider this issue from two angles. On the one hand it is about the government's decision, because historically in China it has been a unitary government, so for so long time, decisions are always made within the government. When problems arising are relatively simple, because the government itself has collected a large bench of elites and resources, and has a very strong decision-making capacity, it can make decisions on its own. However, with the development of society, the problems faced by the government have become more and more complex. In this context, if only on its own, it would be far from being able to make done these complex, huge and difficult challenges. Therefore, in these circumstances, there emerged public policy research, which had already appeared two decades ago just at the time to response to the calls for scientific and democratic decision-making process in the country. So in the past two decades, we have seen the development of researches on public policies, public policy discipline, and public management discipline in universities and research institutions in China. Today, these developments have come to a new stage, and in this new phase, the Government, as a

demand, would think helpful of these studies. But, Since it is not carried out in a systematic and institutionalized way, so in this context, it is necessary to promote the development of public policy research towards the institutionalized one, that is- the model of think tank. On the other hand, for the decade's of development of public policies research, the area has been deeply intertwined with the traditional humanities and social sciences. So, it should not be surprising for the emerging of the heat of think tanks, it is not a bad but a good thing. This also explains the original academic research has clearly increased its awareness of solving social problems. In the long run, I think the so-called cooling down, is, in fact, because after everyone's enthusiastic participation at the beginning, they began gradually calming down to re-think about how to participate in and develop in better ways. For instance, some scholars are more suitable for pure academic research, but some scholars tend to be suitable for more focusing on social issues. So I think that after a round of think tank heat which now calms down, it would better enable every body to re-think it over, and it is a very healthy trend.

**Reporter:** Just moments ago, some scholars have also talked about internationalization of China's think tank. In your opinions, what is the role that the government can do in this regards?

**Qi Ye:** I think the internationalized development of think tanks are closely related to their needs . Currently our needs show in two ways: getting out and getting in. In terms of getting out, it is about how to spread to the world the Chinese experiences, successful stories, modes, and successful enterprises, so the world can know better about China.

In terms of getting in, it is about introduction to China of the world's good things, good ideas, and good ways. This internationalization took place throughout of the last decade, but it did not do in the particular form or name of think tanks. For today's internationalization of think tanks, I think from the government's aspect, it first should give it enough trust and confidence on think tanks. To believe and keep in mind that think tanks' mission can be bounded on the national and public interests. Second, the government can have some specific communication with think tanks, as for now, the government has the demand of suggestions and services in the process of globalization and global interactions, and it needs to take the initiative to communicate with think tanks. Some say the government should provide financial supports to think tanks. I think this is a minor issue, what is important is it is that creating a loose, relaxed environment for think tanks; the government should believe that think tanks not only have the willingness and capability, but have a strong public awareness to complete think-tanks' internationalization process.

**Reporter:** You are an expert in environment, how do you evaluate the role of an environmental think tank in the process of developing think tanks in China?

**Qi Ye:** I think in terms of the Chinese environment there are many research institutions in the past few decades which are essentially playing the roles as a "think tank" while they are not necessarily so named. It developed from nothing, and it grows very fast for three decades from 1980s till now. Secondly, the environmental think tanks show a very important feature in the past three decades, that is, its

internationalization has a typical material significance. For example, China Council for International Cooperation on Environment and Development, an organization that was established in 1993 and is a very typical Chinese and foreign cooperation institution, is committed to coping with the issues of environment and development and providing advices for China's environmental development. In this respect it does come at the forefront of China's other think tanks; and that is a very good. However, due to China's rapid economic development, the environmental issues, resource issues, and global warming issues have emerged one by one endlessly, whether in terms of its scale or speed, it is unprecedented in the history of mankind. For which if currently without strong government efforts, think tanks virtually can do nothing to solve the environmental challenges. so the Chinese environmental think tanks also face enormous challenges, they also need to continue to enhance their capabilities and enrich their resources, so they can possibly be best positioned to play a better role in solving environmental challenges and problems.

## Innovation Driver: The Edge China's Intellectual Property Legal Protection Has as a Late-comer

Reporter: LI Yifan



### Sun Bin

Chief legal officer of Xiaomi Technology Co., Ltd.

Sun Bin received her J.D., Law degree from Santa Clara University School of Law, and her PhD of Science from University of Wisconsin-Madison.

*Changes in a law are far-reaching, and it usually takes years for their influence to be seen on the society. In the meanwhile, law revision lags behind the ongoing development of a society. This is a dynamic balancing journey, on which China has its edge as a late-comer.*

**Reporter:** You received your J.D., Law degree in the United States, and also have years of working experience on Intellectual Property (IP) realm in both China and the U.S. From your point of view, what is the biggest discrepancy between the IP systems of these two countries?

**Sun Bin:** It has been more than two hundred years to date since the U.S. IP legal protection was initiated accompanying the foundation of the country, and it has been evolving over time. On the other hand, not until 1984 when China was faced with the pressure of entering the World Trade Organization (WTO) did it establish its very first Patent Law. Revisions in 1992 and 2000 on the Law were also due partly to

the diplomatic pressure. China came to realize the broad influence of IP protection on innovation development and revised the Patent Law by initiative in order to enhance the legal protection of invention and innovation in the year 2008.

**Reporter:** Patent-related lawsuits between tech companies have been emerging in an endless stream these years. Electronics giants like Samsung, HP and Apple are involved in dozens of patent disputes annually. As one of the core competencies of a company, product innovations are naturally protected by tech companies. What is the intention behind all those patent litigations, and at what position China is standing in this global competition?

**Sun Bin:** Technology itself has never been the purpose of litigation. Among the countless patent wars, patent is more often used as a sword to fight with in the commercial war, especially those between the market competitors. Based on the amount of bilateral technology import and export, China is still at the importing stage of technology trade. From the numerical aspect, China has been catching up with its patent-better-protected counterparts, yet when it comes to quality and strength, we still have a long way to go.

**Reporter:** In the year 2015, the accepting number of all three types of patents was near 2.80 million, with a passing rate of over 60 percent. Very few of them, however, can be truly converted and implemented, and prove its value in the market. A fair number of applicants and patent-holders have not yet



realized the virtual protective value of patent as a technical proposal. From your perspective, what features does a valuable patent tend to have?

**Sun Bin:** Patent, to start with, is state power's protection of new technological inventions. The value of a patent is highly correlated with that of its technology. High quality of a technological invention builds the foundation for a high-quality patent. Besides, as a matter of fact, patent is an exclusive and 'negative' right: holding a patent does not necessarily mean that the technology is going to be implemented, but limiting others from using what the claims cover. The earlier-stage a technology is at and the more novel it is, the wider scope of protection it reaches; like fencing and flag setup, the earlier an inventor comes, the wider scope one can monopoly, and the higher the value one holds. In the meanwhile, a patent's value depends in large part on technology evolution and market development; the broader market a patent covers, the more it contributes to the society and therefore the higher its value.

**Reporter:** You've mentioned above that the earlier a technique is presented, the wider its protection scope in the preliminary stage. Some may argue that once all these techniques are protected by patents, further researches and innovation based upon them by other individuals or institutes might be hindered and thus rendering the society's overall advance of technologic innovation stagnating. How would you response to that?

**Sun Bin:** This is a good question. The design of patent right is

detailed public disclosure in return for ‘monopoly’ protection for a limited period of time, with the purpose of “adding the fuel of interest to the fire of genius.” The patent requires sufficient disclosure of an invention from the inventors in exchange for patent protection; the ‘monopoly’ period is usually twenty years starting from the earliest filing date of the application, after which the knowledge of technique becomes part of the public domain and thus can be used for free. If there’s no protection for disclosed techniques of inventions, then there’s a good chance that inventors will hold them private or postpone releasing them so that they can benefit more from these “business secrets”, which induces obscurity of the knowledge about the progress of these researches and obstacles for further study. This could lead to repetition of same research topics by many individuals, and thus stalling the advance of a society.

**Reporter:** With the progress of industrial upgrading and internationalization, patent disputes faced by Chinese companies are growing rapidly, especially in technology-intensive industries like electronics, communications and pharmaceuticals. How do you think about the status quo of our domestic IP protection? What do you think needs to be improved by our government in building IP system?

**Sun Bin:** China is in fact catching up pretty fast. Although the history of our IP protection is shorter than many other countries, we do own the edges as a late-comer. We have witnessed the influence of IP legal swings of some other countries on the development of their societies in the past decades. Changes in a law affect its society profoundly,

and it usually takes years for those influences to be truly seen. In the meanwhile, the revision of a law lags behind the ongoing advancement of its society. This is a dynamic balancing journey. China, as a late-comer, has numbers of advantages. U.S. protection of patent, for example, has been strengthening in the last 30 years, which also brought them a lot of troubles, such as the so-called patent troll. It was derived from their previous patent system and has put a lot of extra burden on their society. Due to these reasons, U.S. patent system is gradually swinging back towards a more flexible direction. China has observed the pros and cons along the back and forth of IP legal protection development and, with these lessons learned, can take full account of the effective status of the society and its technological development, foster our strengths and circumvent the weaknesses, and find a path more suitable to the condition of China.

**Reporter:** While our government encourages innovation and advocates IP protection, what do you suggest that we do to avoid patchy quality of patents despite the soaring quantity?

**Sun Bin:** It was a shame that a good number of outstanding techniques had never been effectively protected by patent in the past. China has been building its awareness of patent over the last several years, along with which relative guiding policies have also been released. Two facts, at least, are reflected in the skyrocketing patent number. First, our country has been indeed increasing its investment in technology research and development. Second, it's also attaching greater and greater importance to intellectual property. However, due to the rather extensive guide in the very beginning, this growth in

number is effectively overblown.

**Reporter:** What adjustments do you expect to be made by the government? What is the role of the enterprises' in it?

**Sun Bin:** Our country has actually already realized this problem, and had already been making adjustments little by little. Subsidy, for instance, has been cut, barriers have been raised, and the focus of subsidy has been shifted away from the application stage to the granting stage. Besides, companies are not merely followers of policies. On one hand, companies' business activities and competitions are restrained within its frame after a new law or regulation is introduced. On the other hand, they also actively participate in the policy-making of the country. This is a positive interaction. I myself also attend meetings and interviews for policy-making as an industry expert.

