



THE ROAD OF ASIA

INTERVIEWS WITH
SHANGHAI FORUM 2013
GUESTS



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FUDAN UNIVERSITY
KOREA FOUNDATION FOR ADVANCED STUDIES

In Shanghai Forum 2013, we recruited about 30 of our top students to act 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.

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China Could Be A Front Runner on Global Pollution Problem

Editor: Silvan Griffith



Andreas Löschel

Chairman, Commission of Experts for Monitoring Energy Transformation, German Federal Government. Professor and Head of Department, Centre for European Economic Research (ZEW). Professor of Economics, University of Heidelberg



Interviewer: **Wu Libo**

Professor of School of Economics, Fudan University

I am still convinced that will be a technology of the future, but that will not be applied first in Germany, which might as well be ok, because given the global nature of the problem I think it is better to have China being a front runner on that.

Wu Libo: Could you please make a very brief introduction to your position as the chairman of the expert committee of the energy transition of the German government? Could you please describe the function of this?

Andreas Löschel: The German government has set long term targets to achieve a transition of its energy system by 2050, and these targets and this whole transition were described in the energy concept that was initiated in 2007. In this energy

concept, the government not only drew this vision of the energy system, the new German energy system in the middle of the 21st century, but also stated that this whole transformation should be followed by a monitoring process, and this monitoring process should be scientifically based, to see whether Germany is on track in achieving these targets, and if they are not on track, to see what has to be adjusted in order to achieve this long term goal. This monitoring process consists of two tracks. The one track is that the ministries publish each year a monitoring report on the advancement in these different areas based on around 50 indicators of the energy transition in terms of energy security, the cost of energy for the German industry and households, as well as energy security issues.

Wu Libo: Are there any new findings in the upcoming report?

Andreas Löschel: There are always new ideas that we try to push forward. We go basically through all the different areas that matter, and we try to put in perspective what we have achieved and what are our problems in the energy transition. For example, we looked at energy efficiency improvement. I think there is still a lot to be done. We looked at the issues of renewables. We think that we are well on track of achieving our goals in renewables. We looked at the issue of energy security, we think that we are facing a problem with respect to installed capacities in Germany. And we looked at the issue of costs, where we think that overall the cost of the energy transition at the moment are still in an acceptable level, but we see that some of the cost increases are already laid down in today's regulation. Lastly, the issue of the European dimension, where we looked closely at the EU emissions trading system, and we noted that the emissions trading system is not giving a big push to the German energy transition as the prices are quite low and incentive for low carbon investments are therefore not high for the German industry.

Regarding the energy system transition, one of the most critical challenges is the phase out of the nuclear system. That is why the renewable sector has to increase more rapidly compared with previous years, and some fossil fuels have some competitors. But it is not the only challenge. There are more things we want to achieve, and it should be a consistent picture to achieve this transition. Nuclear phase-out is probably the most important and closely watched component of this transition, but I told you that we have other targets, like improvements in energy efficiency, renewable targets, and that is exactly to make this phase out of nuclear power possible. I think it is now mainly a problem for the building sector, because in the building sector we want to achieve until 2050 an almost carbon free building

sector in Germany.

Wu Libo: That is supported by the solar system?

Andreas Löschel: These are renewables in heating. So we have to think about how we use insulation and other measures to achieve this carbon free building. It also means that we cannot only look at new buildings, but in the long run will have to look nearly all the buildings in Germany. This is very ambitious, and the main point of the energy efficiency, but it is necessary to make this transition possible. You also ask about the role of renewable. Of course, renewables are helping to substitute nuclear power, but they are only helping to some extent, because as you know we have intermediate renewables, so we still need conventional power.

Wu Libo: But according to the 2050 target, around 80 percent of the energy will come from renewables. Other countries think this is a very ambitious target!

Andreas Löschel: Ambitious, yes, but we have already made big progress. This comes at some cost, but we now have 23 percent of renewables, which partly make up the loss of nuclear capacity. We have switched off eight nuclear reactors right after the Fukushima disaster, but we still need backup capacities. In 2012, for example, we saw that we actually had a plus of 5 percent in coal electrification, which is partly because we have to make up for the missing capacity. So renewables are not fully substitutes. As you know, they also have different patterns, wherefore we also need conventional. This, of course, poses problems to achieve our CO2 emission targets, as emissions in Germany actually went up over the last years.

Wu Libo: As we know that recently the success of the shale gas in the US is a really good experience for the emerged economies to achieve energy independence, and I think President Obama is also trying to stimulate the deindustrialization by using such plans. What do you think of these kinds of energy independence strategies?

Andreas Löschel: Obviously that is an issue that is also hotly discussed in the German industry. As you can imagine, many German companies are now facing strong competition. On the other hand, I think we have to take into account that most of these problems in terms of competitive disadvantages are not related to the energy transition. There are other reasons. There is shale gas booms in the US and other places that puts them at a comparative disadvantage, so it is not the energy

transition as such which is producing this cost disadvantage. Actually the German government is well aware of the problems of the energy intensive industries in the international competition, and so it is one of the lessons learned from these developments, because we are not going to follow this shale gas revolution in Germany. Germany is relatively sceptical and actually wants to wait some time until the technology has improved, and so it is not a short run option for Germany to use shale gas. Therefore the German government is aware of this problem and is trying to help the industry not to fall into a comparative disadvantage because of these prices. To some extent this cannot be compensated, but to the extent possible it is done, for example by exempting very large consumers from the feed in tariff, by helping them with lower grid fees, so this is just a reaction of this unequal reaction globally.

Wu Libo: You mentioned the feed in tariff. China now also has this kind of feed in tariff system for solar and wind, but China is also wondering whether it needs more flexible market based mechanisms like a trading system for renewable development. What kind of policy is the most effective to stimulate the development of renewables, and what are the costs and benefits?

Andreas Löschel: I think the German renewable policy was very effective, because we have seen large increases in renewables in the last years. Last year the share of renewables was 23 percent and it increased rapidly in the last years, so it was very effective. For such effectiveness, it had to be very attractive to invest in renewables, which means that you have to give high incentives for the investors. These incentives have led to an increase in wind power, for example, of about 2 GW per year, in PV of 7 GW per year because of these incentives. This led to a decrease in the cost of renewables in the last years, since we could use economies of scale and push forward technological development. The cost of PV decreased from more than 40 cents to 20 cents or even lower, and they are continuing to become cheaper. In fact, Germany is buying down the global learning curve of these technologies. It has now, however, also been shown to be a very costly policy, because the state costs increased along with the penetration of renewables: in 2012 we spent about € 20 billion in the promotion of renewables.

It is actually the second highest electricity price for households that we see in Europe, probably in the world after Denmark. So the need for reform is now really in the forefront of the political discussion, because we feel that the need for a fixed 20 year technology specific feed in tariff or subsidy for renewables which is for example

totally taken away all the risks from the renewable investors, and we have seen that this has to be reformed. It was a good system, starting with the process for the infant stage, bringing renewables to 20 percent, but it is not a model we want to use for the next steps towards this 80 percent target. This is a discussion that just started, but you know we have elections this year, so it will be up to the new government that will be elected end of September to start this reform of this renewables system, and I think that has to be a profound reform which includes market integration of renewable and would also include a better market oriented support of renewable technologies in the future.

Wu Libo: As you mentioned elections, how do you think about uncertainties with such kind of long term green strategy?

Andreas Löschel: Well of course there are political uncertainties on the track, and I am sure that over time we will adjust our way forward. We don't know how we will move to this target and that means we have to be flexible anyway, to see whether policies are economically viable, whether they are environmentally sound, whether they actually contribute to energy security, so we have to maneuver. Political uncertainty is something that adds to this problem of being flexible and achieving our targets because new governments of course as well have new views on balancing these different targets. On the other hand we can see that the general idea gets bipartisan support in Germany, so even if there is a fight about the emphasis and the specific measures to implement, the general idea is supported by all parties. So therefore I do not think that if we get a different constellation at the end of this year we would see a totally new energy policy in Germany. There will be adjustments, but this was supported by all parties so that is really carried by the voters in Germany, by the parties. But that is also a reason why, as economists, we want to make sure that this transition is done in an economically efficient way, not to burden too much the households and the industries that would of course cause resistance to this transition. And we have to show that this is actually a positive vision for the German people, we have to make it in an efficient way that does not cause too many wasted resources on the way to this long term goal.

Wu Libo: To take this in a different direction, coal is a serious environmental and air pollutant, yet Germany is one of the world's largest coal producers. Why is Germany so far not able to decrease its coal dependence?

Andreas Löschel: If you look at the German electricity system you notice that

coal plays an important role. Around 45 percent of the electricity in Germany is produced by coal, and that has been like that for a long time. Coal was actually one of the traditional bases of the German electricity system, and it still is today. Coal is an environmentally dangerous and unfriendly way of producing electricity, especially lignite, but in Europe we have an emissions trading system. The idea was to cope with the CO₂ emissions from coal with the emissions trading system. Yet as we have just discussed, the prices in the emissions trading system are very low at the moment, around € 5 per ton of CO₂, which means that shifting away from lignite to gas powered electricity generation is not possible, or not economic at these prices. Gas prices went up, coal prices went down, and CO₂ prices are very low, so we are actually continuing with coal production.

I think people are not so worried about local air pollution. That is an issue which is not so much in the forefront of discussion, as there are environmental regulations to deal with local air pollution problems. For example, we have a big coal plant right in Mannheim, yet there was very little resistance to building a new power plant in Mannheim because people are convinced that this local air pollution problem is taken into account by various measures. We also, however, have the global pollution problem, and there we see that the last year actually showed an increase in the use of coal. Our main instrument is the emissions trading system, and we don't want to take really concrete measures apart from regulations in phasing out coal power. We want to do that with market based instruments, and the market based instruments do not have sufficiently high prices. We would probably need prices over € 20 per ton of CO₂ to induce this shift away from coal power. Lignite is a domestic resource, actually the only domestic resource Germany has; it is in fact the fifth largest reservoir of lignite in the world, so this is very competitive in the moment. I think as long as we show that we are on track with our CO₂ targets, there will be no other measures. If it becomes obvious that the ETS is not delivering on this track, I think that people will think again about the use of coal in Germany.

Wu Libo: Maybe by then CCS will have become more cost effective.

Andreas Löschel: That is, of course, another issue. We have already talked about shale gas. We have seen that there is quite some scepticism of the German people concerning these kinds of technologies, so they actually oppose shale gas use, and they oppose CCS. We therefore stopped most of the demonstration projects in Germany, which is a pity because it might be a technology for the future. I am still convinced that will be a technology of the future, but that it will not be applied first

in Germany. Actually, given the global nature of the problem I think it is better to have China being a front runner on that. Obviously you have other problems of coal use in China such as problems of air pollution due to inefficient coal plants. I guess the situation in Germany is just different: the coal plants in Germany are much better than the average coal plant in terms of efficiency, in terms of environmental impact. In our case it is mainly discussed through the lens of the ETS, and so I think we will not see any concrete interventions with respect to coal power because the problem is posed differently in our context.

Wu Libo: About the German energy's strategy in North Africa, where are 20 percent of solar energy. In 2009, Germany started Desertec to catch up this energy from the desert to Europe. Can you talk about it?

Andreas Löschel: Desertec was a visionary project of the German industry. The idea was that we will get part of our energy from regions in the north of Africa that are more abundant in terms of solar and wind energy than Germany. This was initiated in 2009, but I think the enthusiasm has cooled down a little, though the project is still continuing. I think it will continue under a different perspective. It will be less about delivering energy to Germany, which is a difficult project anyways, with the high voltage transmission lines that would have to go through Spain and France to Germany. Nowadays we see it more as a possibility to develop the North African region in a sustainable way. So it is not so much about delivering energy to Germany, but more about delivering renewable energy to the North African countries in the process of their development. Many of the companies have withdrawn from the project, so it is not as strong as it was some time ago, but I am sure that they will not drop it completely. This initiative will be shifting focus; in the region we had the Arab spring, this new movement which we should support in terms of its energy development. That could be the contribution of the German industry, providing technology for a more sustainable development in the region.

Wu Libo: Since the regional distribution of renewable energy production in Europe is quite uneven, will this necessitate gas and clean technology as a balance?

Andreas Löschel: At the moment in Europe we have individual systems of support in each of the member states. Of course we know that the potentials are distributed unevenly in Europe, especially if you think about solar power in the south, hydropower in the north, wind power in the north west of Europe. At the moment

we are not really exploiting these potentials because we have individual systems of support in the different member states. One of the proposals which I think was a good proposal was to build a European wide system of renewable support, which would mean that we make better use of this difference in resources, and have for example more wind development in the north west or more use of hydropower in the Scandinavian countries. That is something we don't have at the moment, which means that Germany, for example, is regretfully not the sunniest country in Europe, but the biggest PV user in Europe. That is not efficient, and we think we can develop a more efficient system in Europe. Since we want to work towards a unified European energy and security market anyways, this would not pose problems in the long run in terms of energy security issues, because we will have one market for electricity with a much improved grid between the different member states. Then you can think about having a better distribution of the renewable sources over Europe. At the moment we don't do that, and we don't have the infrastructure ready in order to transport renewables over long distances, but that will be something that will be absolutely necessary in this energy transition. We already have this vision for Germany, because in Germany we have the same uneven distribution: we have most of the load, the consumers, sitting in the south, while we have most of the production of wind in the north. If we want to increase the production of wind in the north we will have the problem of transporting electricity over long distances, wherefore we want to develop new HV TC networks that will transport the renewables over long distances without a big loss of energy. This technology will hopefully be used for taking better advantage of the possibilities of the resources available in Europe.

Wu Libo: Isn't the energy transition a show of romanticism?

Andreas Löschel: I wouldn't call it romanticism, because in the end we are facing serious and very real long term challenges. The question is how we address these long term challenges. Long term benefits are coupled with short term losses - that is the problem that everybody is facing. All governments have to make the decision of whether they are willing to incur these short term costs in order to improve the long term situation. The German government sees its responsibility in addressing these long term targets, and it is trying to act on this responsibility. It should not act in a foolish way, so of course we have to make sure that our living standards are not endangered by environmental policies. On the other hand we have a responsibility as one of the leading industrialized countries, and we want to step up to that responsibility. We do this not in a romantic manner, but in a manner that takes an advantage of opportunities in the long run. We know that we have scarce resources,

we know that we have a climate problem which is going to accelerate in the future. So we follow a long term realism, by trying to be front runners in energy efficiency, in resource efficiency. We think that in the long run this will be the real challenge, and we want to be on the fore front, instead of lagging behind. But as I said, we always have to tread carefully, in order to make sure that these policies do not impose short run costs and short run problems to industry or households - that is something you have to balance all the time.

Wu Libo: Ok. The theme of this year's Forum is Harmony in Diversity. Are cap and trade systems like the European ETS a harmonious solution to climate change utilizing the diversity of market participants?

Andreas Löschel: The EU ETS is trying to do exactly this, it is trying to find the cheapest solution to reduce CO₂ emissions, independent of emissions in the European Union. This is the most efficient way to reduce emissions, but you may be burdening member states differently by this policy. Therefore there is a system in place which tries to harmonize the benefits and costs of these policies, meaning that the different member states get different shares of the receipts of the CO₂ ETS. We are now moving mainly to an auction system of emission quotas, whereby the income from the auctioning is distributed to the different member states. This distribution tries to take into account the burden that the different member states have to carry, their economic prosperity and situation as well as the environmental soundness of the policy. We therefore look to places where there are the least costly solutions, but we also try to balance the burden that comes with this least cost solution by redistributing the income from the auctioning to the member states in a way that was agreed upon by all participants. In the construction of the ETS and now also in the continuation - we are in phase 3 that started in 2013 - we enacted new rules for these distributions of the benefits from the environmental ETS. Therefore as you said, this is something that combines an economic approach with a burden sharing between different member states.

Wu Libo: And yet you said that the price of CO₂, for example, is too low at the moment to effectuate a change from coal to gas.

Andreas Löschel: The price is low, but I think we have to take into account why it is low, and understand that this is to some extent a reflection of the economic crisis we had after 2009. The demand for certificates dropped strongly, so we have an excess demand of certificates on the market - so we have to learn that the system

has to be better sheltered against economic fluctuations. Another reason for the low price is the extensive use of cheap permits outside of the EU through the flexible mechanisms. This is another lesson: we have to be very cautious about how many certificates we want to have in our system. We have a lot, which added to the surplus in emissions. The third reason is that we gave a lot of certificates to the industry for free, and given the economic situation at the time we were very generous with free allocations. In some cases companies got more certificates than they had actually needed for their emissions, so they could even sell certificates and profit from them. When we discuss reforms of the ETS we have to address all three components. This, however, will be something that will not be fixed quickly, because the third stage of the EU ETS has just started, and I think many of the EU member states are unwilling to change the rules of the game just five months after starting the new phase. We are now discussing the targets for 2030, the targets for CO₂, for renewables, for energy efficiency. We are also discussing whether there should free targets again as we have them at the moment for the euro, and we are also discussing how stringent these targets are. I think we have to take into account this situation, especially when we move from 2020 to 2030. We have to set ambitious targets to show investors that while the prices might be low now, we have a long term dedication to achieve our targets, so it will pay off if you invest in carbon technologies today. You have to take into account that most of these investments are there for 20+ years, so these are long term investments. Investors must see that the current situation might continue for the next years, but not in the long run. If we factor this in, we can again induce more investment in carbon technology. I think that is something that we have to start very quickly, setting this ambitious target, taking into account the three problems that we face with the ETS today.

The World Financial Architecture Is Moving Towards Multipolarity

Editor: Silvan Griffith



H el ene Rey

Professor of Economics, London Business School Fellow of the British Academy. In 2012 she received the inaugural Birgit Grodal Award from the European Economic Association honoring a European-based female economist who has made a significant contribution to the profession of Economics. In 2013 she received the Yrj o Jahnsson Award, shared with Thomas Piketty.



Interviewer: **Lin Shu**

Professor, School of Economics, Fudan University

If you are going to go for a currency union, you should also go, as a strict minimum, for a full banking union at the same time.

Lin Shu: You have done considerable research on international monetary systems. In your view, what are the main problems of the current system?

H el ene Rey: In my view, the current system has led to an excess accumulation of reserves. You can see the accumulation of reserves in one way, which is the effect it has on interest rates. As we know, they have been trending down, which we can

probably blame for some effects of the financial crisis. Since the interest rates are very low, you can have more risk-seeking from the point of view of financial institutions, so one possible way to solve this issue is to help countries building contingent precautionary savings, instead of having reserves. If you don't have the availability of contingent precautionary savings via, for example, the International Monetary Fund (IMF), then your line of defence is to accumulate foreign assets, like China. If, however, you have a better-functioning lender of last resort, a better IMF, then you do not need to accumulate so many precautionary savings. Instead, what you can do is to grow more on credit lines. In a report I wrote with Emmanuel Farhi and Pierre-Olivier Gourinchas we propose to increase the amount of resources available to the IMF to allow it to borrow on the market directly. Therefore, in crisis times people can borrow from the IMF, countries can borrow from the IMF, so to put in place more formally the system of swap lines, that was put in a very ad-hoc way in 2008 at the height of the financial crisis, and that helped a lot for the dollar shortage. But it was a very ad-hoc way of doing things, and we suggest there is a way of making things a little more formal, in order to have a more efficient defence.

Lin Shu: I noticed that you created a very interesting idea that is called the new Triffin dilemma. Could you elaborate on that, since you believe that it is one of the causes of the problems of the international monetary system?

Hélène Rey: I'm not sure if it is one of the causes of the troubles, but I can certainly elaborate on what we call the new Triffin dilemma. So turn to gold, that is to say you could convert your dollars into a fixed amount of gold, but there came a time when external demand for US dollars was very large, so US liquidity was very large in the external world outside the United States, so in the 1960s, there came a time when people had to have doubt whether all the external dollars could effectively be redeemed into gold at the fixed exchange rate, simply because the stock of gold was not growing as fast as the external demand for dollars, so at some point you would have to ask the question: with all the people who have these dollars, are they able to convert them back into gold. And if you believe that this is not possible, then you have the possibility for some kind of run, a run against the dollar. If I have dollars now, I want to convert it the first into gold, because if I wait, I may not get my gold, right? So that's the idea behind the old Triffin dilemma.

What we learned from this is that a similar type of issue may arise in today's world. The dollar is not backed by gold anymore, so it is not exactly the same, but what underpins the value of the dollar and the value of US government bonds is the United

States' fiscal capacity. It is the ability of the US treasury to deliver on the value of US government bonds, US treasury is now being held abroad. Now the demand for this US liquidity, the demand for these government bonds is growing fast, because the world outside the US is growing sometimes faster than the US itself. Therefore there comes a point again: where there is a lot of external liability for the US in gross terms where there is a big stock of external liabilities of external government bonds which are backed effectively by the fiscal capacity of the United States. But the size of the US - and its fiscal capacity relatively in the world - is probably decreasing, so at some point we are again faced with the legitimate question of whether the US fiscal capacity will be large enough to back all this foreign liquidity. We may even consider scenarios in the future in which this will not be the case. At that point, countries that want to diversify a little bit more beyond this dollar liquidity may ask for different types of assets, different types of currencies as liquid assets.

And looking forward very far ahead, one can ask what countries can actually issue international currency, so if we go away from the dollar, what is going to replace the dollar? And it is a question which is obviously full of uncertainty, but one certainty, if we look in history, is that it is always the big countries, the big economic masses, or the big traders in the world which have given international currencies. So we had the sterling when the UK was the dominant economy and the big trading power, and then we shifted to the dollar when the US became bigger, much bigger in fact than the UK, and when it became the biggest world trader in terms of trading. So looking forward, in terms of economic masses, we have the EU area on one side, but right now the EU area has governance issues to overcome. Then there is also China in terms of economic mass. However, to issue an international currency you do need quite developed financial markets and you would need capital account liberalisation and things like that.

Lin Shu: So you mentioned that economic mass is very important, but I also know that you have a paper that talks about the role of trade. In that paper you point out that the financial centre of trade is more important than the single economic size, in terms of international currency.

Hélène Rey: Right, but what is usually important is the magnitude of the trade flows and you usually have to be a large economy to have large trade flows. It is not one for one, but if we look again historically to the UK, we see that it was the first country to have an industrial revolution, it had the most advanced economy and it was also the biggest trader. Then the US became the largest economy, and it became very important in international markets for goods and services. So in that respect, we wouldn't see Luxemburg, however stable its currency might have

been before joining the Euro, you wouldn't see a country the size of Luxemburg issuing international currency.