**Reporter:** This time you are attending the Shanghai Forum as the chief legal officer of Xiaomi. As one of the innovative tech companies in China, Xiaomi has also faced an amount of patent litigation when expanding its business to countries like India and the U.S. How do you think that Chinese companies should tackle such challenges when entering the global market?

**Sun Bin:** The patent litigation that Xiaomi came across within the international market was by no means directed against a certain corporation, but existing in all technology industries. We've witnessed that Chinese tech companies, especially those young firms with

relatively weak base like Xiaomi, are faced with many patent lawsuits. But in fact, even if big companies with long history, such as Apple and Samsung, are also confronted with many patent lawsuits and challenges. Being charged (with patent infringement) actually reflects the competitiveness of this company to some extent. To enhance their strength of patent, young companies with limited accumulation can continue to increase their investment in technological research, and developing and protecting independent intellectual property. Another approach is to actively purchase other core patents and technological assets so as to build up the company's deterrent in the patent war.

**Reporter:** Patent agency is an important part of the patent system. You've mentioned before that patent agency calls for "inter-disciplinary talents", and such IP legal talents are still in high demand in China. What do you suppose can be done by colleges and the government to help develop more such outstanding professionals?

**Sun Bin:** School education can be better connected to the demands of our society. There exists such a contradiction: the employment rate of Chinese law school graduates is relatively low in comparison with students of other majors, yet law firms and legal departments find it hard to obtain talents in this realm. In terms of school education, students are expected to obtain more practical working experience in order to understand the industry and its real demands; as to the curriculum, more attention needs to be paid to the development of professional quality, logical thinking ability and sense of curiosity apart from theoretical knowledge.

## Risk Control is Critical to Inclusive Finance

Reporter: GENG Lu, LIU Fang



### Sun Tao

Senior director of the Ant Financial, postdoctoral degree in the Institute of Finance, CASS. He has published more than 100 articles on a variety of domestic and international economics journals, written one monograph, co-authored two books, edited one English book and translated five books.

His main research areas are focused on development of financial intermediation, capital flow, asset price, financial technology, prevention of systemic risk, and macro and micro prudent regulatory and supervision.

*"Benefits of the Internet are beyond doubt. But how to broader coverage of these benefits while controlling risks is what we strive for. To make the inclusive finance enable millions and millions of people to access to financing and investment services and businesses over low-threshold, we must to control the risks."*

**Reporter:** "China Financial Stability Assessment Report" you wrote has made a comprehensive analysis of the domestic financial market. In your opinion, do you think what the current state of China's financial market is?

**Sun Tao:** China's financial system can be categorized based on different perspectives. From the theoretical perspective, there are two parts, one is direct financing, and the other is indirect financing. The

representative of indirect financing is bank. We know we all will deposit or withdraw money in the banks; this part of financing accounts for 80% to 90% of the financial markets, a very high proportion. The other is direct financing, including stocks and bonds, and accounting for about 10% to 20%. Every year the ratio of indirect to direct financing generally maintains around 8: 2. In the financial market, it has a variety of financial institutions, such as banks, securities agencies, insurance companies, trusts, private equity funds, public funds, and wealth management operators, which are all in the range of direct and indirect investments. But here we can see a feature, that is, all financial institutions only conduct a kind of businesses. But there are a number of institutions which have many business lines, such as CITIC, Everbright Bank, and Ping An, and now the Industrial and Commercial Bank of China (ICBC) and others also do a number of different services, such as issuance of fund product, to diversify their products.

**Reporter:** For the Ant Financial, generally where are the risks about?

**Sun Tao:** Risks are everywhere. But for different organizations or individuals, because of different nature of their businesses, the main risks they face are different. There are many types of risks. For the national level, enterprise level and individual level, the risks faced by them are not the same; for example, the risks a bank faces may be limited to credit risk, liquidity risk, market risk, and macroeconomic risk. But for the Internet Finance, it would add some new financial risks, such as the technologic risk, the risk of Internet attacks,

information disclosure risk, and fraud risk. Basically, risks can be categorized into three kinds, that is: technical risk, product security risk, and financial risks. But there are some risks that are commonly shared by three bodies, but differ in the extent and manner, such as macro risk - the economic downturn.

Internet platform can bring benefits to our life. Generally speaking: The first is efficiency; the second is expansion of outreach, for example traditionally people in Tibet is very difficult to buy things, and shipping costs are way too high, but with outreach of the Internet, it makes shopping more convenient in Tibet; and the third is cost reduction, as logistics, scale of economies, and bulk distribution will dwarf down the costs. They are the three obvious benefits. On this basis, it also will derive many benefits, such as learning, and knowledge sharing. Benefits of the Internet are beyond doubt. But how to broaden coverage of these benefits while controlling risks is what we strive for. And to make the inclusive finance enable millions and millions of people to access to financing and investment services and businesses over a low-threshold, we must to control risks.

**Reporter:** You just mentioned so many risks. Could you tell me how does the Ant Financial control risks?

**Sun Tao:** There are different levels of risk control. Generally speaking, there are three levels: First, the technical level, such as liquidity risk, you can predict changes in interest rates, trend of inflow and outflow of capital, and the likes, to control the risk; the second is the institutional level, you must put in place an internal control system,



basic staffing and coordination mechanism, the so-called institutional mechanism is that you need to have a set of inter-related processes that should mutually cooperate and coordinate; the third level is the macro level, that needs your judgment on the at-large economic and financial policies. But for a specific company, what the company can do for this level of risks such as falls of Fed rate or raise of RMB interest rates by the People's Bank is only passively wait and accept. This is uncontrollable, but companies can make prediction based on their pre-judgment and make appropriate risk prevention. Any risks faced by financial institutions are reflected in these three levels, and the Ants Financial is of no exception. For example, in terms of credit risk, the size of credit provided by the Ants Financial is not quite large, but it is a platform used to complete lending for users, so the risks it faces are much more greater. We must find some ways such as credit-enhancing institutions, big data, technology and innovation to complete assessment of risks and enable our commitment to risks.

**Reporter:** What are the main aspects that are reflected in the innovations to prevent risks?

**Sun Tao:** Let's give an example to illustrate: Party A is the lender, Party B is a borrower. Now introduce a third party - an insurance company or an securities companies to be the credit enhancing institute, and let the third party guarantee the deals; the third party may conduct market research to confirm qualification of both parties, and charges commissions. In reality there are some specifics that need to work out, such as validity. But this is an innovative way, and there are many more similar.

In fact, there are many financial products which themselves are innovations, such as risk hedge. Besides, we got here the supply side reform. Recently there are a lot of discussions on the supply side reform, the core is how we reform, adjust policies, and restructure and reorganize production-oriented enterprises to achieve the purposes of improvement of resource allocation efficiency. In terms of the Internet finance, it is to find the best potential borrowers on the Internet platform, and also to find the right people who have the ability to provide loans. The advantage of the Internet is that it can achieve allocation of resources across regions.

**Reporter:** Do you think what role the government should and can play in the financial markets?

**Sun Tao:** The role and functions of government, from the point of view of the world development trend, basically is its transition closer and closer toward the service-oriented one, that is, with services as a principle, to reduce government intervention, reduce artificially impeding to circulation. We got an old saying from Laotzu "Governing a large country is like cooking a small fish." For the market, it's better not to control too much. For a lot of things, people discuss, government makes rules, and people play the games in accordance with the rules. This is a direction that China goes. For such a large Chinese market, how to reduce the intermediate transaction costs, it can only be done by the government to reduce such and such interventions that impact efficiency of the market.

**Reporter:** So, do you think what the government should do is to

cultivate a complete market?

**Sun Tao:** Yes.

**Reporter:** We advocate the role of the market in resource allocation, then it will inevitably lead us to the results of survival of the fittest and weed out the unfitters. But why should we help those small businesses?

**Sun Tao:** A necessary prerequisite for survival of the fittest is that all businesses are faced with the same competition conditions. But we are not currently, as you see small enterprises enjoy not the same treatment as those the large do. For example, large enterprises are allowed to borrow with a low rate of 5% from banks, while small enterprises even face difficulties to borrow money, and the lending rates may be at 7%, or 8%, or even higher. The starting points are not equal, so should the principle of survival of the fittest be allowed? Another example is that big business can directly reach some kind of agreement with the government , to procure land to build houses, while small businesses can't. You see the big businesses are very influential. At the present, the survival of the fittest principle going its way is not entirely under the precondition of perfect competition. If this unfair approach is allowed to go on and on and on, it is not reasonable.

**Reporter:** So what should be done in the future is to gradually reduce such discrimination. But how to make it happen?

**Sun Tao:** It is difficult for government to withdraw from the market directly; after all, this involves interests. Yet we got another way to address the challenge, that is, to add new competitors, which is called "catfish effect." New competitors may provide long-term services for broad small and medium enterprises and low-income people, and those larger banks will find it profitable and can win the support from users, so this is a way to change the status quo.

**Reporter:** So Ant Financial might do something the National Banks won't do. But could you tell me what kind of services the Ant Financial will take to support M&SEs?

**Sun Tao:** The goal of the Ant Financial is inclusive finance, to serve small and medium enterprises and the vast majority of low-income persons. Of course, that is not absolute, there will be high-income people and larger companies among our customers, because they have certain capabilities and resources. Once the goal of Inclusive finance is set, if small businesses have any demand, we will try to meet. Traditionally, if a small businesses borrowed a amount of RMB10,000 Yuan, perhaps the profit it generated could not be enough to offset the bank costs. In addition, banks may need to research the borrower's credit. But Ant Financial will not do business this way, it will primarily base on data to assess and evaluate borrowers. For example, if a farmer wants to borrows RMB1, 000 Yuan, if there is some data of the farmer available, such as his sales of any goods on Taobao, his credit status, his cash flow and bank accounts, his enterprise product sales, and the market prospect, and so on..... we can do some analysis based on these data, instead of the traditional way of research. There

are a lot of similar innovations; this is just one example.