Lin Shu: Do you think that the future of the world financial architecture is going to move towards multipolar system or that there will be a currency that will be used as a common currency for the whole world? Which one do you think is more realistic?

Hélène Rey: I do think that the trend is towards more multipolarity, and this is simply because of a shift in relative economic mass. We have seen a shift towards Asia in terms of GDP, in terms of trade, and of course in terms of population. Let's look at history: When the UK got smaller relative to the US, the sterling remained the main international currency for a while, and in particular, London remained an important financial centre for a while,

This happened even though the size of the UK economy was relatively small compared to the size of the US economy, so there was a lot of inertia. When you are a key currency you are used by many people, there are very few incentives to deviate from this equilibrium. If you are the only one who decides to trade tomorrow using the RMB, then it is not going to be a very efficient process for you, because you will have to search for your counterpart. Everyone else is using dollars, so it is going to be much easier finding someone trading dollars, then the incentive to deviate is against you. There is a lot of inertia between the systems, so there is a time lag between the time that economic masses shift in real terms, GDP, population, trade flows etc., and the time when there is a financial change to another currency. So we saw that from the transition from sterling to the dollar, and now what we are seeing is that the economic mass is indeed shifting to Asia in terms of GDP and trade flows, but the financial flows have not really shifted yet, and if history is of any guidance, this will take time, especially if the development of capital markets in something like China is just not there yet, so we are really talking about a very long process here. But I think the trend is definitely towards multipolarity.

Lin Shu: People here in China are very interested in how the RMB can become an international currency, and also I know that Shanghai has the dream of one day becoming a financial centre, not only a regional financial centre but a world class financial centre, like New York or London. But of course that takes a lot of time, so what are the main determinants of a world class financial centre? Or what should a country do in order to achieve this goal?

Hélène Rey: Well firstly it seems that in order for your currency to be widely used you would have to withdraw quite a few limitations on convertibility. It is still the case in my understanding that there are lots of restrictions on portfolio flows and FDI, and so one of the first things to do is to make the currency more freely tradable. That obviously has to be done carefully, because you don't want massive portfolio flows, nor massive volatility if you are not hedged against the volatility. You have to take a careful look at the balance sheets of various financial institutions in order to make sure that this is done safely, and all the regulatory environment has to be developed further. This is a very important development for the state. Knowledge builds gradually and you need a lot of human capital, so there are lots of agglomeration effects. You need to build a critical mass of know-how around a financial centre.

Lin Shu: Regarding the issue of capital account openness and a lot of emerging countries, they want to open their capital accounts, they know the benefits of having free capital flows, but they worry about protecting their currency from capital flows. What should policymakers in emerging countries do to enjoy the benefits, but also to prevent a crisis?

Hélène Rey: This is obviously a very long question and a big issue in international economics. It seems to have indeed been the case that a lot of emerging markets which have opened up have been very procyclical and destabilising. Not only emerging markets have suffered in fact, if you look at some of the capital inflows into Spain or Ireland. When you have free capital mobility and you are not checking what is going on within particular credit or short term flows, then it is very likely that you at some point get a capital flow bonanza which is going to overflow your financial system and eventually lead to a bubble in asset prices. If it is a bubble in real estate prices then that is very serious, and you will have a crisis which is extremely damaging and can potentially blow up your entire financial system. These are things that are very dangerous. We have suffered from this procyclicality of capital flows in many crisis situations, the last one being the euro area crisis, so we have to be very careful with that.

So what can we do? Firstly we have to be aware that free capital mobility may not be the optimal thing to do at all, in particular when we look at credit flows which sometimes turn out to be more procyclical than, say, FDI flows. So what do we do? We have to put together a set of tools, which we can call macro-prudential tools(or capital controls depending a bit on what their target is and what they are doing) which allow you to dampen the procyclicality of the capital flows, taking the

characteristics of the country's market into account. In particular on the real estate market, you have to be very careful. There are capital flows usually in domestic distortions such as subsidies to real estate, for example. When there are a lot of flows coming in from abroad sometimes these subsidies interact with these flows and with credit growth to create bubbles. If necessary, we therefore have to remove the subsidies, do some fiscal adjustment within the country, adjust loan-to-value ratios, adjust debt income ratios and be very careful about lending standards. So we want to keep a close watch on these issues: on a micro level through the supervision of banks; on the macro level through fiscal policy and macro prudential policy. We may want additional capital cushions at the macro level to increase the capital requirements, to make sure that this procyclicality does not occur so much. There are lots of people that have experimented with such sets of tools around the world and now I think we can learn a little bit more about how to do that.

Lin Shu: So, careful surveillance and some kind of prudential mechanism seem to be very important for emerging countries in terms of capital accounts. You mentioned earlier that the world GDP is shifting from the West to Asia. We know that the economic level of integration is already very high in European countries, but it seems that the economic integration is low in Asian countries. Should Asian countries take such steps as European countries did several decades ago?

Hélène Rey: Integration has different meanings. Firstly, the European countries tried to create a common market for goods and services, and this seems to have been to have been a very positive step. The integration of product markets has created lots of regulatory issues that have certainly been challenging in the European context, and would probably also be challenging in the Asian context. This first step is extremely important before even considering going towards a currency union. Of course, if you make that step and try to make an integration market, then the introduction of a common currency is a way of completing the integration of the region. This is a desirable set, provided you learn from the European experience: if you are going to go for a currency union, you should also go, as a strict minimum, for a full banking union. This is because if you have banks with market capitalisations which are several times the GDP of certain countries then you have a link between sovereign risk and banking risk which has proven deadly in the crisis. The only way to break that link is to have a full banking union, i.e. to keep the size of banks relatively small compared to the aggregate size of the area. Market capitalisations of Irish banks, for example, had several times the size of the Irish GDP. When Irish banks went bankrupt, they actually bankrupted Ireland. The same thing happened in both Iceland and Spain, so

this is a very important lesson which should be adapted in the context of the Asian financial system. This is something that the Europeans have - and still are - learning the hard way.

Lin Shu: You just made a very interesting point. You highlighted the importance of a banking union, but I heard a lot of people say that it is important to have a fiscal union. Do you think it is also necessary to have a fiscal union?

Hélène Rey: I happen to think it would be desirable to have a fiscal union, but I do not think it is necessary to have a fiscal union for a viable currency union. I do think it is necessary to have a banking union, though. If you do not have a banking union, I believe the currency union will end up being unstable. However, please note that in a banking union you do need to share your resources a bit, in the sense that you need at least some amount of common resolution fund, full of common money that you can use if there are big banks that go bust. You need to be able to have a resolution for these banks and you need to be able to have a fiscal backstop, just in case of a problem. So you do need a minimum of resource sharing, but you do not need a fully fledged fiscal union. I think this makes the whole process more politically feasible, because a fiscal union requires considerable political will from all member states in which they give up a lot of sovereignty, and I do not think we are quite ready for that yet. So although it is desirable, I do not think it is really feasible for the moment - while a banking union might be.

Lin Shu: What is the situation in the euro area and how will we solve it?

Hélène Rey: It depends completely on the political steps that are still to be taken. We have stabilised the situation for the moment, and now it is up to all the euro area countries to bring a little more momentum into their economies, by doing some more reforms and also by having more coordinated fiscal policy and a little bit less fiscal austerity, a little bit more aggregate demand, so that you can get out of the feeling by having more accommodating monetary policy and fiscal expansion when possible, by having a little bit more expansion at the EU level in terms of the European budget. So there are things that definitely can be done there. Each individual country has to take steps which depend on their respective situation.

Lin Shu: Should the EU further extend its monetary policy?

Hélène Rey: Yes definitely. We have seen that suspend-suspense-sustain, the ECB has taken some very important steps. One step was the long term refinancing operation, the LTRO, which has helped the banking system. The second very important step was the announcement of the OMP by the ECB which has effectively stabilised the yields in some of the bond markets of the periphery. These were very important steps, particularly the OMT, which allowed for a better transmission mechanism of monetary policy, and so now still more steps can be done in terms of expansionary monetary policy, but these were really decisive steps.

Regarding monetary policy, I noticed a very interesting shift in monetary policy and the link between money growth and inflation after the late 1990s. Before the middle 1990s there was a very tight relationship between money growth and inflation in major economies, but since the middle of the 90s this link seems to have disappeared.

I have not personally done any research on that topic. I will, however, point out that this drop in velocity, this link which has been broken between the monetary growth and the inflation, is something that we have also observed very clearly during the great depression. If you look at the statement of Irving Fisher written in 1933 that was published in *Econometric* and in which he describes all the symptoms of the great depression, he has very precise charts in which he points out exactly what you were saying. The link between money growth and inflation completely broke and, again, it was because there was a lot of holding and precautionary saving. Therefore, the money that was printed - and that was on the balance sheets of the commercial banks and the reserves of the central bank - was not finding their way into the economy at all. So there was no credit growth, and you could say there was a credit crunch.

That was in the Great Depression, and that is very similar to a pattern that we have observed in the current situation. It is well described by people like Paul Krugman, and it has also been talked about in the context of Japan. This is a liquidity trap, where there is a lot of cash holding. There is a lot of liquidity being created, but since it does not find its way into the economy we do not have inflation - in fact, rather mild deflation. So this is something that does not come as a surprise, because people have looked at the liquidity trap issue, have read Krugman, have read Keynes, have look at the Irving Fisher paper of 1933. It is not normal for the economy to behave like that, but it is something that from a model point of view is known.

Asia Should Learn the Lessons from the West on NCD

Editor: Huang Xinyi



Michael Merson

Interim Vice President and Vice Provost, Global Strategy and Programs, Duke University



Interviewer: **Fu Hua**

Professor, School of Public Health, Fudan University

This is a very great country, and you should learn the lesson from the west that we went through, and keep your population from getting sick with non-communicable diseases.

Fu Hua: In China, the prevalence of smoking is very high, when we talk about NCD prevention this is the high priority for prevention of NCD. What do you think when faced with this great challenge, what we should do in China?

Michael Merson: Certainly I agree with you that right now non-communicable diseases are the highest priority. The media gives a lot of attention to the viruses like avian flu, and TB. Of course these are problems, and we need to take them seriously. But by far the greatest threat to the billions of people in Asia and the Chinese population are the non-communicable diseases, particularly like stroke, diabetes, cancer, but also the mental health problems. These are great challenges.

It is interesting for me that some of the countries in the west faced this problem a generation ago, and learnt how to deal with the problems. Unfortunately, those lessons are not being applied in Asia, or in China, to my great disappointment. It looks like you are going to go through the same sad stories of many people dying early, many people getting sick early, and not having a long and happy life.

The main two risk factors are smoking and diet. With regard to diet, of course it is eating too much fat, and not enough grains and fruit, and also far too much salt, which results in serious problems with blood pressure and stroke, which is a very big problem in China.

About tobacco, I think there is no doubt that the greatest threat to the health of everyone in the world is tobacco. Sometimes people ask me, what is the world's greatest pandemic? And they think of AIDS, but for me, the world's greatest pandemic is the use of tobacco. Look at 2030, there will almost 180 million deaths from tobacco, most of them will be in middling income countries. Tobacco is a terrible very serious risk factor for heart disease, and of course for respiratory disease, and for a lung cancer, which is the leading cause of cancer in men and women in China. So I think that the risks are profound from tobacco, and the consequences are great.

Now what to do? The experience in countries like Singapore or the United States is very much that you have to make some policy changes. There is a global framework, adopted by WHO Convention on Tobacco Control. But it is very easy to sign a document, while it is another thing to act on the document. In the United States, probably the biggest effort has been on tax. To put the tax very high so the cigarette packet will cost a lot of money. And if the cigarette cost a lot of money, fewer people will buy. And you know that we should focus our efforts on young people. Because tobacco is so addicting that once you are hooked, you are going to have a hard time unhooking. So we need to be sure that we keep the price high, and educate our young people, from the time they are five years old, right through the teenage years, about the risk of smoking particularly in China. Now I hear about other reasons that why people smoke, like people have too much stress, women like to smoke so that they keep their weight down. I know the arguments, but the consequences are so great later in life that we need to make people realize that, and we need to give them other ways to relieve their stress, for example, they can exercise, take a break from work, and for women they can eat healthier, if they are worried about their weight.

But it is going to require political will much more than a health system. We need the education system, the finance ministry, the trade industry, and a response not just in ministry but at all level, including the central level and the provincial level. Because there are decisions made at all levels that have an important impact on smoking everywhere, including in China.

Also in China of course, we need to provide incentives for farmer who is growing tobacco to grow some other product. There has to be a decision made on provincial level to encourage them to grow something else that can make as much profit for them, because everybody wants to earn a good living, therefore you cannot just say to the farmers stop growing tobacco. You need to give the farmers some other incentives.

Fu Hua: You talked about risk factors, one is the tobacco, and another is the diet, and also physical inactivity. And for tobacco, maybe you mentioned for policies and multi-sector cooperation. For the diet, and also the physical inactivity, what is the solution for this?

Michael Merson: Again we need to make sound policies. With regard to diet, we need to educate particularly young people on the importance of eating healthy, to look good and also to have a long life. We maybe need to use popular celebrities to promote safe eating. We also need to put some policies in place that will help people eat. For example, what food do we use in the schools? We should only use healthy food, no soda pop in the schools, not even near the schools. Because children take many calories from eating carbonated soda and sugar beverages. Also we can talk to the industry. We can ask the fast food industry to cook with healthy oil, to reduce their calories in their meals, particularly the meals for children. It will be better if they volunteer to do this, if not, maybe we have to impulse certain policies.

Also for salt, we can think about how to make people to have less sodium chlorite. We can put spoons in the home, or we can replace the sodium chlorite partially with potassium chlorite. I know the taste is not quite the same, but maybe if we give people at young age, they will start to develop that taste.

So it is going to take multi-sector approach. We need both to educate and make strong policy and maybe we have to legislate to get the success that we need. You know in New York City, you now have on the menu the calorie of every meal that you order in every restaurant in New York City. It makes a lot of advocacy and makes people more conscious of the problem.

About physical activity, when I first came to China thirty-five years ago, I went out on the street, I didn't see any car, everybody in the riding a bicycle, everybody taking Tai- Chi. In the morning, the streets were full of people doing Tai- Chi. Now I go to street, I see BMW, I see Toyota, I see KIA, I don't see bicycles very much, and I don't see too much Tai- Chi. And I look on streets for fitness facility, I don't see fitness facility. When you go to the United States, you can find a fitness facility everywhere, even in the work place. Many work places have fitness facilities. All businesses and schools should have adequate facilities for people to take a break, to exercise and shower afterwards. We also need in our schools to have physical education programs, during school, or after school, and we should make them compulsory, so that all young people are exercising. Every adult should exercise thirty minute every day, even just walking is fine. We say every adult should take eight thousand steps a day. It is a wonderful goal to have. So I think it is possible. We need the public to demand these changes, and maybe then a policy maker will take the need more seriously.

Again we have to get the private sector to work with us, not to fight us. Because they have more money, they can do more advertising, and so they need to be our partner and see that they don't have to lose their profit, if they are also making people healthy.

Fu Hua: About NCD prevention and control, what can the healthy system to do about it?

Michael Merson: Unfortunately, most people reach the health system after they are sick, with non-communicable diseases. But I think that the health system first can play a role in prevention. When they are seeing a young person for vaccination, or when a mother comes and check up for pregnancy, they can talk about healthy diet, no smoking, and healthy living. We could look up for all opportunities to educate people about prevention of chronic disease. The difficulty of course is that most of these diseases have long incubation period, so people are not seeing the benefit quickly. But we should let them know that the health care worker is trusted. And that health care worker should see as their routine responsibility to educate people.

In China, we know that most people with high blood pressure, but they don't know they have it. And if they knew, they could reduce their salt, maybe take a diuretic and something stronger to treat their high blood pressure. So the first and foremost the health sector can help on prevention. If you have a high risk and you are a mid-aged adult, if your family has heart disease, you can take Aspirin once a day. Aspirin is very effective to prevent the heart attack in people with high risk disease. So for

me not only the doctors, but health sector needs to think more about prevention. Now, if people become sick, with high blood pressure, or stroke, or heart attack, or angina, or cancer, we should make sure we need to provide them with the best care, and to learn to help them manage their disease. People need education on how to live healthier, and how to keep their chronic disease from getting worse.

Fu Hua: Our Forum will focus on Asia, for it is the hottest economic developing area in the world. Mental problem has become a high risk for people in China and other places of Asia. It is the one of the high risk factor that WHO is focus on. How do you see the mental health and NCD prevention?

Michael Merson: You make an important point that the Asia economic grows very quickly and China is becoming the second biggest economy, maybe quickly the biggest. I think maybe this happened so quickly that people forgot the social dimension and they are now feeling economic invincibility, that anything can be changed by having a strong economy.

One of the prices China and Asia is paying for the rapid economy change is the rapid social change, more urbanization, more industrialization, more globalization, aging population, all of these things have come about as result of economic development. These changes come about so quickly that the policy makers have been too slow to act. But they cannot wait any longer. The longer they wait, the greater the consequence will be.

Now alcohol is a risk. A little bit of alcohol probably is protective for heart disease, but we should not exaggerate that. Alcohol is in moderation acceptable, but in excess can be harmful. People who are drinking too much can have a liver disease, fatty liver in particular. So we also care need to educate the public, and also have very strict rules. For example, I know in China, you have strong rules on driving, it is very good, and it must be enforced. I have noticed that my last few visits to China there is less Mao-tai, and less wild drinking in dinner. I think it is the healthy good thing to do, I think the government is doing the right thing to enforce the drinking in moderation.

The problem about alcohol reflects the stress people have. So how else to relieve their stress? So I think we need to have policies into the work place. For example, people can take break in the day, people can exercise more, be sure to use their vacation. If we create a norm where some break to release the stress is done everywhere, that

hopefully everybody will feel comfortable have such break.

China has a competition culture. The competition starts at a very young age. I see the students who come to the U.S. that they have tried so hard compete the exam and it's something that they start very early in life. I think the Chinese government needs to think about that: Are there other ways for young people to demonstrate their excellence? Are there other ways for young people to achieve their goals without so much stress in the youth? Because I think that early youth stress doesn't go away. It is something grows into adulthood and affects their well-being.

Fu Hua: I think your comment and the point you made is very helpful. Thank you very much.

Michael Merson: Thank you. This is a very great country, and you should learn the lesson from the west that we went through, and keep your population from getting sick with non-communicable diseases.

We Are Again in A Position Where We Don't Have An International Monetary System

Editor: Robert Orr, Che Rui



Robert A. Mundell

Professor of Economics, Columbia University. 1999 Nobel Laureate in Economics. He has been an adviser to a number of international agencies and organizations including several governments as the United Nations, the International Monetary Fund, the World Bank, the European Commission, the Federal Reserve Board, the US Treasury, the Inter-American Development Bank, and companies and institutions throughout the world.



Interviewer: **Zhang Jun**
Professor of Economics at Fudan University, Director of the China Center for Economic Studies



Interviewer: **Lin Shu**
Professor of Economics, Fudan University

The creation of the euro area developed a monetary bloc comparable with that of the USA. China's growth also suggests that it has the potential to be equal with the dollar area and the Euro area. So now we have to sit down and consider what the best kind of monetary system is that will be suitable for an upcoming and emerging new system of different structures and political power configurations. We have an opportunity to make a new and better system to replace the current one and the defunct ones of the past.

Lin Shu: What do you think of the current international monetary system and what is your view about the future of international monetary architecture?

Robert A. Mundell: Let me begin by mentioning the fact that 2014 is the 70th anniversary of the Bretton Woods conference in July 1944, when economists got together to work out a post war monetary system. Because of the setbacks in the 1930s and the second breakdown of the gold standard, they needed to plan for the future. Although this was during the World War II, they managed to set up a postwar system which fixed the price of gold to the United States' dollar and other currencies. There were a few mistakes and the system worked quite well for a while, but it was eventually replaced with a new system using managed and flexible exchange rates.

Today, we are again in a position where we don't have an international monetary system. The Bretton Woods system broke down in 1971 when Nixon took the dollar off the gold standard so that the dollar was no longer convertible to gold. Other countries took their currencies off the dollar too. Shortly after that, they went back to a fixed exchange rate system based on the dollar in the Smithsonian institution in dc. This system didn't last long. The pure dollar standard was a pure exchange rate, but there was no agreement on how or who was going to determine the inflation rate. Before, the amount of gold was able to determine all this, but the USA's monetary policy would determine settlements, but there was little agreement on this because the Europeans thought US monetary policy was too expansionary for Europe and they didn't want to appreciate their currencies in this way.

So in June 1973 it was decided to scrap the international monetary system and let fluctuating rates come into being. There was no agreement on it. Europeans wanted to get back to a fixed exchange rate system, and other small countries wanted to too. Eventually, there was an amendment to the International Monetary Fund's Article of Agreement, so now we have a new system of managed flexible exchange rates.

The creation of the euro area developed a monetary bloc comparable with that of the USA. China's growth also suggests that it has the potential to be equal with the dollar area and the Euro area. So now we have to sit down and consider what the best kind of monetary system is that will be suitable for an upcoming and emerging new system of different structures and political power configurations. We have an opportunity to make a new and better system to replace the current one and the defunct ones of the past.

Lin Shu: The post 1970s system seemed to work quite well till recently. It is also quite strange that the current problems are not related to the traditional dilemmas, but are more related to the recent financial crises. What are your thoughts on this?

Robert A. Mundell: From a mathematical perspective, the idea that every country in the IMF can use their own flexible and managed exchange rates, their own monetary policies and their own separate rates of inflation with no connection between them is completely ridiculous. There are 188 members of the IMF, 17 countries in the euro area have only 1 currency, and that means about 171 countries in the world each have separate fluctuating exchange rates and independent prices. There's no possibility of finding common prices, nor a cheapest market. There's thousands, millions, of cheap prices to cope with. It's been partially successful because the dollar has been serving as a global unit of account.