**Reporter:** The Chinese Government strongly encourages innovation. Could you tell me what the largest resistances and encumbrances currently on the road to innovation?

**Sun Tao:** Generally speaking, there are two aspects: internal and external. Internally, it is about whether people have initiative and consciousness of innovation, whether they have capabilities and resources. Externally, it is about whether the environment can stipulate people to innovate or not. If you launch a product but the regulatory authorities directly shut it down, you meet a very big risk. However in China, the government is still very supportive and encouraging for innovation. Internally, companies are different from enterprise to enterprise. Some companies monopolize oil, tobacco and wine, etc., they can survive even if they do not innovate; and many more companies do not enjoy such advantages, so they need to continue providing new ways to better serve customers, and create better products. So I think there is no such so called largest resistance.

**Reporter:** Recently, it is reported that there are accidents of vicious runaway of P2P users who are intended to dishonor their repayment obligation. How would you improve trustworthiness and reputation of the platform, in your opinion?

**Sun Tao:** The best way is grading supervision. That is, depending on real qualification of operators, their different risk management capabilities, different capital requirements, and different capital

capabilities, to set different thresholds for market access. Implement differentiated supervision, while give companies with ability more spaces to develop, so that making greater development of inclusive finance in the true sense. Set clear rules, such as corporate access thresholds, post-access procedures, while also conduct irregular inspections, and severe punishment after scandals broke out. This is the reasons why should we launch the crack-down campaign over "Internet banking". Many p2p companies initially do not even clearly understand how risky their behavior could be at the inception of their businesses, and don't know what kind of consequences such operating mechanism would result in. So the regulators should let them know the rules, and lift up the access threshold.

On the other hand it is to educate investors, enabling them to grasp basic financial knowledge and concepts and learn how to identify the truths and faults.

**Reporter:** In just the interview process, you often cited example of farmers. Could you tell us whether the next step of what the Ant Financial would do is to provide services to rural market?

**Sun Tao:** Yes. We are creating a lot of products for farmers.

The first is about settlement. It is still very inconvenient to deposit and withdraw money in many rural places, where there are no ATM machines or the machines do not work well. If the Internet payment is popularized, it will address some problems they meet in seeking financial services. The second point is about yield/income, and the

representative of such products is the Alipay Treasure that helps depositors earn additional interest benefits. The third aspect is about loan. For example, imagine if a farmer want to start a project this year, then we introduced the “Wangnong Agricultural Loan” service, we can provide efficient and convenient loans. The fourth is about risk insurance. A Fujian farmer spent a few dollars to buy a farm insurance. After his farm was destroyed by a typhoon, he contacted us, and in just a few hours, he got the money of compensation that was credited directly into his account. This is a classic case of us, with insurance farmers can offset losses and withstand some natural disasters.

**Reporter:** We know that, in addition to the post as a senior director of Ant Financial, you got another post previously: The IMF senior economist. How do you think the current global financial market situates? What kind of financial impact it will have on China?

**Sun Tao:** Generally speaking, the development is not in good shape. Based on the existing international economic environment and the policies and reforms many countries took, I think it would be difficult for the world economy to return to high growth that was taken place in between 1999 and 2007. The sluggish global economy of course has a very big impact on China. The first is the export. For many years, import and export trade has be a big force driving China's economic development. If the export gets sluggish, the current account surplus would be reduced, the foreign exchange reserves would be cut down, and then the Yuan may encounter the pressure to devalue. Similarly, the economy is bad, people would travel less, so

payment transactions will be reduced.

**Reporter:** You just mentioned the issue of internationalization of RMB. In a downturn global economy, internationalization of the RMB would leave us more susceptible to risks. In your opinion, how can we do to reduce the risks?

**Sun Tao:** First, let's discuss an issue, that is why internationalization of RMB. The status of a country's reserve currency is very important. If the RMB is a reserve currency or its status comes similar to US dollar, China can benefit much from that. Here is a simple example: when the US debt crisis broke out, the United States can ease the pressure by printing more money, and will not cause domestic inflation, the world actually paid for it. Therefore, to promote internationalization of RMB, it is very good to strive RMB for the reserve currency status.

On the other hand, the status of a reserve currency comes no easy to strive for. There have been more than a dozen countries which have competed for their currency's reserve currency status. For example, the currency of Egypt was once one of the constituent currencies of the SDR. But later it quitted. Because in terms of economic strength and financial strength as well as policy factors, it doesn't have the appropriate capacity. Later, Egypt currency devaluated and resulted itself a big loss. China advocated internationalization of RMB, in large part it was because it was proposed some time ago during the Yuan's large appreciation. Currently there is no room for RMB appreciation, and even facing downward pressure. So at this very time



it must be cautious for RMB internationalization. Internationalization means that foreigners can easily use RMB to exchange for other currencies. If so, our monetary policy making authority will be subject to many constraints. Outflows of capital, and outflow of savings, will certainly produce a negative impact on our economic development and policy-making. RMB internationalization comes by no casual, it depends on a lot of preconditions.

**Reporter:** So what are the prerequisites we need?

**Sun Tao:** First, financial market size should be large enough to accommodate large inflow and outflow of capital that is just a feature of the United States finance. US stocks has large size, its stock market can pool tens of trillions of dollars, even not counting the bond market. A lot of money inflow and out, will not produce a significant impact on it. But our market is too small. If we take the stock market, bonds, corporate bonds, government bonds of Shenzhen and Shanghai and let them all go open, and we have that kind of capability to endure, we can strive for RMB internationalization. Now it is a long way to go.

Second, the constraints on our policy making should be overcome. Capital account liberalization is a very important international prerequisite. If capital accounts would be open up, the behavior of businesses and individuals should be very rational. And this "rational" is based on a true rational basis, it is based on rational market expectation, rather than other factors. For example, China's housing prices are now very high, even higher than the US. If internationalization of RMB, all of the money of the middle class

would flow out, how can the domestic market withstand this pressure? Such individual rationality will produce a very big impact on the entire country. State-owned enterprises' overseas investment, private enterprises transfer of assets to overseas, etc., this is because of their expectation that the current economic growth would decline, and there are some unstable factors in the society. This is also a rational behavior, but our entire society cannot be affordable for such rational behaviors. So until we can afford, we can start to take a look at internationalization of RMB. This is not easy, and certainly is a gradual process, it needs us to take more fundamental reforms.

The third is about economic strength, and that is not only about the total output, but about economic structure. Although China has a very strong economic strength, one-third of the economy is real estate; but in the US, the manufacturing and high-tech industries occupy a large proportion in the overall economy. These strengths also determine the strength of a country's military strength - the fundamental issue. So our economic structure need to be adjustee and optimized.

In short, the issue of internationalization of the RMB should be treated with caution. Of course, among the countries in the world which have a hope for internationalization of their currencies, China is the biggest hopeful. Currently the EU internal problems are as yet to be resolved, and the size of yen, francs, pounds are relatively small size, so China is likely to follow the US dollar to be internationalized, but the "likely" does not mean that the time has come right.

## Developed Countries should Take the lead in Emission Reduction and Energy Saving and Increase Supports for Developing Countries

Reporter: HUANG Chibo



**Zhai Panmao**

Currently vice president of Chinese Academy of Meteorological Sciences. He had presided over the establishment of a new-generation climate diagnostic system and the ENSO monitoring and forecast system, published more than 10 papers

on the SCI journals, and hosted and participated in more than 10 national and international research and cooperation projects. As a lead author, he participated in the writing of the Fourth IPCC Assessment Report.

*"In Climate change negotiations, it should always adhere to the principle of 'Common but Differentiated Responsibilities', and also need developed countries to continue taking the lead in emissions reduction, and intensifying financial, technical and capacity-building supports to help developing countries mitigate the impacts and adapt to climate change. "*

**Reporter:** In the 2015 UN COP21 Climate Conference in Paris, more than 195 countries have adopted a new agreement to cope with global climate change. As the first agreement on global climate change, why do you think the "Paris Agreement" can be approved? What are the reasons behind?

**Zhai Panmao:** Personally I think there are several reasons: First, national governments and the public alike have been fully aware of the huge impact of human being's activities on climate, and realized that we must take actions. This is a prerequisite; people have accepted the argument from a scientific point of view which is closely linked to and contributed to a lot of research and scientific works that scientists did for so many years;

The second is the long term negotiations, coordinations and compromises between national governments of the globe. The "Paris Agreement" stated that the parties should strengthen the global collective response to the threat of climate change, trying to reign the global temperature increase within 2 degrees Celsius as compared with the level of pre-industrial era, and even trying best to control the temperature rise within 1.5 degrees Celsius. One of which is the target, and the other is pursuing effort. In the end you will find that every word in the report is involved mutual agreement, compromise, and understanding. As we know, to reduce emissions, human being should pay a price for the emission reduction and abatement. As I speak today, the price to pay for reduction of 1.5 degrees is much greater than the price to pay for the 2 degrees reduction. So, we need a trade-off. If global warming is further intensified, resulting in a greater impact and more disasters, it is hard to image how much we should pay in dealing with its impacts? On the other hand, if taking greater efforts and measures for reduction of emissions, for example, control of coal, oil and other fossil energy use, it also would produce some negative impacts on economic development. So it needs us to seek a balance between 2 choices, for what to get or what to lose, in

the case, we must first understand both of the scenarios. In addition, in climate change negotiations, it should always adhere to the principle of "Common but Differentiated Responsibilities", and also need developed countries to continue taking the lead in emissions reduction, and intensifying financial, technical and capacity-building supports to help developing countries mitigate the impacts and adapt to climate change.

The third is the cooperation between some large countries. Before the General Assembly in Paris, the major economies, China and the United States, France, India, Brazil, respectively, had jointly issued a plurality of joint statements on tackling climate change, calling for cooperation among governments to jointly cope climate change. Finally, and the most fundamentally is that given by no success of the previous "top-down" approach of the mandatory emission reduction obligations borne by developed countries, this Paris agreement has succeeded as it took the (Intended Nationally Determined Contributions) approach, through the national discretionary contribution to implement the "top-down" emission reduction obligations, thus avoiding the problem of allocating quota of emission reduction obligations to countries. China has responded positively, and in the documents on national self-contribution that were submitted to the Paris Conference, it put forward that it will peak of carbon dioxide emissions by 2030, and strive to achieve it as soon as possible.