Despite this however, a series of systemic crises have continued to impair the international monetary system over the years. There was the oil crisis in the 1970s and the international debt crisis in the 1980s, which was when Mexico and other Latin American countries defaulted. There was also the savings and loan crisis, the Asian crisis in the 1990s, and now the most recent international financial crisis. Each of these was caused by big changes in exchange rates. The one in the 1980s was caused by a combination of the dollar going way down, and the European currencies soaring. The developing countries borrowed a lot when the dollar was low, but then they had to pay back increasingly high prices that bankrupted them and caused the crisis.

The Asian crisis was initially caused by the RMB devaluation in 1994, but the depreciation of the yen from 1995-98 had a larger impact. The dollar went from less than 80 yen to 148 yen. This knocked the strong dollar, which then knocked all those other currencies that were involved in the Asian crisis. The crisis that came in 2008 followed the subprime mortgage crisis and the big bailouts by central banks in August 2007. The crisis itself though was because of the dollar soaring again. It was this flight into the dollar safe haven that has continued to knock weaker currencies and produce huge swings in exchange rates.

To follow all this up, in 2011, the French president of the G20, Sarkozy, made 3 critiques of the international monetary system. His first point was that there's been an excessive instability of raw material prices; Secondly, there has been extreme instability with regards to exchange rates; thirdly, there's been a lack of governance in the international monetary system because organizations like the IMF have very little power. Again, this is nowhere near a catastrophe, but it's still important to consider these deficiencies and look towards finding alternative ways to improve the international monetary system. My own predilection is that the single most important problem is the instability in the exchange rates. If we can't stabilize the Dollar-Euro rate, then there can't be a global monetary system. Fluctuating rates of exchange rates is a nonsensical system.

Lin Shu: What's the most important factor to control excessive volatility? Some scholars have suggested adopting a world currency and some suggest using other reserve currencies. What is your take on these assumptions?

Robert A. Mundell: Creating a world currency is ideal if there is more than one. It's like having a common language that is everyone's second language so that people can all communicate with one another.

Finding a currency that is above the others which every currency can convert into, is similar to what gold did in the past. Under the gold standard there weren't fixed exchange rates. They were fixed to gold which determined exchange rates through free markets which kept exchange rates fixed within narrow limits.

The difficulty lies in creating a substitute for gold. Gold won't work. It can be dug out of the ground is used to various different reasons. It has too much intrinsic worth outside of its monetary value, and countries also don't want to risk sacrificing their nation's sovereignty to make for an effective international monetary system without a world government. Can we create one using the gold standard and no paper currency? I fully support this but there wasn't a plan for this at Breton woods. They had plans, like Keynes' plan put forth by the British, and White's plan by the US, for a world currency, but it never came to fruition because it was not politically agreed upon to have that, and wasn't palpable enough by the US at that time in how it would work.

I also want to emphasize that the current system hasn't been a complete failure and nor does it require a complete overhaul. It's been working out great for nations like China. It has accumulated about 4 trillion dollars of reserves over this period. With a gold standard, this would have led to new money being taken away from other countries and created a crash. The ability of the Federal Reserve to continue printing money has allowed it to behave much like a central bank and support the Foreign Direct Investments (FDI) in developing nations, like China. This has worked wonders for China and has allowed it to build up an establishment with a lot of foreign investment from abroad.

We don't want to destroy our current international monetary system. Some parts of it are great. Maybe it has gone on for too long, but we want to keep some of it for the future system. It's been permissive. Although the arguments against a permissive system is that it might be inflationary, but this one hasn't. There's been no inflation in either the USA or China. These are the 3 main parts of the world that we have to consider. We have to get an international monetary system. We can't take away what we have, but we can make improvements. The biggest improvement would be

stabilizing the US-euro exchange rate. China fixes to the dollar, so it has problems when the US-euro exchange rate changes, because then the RMB has to change to also match the euro. This is a big market now, and one that has to be considered. But can we have a world currency without a world government?

Lin Shu: Do you think SDR (Special Drawing Rights) has the potentiality to become a global currency?

Robert A. Mundell: In my opinion, SDR won't become a global currency because you can't have currency out of a basket. It's like adding dollars, plus euro, plus yen, and soon the RMB too. Then you have the five currency basket. As long as those rates are fluctuating, no one is going to use this currency as tool for bond pricing ratings. It would be fine if they were all fixed together, but they are not. When SDR began, it wasn't rated as a currency basket. It was rated as one 35th of an ounce of gold. It began as equal to the gold dollar in 1968. Then the gold value the guarantee was stripped away in 1974 when the basket system was created.

There were a lot of advantages to having this basket, but it is not a currency or a good unit of account. It loses this property. Now it is a useful instrument for giving away money to developing countries. It is becoming an instrument of foreign aid. Developing countries are fine and advocating that the FDR become an instrument for foreign aid. It's good on its own ground but this has nothing to do with the monetary system. Let's keep the SDR and just acknowledge that it's not going to be money. It's going to be a weighted average of soon to be 5 currencies that countries can use as foreign aid.

Lin Shu: Do you think the Euro area is an optimal currency area? Some believe that the level of effective mobility is too low for the Euro area, especially with regards to labor mobility.

Robert A. Mundell: I don't think that is a fair critique. You don't have migration inside countries nor a great deal of migration anyway. You don't have Germans leaving Germany, nor people in depressed regions like the Baltic emigrating either. You just don't have people moving very much. People typically like to stay in the place where they are. There is a lot of mobility. The German labor force has changed enormously and now there is a sizable Turkish labor force. There is a high degree of a discrepancy between the margin of the kind of labor needed and the people to fulfill those roles. The problem isn't the lack of labor mobility. The problem is that the unemployed in places like Spain and Greece aren't the ones needed to go to Germany if there is labor surplus.

This is even the case in the United States. The unemployment rate is 7.5 percent, maybe 2 million too much. Along with the growth of the labor force, there are people who are unemployed that are uneducated. They can't get the jobs that exist. In France I heard an interesting figure. There are 3 million unemployed and 3 million vacancies. They don't mix because of the unmatched skill characteristics. It's a type of structural unemployment. The problem in Europe is the same issue it had before the euro came in. In the 1970s, this type of unemployment was all over Europe. There was a big surge in government spending in the 1960s in Europe. I once did a study on this, the government's spending was on average about 25 percent of GDP in the 1970s, 80s, and 90s. It has shifted up towards 50 percent, and not towards spending on infrastructure, but in social welfare pensions and medical plans. People wanted these and governments catered to them without much responsibility when they enacted these reforms.

But they couldn't find the taxes to pay for all this spending and this ran up big budget deficits. Italy ran it up to 120 percent of GDP when it went into the euro zone. Greece's was 110 percent of GDP, and Belgium was about 130 percent. Even these understate the problem because the unfunded liabilities also have to be considered too. When you look ahead at major hits over the decades, governments have to spend using deficit in the budgets that haven't been funded. The real debt is much higher than it actually is. These debt/overspending problems that individual nations have are now just more spread out in a community like fashion.

Major countries like Greece did welfare provisions that were equal to those in Germany, but its per-capita income was much lower, around two and half times lower. So Greece went bankrupt and had to be bailed out. Now Greece has to scale down, but the Greeks turned over the unemployed to the government and run the deficit up even more. Greece has had major changes though. It had about 900,000 people out of a population of 10,000,000 working for the government. That's almost 10 percent of the population. They have brought it down to around 700,000. It's a lot but still not enough. Either way, it's a major adjustment. It highlights that people need to make plans so that they don't get hurt. In some cases you have to work out the tax system, but if you raise taxes too much you will make work for an unproductive system.

One way of addressing this is by having a more expansive monetary policy. Many people think this and so does the head of the European Central Bank, Mario Draghi. However there is a mandate that the European Central Bank has that says it's not supposed to do anything that will raise the inflation rate. Nobody wants it. But there's also another mandate that says Draghi has to save the Euro, so he's going to do everything he can to save it. One way of fixing this is to not let the exchange rate

of the euro go to high. This happened last year, and it was a mistake by the banks.

Either nation behaves more responsibly with their deficits, or else there's going to have to be a stronger fiscal central authority which these nations are subject to. Nations need to stabilize their increases in spending if they want to come out of their respective mire. Germany has to be more willing to lend more and help stabilize other nations. But having a monetary union like this is a touchy argument. 9 nations have already gone bankrupt, but not because of a lack of a fiscal union. This is because of state spending. A minister of finance could stabilize the increase in spending and also make cuts, but it requires a big shift of power.

Lin Shu: Chinese is taking concrete steps to change its financial system. Initially, China used a fixed exchange rate system to control the inflation, but now China is running a large currency account surplus. What do you think of a revaluation of the RMB?

Robert A. Mundell: Many people are recommending a lowering of the price of the dollar. When the dollar was pegged at 8.28 from 1997-2005, Americans insisted that it should be lowered it to 4 or 3 RMB to the dollar. This would have instigated larger unemployment rates and wrecked China's growth. In 2008, China was hit hard by the euro crisis because that's when the dollar was soaring against the Euro while the RMB was appreciating against the dollar. So that's why China fixed its currency rate at 6.8 against the dollar and also why it has only let its appreciation go down very slowly. It's a strategy that has been working very well. The only time that China should think of appreciating its currency is if keeping it fixed will create excessive inflation in China.

Lin Shu: China has very strong capital control of the financial market. Do you think China should loosen up on this account control? Lastly, do you think China can one day be a world class financial center?

Robert A. Mundell: China should do this when it's in its own interests. I think the advantages of doing so would be convertibility. China would immediately be put into the SDR (Special Drawing Rights). The absence of exchange control would unify the stock markets. Shanghai would move very quickly to a global capital market. This would push for a lot more reforms. Credit rating agencies would have to allow for more opening so they could come into China and help with the rating systems. China has the potential to become a world class financial center.

An Insight of the Relations between China and U.S.

Editor: Jeffrey Chen



Robert Zoellick

Robert Zoellick, the eleventh World Bank Group President; Senior Fellow, Belfer Center at Harvard University's Kennedy School of Government and the Peterson Institute for International Economics.



Interviewer: **Wu Xinbo**

Professor, Executive Dean, Institute of International Studies, Fudan University

The issue that could corrode all aspects of the relationship is cyber security, because this is an area that lacks an intellectual policy framework.

Wu Xinbo: When was the first time you came to China? It must have been a long time ago.

Robert Zoellick: In 1980, I lived in Hong Kong on a research fellowship. My wife and I went to Macau and took an excursion into Guangdong Province. At the time, Hong Kong was very different than it is now, and I've had the opportunity to see with my own eyes the vast changes occurring in China. In 1989, I returned when the first President Bush came here on an early visit. Since then I have had the opportunity

to come back to China many times. One of the things that most intrigues me is seeing other parts of China. There are many foreigners whose image of China is only shaped by visiting Beijing and Shanghai. I've always learned a lot from traveling to the other parts of the country.

Wu Xinbo: In addition to your official responsibility, you also have taken an interest in observing the changes that have taken place across the country. In your encounters with China, what are the things that you have found most interesting, intriguing, or difficult to understand?

Robert Zoellick: When I was in college I studied history and economics—history has been an interest of mine my whole life, and gives you a wonderful perspective not only on current events but also on changing relationships over time. I think about China in historical context, which is especially important when trying to understand the incredible transformation since the 1980s. I've recently been reading books about China based on new historical research, which are intriguing because all countries have narratives—the predominant one in Chinese discourse is the “century of humiliation”, the weakness of China from the end of the Qing Dynasty, unequal treaties, etc., and much of the current narrative is about overcoming this history. These histories are interesting because they demonstrate that China's relations with the world over the last 200 years are far more complex than the straightforward narrative: some good, some bad, some are just a matter of interaction.

One of the issues for China and Asia will be understanding and debating China's modern history and its interaction with others. Sharing perspectives with ones' neighbors, debating and discussing history is important not only to understand the past but to have some perspective on the future. On security issues, particularly sovereignty issues such as North Korea, the Diaoyu Islands, and the South China Sea disputes, it's important to have a historical grounding.

Wu Xinbo: In addition to history, you also learnt from your dealings with Chinese officials and people you encounter in your travels. Can you share with us your experience in personal interactions?

Robert Zoellick: First, Chinese officials of my generation went through the Cultural Revolution. For the mindset and outlook of China's current generation of leaders, the dangers of power, dangers of instability, and the need to balance between rule of law and social fragmentation are of great importance and have deep historical roots.

A second aspect is getting to know the perspective of local officials before they enter the environment in the capital. Meeting party secretaries in their provinces is different than in Beijing.

Third, Westerners do not have a good sense of how policy is made. This is related to the relative opacity of the Chinese political system.

Fourth, the U.S. debate about China's "theory" of international relations is influenced by personal interactions, with different views on security and economic issues. For example, some who have dealt with China on security issues, such as Henry Kissinger, might say that China's view of itself in the world is established by the concept of a middle kingdom and tributary relations with other countries. Therefore, China's acceptance of the norms and rules of an interstate system would be difficult to develop. On the other hand, U.S. officials who dealt with Deng Xiaoping and Zhu Rongji, leaders who implemented economic reforms and embraced the WTO along with its institutions and rules to transform economic system, would have a different perspective.

The "new type of great power relationship" launched by Xi Jinping inevitably invokes this question: what's underneath this idea? Likewise, my speech about China becoming a "responsible stakeholder" in the international system provoked debate questioning the logic of this concept. In the West, the debate is: if China does not want the current international system, then what does it want to change?

In understanding leaders, it is important to understand the systemic challenges facing China. Considering the ingenuity, hard work, devotion, and energy of the Chinese people over the past 30 years, the question is not just leadership, but also about creating the environment for Chinese people to exercise their abilities.

Wu Xinbo: There is tension between economic and security issues in China's policy, and also in U.S. policy towards China. Our countries are interdependent economically, but there is strategic mistrust on security issues. When George W. Bush took office he adopted a tough China policy; at the same time, China entered the WTO. You were the U.S. Trade Representative at the time. Was there a clear division between security policy and economic policy?

Robert Zoellick: That is an interesting historical question which also provides insight on how policy is made. I became USTR in early 2001. During this time, Zhu Rongji

had worked very hard on the China-U.S. bilateral agreement regarding China's accession to WTO. When a country joins the WTO, it has to work out bilateral agreements with existing members, then it has to work out the multilateral rules governing the institution. Bilateral relations worked out and Congress passed PNTR (Permanent Normal Trade Relations), but multilateral rules were not yet worked out. That year China hosted APEC meetings in Shanghai in which State Councilor Yang (Jiechi) and I negotiated. That was right after the EP-3 plane incident, and Secretary of State Powell and others had a hard time reaching Chinese counterparts to work out the crisis. Tensions raised, but this did not affect my efforts to deal with the trade agreement. President Bush was convinced this incident should not interfere with WTO accession, reflecting his “integrationist” concept about drawing China into the international system. The next stage was “responsible stakeholder”: taking the systemic notion of helping China with market reforms, integration with the international system, and expanding it to other aspects of relationship.

Wu Xinbo: My understanding is that the idea of the strategic dialogue with Dai Bingguo in 2005 and 2006 originated from the U.S. Side during Bush's second term. What was the intention for launching this dialogue with China, and what was your understanding of China's policy towards the U.S. and the evolution of China-U.S. relations?

Robert Zoellick: I do not know whether it came from the Chinese side or the U.S. side. This is another insight into the world of official policy: sometimes it is more “serendipity” and less coherent than scholars like to think. When I moved to the State Department in 2005, I inherited this idea of a “senior dialogue” or strategic dialogue to be done at the deputy level. It fit what I wanted to do because after the WTO accession, U.S. policy didn't really have the necessary strategic focus. In China as well, the Ministry of Foreign Affairs and the National Development and Reform Commission never interacted. Because of Minister Dai Bingguo's personality and position, we were able to engage through the dialogue on a wider range of topics. This reflects the need for a quiet, conversational strategic dialogue between leaders, as in summit meeting between President Xi and President Obama this June. If you look at the history of Sino-American relations, the strategic dialogue works best when you have counterparts who want to engage at the strategic level in a very close fashion: Kissinger-Zhou, Brzezinski-Deng, etc. The human factor is important for going beyond talk and shaping frameworks for the relationship moving into the future.

Wu Xinbo: You mentioned the upcoming summit between Xi and Obama. As a Republican, what is your view on Obama's first four years of China policy?

Robert Zoellick: Partisanship in U.S. politics is important, but it is also important to understand the interconnectivity as well. Obama's senior NSC official Jeff Bader had worked with me at the USTR on WTO accession. Jon Hunstman (ambassador to Beijing) also worked with me at the USTR. Tom Donilon was also a good friend of mine. Some of the key people advising President Obama on his China possibility were similar to the ones in the Bush administration. Early in Obama's first term he was seeking to be attentive to issues of face and respect, but this was not received as expected by Chinese counterparts who felt like they were not getting cooperation or respect, for example in the 2009 Copenhagen Climate Conference. Sensitivity in currency and trade relations are another example. As a result, Obama was seen as "toughening" his China policy.

The issue that could corrode all aspects of the relationship is cyber security, because this is an area that lacks an intellectual policy framework. We need academics to help, because it covers many areas. Military espionage has always been around; commercial espionage, however, is a whole different process, as is the potential for sabotage and warfare capabilities. Some policymakers and military officials want to engage in discussion about whether traditional concepts such as collateral damage or hot pursuit apply in the cyber realm. Until recently, the Chinese government has been unwilling to engage in a discussion on this.

When nuclear weapons first came on the scene in 1945, people thought they were just bigger bombs or larger artillery. Then, they began to realize that these weapons are far more devastating and their use would have serious implications for mankind as a whole. People started developing concepts of mutual deterrence and no first-strike, etc., developing a framework for thinking about these issues. With cyber security, there is a danger to the politics of relationships: when people get scared about something they do not know how to cope with, their worst fears run amok. In a strategic dialogue, on the one hand you need to mediate long-term changes; on the other hand, you must deal with some of the most pressing current issues. I think some of those issues we are facing right now include cyber security and North Korea.

Wu Xinbo: In your 2005 speech, you coined the phrase "responsible stakeholder"; today, as China's international influence grows and its interests expand, China increasingly realizing its responsibility in a regional

and global context. Other countries, the U.S. in particular, ask China to share more responsibility. To what extent are they prepared to also share power and prestige with China? Have you noticed any evolution in the U.S. thinking about China policy since 2005?

Robert Zoellick: On the security side, one aspect of U.S.-China relations is that there are a number of common global interests: energy security, sea-lanes, anti-terrorism, and others. Tensions are more regional. The challenge for both sides is not letting regional tensions overwhelm global cooperation, which in turn can lead to conciliation on regional issues.

On many issues, there is talk of deepening cooperation with China. In practical terms, if China and U.S. work together, they can be quite influential. If they do not, we will have a hard time making progress on global issues such as the environment and climate change, economic recovery, rebalancing, and the trading system. The U.S. is interested in working with China, while still recognizing that China is still a developing country. At the World Bank, I brought in Justin Lin, the first Chinese chief economist; the International Finance Corporation head and CFO are both Chinese; Zhu Min is Deputy Director at the IMF; we are encouraging the U.S. and China to work together.

Regarding the desire to share power, it raises an additional question: how do countries perceive their national interests in systemic terms? The international system has worked well for China. If you do not like it, what is your alternative? On the economic side, there are many examples of cooperative power sharing and mutual interests. On security issues, I believe maritime security and freedom of navigation are common interests, as are developing space and resources. There is a willingness to share, but the dominant view in the U.S. is that China has been reluctant, or hesitant to share some responsibilities.

In terms of interests, the difference between mutually shared or divergent threat perceptions is important. For example, North Korean nuclear weapons and provocation are a real threat, however China considers instability more of a threat. Nonetheless, there are mutual interests, because if North Korea takes these actions, South Korea, Japan, and the U.S. will respond in ways detrimental to China's interests.

Economically, both China and the U.S. have been relatively responsible. In general, the economic side has a rich network of ties. While there are frictions and conflicts,

we should be able to manage those better. On the security side, we lack that network of ties, which is dangerous.

Wu Xinbo: In 2010, the IMF passed a reform package raising the share of voting rights of the developing economies, including China. So far the U.S. Congress has not yet approved. How will this develop over the next several years?

Robert Zoellick: The inaction by the U.S. Congress has nothing to do with China. In fact, members of Congress have little interest in the IMF and other international institutions. Especially at a time when they are trying to manage their budget, they want to know why they should give more money to the IMF. They are questioning their involvement in these institutions, much less trying to control them.

Earlier this week I met with Republicans in the Foreign Relations and Banking Committee, to discuss the IMF quota. Interestingly enough, one of them asked me, would other countries be pleased if the U.S. did not pay for its quota increase so that they could get more power? Would China like it more if the U.S. did not participate, so that China could have more power and influence? I said, maybe some people in China would like that, but by and large most people want the U.S. to play a role in this system.

Sometimes there is a view that the U.S. is trying to control everything; I spend most of my time trying to make sure that it stays constructively involved.

One more point. For those of you here who are studying America, you will be interacting with U.S. elites. It is important to remember that while per capita incomes in the U.S. are higher than they are in China, there are many people in the U.S. who are struggling to hold a job, pay their bills, and make sure their children go to school. They are ordinary people who do not want to run the world, and would prefer to take care of things at home. As you study, in addition to talking to the well-educated academics and policymakers, try to associate more broadly with people in the country in order to get a feeling for what leaders in a democracy have to deal with.

Here there is a strong correlation with my own experience traveling to villages and small cities in China. There are some people in the U.S. who think that China wants to take over the world; in fact, most Chinese just want to have a better life and work harder. They have seen great improvement in their life, they think this is a great opportunity, and they are also aware of the dangers. They do not want to take over

the world. Likewise, the U.S. is a large, vast place, where politics and information circuits are multitudinous. Going to American universities is good, but also go out to some towns and Chambers of Commerce, where issues like currency and cyber security become political issues that are more complicated for officials to manage.

Wu Xinbo: What the same and what's different between "responsible stakeholder" and "new type of great power relationship" concept?

Robert Zoellick: The concept is based on Chinese leaders' study of history. In Western thought, it dates back to Thucydides' history of the Peloponnesian War in the 5th century BC. The war was caused by the rise of Athens and the fear it inspired in Sparta; the fear of a rising power. I think the Chinese leadership wants to say, a rising power doesn't always lead to conflict, hence a new type of great power relationship. This is an interesting idea, but what does it really mean? This provides an opportunity for us.