**Reporter:** On April 16, the first round of UN climate talks after the Paris Climate Conference was held in Bonn, Germany.

According to the agreement, the parties shall control the global average temperature increase 1.5 degrees within the average of pre-industrial level. What is the base for this 1.5 °C control ?

**Zhai Panmao:** There are thirty experts of Chinese delegation for Bonn meeting to the scene, and I attended two of sub-forums. The value of 1.5 or 2 °C was proposed at the Paris conference, and Bonn meeting is more for preparation for negotiations in latter stages. It is primarily concerned with several things: The first is about the target 1.5 °C, it is hoped to build a more reasonable scientific base and support for the next meeting; For example, to get the wordings of “a clear target” other than the wording of “pursuing effort” as there is a difference between the two.

The Bonn Meeting hopes more on understanding where we are in terms of the international scientific advances now. To write a report, we should come up with evidences to confirm: For the impact of 1.5 °C reduction, the difference of impacts between 1.5 °C and 2 °C reductions, and the pathways to 1.5 °C reduction, it must have a basket of "programs" to be prepared. On the other hand it is climate change, many people are concerned about the extreme weather events such as heat waves, typhoons, heavy rain, as well as slow-onset events, temperature, sea levels, drought, desertification and other changes; and we would have a global stocktaking: From 2023 onwards, for every five years, there will be a global action to carry out an overall global stocktaking, such as checking overall effect of emission

reduction commitments committed by countries, and the impacts it would have. We need a global stocktaking, but how to get there? We should listen to scientists to get scientific evidence support. In ensuring the 2 degrees threshold value, it is not just about to follow up countries' control process, but also about strengthening the effect assessment, to see if we can achieve our target.

**Reporter:** NASA disclosed in April this year that since there is temperature recording since 1880, this April is the hottest one. According to current trends, is it achievable to control the global warming increase within the target range of 1.5 degrees Celsius?

**Zhai Panmao:** This question is involved with the global warming control target. And it is not easy to get agreed on the targets during the negotiations. But is it possible to achieve the 2 °C target, and even to 1.5? And how? These issues need further evaluations.

NASA disclosed this April is the hottest one since the world has temperature record from 1880. This is just a case in 12 the months this year, and it is highly related to the natural change in particular the significant impact of the 2015/2016 super El Nino, and it cannot fully reflect the impact of human activities. But it should be noted that under the long-term warming trend and degree of warming increase, it is quite challenging for human beings to control global warming within the range of 1.5 degrees Celsius above the level before the industrial revolution.

**Reporter:** This year, the global natural disasters fell from time to

time. Just in China as is concerned, as impacted by the El Nino, the weather polarization has become increasingly evident. For China's meteorological disaster prevention and mitigation, in addition to doing emergency responses and mechanism, whether it should have a long-term protection mechanism in place?

**Zhai Panmao:** This is a very good question. Strictly speaking, emergent disaster prevention and long-term defense are two different issues, but there are links between them.

El Nino reflects climate fluctuations from year to year. In a given year, the temperature can be particularly high, but in the following year, it would come down. But as impacted by human activities, the general trend is the climate is becoming warmer and warmer. From 2015 to the spring of this year, we encountered the strongest El Nino ever, a lot of local regions suffered weather and climate disasters, producing significant impacts on China and the world. The impacts of El Niño on the climate are different from the slow long-term impacts of human activities. Facing extreme weather and sudden climate events, we need to take emergency-style measures. For example, publish forecasts and warnings, which can address some immediate emergencies. To a greater extent, the emergency measures are set for responding to major emergencies.

Facing the continuous impact of human activity, we will need to rely on long-term planning to cope with long-term climate change. It needs to incorporate the measures of disaster prevention and mitigation into the total planning. For example, under the impact of



climate warming in the future, if Shanghai will meet more and more storms caused by typhoons and heavy rains, then Shanghai should design higher banks, design city sewer facilities.... and take them into long-term considerations, into the development plans. There need to continuously improve people's awareness of disaster prevention and mitigation.

**Reporter:** Someone noted that this year it should pay special attention to the Yangtze River basin where it is prone to encounter abnormal rainfalls, causing public concerns. What is your opinion on it? What is the prevention and control measure the relevant state departments has taken in this regard?

**Zhai Panmao:** It is not sure to say so now. Because, after all, forecast is forecast; according to official forecasts, we should really be concerned about that. A problem I mentioned in the last question is for China, as a powerful El Nino has just ended, it would produce some anomalies in the summer of next year, the 1998 is a very typical example, in 1998 the floods ravaged across the Yangtze River and the Songhua River, causing large economic losses. So many people who saw this super El Nino forecasting would very naturally recall the 1998 floods.

I think the flood control authority should think it from a scientific point of view, and prepare for the worst. But every year, the impact factors are not the same. There are a lot of factors impacting China's climate; in addition to El Niño, the Tibetan Plateau snow melt, monsoon, and the evolution of high-latitude circulation would all

affect precipitation in the Yangtze River Basin. So it is a very complex issue. There is a lot of factors to cause El Nino, just like that a mother gave birth to five daughters, though they looks quite similar as they are born of a mother, they do not look exactly the same. But indeed we got certain rules to follow, and the relevant state departments should be ready to deploy measures to cope with possible disasters of the Yangtze River basin.

**Reporter:** In the era of Internet +, what kind of emerging technologies can help people pay more attention to climate change issues? What are your advices to offer in terms of opening the national meteorological disaster prevention and mitigation data, and popularizing public knowledge on meteorological disaster prevention and mitigation?

**Zhai Panmao:** Now all media such as newspapers, Internet, mobile phones, and SMS can be used, and in addition, now there is a special weather platform, some mobile phone software and hardware that promote special knowledge about climate change propaganda and weather forecasts, as well as warning signals that are distributed to all of us. Facing different places and peoples, we have specific methods. For example, for residential neighborhoods, we have the residential approach, for the schools, we have school approaches. But we need to get them be differentiated. China still has an organized response to disaster prevention and mitigation; it is actually to take action through the government's unified deployment.

## Intellectual Property Rights and Technology Innovation in the New Era

Reporter: Ji Chao

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### Zhang Ping

Peking University Law School professor;  
executive vice president of Peking University  
Institute of Intellectual Property  
Research Fields: Intellectual Property Law and  
Internet Law

"In fact, most of the patents are defensive patents, and defensive patents will not enter the market being used in products. Sometimes patents are applied in order to preempt and confuse competitors, or in other words, an 'enclosure movement'. In short, it is a kind of strategy."

**Reporter:** You just mentioned in speech, the Internet companies are at disadvantage in regards to patent holdings as compared with traditional IT companies. Can you talk about what the fields are Internet companies' patents concentrated about, and in which areas that shows the gap?

**Zhang Ping:** It is sure that Internet companies are at disadvantage in terms of patent holdings they have against traditional IT companies. Their patent portfolios are mainly concentrated in the areas of social networking services, search, geological locating and positioning, and

cloud computing; by trying to use their advantage of user stickiness, they compete in patent wars against traditional IT companies. However, this is a game that just started in recent years. In China, those who claimed to be high-tech Internet companies are actually weaker in basic patent holdings in their core business than the traditional IT companies such as IBM, Oracle, Nokia, Microsoft and domestic Huawei, ZTE and other companies. The traditional IT companies have patents in document management, storage, and security; comparing with Internet companies, they have the absolute advantage in patent. Once Internet companies enter the mobile Internet business, they seem no weapons to ward off the patent assaults. This is why in recent years happened the phenomenon that Internet companies bought a lot of patents. In fact, for Internet companies through acquisition of patents, they are partly for strengthening their own strength and position, but more importantly, are for responding to legal challenges. What they did is indeed do defensive stocking, particularly in order to response to the rising patent lawsuits from numerous Non-Practicing Entities (NPE) in recent years.

**Reporter:** Some experts say that with continuous integration of Internet companies with traditional industries, innovating business models has become more and more important. For Internet companies, their advantages maybe more lie on business model than technological innovation. But whether can business model innovations be protected as largely as patent protection in accordance with our current legal system?

**Zhang Ping:** Actually, they can be protected! But there are a lot of people who just do not know that. Some companies apply for business models in China, but they do not apply in the name of "business model". For example, such as "an online payment method" which belongs to the financial sector, it is realized by steps of online register and authentication and instant messaging. They all belong to the category of business model innovation. In fact, they can be applied for patent protection.

**Reporter:** Internet companies such as the BAT (Baidu, Alibaba and Tencent) are with very high market value, showing that the market recognizes their value creating capability, and have high expectations on them. Is it to say that they have their own advantages as opposed to the traditional IT companies?

**Zhang Ping:** The BAT and other big name Internet companies do have strong ability to innovate or create value. But if they lose a patent litigation someday, they will have to pay hundreds of millions or even tens of billions of dollars of patent fees, which is not a small price.

**Reporter:** So do they (the BAT and other Internet companies) have any countermeasures in this regard?

**Zhang Ping:** They also respond; they continue applying for patents. But then however they apply, they cannot obtain the underlying, basic patents which have been occupied by traditional IT companies, or in other words, the enclosure movement of patents had been over.

Internet companies can only apply for application level patents, but in patent level, they don't have cross-licensing with traditional IT companies. So unlike traditional players of the industry, for example, such as ZTE and Huawei sign a contract to form cross-licensing, such as Sony, Ericsson and Motorola have cross-licensing, so they don't pay each other between them. In particular, if you are a public company, or if you are going to be listed, then people would stare and target at you, specifically. For example, like Facebook, when its commercial operations are in zenith, patent litigation also came ensued, just in the period before and after its application for IPO, it encountered 5 patent litigations that are due to its weak base of patents. Many Internet companies suffer similar troubles.

**Reporter:** There is a kind of general views in the society believing that colleges and universities are relatively weak in terms of commercialization of technological achievements. What are your views on this?

**Zhang Ping:** The concept itself is a misconception, because the patent commercialization rate is very low in the world. In fact, most of the patents are defensive patents, and defensive patents will not enter the market being used in products. Sometimes patents are applied in order to preempt and confuse competitors, or in other words, an 'enclosure behavior'. In short, it is a kind of strategies to play. If, to say that all of these patents are to be commercialized, and then it is fantasy, or a pipe dream. You can go and see, there is no such case abroad. This is one aspect that is determined by the patent development pattern itself. Another aspect is that why and for what purpose for colleges and

universities to apply for patents of technological achievements. We need to think why they go to apply for a patent. Actually, they are not for the market, because their researches even cannot reach the effect for a market defensive strategy. For many “achievements” they apply for a patent, they are just purposed for concluding their researches, in order for acceptance by education governmental department, and for publishing and improving their career titles. And these so called patents cannot be used in market. Now the government claims to commercialize “these patents”. They are actually idling, bored and ask for trouble; and actually it is a waste of resources.

**Reporter:** Is it because the school researches are not market-oriented, so they are unsuitable for market applications?

**Zhang Ping:** You can say that. In fact, if colleges and universities want to conduct market-oriented researches, they can. The key is they should have advanced basic researches. But now the quality of patents some teachers applied is getting worse and worse. You may wonder how poor their patents quality is. Let’s say. As long as there is authorization by education authority, the narrowest the scope of a research is, the better it is for the school teachers. One authorization can be considered a subject of research. If you need eight patents when concluding your research, you may go apply for eight patents just within the narrow subject. In fact, each patent is poor in quality and worthless. It just looks good in terms of number an applicant has, and the quality is poor. To be blunt, they apply for patent; it is just for a paper of certificate.

**Reporter:** The standards of intellectual property in the "Trans-Pacific Partnership Agreement" (TPP) has been raised significantly as compared those of past trade agreements. Is it beyond the bearing capacities of developing countries?

**Zhang Ping:** This is not only a challenge faced by developing countries. TPP is actually a new set of rules created by some countries. Then, what are the relations between it and the WTO rules? WTO calls on globalization, calls on everyone to be under a set of uniform rules. However, after it brings more than one hundred countries within the system, certain member countries of the WTO began engaging in a small circle and making a fresh separate start to negotiate TPP, trying to exclude some countries they do not like.

**Reporter:** China is excluded, but it seems that in the context of opening up, China is forced to carry out reforms so to adapt to international higher standards that include intellectual property?

**Zhang Ping:** Yes, that is the case.

**Reporter:** Can that be said, although TPP is a set of regional rules, it sets up a higher standard for global intellectual property protection?

**Zhang Ping:** Actually not. Such as in the TPP, in terms of the IP standards, the standards of privacy protection, as well as the standards of agriculture seed rights and breeding rights that are agreed by certain countries like the US, but other countries like India, Thailand



and Japan do not accept them, and quarrel on the standards formulation. But because of political reasons, because they have the alliance with the US, so they do not strongly oppose.

**Reporter:** It is now increasingly important to protect intellectual property rights. Could you tell us, in terms of cultivating talents of intellectual property rights, do you have any suggestions? Does it mean that students have to know subjects of bio-pharmaceutical, electronics and communications, etc, in addition to learning economics and laws?

**Zhang Ping:** I think it is not a need to train someone to specialize in laws and economics, but rather, we should welcome specialists in many areas to enhance their quality in law. For example, now master of law in the country is a very good model, in which, your first major can be whatever to learn, engineering, agriculture and medicine, astronomy, geography, the media industry and commerce ....whatever, and after you studied the subjects, then you can begin to learn intellectual property rights. In this context, you as undergraduate can play out your strengths in subjects you learned other than laws, if you continues studying intellectual property rights against the fields and specialties you have learned. This is the most appropriate way, rather than to say that we should first recruit a group of legal persons, and then let these people to learn biology, physics, and something else. It is not appropriate.

## Urbanization is not only about Improving Speed, but more about Improving Quality

Reporter: ZHU Chengshun



### Zhang Qian

Associate Fellow Researcher, the Institute of Geographical Sciences and Natural Resources Research, the Chinese Academy of Sciences. Phd of the University of Chinese Academy of Sciences; postdoctoral degree at Yale University; research areas covers ecological environment, geological science and urban construction and some others.

"Contemporary China is facing unprecedented pressure and opportunities, in today's rapid urbanization, how to achieve a quality development is a key for China to achieve ecological urban transformation and management innovation. With the growth of the intellectual community, in the field of ecological construction, Asian countries are also facing a lot of opportunities and challenges."

**Reporter:** Hi, Professor Zhang, good to see you. Welcome to attend the 2016 Shanghai Forum, and also thank you for taking the time for the interviewe. You have long been committed to in-depth research of Urbanization. In recent years, China's

urbanization has expanded rapidly. So here I would like to ask, what is the biggest challenges of urbanization that our country is facing?

**Zhang Qian:** China's urbanization speed is stunning and amazing as comparing to other countries globally. So far, on a global scale, there is nowhere that have seen so much migrants migrating from rural to urban areas in such short time. Up to date, China's urbanization development has made great breakthroughs in terms of quantity, but not yet in terms of quality. How to improve the quality of urbanization development is a focus in the contemporary Chinese urbanization process we are facing.

**Reporter:** So in what areas that China can improve urbanization "quality"?

**Zhang Qian:** Urbanization, this concept means a process, and it categorically implies human urbanization and land urbanization. Therefore, the "quality" include both the quality of a city itself, but also the welfare of its people. While in different speeds, the land urbanization are showing the same expansive trend in different countries worldwide. If land usage is used to measure urbanization, then expansion of land usage in urbanization can create and increase GDP, and can attract more people. But judging from the overall study results, we can find that human urbanization fares behind than the land urbanization. Therefore, to improve the urbanization "quality" in the development, on the one hand we should make intensive development of land urbanization, on the other hand, we should speed

up human urbanization, to improve people's welfare, including wages, rights, environment, and fairness, etc. In other words, people migration from rural to urban areas is for pursuit of better living conditions, better wages, and better treatments and so on. How to realize the population's real urbanization is the core of "quality" development of urbanization.

**Reporter:** In terms of "quantity", China's urbanization rate has exceeded 50% that is near half Chinese has settled in cities. While China's urbanization is rapid, in your opinion, what negative impacts it has brought up that are difficult to solve?

**Zhang Qian:** For China's population base, the urbanization rate of 50% is not a process too rash, too aggressive and premature. From other developed countries' development process point of view, they had also suffered a lot of problems in the process of urbanization. Urbanization problem is not a problem faced by China alone. However, the model of "First Pollution Then Solution" in other countries may be a sign of warning that we can learn from. Secondly, the "quality" and "quantity" are not in absolute conflict. The difference is their development tracks are not the same. It is actually to say we are now no longer for one-sided pursuit of speed only, but more pursuit of a more balanced and quality-based development. So there is no absolute conflicts in between them.

As for irreversible negative effects brought about by urbanization, the most irreversible one is the "land urbanization" - turning land into concrete that is irreversible, this is a very serious and cautious thing to

cope with in urbanization. Another problem is about city design. At the beginning stage of urban construction, we should take into account the layout of elements, the capacity, the ecosystem and the likes. Therefore, we should carefully plan urban construction, we should be forward-looking and insightful for urbanization.

**Reporter:** It is true that there is an irreversible trend in urbanization. Then, on the issue of ecological transformation and management innovation in urbanization, do you think what issues and areas we should focus on and take on with? Are there any worthy foreign experiences we can learn from for our reference?

**Zhang Qian:** Actually, we do have research subject that compares international urbanizations. We try to analyze problems arising in different countries in their different stages of urbanization, and learn what important changes they have made. Such as the Light pollution in London, and the experience of Malmo Port Metro, Sweden are worthy for our reference; especially like the Nordic's new towns that are low-carbon eco-communities and are feasible for operability, just like as a body's cells, by use of community micro-circulation, then the whole city will function well more ecologically. For now, in Shanghai there are also some imitations of the kind of ecological communities, but we lack the kind of experiences and knowledge in regard to their core of working, their operation mechanism, their management experience, and their post-maintenance. Therefore, while in drawing international experiences, on the one hand we should look on actual conditions of China, on the other hand, we should learn the essence and not be superficial.

**Reporter:** Since we want to achieve ecological construction in urbanization, then we can not avoid talking about the ecological environment. Do you think what the largest challenges are currently in the ecological environment construction? And in what areas we need to improve?

**Zhang Qian:** Leaving aside the issue of ecological environment, personally I feel that for China, the biggest sticking problem is the plight of environmental regulation. For governments, more often it meets an awkward situation in making options between office achievements and environmental protection. In theory, we can incorporate environmental performance into the government achievement examination and assessment, but in reality, the real question is how eager and in what degree to incorporate it in, for example, whether or not to introduce a one-vote veto system in terms of EP in the government achievement assessment. Secondly, responsibilities and rights of environmental protection departments should have to be clearly defined, such as how to set rules on pollution, who to perform and enforce laws, how to compensate the victims, as well as who can enjoy the benefits if any? After all, it is a change of awareness. Environmental protection should not be burden that people are forced to accept, should not be a pressure, but should be a benefit that people may actively act to receive. Someone such as people of factories will come out to accuse us that it is easier said than done. Thus we have to consider if it is possible to introduce technologies to control pollution emissions, even to turn wastes into something useful, so that they can really taste the sweetness brought

by environmental protection.

**Reporter:** In the ecological environment construction, are there any conflicts between Asian countries? What are the common challenges? And at what areas that exist possibilities of cooperation for all of us to take?

**Zhang Qian:** Conflicts are certainly there, but in contrast to the political and military spheres, in the field of environment cooperation has far larger possibilities. If there is a conflict, basically it is focused on transfer of industries, that is, to relocate high-polluting industries to less developed countries. But in facing of environmental challenges, what is more on the table is a win-win cooperation, rather than plundering. Asian countries are an important bastion for the global ecological construction, and also have more possibilities to cooperate.