How does this relate to "responsible stakeholder"? That depends on the leaders. My view is that great power relations based on systemic integration is possible, but it will be difficult to work out the details. An example: China's plans for changing the structure of the economy, expand the service sector, to expand business opportunities and increase domestic consumption and demand, one possibility would be bringing foreign firms in to help make a more competitive, productive service sector, whether in logistics or telecom or finance or other areas. This creates mutual economic opportunities and removes some frictions, while expanding the service sector at the same time. Besides working on bilateral cooperation, the U.S. and China could also push forward liberalization of the global service sector in the WTO, which would have a systemic effect. National or bilateral issues can be framed in a context that strengthens the international system.

Wu Xinbo: The Bush family has close relations with China. What's the significance of personal relationships between political leaders in China-U.S. relations and global affairs?

Robert Zoellick: Personal relations can help. They won't necessarily overcome fundamental differences; and when personal relations are bad, they won't necessarily interfere with mutual interests. At the margin, they can help people understand the others' political difficulties and perhaps create a better context for solving and managing problems.

At a ministerial level, personal attitudes make a difference. Sometimes people feel that trade negotiation is zero-sum. In fact, they are not; they are joint problem-solving exercises. Understanding the political pressures of the other side helps the negotiation process. It is important to show that you can deliver: not just come up with solutions but make them work in your own political system. When a big country is dealing with small countries, the small often feel that they are helpless. If you try to actively help solve their problems, they appreciate that. In any bureaucracy it can be hard to get things done. It is important to think strategically, but it is also important to think operationally and be detail-oriented.

Wu Xinbo: About the relations between the party and the state, the question of sustainability if the party operates with a different set of rules. I think the current understanding is that the ruling party leads in making the law, then should abide by the law and work within the parameters of the law.

Robert Zoellick: If you look back at the evolution of other political systems, there were monarchies in which kings were largely unrestrained. Building on Professor Wu's point, over time even the king became subject to the law.

Wu Xinbo: From a comparative point of view, how do you assess the potential for regional integration in East Asia, especially in relation to the positive history in Europe?

Robert Zoellick: It's a very important concept. For decades, there was a debate in economics and political science about regional vs. global systems. There was a concern in the trade area that there would be regional blocs that would interfere with the global trade system. I always thought that was a potential danger, however, it overlooked the fact that it would be natural to have regional integration within a global system. One of the challenges is how do you get benefits from dealing with issues that are regional/trans-border, environment, people, investment and other aspects while connecting to an overall global system. This is partly the story of the EU and is happening to a certain degree in North America. It is deepening across East Asia with regional economic integration. From removing impediments, customs systems, trade facilitation, etc., there are huge gains that can be realized. At the same time, it is important to keep global perspective. Supply chains, logistics, and capital movements still need to be linked to the global system. There is some danger in the aftermath of the global financial crisis, of re-nationalization. Even in Europe you see this issue with currency. There is a rich agenda here related to regional integration

and its connection to global systems. Global players like U.S. and China must operate in both. I've been urging the U.S. admin that while they promote the TPP or trans-Atlantic that they also connect to the global system, rather than as alternatives to the global system.

Another dimension is the security level, where there are still fundamental differences. Here in East Asia, the concept is far from the postmodernist, international concept in Europe. The patterns of the 19th century are much more alive in Asia than the patterns of the 21st century. Bringing students together is one example of dealing with history. Germany dealt with its history in WWII very differently than Japan did, and although I support Japanese democracy, I get nervous when the Japanese government does not manage the historical issue well. The danger is that even among sophisticated people, some of them feel that they have atoned for their history, while failing to realize the difference in perception between them and the other people in Asia.

China must be cautious because it is a rising power and is expanding its role in the region. If expansion of its mil role creates anxieties among its neighbors, it will see a counter-reaction in the 19th century sense. I don't think the competition for resources is worth the tensions caused relating to historical memory and sensitive issues.

One last dimension is the U.S. role. The U.S. created a system of stability in the security realm. Despite U.S. mistakes, it's important for Chinese policymakers to recognize that many countries in the region view the U.S. security stability as important. If China is seen as threatening to destabilize that, it will not be good for anybody. On accepting China's role, there are things the U.S. and others can do to facilitate it. Regardless, the U.S. has a security structure in East Asia that is partly historical legacy, partly conscious policy, and one has to be careful about disrupting that because it is unlike 21st century Europe and some of the sensitivities and rivalries are much more prominent.

Lastly, there's been a school in western thought going back to the 16th about economic interdependence overcoming war and conflict. Right before WWI there was a view that interdependence would prevent the war, obviously it didn't. In the U.S. China relationship, or even globally, interdependence by itself doesn't solve these problems. It can create a better context and problem-solving attitude and sense of interests, that's where statesmen and policymakers need to keep working on issues: teaching history, sharing views, understanding the past.

Whenever I come to China I find it a very intellectually stimulating place, not only on economic issues, but in other areas as well. This is a society that has undergone huge changes since the 1980s, and it will be up to your generation whether you will keep this on track and manage some of these sensitivities and issues. The key is, China will have its challenges but will nonetheless be playing an even bigger role in the international sys. For you as Chinese, you need to be aware that causes anxieties. How do you manage that will be very important. One of the issues that Germans struggle with is, Germany has been very sensitive after WWII about not being seen as trying to dominate Europe. One of the realities is, after the financial crisis, Germany is dominant in Europe. So they struggle with how they can be dominant without appearing to be dominating. German friends who find it frustrating that they give money to other countries, and the other countries still criticize Germany. Welcome to the role of being the big power. It will be that way with the U.S. for some time. It will happen with China, but it will happen with China in a different way. You're going to be the people who help determine this future. It's important for all our countries, as well as the global system. If you think about being born in this time and space, what an exciting opportunity.

Nurturing Nursing Technicians to Provide Personalized Service

Reporter: LI Yuheng



Chen Hongtu

Chen Hongtu is a senior researcher of medical college of Harvard university, having been a Project Director of National Institutes of Health multiplies times. Mr. Chen acts as an editor-in-chief of International Journal of Nursing for the Old, the head of department specialized in researching senior citizen at the Asia center of Harvard University. About fifty of his papers have been published in international Journals.

Our state has developed a great number of nurses since the founding of new China, we have rich training resources in developing basic life care for nursing technician, Compared with that, the talent who can instruct others to deal with dementia patients or people with HIV/AIDS is much less, which might be a gap needed to fill in the future.

Reporter: You mentioned nursing technician in the speech, to what extent does Chinese market demand for nursing technician from your perspective?

Chen Hongtu: Now Shanghai and other cities have been providing house carers for the elderly empty-nesters , in other words, they can be called caregivers who are able to do household chores for the old but not responsible for the works like hairdressing, dressing up or drug dispensing. Some special groups, especially those with illnesses, stand in great need of such nursing technicians, however, less training resource is accessible.

Reporter: Does Chinese family can afford to hire the technicians in general?

Chen Hongtu: The State has been taking the problem into account, and I have noticed that some street-districts in Shanghai are doing relevant work, calculating the incomes of both you and your children, which determines whether you can get a free caregiver or not.

Reporter: Are these caregivers non-professional or professional carers?

Chen Hongtu: Non-professional, but even at this level we are unable to satisfy the demand for carers. These caregivers will provide services to several families at the same time, but there are some who will play small tricks on these families, persuading the old that the clothes are quite clean and no need for being washed or saying let us saving the money and finish leftovers yesterday.

Reporter: What supervision should there be when we encounter such situations?

Chen Hongtu: Supervision is the key to the problem. Families receiving assistance from caregivers can give feedback to the neighborhood committee on a regular basis, unfortunately, the feedback usually cannot be given on time at present, furthermore, whether the family can feel free to give report or could the suggestion be responded timely is rather dubious, even many of the aged worry about being abused, some other problems like that do exist– all of these remain problems. Both feedback and surveillance are problems that are easy to discuss but difficult to implement, relying on both systems of training and management.

Reporter: Would you like to introduce in details how the training system does work?

Chen Hongtu: Since 1949 China has nurtured a great number of nurses, providing a large resource for training carers for looking after basic human requirements, such as how to assist the elderly in eating, getting up from bed and so on – this knowledge is easily popularized. Compared with that, few are equipped with the caring skills to deal with particularly special illnesses, the mentally retarded or those suffering from AIDS. This is a gap that will need to be developed in the future.

Reporter: You say that careers must also consider the question of their elderly patient's physical and mental situation, with 'physical' meaning such

things as the effect of cancer – does the elderly patient’s ‘mental’ situation refer to respect?

Chen Hongtu: It is more than dignity. Just now a Hong Kong scholar raised the issue of boredom amongst the elderly. Some old people live in their rooms as plainly as if in a jail. Other problems include depression and loneliness. The old have their social needs –if living in an unknown nursing home without knowing anyone, sticking to the time schedule firmly, they would feel really dull. Even though there are many other old men there, they prefer to communicate with those familiar and close to them. Some grow more and more introverted with their age, and it is only when with their family and friends that they will feel at ease.

Reporter: Could you explain tailor-made nursing management? What is that for?

Chen Hongtu: All trained technicians offer each family same service rather than personalized treatment. In fact, there are many nursing houses around us, however, the family who require to be supported have no idea what kind of help they really need, even if some are clear about their own needs, but with no idea where to find the relevant service or which technician suits them well. They may simply give carer units one phone call after another – it is for this reason that we need an administrator, and a manager for carers.

Due to the fact that each region has different resources, as an administrator, he should know the local situation quite well as well as individual’s need in order to apply what they have learnt to cope with the problem properly and try to meet the requirement of each family. In US and Japan, the administrators are required to hold a Master’s Degree or higher, plus the working experience in the local from three to five years or above.

To be more specific, nowadays, a number of the elderly who have just retired with good health condition have no idea how to develop their own interests, which is frequently beyond the ability of our psychologists to solve, and must match up with social resources. For example in the elderly person’s attending an old-aged university and making friends there, or in returning to his or her hometown, or going out for travel, and so on.

Another example: some of the elderly are diagnosed as possible sufferers of dementia, and their family members may turn over many books looking for paths to

solve the problem. Yet an administrator can introduce these people to a family that has had an elderly member diagnosed with a similar problem two years previously, and this family can provide them with relevant pieces of advice. In addition, the administrator could also introduce the specialized nursing technician for the family. Overall, these administrators have more access than the ordinary families, offering more resources.

Reporter: Do you mean that the administrator should have the working experience in neighborhood based on Chinese national condition?

Chen Hongtu: In Chinese neighborhood, it is impossible for any of them has the medical science background or the experience of nursing for the aged. In the US, the introduction of such resources has an increasingly important role. Outside of the community, the hospitals of some States has the human resources, if you have been treated in a hospital but not fully recovered, the administrator will assist you to contact with the hospital and determine if you need to be transformed eventually.

Reporter: Do these administrators belong to private companies or government departments?

Chen Hongtu: Both. Generally speaking, the service should be limited to a certain region, if the region is too vast, it is impossible for an institution to reach all of the service units. Given the national conditions, the administrative group is probably organized by neighborhood community, Ministry of Civil Affairs or hospitals, which depends on what kind of service we want to develop first.

Reporter: Low career satisfaction is mentioned as well, would you like to introduce some specific details?

Chen Hongtu: There are many reasons behind a low level of job satisfaction; Some elderly have a bad temperament – they will insult people and see a carer as someone beneath them. Outside of this, the elderly person's family may seek to take advantage of the carer, for example if the carer washes clothes or cooks food for the elderly, then they might ask him or her to wash their own clothes as well. That nursing technicians always complain the difficulty in getting along with the family members of the old remains one of the main problems.

Establishing A Self-balanced and Pegged International Exchange Rate Regime

Reporter: Che Rui



Chen Xuebin

professor, School of Economics, Fudan University

Since the collapse of The Bretton Woods Regime, the International Monetary Fund only holds the responsibility of providing financial support. What we actually need is a new system with the function of restricting currency issuance and exchange rate fluctuation.

Reporter: What kind of issues do you think exists in the current monetary system?

Chen Xuebin: I think the most popular topic currently is whether reserved currency should be pegged to gold, US dollar, RMB or a non-sovereign currency. But we must realize that in a pluralistic era like today, this is more of an exchange rate arrangement issue.

In the speech Mr. Mundell gave this morning, he mentioned the history of exchange rate arrangement, from gold standard to Bretton Woods Regime and then to floating exchange rate regime. Under the Bretton Woods Regime, the exchange rate of currencies and product price remained stable, but it also shows the drawback being that of the international exchange rates rely too heavily on one currency. The advantage of floating exchange rate regime is that it can balance the economic difference between countries, but on the other hand severe fluctuation of exchange

rates will take place and as a result crisis will occur. Some countries use the fluctuation of exchange rate as a tool to solve national issues which leads to exchange rate war and currency war.

In the past, the government intervention of exchange rates is very direct such as buying and selling foreign exchange. But this kind of intervention will attract criticism across the world. Recently US, Europe and Japan has launched the quantitative easing monetary policy, which means using the increasing issuance of currency to guide the expectation of public and causing fund out flow and the depreciation of their own currency. As an example, the exchange rate for Japanese Yen against US dollar has changed from 70 to 103. Although this kind of depreciation of one currency will bring huge issue for other countries, it will not be condemned or accused by the International Monetary Fund and G20 conference.

Reporter: How can we prevent this kind of currency war? Do you have any suggestions?

Chen Xuebin: It's impossible to rely on the government itself to restrict the issuance of the currency because they will only consider their only benefits. That's why we need to explore external solutions to restrain the overspill effect caused by over issuing one currency. Mr. Mundell mentioned this morning that if the World Trade Organization has the function of restricting trade barrier and trade war, there should also be an organization with the same function for the currencies. Since the collapse of The Bretton Woods Regime, the International Monetary Fund only holds the responsibility of providing financial support. What we actually need is a new system with the function of restricting currency issuance and exchange rate fluctuation.

The strategy I would suggest is to establish a self balanced and pegged international exchange rate regime. Each country should be pegging a basket of currencies and implement the floating exchange rate regime against the currencies of their main trading partners. Using a basket of currencies as nominal anchor instead of one currency would decrease the reliance of a certain currency to on single currency. If the exchange rate fluctuates within a certain range, intervention wouldn't be necessary. But on the other hand, if the fluctuation exceeds a certain range, intervention must be made to stabilize the exchange rates between trading partners. Take Japan as an example, the over issuance of currency should be restricted. Any country that wants to depreciate their currency by over issuing should be forbidden. If one country wants to depreciate their currency, so should the other pegged countries in order to keep the exchange rates stable.

This regime has two main advantages. One is that pegging a basket of currencies can

reduce the frequency of depreciation and appreciation of one currency. The other advantage is that the regime can restrain some countries over issue their currency, prevent a currency relying on one certain currency and control the fluctuation of exchange rates to a minimum level. This regime also brought in the trend adjustment of exchange rate to the market. Take the trade surplus phenomenon as an example, if the trade surplus or deficit exceeds the GDP by 3%, this currency regime can adjust exchange rate to reduce the difference and keep it under 3%. This kind of economy has a self balanced regime to form a sustainable system. We must learn the lesson from Bretton Woods Regime: when all currencies are fixed to US dollar and US dollar is fixed to gold, this kind of relationship between currencies cannot adjust to economy imbalance or fluctuation. Thus the superiority of pegged exchange rate regime is that it not only combines the advantages of gold standard, fixed exchange rate, stabilized exchange rate and stabilized price, but also overcomes the fact that fixed exchange rate cannot adjust upon imbalance. This regime can self balance and maintain sustainability.

Reporter: I would like to know if your suggestion is feasible or not?

Chen Xuebin: At this point it's not feasible, because most countries still believe in the marketization of exchange rate and had not realized the importance of cooperation and coordination. We can see that quantitative easing results in export inflation which has a negative effect on the economy of developing countries. We should all pay high attention to this issue as this will be a global matter. It's a restriction that will affect all countries in the world instead of one country. Just like how the world is working together to improve the global environment issue, we should all put in effort to create a positive financial surrounding.

Reporter: The president of Central Bank Zhou Xiao Chuan suggests eliminating the lower bound of the loan interest rate. What's your opinion on this?

Chen Xuebin: The marketization of interest rate is the overall trend, implementing this policy is just a matter of time.

Reporter: How would you see the high monetization of China? Can it be solved by China itself?

Chen Xuebin: I think any country will have difficulty in solving this problem by itself without help. When a country put stimulate economy as their major task, it will issue unlimited currency. But if there are certain regime to control the exchange rates, other countries can restrict over issuance of one currency.

China Needs to Make up A Missed Lesson on Urbanization

Reporter: Cheng Xiangxin



Duan Chengrong

Vice Dean of the School of Sociology and Population Studies, Renmin University of China

The purpose of urbanization is to help people make their lives better with respect and dignity. Therefore, the realization of urbanization should be done in decency.

Reporter: Recently the Development Research Center of the State Council released a new report named Cost Estimation for Citizenization of Migrant Workers. According to that report, it costs 80,000 yuan for each migrant worker to push forward the process of urbanization. On April 10th, the famous financial critic Ye Tan responded to the report with her article Citizenization of Migrant Workers Should Not Feed on Illusions. “The citizenization of migrant workers is not that difficult,” she said, “and the reason why it is delayed again and again is that the local government is unwilling to take responsibility due to their inexplicable fear.” What do you think?

Duan Chengrong: Urbanization is the direction of our development. In the last few decades, migrant workers have made great contributions. As discussed in the forum this morning, based on the estimation of many experts, migrant workers’ contribution to national GDP is tremendous, 20% if measured conservatively. Therefore, even if it costs 80,000 yuan each one to realize the citizenization of migrant workers, they earn it by their own hands. Even from the utilitarian

perspective, there is nothing wrong to realize the citizenization of migrant workers through government finance. Besides, this issue should not be viewed with the eye of a pure utilitarian. Urbanization is our developing direction anyway, and our people deserve a life with dignity.

As to the government, probably one thing needs to be changed is their vision of development. In the last few decades, under the circumstances of extreme poverty, we set our goal as rapid development and pursued the growth of GDP, which was reasonable during a certain stage. However, since we have already developed to a new stage, there emerged two relationships for us to balance. One is our social development lags behind our economic development; the other is our urbanization of population lags behind our industrialization. Those are the problems need to be solved, and to which we should devote more resources. This is part of China's scientific development.

From the perspective of the local government, this issue also involves a change in the traditional thinking. They may find the investment of urbanization with slow returns and even become a burden. But if viewed from the perspective of long-term social harmony, rather than a burden, that investment will be quite helpful in the balance of social relations. We must avoid myopia.

Reporter: The problem of education for the children of migrant workers is unavoidable when referring to the floating younger generation of migrant workers. You mentioned in your speech this morning, most polices Ministry of Education made about migrant students sitting College Entrance Exam in cities are too general. In your opinion, what detailed measures should be acted out in terms of top-level design in order to guarantee certain policies be put into practice?

Duan Chengrong: In this case we need to reinforce the social reform. During reform, rather than letting each area practice in its own way, top-level design has to be strengthened. Because letting each area practice in its own way may lead to benefit maximization in certain area or certain stage but not to the whole. Take the environmental problem as an example. Historically we used to pursue regional economic development in the sacrifice of environment. However, that led to nationwide pollution which may take hundreds or even thousands of years to bring under control. That's a heavy price we have to pay.

Same as the environmental problem, when facing a problem need to be solved in terms of social development, if we slow down and leave it unsolved, we will end up with a rather heavy price to pay.

In terms of top-level design, our goal has always been very clear, such as the citizenization problem raised on the 18th CPC National Congress. Simply put, citizenization is to localize the population from other places and promote equal access to basic public services to the whole society, i.e. fair treatment. Now the most important thing is to put those good ideas into practice on each specific level and in each specific field, such as employment, income, housing, security and education, and to cover each specific region and city. We need to keep the same pace in all the important spheres.

Reporter: There emerges an eager desire to solve the problem of migrant students sitting College Entrance Exam locally. You responded several years ago that this problem can be solved. “We can link up students with their parents,” you said, “for example, link students’ study time up with their parents’ employment situation and social security time limit, with a requirement of three or five years.” In this case, what efforts you think should be made by local government organizations in the framework of central unified policy?

Duan Chengrong: We emphasize that the top-level plan should be unified policy, which doesn’t contradict the development of local government. In the process of policy implementation, it doesn’t exclude but should even encourage some qualified and visionary local governments to speed up the progress.

In order to solve the problem of how to provide good education with migrant children in city, the State Council put forward the “two priorities” policy (inflow area management and public school as priorities). In a very long time, the “two priorities” policy is put into practice and proves to be effective. But two years ago, the government of Jiangsu Province took the lead to not fully uphold the “two priorities” policy, but explicitly stipulated “the local people’s government of inflow area takes the responsibility”. Such a move by the government of Jiangsu Province should be encouraged and promoted.

As for migrant students sitting college entrance examination in cities, around 300,000 children every year face this issue. But they can’t afford to wait, because

even a delay of one day in policy is irresponsible. Some people now worry that if the policy of migrant students sitting college entrance examination locally is approved, people may seek loopholes. I suppose any social policy may have loopholes. What we need is that the policy is beneficial and fair to the overwhelming majority of people. What we need to do is to find solutions to amend the loopholes, for example, to link up the household register with school record, to restrict the length of year for parents staying in inflow area and length of year for participating in social guarantee, etc. In this way, the possibility of people who intentionally and successfully seek loopholes of this policy will be substantially reduced.

Reporter: In the United States, illegally immigrated children are also required to receive primary and secondary education. Is there any reference value for schools to deal with the education issue of the children of migrant workers in China?

Duan Chengrong: If it is more than a decade ago, the local governments and educational institutions might take money shortage as a reason to shift blame, but now there is no chance to do it. Nowadays the finance is sound enough to support good education. Whether 30,000,000 migrant children can receive good education will have extraordinary influence on these children and their family.

Compulsory education ought to be completely implemented by related government organizations. While, if the uneven floating population distribution causes possible big pressure to some provinces and cities, then the central fiscal payment should take the responsibility. The fiscal system of China is a multi-level system, so the fiscal investment to compulsory education should also be multi-level. The floating population of China includes inter-province, inter-city and region within province, inter-county within city, inter-village and town within county. The central government can be responsible for interprovincial compulsory education of children; the provincial government takes responsibility for inter-city and region compulsory education within its administrative area; the municipal government takes responsibility for inter-county compulsory education; the county government takes responsibility for inter-country and town compulsory education within its administrative area. In this way, the problem of education is solved at all levels. In fact, the problem is solved in most parts of province. What matters is the inter-province problem.

Reporter: In the year 2012, the national urbanization rate has already reached 52.57%, but the urbanization rate of household register is only 35.29%. To what level, do you think, the urbanization reform of China can be promoted recently?

Duan Chengrong: This administration regards urbanization as the breakthrough point of the whole process of reform and development. I predict it may do better than before in the direction and goal of urbanization. As for this, my first consideration is to avoid taking urbanization as a tool. For example, there is an obstacle to economic development, and then some people want to turn urbanization into a tool for economic development, which go against the original intention of urbanization.

In reality, urbanization is a basic component of the whole human modernization process. Our country is actually lagged behind in this area and needs improvement. In this situation, we should stick to the original intention that people want to enter cities to design urbanization. This is the most important and we should not confuse purpose and means. Urbanization itself is a purpose which aims at bringing people better life, dignity and decency. Therefore, urbanization should be realized in a more decent way.

For problems concerning urbanization, maybe I could not answer comprehensively, but one thing is for sure, the index system of evaluation –how to evaluate officials according to the principle of scientific development. If this baton is taken up, the implementation will be natural. Then the solution to the problem will come back to top design.

As the Center of the Ecosystem, Man Must Shoulder the Responsibility

Reporter: Geng Lu



Ge Jianxiong

Professor and PhD Supervisor at Fudan University. Previously served as Director of the Research Centre of Historical Geography and Chinese Historical Geography Research Institute, Fudan University. Currently he serves as Head Librarian at the Fudan University Library, and Committee Member at the Committee for Social Studies of China's Department of Education.

The Great illumination Asian Wisdom gives us is that how to make the complicated situation under control within the limited resources via the easy way.

Reporter: Global extreme and abnormal weather has been increasingly common worldwide over the past few years, contributing to “Global Warming” reported by lots of newspaper, what’s your opinion towards that?

Ge Jianxiong: This idea is fairly general. Actually, the depth and scope of our understanding of mankind and climate change is limited, especially in a temporal tense, when the time we have had to measure the weather through instruments is so short – as in Shanghai, with 140 years of measurements, where worldwide the longest any place has been measured for is only 170 years – so using our limited knowledge to try and comprehend a lengthy process of change is far from sufficient. In another sense, the feelings of one generation of people cannot stand for the entire picture of climate change. Shanghai’s record high-temperature has not been smashed, and with moderns living from their early days in air-conditioned environments, they are especially attuned to hotness and coldness. Meanwhile, great change has taken place around observation station, Xujiahui was a farmland 140 years ago but many high-rises have been built there now. What’s more, “heat island effect” also has an effect on observation result. Therefore, the statement of Global warming is the only cause

leading to extreme weather is too reckless.

Reporter: Given the reasons leading to the abnormal weather, do you incline to natural change or the acceleration of human activity?

Ge Jianxiong: It is too early to make a judgment. On one hand, a great number of people believe that Global warming is resulted from human activities and acceleration of carbon emission, which may hard to explain the fact that the extreme weather did occur before industrialization stage. According to our measurements, in previous millennia there have been a number of cold-warm shifts over a period of a thousand years or so. Looking at this from the other side, however, records in recent history indicate quite clearly that increasing emissions have had their effect.

Scientifically speaking, it is attributed to combined efforts of human activities and natural changes; however, it is still too early to conclude which one is the dominant factor. While we compare human activities with natural effect, more focus should be put on nature. The reason is that nature itself produces more energy than human being. Take eruption of Mount Pinatubo in the Philippines as an example, only one eruption has brought down the average temperatures of North Asia in winter in the following years. This was because of ash from the volcano pervaded the atmosphere and blocked off sunlight. Now what would be the result if several volcanoes were to erupt simultaneously? There remain many unpredictable reasons we cannot explain, therefore, we should keep cautious on this matter.

Reporter: Then what should man do when he finds himself situated in such an ecosystem?

Ge Jianxiong: Man remains the centre of the ecosystem, but we must take up responsibility. When we pursue the material comforts, spiritual enhancement needs to be emphasized equally, as to be known, that many reactions are non-reversible as well as leading energy sources are non-renewable, despite resources are indestructible in theory but the question when they are going to be renewed is still beyond control.

Reporter: Whether the government makes policy or the enterprise draws up a plan, the relation between environment and economics would be concerned all the time, can we say these two are always contradicted? Can they fit each other and reach a balanced condition?

Ge Jianxiong: The contradiction does exist between them for good and no

absolute balance can be achieved. Perfect match without any disadvantages sounds like fairy tale. In realistic world, what we can do is to maximize the benefits and minimize drawbacks.

Economic development will always breed contradictions with environmental protection. In fact, progress made in each stage of mankind's history are taken the cost of damaging the environment, in the process of the urbanization, city takes the place of nature, people learn how to use fire, from the raw to the cooked food, all of which consumed a large amount of fuel. Even though Wind power exploitation has currently been popular, yet the construction of wind turbine generator built on the grass has influenced the growth of the grass, what's more, and the frequent sandstorms in the north of our country will at any rate cause serious damage through erosions to any of these machines, rendering them useless at a comparatively early date, making scrap of the material to be recycled. Materials used in protecting solar panels themselves create pollution. There is nothing that brings us pure profit without some drawback, the feasible method is to balance the two parts and manipulate them properly.

As for the question of the environment, we should emphasise rules over emotions. Any extremism who blindly stress on the importance of the environment protection is not approvable, after all, mankind is the core of the environment. The common interests of mankind should be shared together between us and our generations instead of any individual. Such a core will be the mainstream in a predictable future, requiring people to be more rational and wise to take the responsibility. Tight-lipped of the topic in hasty is also unbearable and unnecessary.

Reporter: You mentioned poverty areas, whose environmental problems are different from those of developed regions due to their level of economic development and insufficient capital. Is this to say that economic development comes first in poor regions?

Ge Jianxiang: First of all, development is of overriding principle. fully support the point made by some scholars that our development requires improving the environment, and more importantly the lives of the people. It is unethical to prevent poverty-stricken regions from developing just for protecting environment. Some underdeveloped areas are expected to hold environmental protection awareness at the very beginning and we cannot expect under-developed areas to sacrifice the development of economy for environment care. Nowadays, carbon trade is facing the same challenge, non-equivalent problem do exist between money and environment.

Second, the development cannot rely on themselves only, instead, developed regions and the nation should work together, they may take the initiative to help on making the right policy, learning from the past to spread the better idea of environment protection to the poverty-stricken regions while giving them the support in both finance and techniques since the underdeveloped regions have nothing to do with today's situation. The earth is boundless.

Some of the cities are tend to be irresponsible, shifting high pollution and high energy consumption sectors into the countryside, such "drinking poison to end thirst" and "beggar-thy-neighbor" behaviors must be halted. Water source shall not be approachable for industry, compensated for the loss accordingly. Downstream and upstream share the common interests, specifically, a region, a state, a country, even an earth are integrated, only regarding environment in this way can underdeveloped regions avoid being polluted and damaged.

Reporter: The environment problem relating underdeveloped areas has been discussed above, whereas many questions still exist in some developed area, eg. pm2.5, etc, how do we tackle with the problem?

Ge Jianxiong: We will stick to green, sustainable and conservative development path. On one condition that we just emphasize on material enjoyment, it may result in material consumed and resources dried up ahead of time. The reason why we have been unduly busy and tense is to pursue more wealth and achieve wealth in a fast way, however, it does not mean that the bigger the better, instead, house featuring reasonable size and exquisite environment, plus relaxing life could motivate your life being a pleasure, perhaps the general economic development will slow down, our life could be improved greatly.

Currently, seeing economic development of the other countries increase 1% or remains the same, even decreasing, we consider that is a bad thing, actually, when they develop to certain stage, there is no need for too much growth, thus we should not follow the materialism blindly, take Japan as an example, the density of Japanese population is larger than that of us, but the forest coverage could be kept to 60% ~70%. Suppose that each person requires to live in villa, how the Japan will be look like? Nevertheless, in china, the typical new Chinese village are almost crowded with villages (per family per village), it is likely that many space have just been wasted. Therefore, the government, main-stream culture together with certain scholar could work hand in hand to change the traditional idea among the public, switch from the excessive material requirement to the better spiritual pursuit.

In a ward, we should focus on the pursuit of spirits and culture rather than enjoyment of material life only.

Reporter: Is this the connection between the threshold of what we can put to bear on natural resources and our level of satisfaction with our own lives t?

Ge Jianxiang: Yes. The level of satisfaction is subjective, if the level of material life rises around us, it will be very hard to meet that of life satisfaction. A high level of life satisfaction should also mean better cultural life. Therefore, we should promote this kind of dialectical way of thinking and intelligence.

Reporter: Environment protection depends on human being ultimately, no matter whether the policy has been made or not, human being is the key, who are supposed to be with the awareness of protecting the environment. Will it take a long time and efforts to fulfill?

Ge Jianxiang: It involves many parts, such as personal conviction, fundamental values of society, social system and so on, besides, political propaganda of society, control ability, self-discipline, external environment, etc, all of which play a role on the issue. Additionally, it also relies on whether our decision is democratic, common interests of mankind are considered or be controlled by certain interest group, usually, each country will face the same situation, specifically, Power Group hope that people could consume more electricity while Automotive Group will do their utmost to make itself as the state pillar, and so on. Therefore, both the government and those who have a voice and strong execution power should take the responsibility to pay attention to the problem.

Reporter: What do you think of the topic for this year's Shanghai Forum- "Asia's Wisdom"?

Ge Jianxiang: From the scientific perspective, Asia Wisdom or Chinese Wisdom does not really exist. Each region has its own unique way and custom, which merit adopting. Looking back into ancient Chinese agriculture, we found that the farmers could run the agriculture well without weather forecast and fully command of relating knowledge. So why is that? The 24 solar terms has been calculated according to the position of the Sun and the Earth plus the long-term experience, which is more accurate than the so-called weather forecast. That's the way how wisdom comes out and there are many similar cases in the other Asia countries, however, I do not encourage people to get rid of modern scientific techniques as well as back to crop era instructed by the solar terms, it is the great wisdom that could illuminate us and inspire us how to control the complicated situation in a simple way.

As far as I am concerned, wisdom is a quite abstract word rather than a detailed tool, during the process of evolution, people have already learnt many specific approaches, thus, Asia Wisdom is more like local wisdom characterized with abstract, generalization and kind of a concept not a simply and detailed tool. Undoubtedly, when we talk about the Asia Wisdom, common scientific approach and wisdom of mankind need to be emphasized in the meantime.

Reporter: It is noted that environment protection is a heated topic in the two sessions of this year. According to your own experience, with the guidance under new round of nation's leaders, what Chinese environment will be in the future? And how could the government guarantee the measures feasible?

Ge Jianxiong: With regard to these questions, we should figure out to what extent the reform of the system will has an effect on the progress of Chinese environment, and what the role of our government play during the construction. Some of the local governments are prone to stare off into the distance, taking environmental projects or infrastructures as achievement projects, which is exactly a short-term benefit. Recently, a few conflicts is emerging between poll and government decision, for example at the sewage removal pipeline of Qidong, although the appeal from the public is correct but may not be reasonable, there are communication barriers between the public and the government. Therefore, supervision should be strengthened on enterprises, as well as, increase the communication with the public and make them informed of the truth.

Yet in many cases the government has already stated that a project will bring no harm, so why do the people still not believe them? This is a problem of the political system, whether the public could achieve their rights during the decision-making process? And why the factories are entitled to be set up in the developed countries, on the contrary, why we are not acceptable, even the factories have already been built far away from the urban? Perhaps two reasons could account for that, for one thing, the government has poor credibility, for another, some decision of the government is not open to the public as well as short of democracy. Some suggest that the size of the government should be shrunk, and its power should be weakened, however, from my point of view, these are not real problems, the key for government is to fix itself, show a democratic attitude, if the government can act in this way, strong management is acceptable, if not and intervene instead, it will has a tremendously negative influence. During the two sessions, environment issue has been attracted a lot of attention, seriousness of the issue was thus be demonstrated.

We Must Bring People of the Six Friendly Nations Together

Reporter: Li Yuheng



Kirill Barsky

Special Envoy of the President of the Russian Federation on the Shanghai Cooperation Organization Affairs

For a regional organization, a strong public support, protracted ties between NGOs, wide contacts between rank-and-file people have growing significance. We must bring people of the six friendly nations together.

Reporter: According to the recent ‘Jane’s Defense Weekly’, the Russian defense spending will increase by 40% in the next three years. President Xi Jinping’s visit to Russia has strengthened cooperation between the military forces of the two countries. Will the two countries cooperate in defense research?

Kirill Barsky: Your question refers to bilateral cooperation between Russia and China which I am not in a position to comment on in detail. I can only say that the Russian-Chinese relations have reached a very high level of strategic partnership, and the successful visit of President Xi Jinping to Russia last March tangibly contributed to the enhancement of collaboration in all spheres including military cooperation.

As to cooperation between defense ministries of the SCO Member-States, it is

part and parcel of security cooperation within the organization. It includes annual ministerial meetings, regular consultations of senior defense officials, and joint military exercises. Plans for the future were discussed at the Meeting of Ministers of Defense held on June 26, 2013 in Bishkek, Kyrgyzstan. The six countries top brass adopted a Joint Communiqué and signed a Plan of Cooperation between the Ministries of Defense of the SCO Member-States for 2014-2015. They also reached an agreement that the next “Peace Mission - 2014” SCO military exercises will take place in 2014 in China.

Having said that, I would like to stress one point. The SCO is not a defense alliance, and military cooperation in its framework is strictly limited to counter-terrorism.

Reporter: In 2014, Russia will assume the rotating presidency of the SCO. Once you said the characteristics of the serious international situation facing SCO are terrorism, separatism, drug trafficking and other forms of transnational crime. What region will the SCO focus on in terms of security in the future?

Kirill Barsky: As the SCO presidency in 2014-2015, Russia will promote a broad agenda. Undoubtedly strengthening security cooperation, maintenance of stability in the SCO region, first and foremost in Central Asia, will be among top priorities.

At the initial stage, the SCO concentrated on combating most acute threats to regional security – terrorism, separatism and extremism. Regional Counter-Terrorism Structure was set up in Tashkent in 2004. Numerous significant intergovernmental documents providing a legal basis for cooperation in various areas of security have been signed. Programs on Countering Terrorism, Separatism and Extremism are being adopted every three years. But what is most important – all these agreements have been translated into concrete coordinated actions of law enforcement agencies of the six countries, which helped to prevent hundreds of terrorist attacks and to arrest thousands of terrorists.

As time went by, new challenges and threats began to emerge coming to the forefront of the SCO security agenda. They include namely narcotic drugs trafficking, money laundering, transnational organized crime, cyber-terrorism, cyber-crime etc. It also became evident that all security threats in our region are interconnected.

That is why Mr. Vladimir Putin, President of the Russian Federation, put forward

an initiative to transform the existing SCO Regional Counter-Terrorism Structure that has proved to be an effective organ to fight terrorists into a Universal Center for Countering Threats to Security of the SCO Member-States. We view this future Center as a full-fledged security cooperation mechanism which will allow Member-States to deal with the whole range of challenges to security and stability in a more systemic and coordinated manner.

Another serious problem is the rise of radicalism and xenophobia throughout the world, and the SCO Member-States are not an exception. Our countries need to join hands in fighting extremism and preventing terrorism not only by force but also using “soft power”. This is a work in which - in addition to respective governmental bodies – NGOs, public associations and all layers of our societies must participate. Special role here belongs to educational institutions, mass-media, church and confessional communities, youth movements, business circles etc.

Reporter: You have emphasized the realistic threat facing regional and international information security. Could you explain it?

Kirill Barsky: Information security, or cyber security, is one of the most serious challenges facing the international community, individual countries and corporate sector. The SCO Member-States were among the first to pay close attention to this issue.

In 2006a special SCO Expert Group on Information Security was set up. It came to a conclusion that the world needs a comprehensive approach to this issue based on the assumption that threats to global and national cyber security include not only terrorist threats and criminal threats, but also a danger of military use of ICT as a “Three-in-One Concept”.

Stemming from this approach, experts worked out an intergovernmental SCO Agreement on cooperation in the sphere of international information security. It defined information threats and outlined principles, areas, forms and mechanisms of cooperation, including modalities of how the States-Parties should coordinate their efforts and provide mutual assistance in countering information security threats. By the way, this innovative document is open to the accession of any country, not limiting its scope only to the SCO Member-States.

Now that the above agreement entered into force, experts of the SCO countries embarked on a concrete work to implement it in all aspects. The recent meeting of

the Expert Group was convened last May in Beijing and achieved commendable results. But a lot still remains to be done to protect SCO Member-States from various cyber threats and to promote our vision of cyber security cooperation worldwide.

Reporter: BRICS drafted a resolution “Strengthening International Cooperation to Combat Cybercrime”, requesting a further research on cybercrime. What measures will Russia take on boosting the ties among the SCO members in response to this challenge?

Kirill Barsky: The problem of cyber security raises serious concern of the whole world. It is being widely discussed by different international organizations. Both BRICS and SCO are working on it, and positions of these two groupings are identical. However, there are countries and organizations which have a different viewpoint.

In order to elaborate a unified approach to this complex issue, the UN General Assembly decided to establish a government-level Expert Group. It will meet in August in New York for its first session.

The SCO has already shared its vision with other UN members as our input to the forthcoming meeting. In April 2011 the six SCO Member-States drafted a voluntary “Code of Conduct of States in the Sphere of international information security”. Its purpose was to identify rights and responsibilities of states in the information space, to reconfirm their commitment to constructive and responsible behavior, to stimulate their cooperation in addressing common threats and challenges and at the same time to reconfirm their adherence to human rights and fundamental freedoms. All states are invited to make a political commitment to cooperate in combating criminal or terrorist activity using ICT; to respect the rights and freedoms of citizens in the information space; not to use ICT to carry out hostile activities or acts of aggression; not to proliferate information weapons and related technologies; to cooperate in combating criminal and terrorist activities which use ICT; to curb dissemination of information which incites terrorism and extremism or undermines social stability and cultural values of other states; to reaffirm the rights and responsibilities of all states to protect their information space and critical information infrastructure; to promote a multilateral, transparent and democratic international management of the Internet; to boost bilateral, regional and international cooperation.

The SCO Member-States’ envoys to the UN requested the United Nations Secretary

General to circulate the “Code of Conduct” as an official document of the 66th session of the UN General Assembly. We believe that a later stage can be upgraded to a GA resolution or even to become a basis of a legally binding Convention on information security which would include sections on military use of information technology, combating terrorism and crime in the information sphere. The urgency of adoption of a universal document on this set of issues is clearly growing.

Reporter: You said the second pivot of the SCO is economic cooperation. The current slowing of the global economy influences Russian foreign trade. How will Russia cooperate with other SCO countries to meet the challenge threatening the Asian economic development?

Kirill Barsky: The main priority of the SCO has been and will continue to be joint efforts of its Member-States to safeguard regional security and stability, in particular to combat terrorism, separatism and extremism. At the same time economic cooperation is also one of its important pillars. Alongside with cultural and humanitarian cooperation, economic cooperation is enshrined in the SCO Charter as a significant area of collaboration. This is no surprise because the SCO was established and is developing as a comprehensive, full-fledged regional organization.

From the economic point of view the SCO has a huge potential. Resources and advantages of Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan as well as of five Observer-States and three dialogue partners should be combined for the benefit of closer regional cooperation. The most promising spheres of cooperation are transport, energy, infrastructure, science and technology, especially ICT, agriculture etc.

The SCO has already developed detailed plans of economic cooperation focusing on implementation of concrete multilateral projects in the format of interested countries. We call this flexible formula a “Two Plus X” model. Related countries can do it either through “G to G” channels, or by employing their state or private companies. A growing number of such projects are being initiated by the SCO Business Council, SCO Banking Association and SCO Youth Council, some of them already in the pipeline.

The SCO does not need to become an integration organization since the Eurasian regional integration process is already in full swing with the Russia-Kazakhstan-Belarus Customs Union at the core. But the SCO may effectively cooperate with

other regional entities including the Customs Union and its Eurasian Economic Commission in the field of economy thus contributing to sustainable growth of its Member-States and economic cooperation in the region.

Reporter: Once you said that SCO faced three main responsibilities: anti-terrorism, economic and humanitarian cooperation, while the last one plays a more and more important part. In which cultural areas will the SCO members plan to boost their cooperation?

Kirill Barsky: In the modern world social networking plays an extremely important role. For a regional organization, a strong public support, protracted ties between NGOs, wide contacts between rank-and-file people have growing significance. We must bring people of the six friendly nations together.

Today the SCO Member-States focus on promoting cooperation in the fields of culture, education, health care, emergency response and youth policy. In some areas good projects are being successfully implemented, for example the SCO Network University which embraces 69 universities from different corners of the SCO countries. In others cooperation projects have been already designed by the Member-States but are yet to be implemented.

Recently new promising initiatives have been aired, among them an idea to kick-start an SCO inter-civilizational dialogue. It can involve research centers, religious and cultural organizations and mass-media of the SCO Member-States and Observer-States which represent the majority of the world civilizations, for that matter. Multilateral cooperation in the sphere of tourism is another area where relevant tourist companies and associations can work together facilitating people-to-people contacts.

As a strategic goal we must strive for creating a common SCO cultural, educational, health and intellectual space. This will bring us closer to the realization of an idea of an SCO Community in the future.

Reporter: In 2009, you launched a project on the history of Russian diplomatic service. A Chinese saying goes, 'take history as a mirror'. What is it all about and how will you benefit from it? What's the main task of this work from the point of view of the future of ties between China and Russia?

Kirill Barsky: I started collecting materials on the history of the Russian/Soviet

Embassy in China in 2009 and the work is going on. I think it is very important for a diplomatic service of any country not to forget its predecessors, their names, careers and achievements. This way not only can we commemorate previous generations of diplomats but also to educate diplomats of the young generation in the right spirit. To this end my colleagues and I are taking efforts to streamline data contained in the Foreign Ministry archives, books on the history of Russian-Chinese and Soviet-Chinese relations and memoirs of our famous China experts.

Our aim is to compile detailed written records of the Embassy and its personnel throughout the history since the establishment of the Embassy of the Russian Empire in Beijing in 1860. In order to obtain first-hand information on who was who in the Embassy, how our diplomats worked and lived, what kind of people they were, we are interviewing veterans of the Russian diplomatic service. This work has received full support of the top officials of our Ministry.