But the differences between the various countries in Asia also vary greatly. Like China and India, the problem may lies s on population, while Pakistan, it may face a backwawrd development challenge, like South Korea and Japan, they are facing the perplex issue of development model. But there is no doubt that the Asian countries and countries of other continents on the earth are commonly facing changes in the global eco environment. There are many islands countries in Asia, and there are many backward countries of the continent, they worry more about the climate change.

**Reporter:** What is your views on the current development of new style think tanks that are with Chinese characteristics? Chinese

Academy of Sciences is one of the 25 high-end think-tanks in the first batch of the pilot project. Do you think what the role it can play for construction of ecological society?

**Zhang Qian:** The role of think tanks is very important and necessary. Long ago, although there is no a formal name, many research institutes have more or less assumed the roles of think tanks to support government decision-making for national development. That all of people is willing to offer advice for development of the country itself is a good sign. In addition, China's scientific research, to a large extent, is to serve the economic development and social construction in main aeras, in addition to doing pure scientific researches.

CAS booming in China is largely because of its role as a think tank to support central government policy makings. So in this process, the CAS has gradually grown into a body with 118 Institutes, with each Institute having its respective expertise in respective fields, and having recruited a lot of experts. What we largely emphasized in our researches we have done is practical and pragmatic. For example, the CAS Technology for Development Bureau has set up a project group, called STS (science and technology service network), such projects do not emphasize that your skills must be at top notch in the world, but making sure that it can serve development of the country, and promote human welfare.

China's development is a living laboratory, is unique in the world. In terms of eco-problems, although there is commonality with international communities, it also shows peculiarities in China. So, it



needs think tanks to do researches, to voice and to advice. I believe, as one the 25 top think-tanks in the first batch of pilot project, Chinese Academy of Sciences can help us develop a more scientific localized policies and advices for ecological environment construction. Secondly, the Chinese Academy of Sciences is a combo between international think tanks and domestical think tank. And now because NGOs are platforms good for information-sharing, with the CAS platform, it can be better to introduce international EP experiences to China. So, whether in terms of central policy recommendations, or in practice to apply technologies for citizens, the Chinese Academy of Sciences can play an important role.

**Reporter:** Thank you very much!

## First Quantity, Then Quality - China Takes Time for Innovation

Reporters: XING Jiana, HE Qiwei



### Zhou Jiong

R&D Director, ZEROTECH (Beijing) Intelligence Technology Co., Ltd. Bachelor of Information Engineering, Zhejiang University; PhD, Nanyang Technological University; postdoctoral, University of Leeds. Senior Research Fellow, Matsushita Lab Singapore and Samsung Comprehensive

Technology Research Institute; Senior Fellow Researcher of Huawei studio, and the departmental technical director. He has rich experiences in audio and video CODEC, image processing and computer vision and a wealth of experience in research and product development.

"China's innovation capability has been enhanced fast in the past few years. A few years ago it did not particularly pay importance to innovation. But now it has been increasingly realized that to compete in global markets, innovation is essential, and intellectual property protection is also indispensable. First quantity and then quality. This takes time."

**Reporter:** Hi. Mr. Zhou. Let's directly get in to the topic. Please brief the state of development and application of UAV in China

and overseas.

**Zhou Jiong:** Drone or UAV is a buzzword in the last couple of years. We as general public at least have heard the word, and some even have seen and played the real thing. China started earlier in UAV R&D and applications. For example, DJI-Innovations and Zerotech began to work on UAVs a decade ago, in 2006 and 2007, respectively. Second, based on our own technical deposits and maturity of the entire Chinese consumption electronics industry chain, China's UAV products lead overseas competitors on a whole, whether be it judged by design, technology or manufacturing. The so called "Overseas" here includes both Western Europe and North America.

In China, supported by a very mature industry chain, coupled with the technologies and the enhanced production capacity we have, a number of companies had mass-produced the once very expensive UAV that within just a few years has pulled down its price to a level that can be acceptable by the market. In this circumstance, China UAVs are suddenly well onto the international markets. And we take the upper hands. Quite remarkable and significantly.

**Reporter:** For UAV production, does it need more of theoretical research or more of application technology?

**Zhou Jiong:** Technological innovation and theoretical research are two aspects that are entwined. To use technology in UAV, first it

certainly should be based on theoretical research. Once theoretical research emerged, a lot of people will study it, and then will get a wide range of technical knowledge. And then, a lot of people will try the technology on a variety of products, optimize them, and generate its own uniqueness in innovation in the process. Techniques should be modified, optimized and then applied to products, such as unmanned aerial vehicles. These changes are innovations.

UAV has very high demands and requirements on technology. Imagine, if a cellphone crashes, it can be restarted. However, if a drone computer system crashed, it would directly lead to bombing. Accident in minor, it could smash things around; seriously, it could hurt people. So UAV technology pays great importance on functional stability and safety that are critical and crucial. UAV is involved with a range of technologies, such as fly control technology, pan&tilt head technology, structure design, computer vision, and so on, and all of these technologies are highly integrated that requires a company's long term technologic R&D. A start-up company having certain strengths may create one UAV in two or three years. But its product is certainly not the same as the proven one made by a UAV company which has long engaged in technologic R&D and accumulated rich manufacturing experiences.

**Reporter:** therefore, in your understanding of innovation, is that we do not have to study original theory so to make innovations,

right? Reassembling a valuable thing, this may be a good idea for the industry's innovation.

**Zhou Jiong:** Basically the saying is right. I and the team believe that theoretical research and breakthrough is crucial, but this level work is usually done by colleges and universities or research institutions. For a company, they largely focus on product, focusing on valuable innovations. It is not to say we can do whatever innovations (at will), it must be based on demand of customers for the product, and based on that we can make further researches in certain areas. The goal of innovation should be very clear, that is, it must bring value to product innovator that is what the principle we uphold for innovation.

**Reporter:** Can you give an example for the so-called valuable innovation?

**Zhou Jiong:** There are a lot. Generally speaking, our innovations are made based on our “standing on the shoulders of scientist giants”. Such as the folding machine arm of the Dobby drone we made is also a small innovation. For the UAV common target tracking function, another example, universities and research institutions have spent a very long time on technology research in this area, and the outcome is good. But how do we use it in our products, and reflect their own innovation feature? This requires us to reconstruct the algorithm, that is to say, we redesigned this algorithm on the achievements of others.

In this transformation process, we do not solely emphasize how good its effect is, but pay more attention to efficient use of computing resources.

**Reporter:** Are there any copycats there? We copied others before, and now there are copycats to copy our products?

**Zhou Jiong:** In fact, this is the issue that troubled our country a lot. No exaggeratedly to say, there may have hundreds of UAV producers in Shenzhen, and the UAVs they made are similar as judged in terms of the appearance, even in terms of specific design. Protecting intellectual property, in fact, it has a long way to go. For companies, they certainly have to experience a long time accumulation of technologies and patent applications. Maybe, people are impressed by previous Copycat China. It is a situation uneasy to change it. It needs more intervening of the state level, the government level and the implementation level, to slowly turn the table around. In fact, China's efforts in this regard are also growingly intensified, and I believe, in the future it will be increasingly getting better.

**Reporter:** How do you expect breakthroughs to be made in regards to enforcement of IP protection law?

**Zhou Jiong:** Law enforcement is indeed an issue to be addressed. On the other hand, it is the need to improve the whole society's law and

copyright awareness. In fact, it is bonded with each citizen. For example, people may be willing to spend money to buy a good, quality, genuine product, rather than spend to buy a cheap but poor quality mock product, which is related to the public awareness of protection of intellectual property. It is difficult to generalize that how to do is better. It should continuously push this thing forward based on and covering all specific sectors. When the public strengthen the awareness of intellectual property protection, it will slowly move the stone around.

**Reporter:** How do you look at that many Chinese technology companies are also being labeled as Copycats?

**Zhou Jiong:** This tag is being slowly removed. Here is a simple example, Huawei was recently not only not be plagued by the United States 337 Investigation, but also it launched a lawsuit against Samsung in China and California, covering several patents of communications and intelligent terminals. The suit is the first attack for Huawei in its nearly 20 years of development. Prior to that, Huawei's patent policy is passive protection, then leading the pact, and lastly, active protection. In fact, this is a change, a change and a signal that we are all happy to see. For zero-Tech, we got a very long bench of patents in the UAV that is essential to ensure our business in the future. There are still many Chinese enterprises which are throwing their efforts to high-tech, and the label copycat has been virtually

removed. Of course, as China is so vast and huge, you cannot say our mission is done. But relatively, a few companies are now leading that way, very successful.

**Reporter:** Is copycatting an entirely negative impact?

**Zhou Jiong:** Everything definitely has pros and cons. Although we are labeled as a copycat nation, and some products indeed infringed others intellectual property rights, however, on certain levels, precisely because of these imitation products, it makes the original expensive goods to the Chinese market, sharply fall down so that the masses can be more affordable for the products, and enjoy the fun the products bring about.

**Reporter:** The share of innovation investment in China has been increased year by year, and the total input is significant. However, the innovation capability of the country is still lagging behind the United States and Europe. How do you view the prospects of China's innovation?

**Zhou Jiong:** China's innovation capability has been enhanced fast in the past few years. A few years ago it did not particularly paid importance to innovation. But now it has been increasingly realized that to compete in global markets, innovation is essential, and intellectual property protection is also indispensable. First quantity



and then quality. This takes time. Obviously, many Chinese enterprises are doing very good in recent years. Innovation takes a long time. I still take Huawei as an example. Why can Huawei become No.1 in the international communications market? Huawei's road to become No.1 is long. Since its inception by the end of 1980s, it started as a product agent, and encountered lots of patent issues, and the most famous lawsuit was happened in 2003 when it fought against Cisco. After that, Huawei's investment in R & D and innovation is enormous, probably billions of dollars a year. With such a huge investment plus a very long time input, it eventually becomes the world No.1. The direction Chinese enterprises take is right; we need to allow them more time. We hope that in the future, there emerges a variety of different companies in various fields to become No.1, and the number of patents they hold in the hands could be probably the world's top 1. When necessary, they can come up with legal weapons to defend their interests.

**Reporter:** Do you think in promoting the whole society to engage in innovation, what responsibilities are required on the government and enterprises?