The first article we plan to publish in the coming months will be devoted to the establishment of diplomatic relations between the USSR and the Republic of China in 1924 and the day-to-day work of the Soviet Embassy in China. Outstanding people were posted in Beijing at that time, and they did a great job to push ahead friendship and cooperation between our countries. I hope it is going to be a very exciting reading.

In China many books on diplomatic history have been written in recent years. Nevertheless I believe that some episodes of the diplomatic relations between the USSR and the P.R.C. deserve further researching and publicizing. For example, it will be interesting for readers to know more about first steps of the P.R.C. Embassy in Moscow after it was opened in 1949. At that time the Soviet Government rendered massive assistance to the Chinese diplomatic mission. Premises, cars, furniture and equipment were provided for free. The Soviet Foreign Ministry even organized special courses for the Chinese Embassy staffers who lacked diplomatic knowledge and practical experience in diplomacy. Young people in our countries should know these facts.

Social Responsibility for NCD* Prevention and Treatment

Reporter: Han Qinke



Kong Lingzhi

Kong Lingzhi graduated from Department of Public Health, Shanghai Medical University in 1983 and is now deputy director general and associate professor in charge of NCD, nutrition, mental health and oral health of the Disease Prevention and Control Bureau of the National Health and Family Planning Commission. She has long been engaged in research and management of nutrition- and NCD-related policies and organized many national-level NCD prevention and treatment projects as well as the nationwide healthy lifestyle actions.

We cannot regard ourselves as merely a developing country in want of support from the west. Currently, Chinese does not lag behind developed countries in NCD prevention and treatment concerning both technology and theory. We can help some countries to advance NCD control plans and improve treatments.

Reporter: It has been ten years since the Census for Nutrition and Health Condition of Chinese Citizens was published in 2002. What constitute major changes in nutrition and NCD development of Chinese people during the past decade?

Kong Lingzhi: As China is undergoing a period of rapid economic development with accelerated progress of industrialization, urbanization and aging process, there is a substantial increase in the number of NCD patients. Changed lifestyle and increased senior citizens make NCD an inevitable trend for China in the foreseeable future.

*NCD equals to non-communicable diseases

What we can do is to advance a healthy way of life and better social service through improved prevention and treatment policies as well as powerful exertion in order to slow down NCD's speedy development. Right now, we are making a new round of social census concerning citizens' nutrition and health condition. The investigation towards urban and poverty-stricken areas has already been finished and related figures will be published right after the completion of the work towards rural areas.

Reporter: The Ministry of Health has initiated a lot of activities considering various groups so as to promote a healthy lifestyle, for example, setting up Walking Day, long-distance running by university students, sports shoes activity by white-collar employees. Is there any specific assessment system to examine the actual effects of these activities?

Kong Lingzhi: There has not been a mature assessment system as yet as the activities have been in full operation only since 2010 whose impact on disease prevention won't take effect until a few more years later, but we may easily find that there have been some changes in people's opinions after the popularization of these activities, among which the appearance of the Walking Day plays the most significant part as nowadays many people have regarded walking as a casual sport and even a major transportation method. In 2010, Bai Yansong, along with Hu Yang, Yao Ming as well as other ambassadors of the Health Knowledge Transmission Project organized by the Ministry of Health made proposals at the annual NPA and CPPCA of that year to mark the 11th of May each year as Walking Day with the purpose of promoting balanced lifestyle between eating and sports to keep fit and prevent NCD. Now with improved viewpoints towards health and effective policies, people are encouraged to take the initiative in leading a healthy life.

Reporter: Since the beginning of the 12th five-year plan, top-level design has become a hot word in politics. What do you think of top-level design in prevention and treatment of NCD?

Kong Lingzhi: In my opinion, top-level design means that government should not only put forward counter-measures for current situation, but also make a basic framework to direct long-term prevention and treatment of NCD. On the one hand, the framework aims to make plan for dealing with potential impact of NCD's rapid progress on economic and social development in advance, while on the other hand, it is dedicated to expedite cross-department cooperation through administrative will of the government, as instead of keeping NCD prevention and treatment as the sole

responsibility of the National Health and Family Planning Commission, or within several designated departments, government as a whole and even society should undertake this mission. Currently, the latest top-level design in NCD prevention and treatment is China's NCD Prevention and Treatment Working Plan (2012-2015) published in 2012 by the Ministry of Health along with 15 other departments, in which the 21 objects, 3 rules, 7 policies and 5 guarantee measures are guidelines for NCD prevention and treatment in the future few years.

Reporter: Part of the China's NCD Prevention and Treatment Working Plan (2012-2015) dwells on responsibilities of various departments for NCD prevention and treatment, but how can these departments work together in a coordinated way?

Kong Lingzhi: This question is also the one we keep thinking, and the current experience is to make practical implementation instead of empty discussion. Once the Ministry of Health starts the cause from a specific aspect and provides detailed scheme accordingly, other departments are easy to find their respective roles in this scheme. The situation is the same in public health publicity. Let's take the project of salt restriction for high blood pressure control co-organized by Ministry of Health and Shandong provincial government for example. The Ministry of Health raised inclusive scheme and requirement, after which different departments of Shandong province issued related policies, as the provincial quality supervision bureau re-made standard for Shandong cuisine, the ministry of commerce made guidance to sales markets concerning special provision of low-salt food, the publicity department made relevant dissemination and the ministry of education included knowledge of low-salt diet and high blood pressure control in health training and education for students as well as parents. Meanwhile, leaders of some department have mentioned in chat that during the process of NCD prevention and treatment, relationship between various departments gets improved, and there are more communication opportunities between leaders and staff due to work-break exercises every day.

Reporter: The Municipal Commission of Population and Family Planning has been included into the Ministry of Health due to the recent super-ministry system reform, and what impact will it bring to public health?

Kong Lingzhi: The move requires the Ministry of Health to take care of people's health throughout their life from pregnancy, birth to death, which will no doubt bring more benefit to public health.

Reporter: What can media do besides publicity during the process of NCD prevention and treatment?

Kong Lingzhi: The general public constitutes the major concern of NCD prevention and treatment, in which media cannot be too important. The cost of one-to-one treatment is too high to apply to the public except for patients. Therefore, media has become a significant tool to transmit health knowledge and conduct health education. Media takes the responsibility of information integration and explanation during the process of NCD prevention and treatment by collecting and editing knowledge of experts from different areas into a more lucid way. However, current media have not been equipped with such technique due to their lack of professional knowledge. As a result, the Ministry of Health proposes an encouragement package for health knowledge transmission which sends experts to train media staff and let the latter partake in some in-depth investigation organized by the Ministry of Health. Assessed by experts, they are able to make reports on the basis of understanding related content rather than merely read scripts, for which we will reward some media with excellent performance.

Reporter: In your speech, you mentioned request for more international support. Then what kind of support is most needed in current China?

Kong Lingzhi: China does not lag behind developed countries in NCD prevention and treatment, so what we expect is worldwide concern for NCD. To be specific, we wish to promote public awareness of the importance and urgency of NCD prevention and treatment through communication and cooperation between international organizations and different countries. In 2011, UN headquarters launched a high-level meeting concerning NCD prevention and treatment, the political statement of which required government to take chief responsibility in NCD prevention and treatment and assign related tasks to every level of its mechanism. The meeting is the second of its kind concerning a certain kind of disease after AIDS since the founding of the UN, which demonstrates the ever-growing concern for global prevention and treatment of NCD. This is a good trend, and we hope that the world will pay more and more attention to NCD prevention and treatment so as to lend us a helping hand externally.

Reporter: What can China contribute to NCD prevention and treatment of the whole Asia?

Kong Lingzhi: China exerts huge influence on Asia's NCD prevention and treatment. First of all, China has a large population which is both opportunity and challenge. But concerning NCD prevention and treatment, challenge outweighs opportunity as we have to spend much more resource and energy on NCD prevention, diagnosis and treatment. Although we have done a lot of work, there has been no remarkable effect. As the population of China constitutes one-third of that of Asia, successful settlement of our own problem means great contribution to Asia's NCD prevention and treatment. But anyway, we will provide support for countries in want of technology and counter-measures. To be frank, in spite the fact that China is a developing country like many other Asian countries, we are anything but behind developed countries in NCD prevention and treatment concerning both technology and theory, so we are qualified to export our skills.

Spread the Positive Energy by the New Media Platform

Reporter: Xu Shengjie



Li, Hongbing

Major in Journalism, graduate from Fudan University in 1985. He got the master degree in Law in graduate school of Chinese Academy of Social Science and joined the Education and Science department of People's Daily. In 1994, Li, Hongbing set up a new branch in Shanghai and he was promoted as Senior Editor in 2003. At present, he acts as vice president of People's Daily.

For one thing, all-round suspicious voice is indeed a positive energy, for another, we should avoid saying no to the publications with their destructive thoughts

Reporter: During the Ya'an earthquake, much positive energy has been disseminated by social networking websites, how do you evaluate the attitude of both traditional media and social media shown on this kind of public events?

Li Hongbing: During the five years, from Wenchuan earthquake to Ya'an , from my point of view, no matter the traditional media or the social media, both of them show a great improvement on reporting the news, in other words, being more rational. And they share one thing in common: they tend to report news in a more professional angle. In terms of the official level, some reports of the Wen Chuan earthquake were over sensational at that time, criticized by the public when we looked back; however, we have not paid attention to the problem at the moment. After a few years later, we traditional media learnt from the past and begin to make changes, and tried not to disturb Ya'an during the special time and showed our respect in a rational and professional way, which was obviously a great progress. Social media plays the same role, during the Wen Chuan earthquake, many people rushed to there as volunteers, but now, people are being suggested not reach the

disaster area blindly, blocking the traffic as a result. Rescue should be put into the first place, and any showoffs as well as brute courage cannot be tolerated.

Another significant change is that both of the media are becoming more suspicious. The public used to be easily moved by the sensational stories but now is tending to be doubtful, which is a good phenomenon, for example, people trusted the Red Cross and made donation without second thought during Wen Chuan earthquake. Nevertheless, the credibility of Red Cross has been questioned by each one at present, irrationality has an effect on that more or less for sure, yet how can we cope with the situation? What the most important thing is that we have to consider the doubt as a kind of positive energy, which could be a driving force for us to make progress. Many realistic problems and emergencies are settled under the constant suspicion and follow-up of the public, which will come to a good end as well as purify the society step by step.

Reporter: Have you ever considered suppressing the excessive suspicion?

Li Hongbing: The suspicion itself is acceptable, but on the other hand, we should avoid falling into the “Tacitus trap”, in other words, no matter what the government and traditional media publicized, right or wrong, the public is reluctant to trust and will always say no to the publications with their destructive thoughts, which may due to the reason that the government has lost its credibility and it will take a long time to twist the situation.

According to a survey from Nielsen demonstrates that on average, Chinese people are more passionate about negative comments than the other Asia countries, which implies that destructive thoughts dominate the whole. Chinese people may have been monitored too strictly in whatever the form of behavior or spirit in the previous years, and now given such a platform to air our opinions freely, it goes too far and then beyond control. In Chinese society, democracy and equality are not popular, and some netizens are prone to show a more aggressive and passive attitude which can also be expressed by “those who submit will prosper, those who resist shall perish”. They have no tolerance of any different opinion, sneering, abusing, even vocally attacking people and consistently showing a negative attitude. They are keen on spreading the bad news without careful recognition, do the harm to the innocent people in certain occasions and even can be the emotional catharsis for the mob, what’s more, gaining happiness based on other’s pain. This irrational performance in media is destructive, revealing that the promotion of science and democracy has not been sufficient at all since the May Fourth Movement, not matter in civil society or official organization. Whereas, overall speaking, there is more positive voice in the

network, which is for sure.

Reporter: You have mentioned that some new media platform like People's Daily official weibo are emerging, how do they promote the main-stream media? Is it possible to democratize it?

Li Hongbing: Under the leadership of editorial board, People's Daily weibo is run by a group of young and energetic journalists with an idea that widely spreading the news will result in the extension of influence. People's Daily has made great efforts in getting close to the public and the young readers, and weibo is one of the parts. Last year, our president Zhang Yannong has led us to Fudan University, which was the seventh we went to the university campus. In addition, it could be seen that People's Daily E-newspaper outdoor billboards are all around us, implying that how People's Daily works hard to realize the electronic transformation. Now the messages posted by People's Daily in weibo surprise many netizens who will make a question that is that real for People's Daily to make such a statement. Actually, People's Daily has always been the promoter since China's reform and opening-up to the outside world of 1980s of last century, playing a positive role in the turning point of China's reform in particular.

Compared with many other media which launch weibo at the same time, People's Daily attracts more fans, attributed to its reputation for sure. Journalists from People's Daily will always be willing to stimulate the Chinese reform, and reform of the newspaper is included as well. In the terms of internet, People.com is the first official website that set up by traditional media, its fabulous performance in weibo, popularity of its outdoor billboards and new launch of its search engine, all of the changes demonstrate that People's Daily is making progress in the new media era in general.

Undoubtedly, as a main-stream media, they are supposed to have a sense of marketing, but for People's Daily, the promotion is not sufficient, which is regarded as a conservative and rigorous media or something like that. Nevertheless, many of them may not realize that a great number of heated issues are brought about by People's Daily, for example, "how difficult to live in Beijing, Shanghai and Guangdong", "Run away from Beijing Shanghai and Guangzhou", even the issues concerning generational hierarchy. All of them have been first put forwarded by People's Daily. Frankly speaking, lots of news and comments from People's Daily merit reading, which get criticism without being read through. When 140 words from the news and comments were demonstrated in weibo, some netizens were so surprised to say: "is that real? ", and even worried about editor to be fired. In fact,

that is the real People's Daily, without weibo, it is unlikely for the public who have the prejudice against us to gain such a good opportunity to know People's Daily well, of course, only rely on a weibo is far from enough, we are still working hard in order to be understood broadly.

For young man, if they have a desire to know Chinese politics, they have to get a deep understanding of People's Daily, because this is the necessary way to get to know Chinese contemporary history and it is a media that most close to Chinese politics. Those who are major in Humanities and Journalism are irresponsible for themselves on condition that they neglect People's Daily, criticizing it without concern.

Reporter: As far as paper media is concerned, many people believe that it will not have a bright future and fade away soon, how do you think of that?

Li Hongbing: I am not optimistic about its future as well. Some American scholars have predicted that the traditional paper media will extinct in 2044, the last paper media reader will leave for good. I have no idea how the time is figured out, but one thing for sure is that the future of paper media is not promising. It is known by all the students whose majors are in Journalism that The Christian Science Monitor is the oldest newspaper in US, yet it has been out of the market at present. We may be doom to have the same fate although the extinction process will be postponed for a while, which is a trend without question.

It is certain that paper media is relatively less competitive than on-line media, but as for how it will be exactly in the future is unpredictable, it might be like stamps or cultural relics, reserved in the collector's houses only. Furthermore, there is always a fraction of people prefer reading newspaper to watching the on-line news just like a great many people are more passionate about reading books than E-books. Looking back into the past, we all thought that broadcast was about to vanish, nevertheless, the rising automobile twisted its fate at that moment, even the great popularity of the internet still cannot take the place of broadcast, because when driving a car, the driver is not able to surf the internet except listen to the radio. Therefore, whether the paper media will be rescued just like what happened in the automobile era is unpredictable.

In a word, paper media, situated in a weak position, is moving towards the extinction, but as for how long the process will take or whether a good opportunity will pop up is no way to predict.

Urbanization Requires Excellent Public Service

Reporter: Chen Jian



Li Shantong

Researcher of Development Strategy and Regional Economy Research Department in Development Research center of the State Council. As a postgraduate major in Mathematics of Peking University

It is apparent that urbanization will destroy the environment and make resources consumed a lot, which requires being taken care properly. As far as I am concerned, the urbanization is a comprehensive process, during which many problems needs to be perfected.

Reporter: Since 18th CPC National Congress, “urbanization” has been raised for many times, China is appealed to promote the urbanization not only in quantity but also in quality. What is the qualified urbanization in your opinion? What is the major problem we need to solve?

Li Shantong: The term “urbanization” has been focused more recently, which has something to do with the Prime Minister Li Keqiang’s speech and his articles. After one of the Li Keqiang’s articles has been published in Xinhua Journal Vol.1, people have begun to pay attention to the urbanization. Actually, urbanization is boosted fast at speed of 1% growth per year in the past ten years, reaching to 52.5% now. There are different opinions towards the result of the urbanization. Over 10% of the population is said to be identified as city population, nevertheless, they do not possess urban residency permits and are not entitled to enjoy the public service

provided by the city, and therefore, helping them to get the same treatment from the government and society should be prioritized to better the urbanization. As far as I am concerned, both resource and environment problems brought about by the urbanization which will apparently destroy the environment and make resources consumed a lot require being taken care properly. In a word, the urbanization is a comprehensive process, during which many problems need to be perfected, such as the expansion of the space, carbon emissions control and so on. Take water utilization as an example, water consumption in urban city is larger than that in the suburb.

Reporter: There is a heated issue that if the peasants are flocking to the city, how to deal with the lands in the rural area?

Li Shantong: Land problem is a complicated problem, but now many people mix the ideas among urbanization, agricultural modernization and urban and rural overall development. From my point of view, urbanization reflects the society making the constant progress, which is a result from the industrialization and modernization rather than the factor impelling the development. Without the enhancement of labor productivity in rural area, there would not be rural surplus labor, and if no surplus labor, the problem concerning transfer of surplus labor will not come out. Therefore, the growth of urbanization actually is relevant to the increase of agriculture productivity. Supposing rural area is richer than urban city, rural population will not shift to the city. As I noted above, the enhancement of labor productivity make it possible for the farmers to move to the urban city, as well as the unbalanced development between the country and the city encourages the farmers to flee to the city. It is argued that only the registered residents could be classified as urban population, which I am afraid I cannot agree with. Take Shenzhen as an example, there are only over one million registered people living in Shenzhen, in fact the real number is largely overpass that, thus many aspects have to be concerned, for example, water and food supply, education, job opportunities, medical care, etc. Urbanization rate cannot be measured accurately only by counting the registered residents, it relies on whether the public service could be provided in an all-round way, in other words, the quantity of the population cannot be regarded as criteria for judgment but the excellent facilities that the city could offer.

Reporter: So you mean that Chinese urbanization has overlapped with registered population to some extent?

Li Shantong: What is “Hukou”? In English, it is defined as registration, and it is about population register, which is a way to record residents’ information. As a matter of fact, each country has its own registration system, nevertheless, it means a lot in our nation, which was linked to food stamps long before. There is the big gap between the urban city and the country on public service providing, even between the different regions in the same city. From my perspective of view, the reform of registration has to be isolated from the public service providing and each kind of social welfare, so that is not a simply reform. Instead, Hukou policy open to the all will incur the influx of the people whose requirements cannot be met due to the shortage of the resources in the city, and afterwards not all the people can get benefits and be treated by hierarchy, the reform will come to nothing as a result. Therefore, the reform of household registration is not that easy. Household registration policy, as a necessary way for the nation to manage people, can precisely reflect the national people’s status.

Reporter: You mentioned that the problem lying on the registration is attributed to the lack of the resources, however, since rapid development of China and increasing number of available resources in each aspect, why the allocation of the resources will be out of balance after acknowledgement of registered population?

Li Shantong: In my opinion, part of the reason is attributed to the total amount and the other should be blamed on the structural problem of resources. It is true, of course, that the total resources is increasing but comes to distribution, no matter in quantity or quality, the resources are dominated by the cities in variety of ways. That is the common problem for these developing countries to cope with, and it may take a long time to be solved along with the constant improvement of the government financial strength.

Reporter: In fact, the Chinese government has already had a pile of debt, and will it incur the debt risks during the process that Chinese government will be increasing the investment with the purpose of boosting the urbanization in future?

Li Shantong: On one condition that China still can remain at a rapid speed in its economic development as well as great growth in government’s revenue, the debt risk could be reduced to the lowest, so how fast the economy could be developed decides the risk. According to the history of each country’s economic development, when a

country has come to a certain stage, its development will slow down undoubtedly. In addition, when GDP per capital reaches to a certain figure plus the steady economic development, the growth rate usually will not exceed 5%-6%. Therefore, we should pay attention to the risk under the circumstance.

Reporter: Will the accumulation of the local debt prevent the urbanization from further developing in the following ten years?

Li Shantong: If it happens, it is going to take a long time, because the authority of each local government will not shoulder much financial pressure in his term and push the pressure back to the successor, which is similar to the drum-and-pass game. Each successor believes he/she can handle the problem well.

Chinese Seed Enterprise Depends on Independent Development for the Core Technology

Reporter: XU Yunye



Ma Shuzhong

Deputy Secretary-General of International Economic and Trade Association of Zhejiang Province, Secretary-General of Zhejiang First Batch of Philosophy and Social Science Research Base - Opening and Development of Regional Economy Research Center; Executive Director of International Business Institution of Zhejiang University, Vice Director of International Economic Department, School of Economics, Zhejiang University-Research Direction for the International Trade Theory and Policy, Foreign Investment and Multinational Companies.

Our domestic enterprises must depend on self R&D and the government's huge investment for the core technology so as to cultivate enterprise's own kernel competitiveness. In simple terms, the key is to develop our own businesses as well as research bases.

Reporter: In your paper Dynamic Study on Effect of Agriculture Foreign Direct Investment on China Food Security - Based upon the Perspective of Research and Development Capability of Seed Trade, you concluded that FDI has negative spillover effects on R&D of Chinese domestic seed enterprise. Is there any specific measure we shall take to reduce this effect?

Ma Shuzhong: The problem has been there for a long time, we have recently started to realize the seriousness of this problem. For instance, the Ministry of Agriculture

didn't establish Seed Administration until the year before last. Although this problem has been put on the agenda and we have realized the seriousness, it is hard to promulgate the effective policies and measures to deal with the problem for the reason that foreign funded enterprises have formed a monopoly situation. The time point which is the most effective to solve problem is the initial inflow of foreign investment. However, it is we didn't take any measure at the right moment that results in the current out-of-control situation.

Reporter: In the interpretation of the negative spillover effect, you came to your conclusion that the research and development capability and technological level of our domestic enterprises will be lower than the ones in isolation when we withdraw foreign capital from China. This is quite a striking conclusion, could you please explain its phenomenon?