**Zhou Jiong:** Enterprises are major forces of innovation. Governments should focus more on creating an environment, a rule system, so that those innovative enterprises can compete fairly inside. The environment should be market-oriented, with great vitality. Some

industry is vital for the country. At the initial stage they need government supports. And we can take this as a venture of government. But what is most critical and most difficult for this unrequited venture is how these investments can fall onto those right businesses. I believe the country is also constantly exploring. For example, there are many such funding schemes in Binjiang District, Hangzhou, and the model to identify high-quality innovative companies are constantly changing and morphing. I believe the Government will get better and better in this respect. Now many of people in the government who are responsible for the issues are those born post 1990 and 1980, they are constantly conscientious on how to get things turning around. I think we should give them time.

## Communications Think Tank in the Wave of the Internet: Change, Platform and Mutual Reciprocity

Reporter: ZHANG Heyi



**Zou Ming**

Vice president of New Media Phoenix

([www.ifeng.com](http://www.ifeng.com)), and Director of Phoenix

International Think Tank. Since 1998, he has fully participated in the Phoenix Website and Phoenix New Media's creation, operation, transformation and commercialization.

"Why to encourage the building of think tank? It is to provide policy advices and theoretical supports for national development. In the eras absent of the Internet, this responsibility was borne by government agencies and organizations. Since advent of the Internet, especially for the last two years when the wave of Personal Media gradually blows, everyone can voice and show a degree of influence over others. So, everyone has the possibility to become a part of think tank, and influence decision-making of authorities. "

**Reporter:** Can you talk about in the past five years, what important developments and changes have happened in the media

and public networks?

**Zou Ming:** For these five years, great changes have occurred in the media. From a global perspective, we all know, what is most impacted by the Internet revolution and new technological revolution is media, resulting in complete changes in media forms. Wherein, several major trends took place that are not unique to China - the general trend is the decline of traditional media, the rise of new media; but for another typical trend, we need to segmentate phases from the new media development point of views: The first phase is the development of portal sites; the second stage is the mobile Internet in which it transitions from laptop web to mobile terminal, and mobile phones have become people's "sixth sense"; in addition, mobile phone-based social media is also one of the important trends which is a change currently developing and everyone is experiencing.

It is precisely these worldwide trends that changed China's media landscape, in which old and new media alike are all getting involved. If missing the new wave of development, the so-called "new media" will quickly fall behind. So we can see that new media are springing up one by one: The first is mobile phone broadcast platform that is quite hot recently. Whether by the means of voice or video, you can live your living conditions as long as you get a cell phone. In the past, if we say it is an era where "everyone is a blogger" who can write and express on Internet, then now it is an era where "everyone is a voice platform". This is a very important change.

The second is VR technology that changes information reception

mode. Many websites and platforms are focusing their attention on it, and the development of VR technology will reshape people's understanding to media. Zuckerberg once said in a speech earlier this year that the day when VR phone appears, it is the era ushering in revolutionary change of the media landscape; VR products will be popular at that time. Although VR concepts and related products and designs are now popular considerably, they still cannot achieve to the degree to which it penetrates in every aspects of people's life. Therefore, the emerging of VR phones will be a decisive force. As smart phones' development has entered the bottleneck and the room to improve its basic functions has been used up, so the VR technology has thus become the top focus of American high-tech companies.

The third technology that should draw attention is artificial intelligence, which will also have a great impact on the development of the media. Some time ago, writing robot became a hot topic. In fact, this approach already exist, the writing of some formatting financial news is often made by robots. This artificial intelligence way of writing will be likely to be injected into massive media writing within two to three years.

**Reporter:** To actively response to the "Opinion on Strengthening Construction of Think Tanks with Chinese Characteristics," at the beginning of last year, China has began a large scale movement of developing media- or communications-type think tanks. However, according to a Think Tank Influence Report published by Shanghai Academy of Social Sciences in January 2015, the top 15 Chinese think tanks are almost those which are affiliated with

the government and universities, and no any media-type think tanks can be seen. In your opinion, compared to other think tanks, what are the similarities and differences the media type think tanks have in terms of operation, content selection, audience, etc.?

**Zou Ming:** Mentioning think tanks, we tend to think of the US Rand Corporation, and the Chinese Academy of Social Sciences, it can see obviously that in the eyes of ordinary people, think tanks are still sanctuaries - they must have research labs, big name researchers, and the research reports that should be in neat book and submitted to superiors. However, for the past three decades, China has undergone tremendous changes that includes in the changes of media forms, so the communications- type think tanks have emerged.

In fact, currently there are only 2 or 3 domestic communications-type think tanks that have been given birth, and internationally much less. The development of communication think tanks should be based on the following points: First, the media itself that a think tank relies on should have a unique international brand effect; second, it has a solid and powerful communications platform - I think in regards to the two points we have already reached; third, in terms of the communication and socializing mode of the internet age, labs and researchers that a traditional think tank essentially has to have is no longer a necessity for development of modern think tanks, as an alternative, it is how to use the brand name and effectiveness of the platform to gather together high IQ researchers, and that is what we can do.

Thus, we have established Phoenix Think Tank last year, based on our existing Internet platform to spread message, and a lot of researchers and experts on international issues and economic issues have become fellow researchers of the Phoenix think tank. We convene in each month and each quarter to select topics, for example during this time period, a cross-strait relations seminar was held on behalf of the Phoenix Academy, but in fact, the research task was assigned to professors and researchers who are scattered among some major institutions. We gather this group of people together to discuss subjects of the research, separately write papers which are to be published by our internet - I think this is the advantages a communication type think tank has. But we do not stop at just publishing a report; we will spread our research results through various channels, to convey it to the leadership or the hands of the authorities that we specifically targeted. These are the advantages that a traditional think tank does not have.

Now it is indeed an Internet era. If in the past, after a report was sent to the hands of the leadership, what a research can do is only waiting for feedback. But now, after a report is published, it can influence public opinion and form a new media campaign through the power of the media, which would influence relevant agencies or departments and influence on decision-making. Therefore, many traditional think tanks are currently seeking to cooperate with us, and it is precisely that the brand influence and advocacy platform that a communications- type think tank has that makes up the influence shortage of traditional think tanks.

**Reporter:** You also mentioned, when think tank make suggestions and proposals to leadership, it is better to have the help of media. However, among countries and regions, differences may exist in terms of network monitoring, information security regulations and reports manners that may produce impacts on flow of information in whatever form. In this media context, how to find a starting point without threshold for international think-tank interconnection, interworking, and interoperation and realize mutual benefits?

**Zou Ming:** Currently, we have cooperation with think tanks of the United States and Taiwan. Just some time ago when we conducted discussion of the cross-strait relations, we encountered a difficulty in terms of information dissemination. We had a series of forecasts on cross-strait relations before the “May 20th,” the day when Tsai Ing-wen officially inaugurated. But after the “May 20th,” we re-worked a new report. The report was co-authored by the five mainland scholars and five Taiwan scholars, initially agreed to co-publish on media on the 2 sides of the strait, but in actual operation a problem occurred. Taiwan informed us some time ago that due to the article involving military matters, a paper of the report cannot be published, and we expressed our full understanding.

This case is just involving interregional cooperation, as you are talking about, every think tank has its own philosophy and ideological context, so it is not possible everything goes smoothly when in cooperation. If such problems arise, the two sides can only address it by conducting communication and consultation, and fully respecting



the laws and regulations of the countries and regions where our partners are in. We have encountered such matters and it is proved that they can be solved.

Another example is about 2 Russia reports we have published. As the report held not optimistic attitude towards Russian economy, the Russian side had asked the researchers why. For these events, we insisted our principle that we should publish. This matter also confirms our influence from the side line. As a communication channel to the Government, we should abide by the provisions of the parties; but as an academic study, we should respect to objective academic positions.

**Reporter:** In the Internet era everyone has something to say, whether it can emerge a kind of lower-threshold private think tanks, and in turn what impact could it have on the current pattern of think tanks?

**Zou Ming:** This is one of the impacts that technological revolutions brought about -- "everyone is Personal Media." I do see a lot of We-chat public account where consists only of two or three people who claim themselves be a "micro think tank". They may influence the Government, the communities, and even certain policies. Why to encourage building think tanks? It is to provide policy advice and theoretical supports for national development. In the eras absent of the Internet, this responsibility was borne by government agencies and organizations. Since advent of the Internet, especially for the last two years when the wave of Personal Media gradually blows, everyone

can voice and show a degree of influence over others. So, everyone has the possibility to become a part of think tank, and influence decision-making of authorities. "

Recently, it seems that this kind of private miniaturized think tanks would not produce a huge impact on the original pattern of think tanks, but I think it will have an impact in the future. For example, the West countries have decrypted a lot of research data, and it means that each citizen has the right to viewing and research. If some independent researchers could conduct in-depth enough studies, it will certainly have an impact.

However, the domestic and international environments vary. On the one hand, domestically, government is more conservative and less supportive on such private think tanks; on the other hand, after experienced a phase of hot talking, it depends on how to operate such micro-think tanks. In fact, micro-think tanks have been greatly restricted in terms of funding. Thus, the process to emerge personal think tanks in the China may advance in a much slow manner.

## **Breaking limits of urban and rural areas and enjoying same level of cheap primary or secondary medical services**

Reporters: ZHANG Mengjiao, SUN Yining

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### **Zuo Xuejin**



Former executive vice president, current senior research fellow at the Shanghai Academy of Social Sciences, and the director of the Institute of Economics at the Academy. He got Ph.D. in economics at the University of Pittsburgh in 1989.

His Research interests focus on Population Economics, Urban and regional development, social security program reforms. He led the research in shanghai medical parallel reform from 2010. He is currently the leading expert in the research ‘the economic characteristics and supporting structure of aging societies’ which is carried out by National Natural Science Foundation of China.

*Healthy aging requires reforming the medical services system, breaking the limits of urban and rural areas, and developing first-level and secondary-level hospitals into low-cost hospitals based on three levels of hospitals each performing its own responsibilities. A society needs such a healthy aging in order to adapt to the aging tendency of population, the urban-rural integration and the labor migration.*

**Reporter:** According to some scholars, the deficiency of pension and elderly care and the incomplete elderly security system are three tough problems of achieving a healthy aging society in China. Therefore, they come up with the idea of ‘healthy aging’ strategy. Are you anxious about the current circumstance of China’s aging society and why? And what’s your solution to these problems?

**Zuo Xuejin:** Maybe I am not that anxious, but it’s really an emerging circumstance because of two reasons. First, China’s population changing tendency is not positive. Second, our social security system, including pension care and medical care, hasn’t been prepared to facing the challenge of aging population.

Although China has launched the two-child policy, the policy doesn’t receive such a welcome among urban and rural fertile couples as the relevant officials expected. First, China still has a strict control of order births and that may lead to an over-estimate of the potential fertility. Second, although the fertility policy in China has changed and two-child policy comes into effect, people’s child-bearing willingness doesn’t increase. It’s often the case in developed countries and our neighboring countries, particularly in Hong Kong, Macaw and Taiwan, and Mainland China is no exception. On top of that, the decline of the population of fertile woman is another important reason, and we see an expectation of decline by a large margin in the future. In a word, the proportion of the aged of the total population is determined by the birth rate.

Nowadays, due to a relatively weak ability to cope with the aging problem, it is imperative for us to upgrade our security system. For instance, we need to deal with two urgent problems when it comes to the medical care. Firstly, the price of medical service is exorbitant, which is a result of overprescribing of medicines and unnecessary tests and procedures. Secondly, we need to consider how to compensate the hospitals. There are two ways of compensation currently: one is government's adoption of the separation between revenue and expenditure -- hospitals' expense rely on government and medical insurance; the other way is gaining profit through providing medical services for the markets, which is taken by large quantities of secondary-level and tertiary-level hospitals. The common medical insurance compensates the hospitals by the quantity of medical service the hospitals provide, so that hospitals cannot acquire revenues unless people fall ill and seek medical care. All in all, hospitals lack the motivation of providing precautionary services.

**Reporter:** What kinds of obstacles do you think still exist in the process of reforming medical systems apart from policy pressure?

**Zuo Xuejin:** First, the reform of medical systems involves interests of many respects especially the people's interests. For instance, in terms of the medical reform, we need to reduce the price of the medicine, but put up the price of medical service in the mean time. However, in the process of wiping out unreasonable price, we cannot put up the medical cost as a whole. Because if the medical cost in total increases, people's burden will be added and may lead to dissatisfaction even

protest as a consequence. And that's an important reason for why local governments are sensitive and cautious towards medical reform.

Second, medical reform involves many governmental departments. In 2009, the reforming plan made by the central government includes a dozen departments, but the coordination between these departments is not satisfying. Take medicine as an example, the National Institutes of Health has a medicine catalogue that has medical insurance, while ministry of public health has a list of essential drugs, and National Development and Reform Commission also announced a list of low-price medicines. However, the medicine catalogue and the list of essential drugs have no big difference and they can be combined and integrated. If we implement zero price policy of medicine in primary hospitals, the price of medicine will decrease in theory and medical insurance will benefit from it. However, in practice, it's the local government who take the responsibility to compensate hospitals that suffer from declining revenues. Therefore, medical reform requires the coordination between medical insurance institutions and health and financial sectors.

Third, scholars and different sectors of government hold various opinions and they conflict with each other. And that's why there is no consensus towards future reform.

**Reporter:** In your opinion, what role should three levels of hospitals play in the medical reform separately? And how can the government be prepared for healthy aging?

**Zuo Xuejin:** China has three levels of hospitals. First-level hospitals are those at the community level who mostly provide general and preventive medical service. A few first-level hospitals have their own specialized subject. In fact, currently the first-level hospitals are not active for providing preventive medical services because they cannot receive enough compensation for the cost of these services. Second-level hospitals generally mean county level hospitals in Shanghai, including inpatient or outpatient treatment. Most common diseases can be cured in second-level hospitals. One of the most crucial goals of medical reform, in my view, is to enable all people to enjoy medical services of the first and second-level hospitals with low prices. Government should strongly support first-level hospitals providing preventive medical services with compensation to secure our future population's health. In a word, government should take more fund-raising responsibilities.

Tertiary-level hospitals should meet the diversified needs of the society along with all kinds of social and commercial medical insurance. There is a true story of a little girl, who waited in a queue in Xiehe hospital whole day and whole night just for registration of her sick mother. It seems to be the problem of registration traffickers, but deep questions are the first and second-level hospitals failed to provide medical services for rooted class while the medical services from tertiary-level hospitals are in short supply. Therefore, competition among tertiary-level hospitals is required to improve their management and services. Served as ways to encourage competition, government should adopt policies to facilitate non-governmental hospitals especially non-profit ones. In the mean time, government is

urged to strengthen the hand of regulators for consumers' interests. Compared with first and second-level hospitals, tertiary-level hospitals' cost is relatively high. In order to clarify the responsibilities between three grades hospitals, we can reserve the deductible expenses of the third-grade hospitals with a higher proportion of out-of-pocket expenses.

**Reporter:** On the background of globalization and aging population, what kinds of experience can we draw from other countries regarding medical reform of three level hospitals? Which problems shall we pay special attention to in the process of localization?

**Zuo Xuejin:** The experience of other countries' cannot be taken as a whole, but be utilized regarding to China's condition. The National Health Service (NHS) in the UK features that government takes the dominance for providing medical services with market mechanism as well. General practitioner in the UK enjoys government subsidies and decides which hospital patients need to be transferred to, which leads to competition among hospitals. In my view, we should take the experience from the UK in the reform of first and second-level hospitals, which highlights government's dominance. However, we have different situations. Britain draws medical capital from general taxation and doesn't have independent social medical insurance, while China has already built up various kinds of social medical insurance and gather premium regularly for medical expenses. Therefore, China can combine taxation and premium together for medical fund.



German is the first country to experiment social medical insurance mode cover medical expenses through sickness fund. And our tertiary-level hospitals can learn from that. Although German applies social insurance system, large quantities of hospitals are private. The restriction of private hospitals entering market should be relaxed to encourage reasonable competition and optimize three-level hospital mechanisms.

American mission hospitals are models of charity hospitals and we should encourage the development of charity hospitals too. I think most private hospitals should be non-profit and motivate enterprises' donation as well to provide medical help for needed families and ease government's burden. What's more, we need to catch up with American medical technology development and stimulate the development of medicine and medical services.

**Reporter:** With fast-paced urbanization, the proportion of elderly people in rural areas is higher than that in city and the phenomenon of getting old before getting rich is more serious in rural areas. Thus, medical care for rural aging people is very essential. Under this circumstance, what do you think is the imminent obstacle in rural medical reform? And with which aspects can we start to tackle it?

**Zuo Xuejin:** All the urban and rural residents should enjoy the same level of cheap primary or secondary medical services regardless of their registered residence. Urban-rural integration involves many aspects, and medical service is definitely one of them, which calls for

breaking the limits between urban and rural areas. Lots of migrant workers and their families' medical insurance are located in their registered residence, although they may live in cities, thus they cannot have medical insurance in their current resident places. Therefore, I consider that China should upgrade the level of health fundraising. To specify, it means that we should manage to finance in a big scale among provinces and nation instead of in local cities. Then, it will be much easier to enjoy medical insurance in non-registered residence. In fact, our government has already promoting the integration of basic hospitalization insurance in urban and rural areas. But we still have an arduous task to deeper reform medical plan facilitating migrant workers to adapt to the current shifting population trend.

**Reporter:** You have come up with the solution of adjusting rural medical security system in 2003, like increasing coverage of rural medical care, raising fund for rural cooperative medical service, enhancing integration and coordination between the three-tier rural health care network etc. what kinds of challenges do you think we are facing in the implementation process of these solutions? Do you have any other suggestions?

**Zuo Xuejin:** There are some problems exist in New Rural Cooperative Medical System and Urban residents' basic medical insurance system, like price distortion, compensation for medical institutions, high total medical fees, medical care's adaption to labor mobility and medical insurance etc.

In my point of view, we should integrate these two similar medical structures and treat urban and rural residents equally without discrimination while observing other rules. Namely, fund raising based on government funding with a small part from congregation, first-level and secondary-level hospitals changed into true low-charge hospitals, raising income of doctors while wiping out distorted prices and taking patients as the center.

**Reporter:** You mentioned ‘multi-levels’ in your works many times, like promoting multi-level medical insurance systems, encouraging multi-level medical consultation mode and etc. can you specifically describe your ideas of these two notions?

**Zuo Xuejin:** I have two points to elaborate on of ‘multi-level’. First of all, among public health systems, there should be some difference among the cost shouldered by individuals in three levels hospitals. Second, we should encourage commercial medical insurance to make up for what the social medical insurance cannot overwhelm with plastic surgery as a case. As living in a diverse society, medical demands vary from person to person. Therefore, government has the responsibility to guarantee the supplies of basic medical services. On top of that, fully develop social charity.

**Reporter:** You have once mentioned that population aging puts our society under many kinds of challenges and the impact to social security system is the most direct, such as the impact to medical insurance system from endowment

insurance. What measures do you think the government should take to cushion the effect?

**Zuo Xuejin:** As the health status decline with the age, the medical expenses of a retired elderly are five times than that of a current employee. Therefore, a further increase of the total medical expenses is expected with the increase of the proportion of elderly people. In order to avoid such impact, preventive intervention is needed to make the old healthier and reduce the burden of the youth and middle-aged. The current basic pension mode is the so-called ‘Pay-as-you-go’, and that is collecting money from the youth and middle-aged and giving pension to the elderly. But the declining birth population leads to less payment and payment disequilibrium. Therefore, government has no choice but higher the payment rate of youth and middle-aged, or decrease pension rate. Another choice is delaying retirement which might requires supporting policies. For example, policies are needed to encourage employer continue to hire the elderly and elderly continue to work.

Under these circumstances, government needs to take following two measures. One, encourage fertility to avoid an over-aging society. Two, deepen the reform of social medical health system to promote fair and efficient resource allocation, and to enable future elderly to play a more active role in economic and social development process with higher health status.