Ma Shuzhong: After the foreign enterprises enter in the Chinese market, they have formed a considerable scale of monopoly. Almost all Chinese R&D Institutions cooperate with the foreign ones to make the research of Seed. This kind of cooperation is a relatively low-end links in the value chain. Instead, we are not allowed to participate in the research and development on the core technology of foreign enterprise. The local companies haven't really enhanced the R&D capability and management level, but have been relying heavily on the foreign companies. It's like the Soviet experts offered us technical assistance, we depended heavily on them instead of learning their key technologies. So our own capacities remain weak after the withdrawal of assistance.

Reporter: But from another perspective, even if local businesses have no access to foreign core technologies, they more or less could draw on some experiences and absorb some advanced resources. Why does the research and development capability reduce instead?

Ma Shuzhong: It involves the problem of the value chain. The foreign enterprises have certain market power in every link of the value chain. They almost get through and couple with each link in the value chain and industry chain, which forms the strong coupling industrial strength. However, our domestic enterprises were just sporadically distributed in each link of the global seed value chain and industry chain with providing some low-end services. That is the reason that our enterprise capability is relatively weak. There are usually two forms of foreign capital entering in China, M&A and joint venture. If we take the form of

merger and acquisition, the foreign investor is the largest shareholder who has the most right to speak. Even though foreign capital enters the Chinese market in the form of joint venture, our domestic seed enterprises can't control the core technologies in the R&D step and strategic step. Because the foreign partners will sign a variety of contracts and dictate every kind of terms to restrict China to the access and use of the research results got from their joint-venture institutions. Figuratively, if there is a foreign enterprise such as Pioneer Corporation establishes a research project and research fund in China, will our scholars in schools and research members in institutions participate in it actively after hearing the news? The answer is yes. The foreign enterprises enter China in the means of project investment and fund injection, while they sign an agreement with China on restrictions and limitations. The result is that, even if Chinese researchers have developed a certain technology, China has no right to use. The right belongs to the project promoters and sponsors, the foreign investors.

Reporter: Can we think that Chinese domestic seed enterprises are generally located in the low-end link of the value chain?

Ma Shuzhong: Low-end links include seed planting, cultivating, testing, processing links which are in the charge of Chinese companies. As for the core links, there are many Chinese who have access to these key links are in the positions in multinational companies. But multinational companies have the protection of intellectual property, different from Chinese enterprises. Many a Chinese researcher goes to serve for the foreign companies rather than Chinese holding companies. That is a serious problem. Foreign-funded enterprises establish many kinds of scholarships in colleges and universities, in order to attract and cultivate talented people to serve for them. It is illegal and immoral for the employees of the foreign companies regardless of you are Chinese staff to disclose the kernel technologies. The whole intellectual property belongs to the company, so the individual has no right to output it.

Reporter: Then do our domestic enterprises have to depend on self R&D for the core technology?

Ma Shuzhong: Yes. Not only do our enterprises depend on self research and development, but also rely on the government for the huge R&D investment. That is crucial. Why do our researchers of domestic research institutions prefer working in the foreign enterprise and taking part in their projects actively? The reason is

that our institutions are lack of research funds. If our government could pour a large amount of money into the strategic industries and links, the scholars and researchers will make the researches under better conditions and then cultivate their kernel competitiveness. This is a way to achieve the goal. In simple terms, the key is to develop our own businesses as well as research bases.

Reporter: In addition to government investment, what else is worth our attention?

Ma Shuzhong: The R&D link is not the only link we should be concerned with. Certainly, our R&D capability will be significantly increased someday if the government invests heavily in it. In addition to the R&D link, the downstream link such as marketing and brand link is also important. Without strong brand support and good marketing channels, local firms are unable to enter the market, communicate with the farmers, even cannot effectively compete in the International market. Compared with multinational companies, Chinese seed ones have the relatively smaller size and shorter established time. Through the means of M&A and Joint Venture, the foreign enterprise invests just the projects rather than the core competence included with the kernel R&D capability and management skills (which is the important strategic link). Apart from the concern of independent R&D, Chinese domestic seed enterprises should get through the whole value chain and pay more attention to the coupling problems.

Mental Health Is A Global Challenge

Reporter: Qiu Meifang



Michael Phillips

Michael Phillips is Canadian, consultant of China Mental Health of WHO, China Representative and Finance Secretary of International Association of Suicide Prevention, Consultant of China Medical Board, Director of Shanghai Mental Health Center Crisis Prevention Research Lab

Asian countries need to put more resources in the field of mental health to solve the problem of lack of resources and the burden of mental illness. However, due to various reasons, mental health has always been neglected, which has caused the difficulties in matching the resources.

Reporter: At the very beginning, the topic that you submitted to Shanghai Forum is “Mental Health Challenge in Asia-Pacific Region”. Why did you use the word “challenge”? Is it because mental health in Asia-Pacific region a serious issue?

Michael Phillips: Mental health is a global challenge. WHO recently released its global mental health action plan, which states that mental health is a global problem but is not taken seriously. Asian countries are different from Latin American countries and African countries, where epidemics like AIDS are still the most pressing problems. After decades of development, epidemics in Asian countries are under control while chronic diseases are a major burden, and mental illness is a big

part of it. Asian countries need to put more resources in the field of mental health to solve the problem of the lack of resources and burden of mental illness. However, due to various reasons, mental health has always been neglected, which has caused the difficulties in matching the resources.

Reporter: Why mental health is not taken seriously? Why don't Asian countries put more resources in it?

Michael Phillips: Historically, epidemics have the largest portion in the burden of diseases in Asia. In the last thirty years, epidemics have been well curbed, 60% to 70% of the burden of diseases are now chronic diseases. In the past, cancer and cardiovascular diseases drew a lot of attention, but mental health was never taken seriously. To divert attention requires a lot of time.

It wasn't until these years that the importance of mental health was gradually recognized by the health management offices and security offices. But at the same time, the clinical departments still won't acknowledge the relative importance of mental health. Clinicians' discrimination upon mental health is deep rooted, which has much to do with the distribution of disciplines and curriculum in the medical schools. When the medical schools were first established, psychiatry was a small branch of neurology department and had very few courses. Even now, during the five years of undergraduate medical education in China, the training in psychiatry only has forty hours. Because of discrimination, mental health department gets very limited resources in the distribution of medical resources in the hospital. Other departments won't be happy to see their resources cut. These factors restrict the input of resources in mental health in Asian countries.

Reporter: What is the outlook of mental health in Asian countries in your opinion?

Michael Phillips: The newly-released global health plan mentions that in the past 20 years, the suicide rate in Korea has increased 3 times while the suicide rate in China is 50% less. Both are Asian countries but the suicide rate differs so much. In this past 20 years, Asian countries have different input in mental health and the mental health services they provided are also different. In terms of how to improve the awareness of mental health, the problems and solutions for each Asian country are different. There is no mode that suits all countries. If one wants to have a drastic improvement, the solution has to be tailor-made.

Thailand acknowledged the situation mentioned in WTO's report on disease burden very early and distributed its resources as the portion of disease burden. Since the mental health gets enough attention, the situation is improved. China is in the process of acknowledging the report, but does not distribute the resources as the report. Now not all Asian countries acknowledge the report, If all these countries are willing to distribute the resources according to the disease burden data, the mental health situation will be much improved.

From the viewpoint of mental health research, Asian countries need more interdisciplinary studies to adjust the mechanism of mental health services and prevention of discrimination. These studies require more funding and talents.

Reporter: On May 1, Mental Health Law of People's Republic of China took effect officially. What do you see the purpose and meaning of this law? What can be improved?

Michael Phillips: China's Mental Health Law finally came to force after 27 years of revision. It will no doubt boost the development of mental health. It also shows that the related governmental offices have realized the importance of mental health.

But many details of this law can be improved. For example, in the terms about "unwilling hospitalization", we need to define "major mental illness" and "great harm to the society" in a more detailed and clearer fashion. The law advocates community services, but no specific approaches are mentioned. I'm worried about the implementation of the law.

China needs to put more resources in the evaluation of the effects of the law. I think the relative governmental offices need to do a very detailed evaluation on the mental health situation in China, and five years later, do another one; then, compare the results of evaluation, so that they know well the result of implementation and then revise it. The evaluation has to be as specific as possible. For example, they need to investigate what the attitude toward mental health is in different regions that provides the mental health services, how the service people are trained, as well as coverage and funding. The evaluation mechanism has to be well implemented, instead of bureaucratic. We can't just tell people how good the law is.

Reporter: These years China looks more at mental health. Is it because the problem is more serious?

Michael Phillips: I don't think so. Though some reports show that the rate of mental health has increased, but it's not true. Recent years, people are more sensitive to depression and anxiety, and are more willing to reveal their own psychological problems. In the past, the patients chose to hide the illness, so reports at that time show an extraordinary low rate of mental illness. The reason why the problem is considered more serious is because the data is not accurate, or some other reasons. In fact, except for the problem of alcohol abuse, mental illness rate is not so much higher.

The suicide of Foxconn employees drew more attention on the mental health of immigrant workers, but the quality of study is not good, and the problem is not properly analyzed. It's good that we pay more attention to mental health, we definitely need more input of resources.

Reporter: In the 1990's, the suicide rate in the Chinese countryside is three times of that in the cities. Is there a change now?

Michael Phillips: It has been changed. First of all, the suicide rate is half of before now, secondly, the suicide rate in the countryside is two times of that in the cities. But we need to think about the mobility of population. Twenty years ago, the mobile population was far less than nowadays. Now more farmers have migrated to the cities. It's hard to categorize a case of suicide to countryside or to city.

In the past, the suicide rate of women was 25% higher than that of men. Now it's almost 1:1, similar to most Asian countries. Among female suicides, women in the countryside are the majority. In the past, drinking pesticide was the way of suicide; now the rate has decreased but is still quite high. On the one hand, the usage of pesticide is strictly controlled; on the other hand, when most farmers become immigrant workers, it's not that easy to get access to pesticide.

Reporter: How is the community service for mental health now? What are the problems to establish and improve the community services in Shanghai?

Michael Phillips: The Chinese mental health doctors are not willing to work in the community hospitals, especially the countryside clinics. The task falls upon the shoulder of the community doctors in the general department, whereas they already have a lot of work. Without enough special training, they cannot do a satisfactory job. The new law has no detailed regulation on the implementation.

The resources, funding and talents are sufficient in Shanghai. To build a complete community service mechanism, two problems have to be solved. Firstly, we need to regulate the practice of doctors in the community clinics. Shanghai provides training for the community doctors, but there is no supervision on their practice. Many patients don't have early treatment in the community. Secondly, we need to change people's perception in the mental health services in the community clinics. We need to encourage them to go to the community clinics instead of comprehensive hospitals and A-level hospitals. They should have no hesitation to see the doctors when they have mental problems instead of feeling ashamed.

What's more, I hope that we can set up some community organizations where the families of the mental health patients can have a say, so that there is less discrimination and more precautions.

Collaboration and Sharing Is the Promise of Web

Reporter: Wang Xian



Peter K. Bol

The Charles H. Carswell Professor East Asian Languages and Civilizations at Harvard. Director of the Center for Geographic Analysis at Harvard. His research is centered on the history of China's cultural elites at the national and local levels from the 7th to the 17th century. He also directs the China Historical Geographic Information Systems project and China Biographical Database project.

Without sharing the information, scientists cannot figure out the best policies and people will not get together to support policies that are important to the quality of their lives. So in terms of protecting environment, sharing information is a very simple but crucial starting point.

Reporter: Could you briefly introduce the Geographic Information System (GIS) and your service center?

Peter K. Bol: I am interested in the way which we connect history and geography. Historical analysis usually concerns change over time, and spatial analysis usually concerns variation through space. Geospatial Analysis is something that is useful in most fields, both as a technology and as a form of analysis. It can be variously applied to understand regions, history, climate, warfare, seasons, global oil distribution and so on. Strong visualization is one of its important advantages. A picture is worth thousands of words.

One way to understand our Center is that, we as a center do not do research, but we help other people apply spatial analysis in their research. This is a very important

distinction. You will find visitors, researchers, students, and faculty doing their own research in our center, but you will also find GIS analysts, our full-time professional staff who have the technical skills to help many different kinds of projects. I also believe in the importance of international collaboration, such as the collaboration with Fudan to create China Historical Geographic Information System (CHGIS).

Reporter: You have done many historical projects on China with GIS, what are your findings?

Peter K. Bol: In my own research on China, I am interested in the ways which administrative system of China changes over time: where it changes and where it does not change. Let's look at the Lingnan area, namely Guangdong and Guangxi. In the Tang Dynasty the administrative centers are more developed than the Song Dynasty. So in fact, from the administration's point of view, the Lingnan area has declined from Tang to Song. And it is really in Ming that it starts to revive with many administrative centers.

I am also interested in how the political elites are organized, in terms of family dimension and space. Where do people pass the examinations? Where do they live? In the Song Dynasty they live in around three or four different regions but these regions are not always the same. These clear regional clusters of literati elites do not correspond to population. The representation of certain areas in government is based on the nature of their elites, not on the amount of population. So there are densely populous areas which have very little success in the examination system, and there are areas with fewer people which have lots of people represented in the government. This means people from certain parts of China had greater political influence than those from other parts of the country. This may be something we already know. However, we can then start to correlate this to other kinds of information. We can look at where commercial tax is paid and the spread of Daoxue or Neo-Confucianism (a new intellectual social movement in 12th and 13th century), to see how they relate to distribution of elites and examination system together. Dataset from Northern Song (1077) shows some interesting phenomenon: Daoxue is not particularly successful in the most commercial areas, but is successful in areas which have large numbers of educated literati.

In the case of networks, if we look at where the population stands, we can see that networks of settlements cross administer boundaries and conduct spatial analysis. Network analysis is a very interesting approach which I think is getting more and more attention.

Almost all of the above research involves databases, because there are a very large number of people involved. For spatial analysis and network analysis, we use software.

Reporter: As the Professor of History and the Director of the Center for Geographic Analysis, what do you think of the boundary between disciplines?

Peter K. Bol: Actually, network analysis comes out of sociology and mathematics. I am a historian for sure, but it seems to me that in the study of history, if we have interesting questions to ask, then we try to find the best methods to answer the questions. And it certainly true that written books are sources of information for history. Before 2000, I studied history only by reading books, yet this did not help me fully understand other things, such as the landscape, as one of the contexts for events. If we take the data in the books to know where people live in the landscape, to know how the government administration is organized in the landscape, then we build many different contexts to understand human activity. Computation makes it possible for us to look at an enormous amount of data at once. Perhaps this is what traditional historians have been uneasy about.

For instance, suppose I given you 1000 examples of a phenomenon and you discover 30 mistakes. How important is this? My view is that this is well within an acceptable margin of error. However, for a biographical dictionary or a word dictionary, we demand that every fact and every word be right. So that is a really important difference between a database-based approach and a dictionary-based approach, but people often confuse the two. In my work I sometimes use a large amount of data, such as the China Biographical Database. For this database, we actually read books using computation methods to record data, such as place names, person names, dates and offices. At the moment, human beings check what the computer did. I do not think it will meet the expectations of people who want a dictionary. Rather, we offer a more computation-based method. Now it is not yet perfect, but this kind of thing is part of our future. There are many futures. The old ways should continue even as new opportunities are added.

Reporter: How do you come up the idea of creating WorldMap? What are some of the new developments? Is there any cooperation with China?

Peter K. Bol: WorldMap depends on the help from all the people who are involved in open-source GIS. Our institution has full-time staff, but we also receive help from many people outside Harvard. It is collaborative. WorldMap started from 2012 and

within one year, we had attracted around 8,000 users who have created over 2,000 maps, and the visitors from over 200 countries have reached 350,000. Our goal is to create a world map platform.

The real purpose of WorldMap is the promise of the web: everyone benefits when people can share data and collaborate. And if you share the data, and I share my data, then somebody else may come along and have new discoveries, based on putting the data together. I do the research, and I can share my work with other people when I finish if I want to. That's the idea behind WorldMap, and clearly it is a good idea, because many people are doing this.

We hope to cooperate with Professor Peng Xizhe's group at Fudan, the Social Data Research Center, to visualize spatial data online. Basically we are interested in seeing a Chinese version of WorldMap, which will make easy for people in China to use. We also keep developing new utilities and new applications, like a time series (to be able to look at changes over time), and loading spreadsheet directly into WorldMap (the best known one is Excel from Microsoft). Those are two very important developments; we also are going to make it possible to comment and rank on people's work. We of course make maps ourselves for teaching.

The ideas of WorldMap are collaboration, sharing, and ease of use. GIS and computer technology may not be easy for most people to use, but WorldMap is easy to use.

Reporter: How could WorldMap and GIS contribute to environment and climate issues?

Peter K. Bol: If we want to help people to think about the environment, one of the most effective ways is to show them what's happening, in other words, show them a map. If you want to see the problem of food security, carbon emission or stream polluting, visualize the data and show a map.

For example, to represent air pollution, we divide the country into counties. Each county has one or two sensors that measure the air and give different readings. There are two ways to symbolize the data. One will be put a dot on the map showing the density of pollution with color, which is point-based symbolization. Another will be taking averages of nearby readings and then cover the whole area in different colors, which is polygon-based symbolization. The point-based one is truer, because it just says that this place has a sensor that has that reading. The polygon-based one generalizes

those sensors to a whole area and creates appearance of a continuous distribution that may be wrong, but it results in choropleth map with strong visualization. In this way, you can depict sky of Beijing by symbolizing the data of readings.

The environment is all about information. Better environmental policies developed in the US are because people had information, and they could talk about consequences of that data. Usually big companies are reluctant to stop pollution because it costs money and makes things more expensive. Sometimes, the government, either the local or central, are not transparent enough. Without sharing the information, scientists cannot figure out the best policies and people do not get together to support policies that are important to the quality of their lives. So in terms of protecting environment, sharing information is a very simple but crucial starting point.

Reporter: What China could learn from the US in terms of controlling environment pollution? How shall human beings collaborate in a global level to confront environment and climate change?

Peter K. Bol: The moon in the sky of China is the same moon in the sky of the US, and both countries have scientists who are working on environment problems. It depends on how you act and respond to knowledge. I can tell you that if you study hard every day, you can succeed, but it doesn't mean you will study hard every day. Again, that's why information is important. Very few people understand that the way they live is affected by what happens in the environment.

If we look back, the history of 20th century is not very hopeful, is it? For all the reason and knowledge we had, there was a World War I and World War II. The question is what kind of leaders we have now. If they are wise, they will lead us to policies of collaboration. Our job as scholars is to work hard to try to make sure that our leaders act wisely with good information in the way that benefits our own populations and the world. It's always hard work. There is never a permanent solution. What else can we do? We do our best.

Reporter: What can we learn from the history?

Peter K. Bol: This is a very interesting question. Last week I interviewed a bunch of students from Fudan and East China Normal University working on different periods of Chinese history. We said suppose you were talking to one of the leaders

about what the leader should worry about based on your knowledge of Chinese history. What we discover is that history doesn't necessarily tell us how to solve problems today, but it helps us to see the problems. The fact people did in the past, doesn't mean it's good or bad, it's just a truth they did it like that. It doesn't mean we have to do like that. The Mongols rode through China, central Asia, and Eastern Europe, and massacring people as they went; it does not mean we should do so. History cannot tell what the right way is. It tells you what you should worry about. And I believe historians and scholars in China can talk about what China should worry about.

Reporter: Technology is regarded as double-edged sword. For example, it helps in the case of GIS, but it also enslaves and destroys life sometimes. How do you evaluate it?

Peter K. Bol: I think technology is a tool. You have to know your purpose. I guess the idea comes from Zhuangzi. "We want to control things, but we don't want to be controlled by things." That was before technology. What he was talking about is people's desire to own things. That will enslave people, too. Something that does not have very much value, but you love it so much that you would like to die to keep it. It's stupid, but people do that, right? I don't think the problem of being enslaved by things is a new problem; it's an old one. The way we deal with it is try to be careful of how we use technology. I don't think technology is a major factor of pollution. If you mean technology very broadly, industrialization is the one for sure. The danger of pollution is global warming, associated with industrialization, like carbon emission, automobile, electricity production and so on.

The Collapse of Asia Demographic Dividend during Globalization

Reporter: Chen Yixuan



Sheng Bin

Vice president of Nankai University graduate school, president of China APEC institute, professor and post doctor advisor of the Nankai University Research Institute of International Economics, executive council member of the China & World Economy, Vice secretary of the coordination group in the National University International Trade Academy, Vice secretary of the American Economic Association, Senior exchange researcher in the US Fulbright Program. His main research topic is international trade, international politics and economy and regional economic cooperation etc.

This is the first time the absolute number of Chinese workforce has decreased which shows the trend of the collapse of demographic dividend. The southeastern countries of Asia would not have more workforce resource compared to the mid-western region of China. It is still an open question to whether workforce cost can be pushed towards the lowest ever. The limit for the minimum salary of workforce is harmful.

Reporter: You mentioned the concept of “Asian Noodle” effect in your sub-forum, could you explain this in detail?

Sheng Bin: The idea of this concept is originally amplified from “Spaghetti Bowl”. Asia countries signing the regional bilateral trade agreement is like noodles in the bowl intertwined with each other forming a mixed Free Trade Agreement network. To solve the disorder caused by Asia integration, one option is to follow the TPP agreement led by US, and another option lies in the ‘10+3’ or ‘10+6’ Free Trade Agreement models advocated by states in Asia..

Reporter: Paul Krugman cast doubt upon the East-Asian Miracle a decade ago. What is our opinion on whether or not the extra dividends of population still impact on the Asian Miracle?

Sheng Bin: When Krugman cast doubt over the East-Asian Miracle a decade ago he believed that economic growth in Asian economies emerged primarily from investment in productive factors, and not entirely in increasing the productive rate of factors. A report on the Asian Miracle published by the World Bank during those years provided a summary of the source of factors for high growth-rates in Asia from the perspective of some comprehensive factors, including a High Savings Rate, High Investment Rate, Rising Educational Standards, High Standards of Human Capital, International Trade, Bringing in of Foreign Capital and Upgrades in Productive Enterprises. The report expressed reservations on whether the government industrial policy can increase the productivity of a country and enhanced that only under harsh terms would government industrial policy show positive influence. The Asian Miracle is a reminder that developing economic systems may rely upon their particular inherent characteristics to establish fitting economic policies, and that they succeed from doing this. The primary economic model worldwide is that of the states of Europe and North America, which promote market orientation and marketization, liberalization and privatization and the realization of capital allocation through clear and detailed rights over production, relations between supply and demand and price indicators – this was the prescription for burgeoning states in developing European and North American contexts, and it is the primary content of the Washington Consensus.

Demographic dividend was acknowledged for the context of expanding East Asian economies. We can see demographic dividend from two aspects. First is the volume of labour. East Asian states, including China, have all undergone a rapid process of industrialization and urbanization, with excess labour flowing from the country to the city, from agriculture to industry, which has been beneficial to the creation of products with heavy labour concentration and to their export. At the same time this has been mixed with adjustments for the construction of an advanced national productive industry, as multinationals turn large volumes of labour into capital, and as high-polluting industries are moved to developing countries in a step-by-step process, combining their own technical standards with the cheap and experienced labour force of workers, proving a stage for processing prior to export. The second angle is that of the quality of labour – as educational standards slowly increase, human capital is continually accumulated and improved.

The demographic dividend in China played an important role in creating Asia miracle from both quantity and quality point of view. But it is certain that

demographic dividend is now collapsing. The labor cost of enterprises in coastal southeastern countries has significantly increased which lowered the profit margin of labor-intensive corporations and small companies. In 2012, the national bureau of statistics published a group of data showing the first time ever for the absolute number of Chinese workforce has decreased which shows the trend of the collapse of demographic dividend. Aspects such as population aging, birth rate decrease, slowing down on the speed of labor flow from rural to urban, increasing urban living cost each year causing labor flowing back to rural areas are all influencing the dissipation of demographic dividend.

Facing the challenge mentioned above, one solution is to transfer labor-intensive industry to the western part of China, but this means that they will also experience the same developing process as the east coast regions. The second solution is to transfer it to other countries where labor costs are lower than China such as the southeastern countries in Asia like Vietnam, Cambodia, Laos, and Myanmar.

Reporter: How can we cooperate with countries with labor resource advantage such as Vietnam, Cambodia, Laos and Burma to realize manufacturing concentration?

Sheng Bin: Southeastern countries have the advantage of labor resource, but the size of the disparity in their resources between China's central and western regions needs to be determined by statistics. But compared to these countries, the center region in China can provide better assurance in infrastructures such as water, electricity, telecommunication, transportation etc. At the same time, we also need to consider the political risk that Chinese investment abroad might face, as well as cultural differences and trade protection risks when investing overseas.

China needs to find a win-win solution in order to cooperate with southeastern countries. In the cooperation with other countries in the Asia free trade area, we need to enhance the industry integration and communication during the economic integration process. If the countries in the market oriented free trade zone impose trade barrier to intermediate products in the product value chain or in the division and trade of the supply chain, the cost of trading will increase dramatically. Thus strengthening trade facilitation (including harbor efficiency, custom efficiency, standardization and logistic service etc.) and physical infrastructure and improve the efficiency of Asia's regional industrial system will be beneficial to every country.

Reporter: On the "population structure, policy and economy division" sub-forum on the 2013 Boao Forum for Asia, India proposed that they will provide

130 million workforces by 2025. Researchers predict that China will lose its advantage of being the world factory. What would be your opinion of this?

Sheng Bin: Whether the relationship of Sino-Indian trade is complementary or replaceable has always been an open topic in the field. As a country with strong labor-intensive and service industries, the high-end service and high education in India is a challenge for China, for example the Bangaluru software manufacturing industry which has a reputation of the Silicon Valley in India and the customer terminal service of call centers in India. The language (English) advantage which their workforce equips has also created more opportunity for them to take over international business. This is also a big advantage over China.

On the other hand, although the labor cost is showing an increasing trend, but China still competitive in areas like business investment environment, infrastructure and supply chain system compare to countries on the same developing level. Even if other countries took away the labor-intensive industry from us, this would not be a very terrible situation because this is the process of industry upgrading. On the contrary it will force China to accelerate the development of industrial structure and self-innovation including service industry because it can create a big amount of job opportunities for the work force.

Reporter: The need for workforce in Asia is facing another trend of transmitting: developed countries are moving the labor-intensive industry back to the US, for example Obama is working on the development of basic industry and Apple will be gradually switching to domestic manufacture partners. What would be the reason for this and what would this lead to in the future?

Sheng Bin: According to comparative advantage and factor endowment theory, these changes are not likely to happen. These adjustments the US is making are from their re-industrialization strategy in order to boost the real economy in US, decrease trade deficit and reach a balance in economics. But whether or not these adjustments will reach the expected result would still be a doubt. If they are hoping to see a change in economy by re-industrialization through some encouragements (such as tax and trade protection), they will face severe financial burden and the development of economy will also go in the wrong direction. On the contrary if they handle this using marketization, the process will be smoother. For countries like US who has already reached industrialization, whether or not the labor-intensive industry can be brought back to the market will still be observed.

Reporter: Some scholars believe that the increase of labor cost is reasonable. However, some enterprises tend to use the increase of labor cost causing their profit margin of business to decrease as an excuse to lower the labor costs, also using dismissing employees and working overtime to make up for the loss. Most workforces will keep silence on this. What would be your opinion on this?

Sheng Bin: For manufacturer, labor force is kind of cost; however, it is seen as remuneration by the labors, which we could say that is a two-side of a coin. First, market decides the labor cost. The transfer of plenty of excess labor force into the industry and city will incur the low salary, which is caused by the labor market. With the development of economy, some changes have taken place in the labor supply and the absolute number is decreasing, it might also be attributed to the labor market. If these situations really happen, we are supposed to follow the market rules rather than suppress the labor prices, otherwise, the rules is going to be broken. Second, it could be seen from a fact that China has successfully escaped the middle-income trap and for the sake of stimulating domestic demand, the growth of salary is beneficial to the domestic consumption as well as the growth of consumption. Third, the changing of salary level reflects the job mismatching in the market, in other words, both of the situations concerning job vacancy and unemployment do coexist. Last, the key to handle the shrinking profits caused by the increasing labor cost is to consistently improve the efficiency, especially in boosting the added-value of the product via techniques.

Reporter: The cost of Labor force does not completely follow market principles of supply and demand or depend on the structure of international trade, and it involves many factors, such as stability of the society, personal consumption, etc. Thus, how can we solve the problem underlying the regulations of labor supply and demand?

Sheng Bin: China has realized its marketization to some extent in terms of salary level, employment system, execution of the labor contract and the workfare, etc. In addition, the orientation for reforming our labor market is fairly clear, namely, increasing the flexibility of the employment as well as the competitiveness of the market under the sound social welfare system. Nonetheless, China has not established labor union oriented collective bargaining system yet. According to the international experience, Compared with the flexible labor market in US, European countries' are more rigid, which has led to the slow recovery of their economies and accounted for high unemployment of some European countries. This could be blamed for the inflexibility of their markets and high workfare. Therefore, China should make a good balance between the labor motivation and its welfare.

Closed Financial Market Means Higher Risk

Reporter: LIANG Yanji



Sun Kena

Professor, the principal of the Economics and Business Administration School at Tianjing University of Technology and Education.

Opening the finance market during the beginning period of “Reforming and Opening” would definitely bring in risk to the market, but now not only our marketization system has been smoothly running for 30 years, we have also experienced over ten years of marketization reform and financial system reform. If the financial market does not fully open, it will hold back the development of private economy.

Reporter: In Shanghai Forum2013, you mentioned a very interesting concept “Finance Democracy” which is something other researchers seldom or never brought up before. Can you explain this in further detail?

Sun Kena: This has to go back to the theme of our forum. The theme is “Asia’s Wisdom”, and the topic I submitted is “Thoughts on Chinese Financial Wisdom and Policy”. My opinion is that finance cannot be copied from text books or from

other countries' experience, and China should have her own financial wisdom. We should learn from the experience of US as they have overcome multiple financial crises successfully and this has to thank the financial wisdom they used. The positive influence of the financial market system relies on finance democracy. Internal democracy and opening up internationally should be the soul of the financial market.

The main argument of the financial reform in China is democracy or autocracy. An important characteristic of market system is freedom, democracy and to be an open market. Financial democracy is the major basis of a well developed financial market. On the other hand, a financial market without democracy is a deformed market. China has been reforming its financial market for a long time but up till now the market cannot be defined as open, and the financial market has not been developing towards democracy. The financial power has always been in the hands of the government, and for the people, it's still unrealistic to join the financial market freely. This is very sad for the Chinese financial market.

Reporter: How China's financial market should learn from the U.S. experience?

Sun Kena: US Dollar is till the leader in the world's currency system. If we still choose to follow the main trend of the world, we will never exceed it. Why not try to find our own way? The way world distribution works is that if we want to own more market share, we would need US to give up some of its own shares. If we want to be ahead of other countries in the world, we can't always do what others do. Instead, we should use our intelligence to fully recognize and make good use of our advantages and also adjust our plans in the process of development. Our national market is huge but the development of economy is imbalanced and there's also a big difference between areas. To solve this problem for now, we should focus on our national economy, use currency measures to bring benefits to people and balance the development of economy. Although in the closing ceremony of Shanghai Forum, the vice president of Fudan University mentioned that the consensus of this Forum is integration, so Asian countries should enlarge foreign trade exports, and this trend is irreversible, but as a strategy, we don't need to show the willing of exporting products to the great powers. The policy Chinese government used before was mainly copying and following what other countries do, which is not smart enough. Taking actions without finding the actual issue would only lead to decreasing positive effects and increasing negative effects.

Reporter: What kind of effect will it bring to Asia if China starts to cultivate this kind of financial wisdom?

Sun Kena: We usually have to make a remedy policy when the former policy has side effect. This is mainly because we lack strategy and wisdom when implementing a policy. The US has been very good at changing from being passive to being active. Although they are in a great amount of debt right now, they are still very strong overall. This should remind us that we should have our own wisdom. I'm very impressed with the topic of this forum, because I agree that even if the US and European countries are developing very fast, but they would not always maintain the same high speed as before. Instead, the passion of international recourse exploitation and international focus has moved towards the East and at the same time active international trade has driven the economy of Asia to boost showing Asia to be the new growing star.

The US is currently setting their eyes on Asian. Since China is one of the major countries in Asia we should take on more actions to show our influence, such as pushing forward The Group of Five, develop banks and Regional Economic Communities. Although it won't be easy to implement, China should have the sense of mission and take on the responsibility. The reason why the US is involved in the issues in Asia is on one hand because they want to establish its power and influence the development in Asia; on the other hand they want to hold on this booming market with rich resources. If we can't maintain a good relationship with our neighbor countries, it will be extremely difficult to be a part of the world stage. To be a servant in Asia is not only a financial mission for China, but is also a way to present our financial wisdom.

Reporter: In our previous interview, you mentioned that we should establish a financial strategic plan for Asia. how should China apply our financial wisdom to reality?

Sun Kena: The financial strategies we're currently using in China are the basics of Keynesian theory which is one move can save the whole game. For example, our economy growth mainly relies on three components: investment, consumption and export. Between these three factors, internal and external consumption is most important. It forms an economic circulation controlling the balance of demand and supply. But it seems like we are gradually relying more on export. It seems to be beneficial, but actually it could be our weakness and more susceptible to other

countries. Thus this issue should not be underestimated, especially at this point when China has already joined the WTO for 5 years and partially opened the financial market, we still have not fully opened our domestic financial market and neither is our financial market developing towards democracy. This has caused many problems, for instance China has proposed a financial system reform plan which is implemented in small medium enterprises located in Wenzhou; but as to the whole domestic system, the whole fund operation does not match with the economy development structure. Another example is that in the financial market, it's very difficult for small medium enterprises to apply for loans or to raise funds in other ways. Secondly, along with the massive accumulation of private capital, it's a pattern that industrial capital will transfer to fiscal capital. This is also an important foundation of the industrial structure optimization process. In our country, the desire for industrial capital moving into financial market is urgent, but within the last 30 years, industrial capital has not yet legally transferred into the financial market, and instead was forced to go underground. The main reason would be the unfair distribution of financial resource, imbalanced financial power which means that the financial market has not been fully opened domestically. The premise of an efficient market is free competition. The responsibility of the government would be establishing necessary rules to regulate and control the financial market. The main banks in China all have risks. Compared with similar banks in other countries, banks in China have a higher percentage of bad assets and lower efficiency. Thus keeping our financial market closed does not mean risk free. The best way to avoid risk should be opening the market to competition instead of financial monopolization.

If in order to prevent financial risks in the reform and opening up period, we must be careful to open the financial market, then having been maintaining the marketization system for 30 years, especially after going through over ten years of marketization reform and financial system reform, it would be harmful to the whole economy structure and private economy development if we still cannot fully open our financial market.

Currently general funds are not allowed into the market, small enterprises have no ways to raise funds, and big funds are distributed only to big companies, which show that the financial market is undemocratic. Therefore to promote financial democracy is conducive to resolving the problem of non-public economic difficulty in obtaining loans which generally exists in China.

In addition, financial democracy is also reflected in the development of multi-level

capital market which was proposed on the NPC and CPPCC. The current capital market in China includes only the stock, the bonds and the funds. But in China, once you're listed on the stock market, it would be impossible for you to back out. Being listed on the market is a way for companies to raise more cash flow and long term funds. If enterprises cannot meet the listing standards should be withdrawn from the market, but actually it's very difficult to do that and the market does not accept this. Thus, being able to be listed on the stock market in China means to obtain a green card to the stock market forever which leads to a severe competition. This kind of single structured capital market also reflects that the financial market is lacking democracy. From a much broader perspective, a democratic financial market contains a broad space for development. Especially when our market regime is improving, market demand is constantly layered and the market is opening up, we should also open our financial market, let the public play different roles in a more expanded market space, and also be more creative about using financial tools to form a more active market.

Reporter: Besides opening the stock market, the securities market and the funds market, what else would you suggest we do to encourage more small and medium enterprises to enter the financial market and be more active?

Sun Kena: Apart from the changes I mentioned above, we should also open the over-the-counter (OTC) market, which means that you don't necessarily have to deal with stock only in the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Secondly we should also open the property rights market. No matter whether you're choosing to run a fund or to invest in a certain industry, investors would only be willing to enter the market if they know there would be a way out when the investment fails. If there is no backup solution, investors will be very cautious and careful about making decisions and movements. The reason why the stock market is so popular is that the shareholders can sell their stock and back out whenever they want which other markets don't allow this to happen. If we give a number to the capital of all companies, only a very low percentage of companies on the market can be listed on the stock market. But if we can open the property rights market, for example one in Shanghai and one in Tianjing, this will be an important component of the multi-layer capital market in our country. Thirdly, the cultural industry should also open itself to the market. One of the reasons why our third industry is still a small portion of the market is that we are used to the old concept on the industry structure. If intellectual property can be traded freely on the market, the importance of knowledge products will be recognized and appreciated by the market.

Fourthly, since 2008, the US has been restricted by the overuse of financial derivatives. In fact, Financial derivatives as financial innovation is an irreversible trend of development. The key question is how to make good use of this double-edged sword instead of avoiding it overall. In China, the issue is not overuse but the lack of financial derivatives. If China wants to compete with US in the international financial market, we must have a better knowledge of derivatives and learn how to use them. Now basically financial behavior in our country is unidirectional, either absorbing foreign capital or investing overseas. The better way would be to develop into a world capital center like Wall Street. The capital attracted would be used as working capital for other countries instead of using it domestically. If we want our market to attract more capital like Wall Street does, China must develop derivatives market. To reach this goal, financial institutions must have a wide variety of products. Cooperation between organizations is also an important factor. If China can be open and creative in the four aspects mentioned above, our market will be multi-layered and will also provide more choices.

Reporter: The theme of this forum is using Asia wisdom to solve global issues. Combined with financial wisdom, how would you define Asia wisdom?

Sun Kena: From my point of view, Asia is now facing a great opportunity to develop. Discussing Asia wisdom now is similar with discussing the West wisdom during the Bretton Woods system period around 70 years ago. Facing this unfavorable international environment, how we will use our creative thinking to govern the market and also establish a new international currency system to substitute the collapsing gold standard system would show our wisdom as a major country. The appearance of the European Union and Euro reflects one kind of regional wisdom. Looking back at Asia, all countries should learn from the experience of Europe, seek for common grounds, find opportunities to cooperate to realize win-win and all-win situation. Being a major country in Asia, China should contribute more. We should show our effect and contribution, and use this opportunity to influence the countries and regions around us to create a more united and harmonious Asia.

Real Innovation Means Regime innovation

Reporter: Wang Zhenyu



Shen Kunrong

Ph.D. advisor, professor, Principal of the college of economics, vice principal of the business school at Nanjing University, part time professor at Johns Hopkins University – Nanjing University Center for Chinese and American Studies (HNC)

The growth model of this new innovation drive should be lead by government, relying on a strong market as the fundamental function to utilize market resource and the main body of the innovation should be enterprises.

Reporter: Currently the main macro-control policy is to expand domestic demand, what do you think is the main reason for this policy? Also what is the main point of implementing?

Shen Kunrong: In the past 30 years, the biggest growing force of Chinese economy would be investment, the second biggest would be export and the last would be consumption. In theory, consumption should be the main force of the economic growth, but during these recent years, the growth of investment and export exceeded consumption causing the decrease of percentage and forcing the national economy relying more on international consumption. As the economy faces recession and the increasingly intense competition of the international market, the difficulty of export-led growth also will continue to increase. Looking at the domestic consumption structure, the economic growth mainly relies on investment which mainly comes from the government and not from public. Over accumulation of capital will not

only bring inefficiency to the economy development but will not last long.

Since the reform and opening up, the contribution of consumption to economic growth has decrease which can be proved by the decrease of people consumption percentage. In one hand, harmful aspects and changes has appeared in the structure of demand. We should adjust the demand structure in Chinese economy during the re-balancing period of the global economy. Thus the core of the current policy is to expand domestic demand, and among this the most important is to increase consumption demand especially the demand of citizen consumption. This should be the focus of economic development of China in the near future.

Reporter: China's Gini coefficient has reached 0.474, but the wide income gap between families has a direct effect on the demand of consumption. What would be your suggestion in solving the imbalanced distribution of income?

Shen Kunrong: My first suggestion would be to reform the personal income tax policy and make sure this policy can actually reduce the income gap between people. Currently China's personal income tax does not have an obvious influence on adjusting income gap. We can see that individuals with high income have a very low marginal tax rate whereas low income individuals have a very high marginal tax rate. Our current personal income tax is a kind of individual tax which means that every type of income will be taxed. But in the future, we should focus on how to calculate tax based on the total income of a whole family. Secondly we make sure the minimum life guarantee policy is actually implemented. This is a government income transfer policy and also a redistribution policy which will show great influence on reducing poverty. Thirdly the agriculture regime should be put into action by implementing the central government policy on how to benefit the farmers and find a solution to the big income gap between urban and rural areas caused by the "Price Scissors" phenomenon.

Reporter: What other issues should we pay attention to regarding the expansion of consumption and encouraging domestic demand?

Shen Kunrong: We should also try to lower the family security savings in families and improve the consuming environment. For example, we should solve problems people really care about such as employment, housing, education, medical facilities and public welfare, making sure every family can afford to raise a child and every elderly can be taken care of. At the same time, when the government is making sure

the total expense on public welfare is increasing, we should also pay attention to optimizing the public welfare expense structure and detailed expenditures. The aim is to improve the social public service system to comfort citizens and encourage them to spend money without worries about their daily life. Besides the macro control on income distribution, we should also micro control the industry foundation and optimize the industry structure in order to increase the consumption and domestic demand. Optimizing industry structure can not only increase employment and can also increase family disposable income thus building up consumptions. Furthermore, this can also improve the economic growth model, change the way of economic development and at the end achieve sustainable development.

Reporter: Accelerating the process of urbanization is the main measure of expanding domestic demand in China. What would your suggestions be during the process of urbanization?

Shen Kunrong: The core issue of the new round of urbanization would be “people” instead of only the urbanization of the land. For example we have a lot of migrant rural workers coming to cities to find jobs, but they have to go back to their rural home in the end. This is only “half urbanization” not a full process which will bring lots of trouble in the future. In the process of urbanization, we should protect the rights of migrants from rural area through the reform of household registration system and confirming property right. This can release the developing potential in the industrialization and urbanization process, providing a smooth and organized transition period toward modernization. This is a revolution and it will also be a new power for China’s economic development.

Reporter: Some researchers pointed out that the domestic demand expenditure policy will cause the loss of comparative advantage and learning effect. China is still relying heavily on imported technology and learning from development countries in the high tech area. What would you suggest us to do to coordinate this contradiction?

Shen Kunrong: China was behind at the start line but caught up really fast in the last few decades. We started from scratch and were able to improve our productivity through attracting investments and importing advanced management and technology. But to a certain stage, because the economy growth in developed countries is slowing down affected by the financial crises, although our overall growth of economy is increasing fast and shortening our gap with these leaders

ahead, it would limit our development if we keep following their pace. In order to surpass them, we should readjust the power mechanism of our economy growth. Take the US as an example, the biggest advantage of developed countries is technology and human resource. It's good that we have realized how difficult it will be to exceed US in these areas and proposed the concept of innovation-driven on the 18th National Congress of the Communist Party of China. The core of innovation-driven is to increase the investment in research and development (R&D), and also enhance the added value through brand designing. To reach the best result in R&D projects, another aspect is to improve our human resource quality. The foundation for this would be to improve public education level which requires us to increase investment in education. The third factor would be ensuring the normal operation on R&D projects under the protection of law and regulations which requires us to protect intellectual property and to improve the legislative system. Lastly, creating an innovative culture need the support from the whole society.

Reporter: The prime minister of China Li Keqiang has mentioned that the direction of revolution is to let market play a more important role. What do you think would the role of government be in the process?

Shen Kunrong: Digging deeper into the topic of creating an innovative atmosphere would be system innovation. The systematic reason behind the unreasonable structure of the industry is the over intervention of the government leading to irrational allocation of resources. Take the strategy used in new industry as an example, when government took control using irrelevant industrial policy, the photovoltaic industry had the problem of excess production capacity. When the government has too much power over the allocation of resources, they will allocate more resource towards heavy industry to pursue maximized profit for the government. As a result, resources cannot be allocated in a more beneficial way based on comparative advantage; the imbalanced intellectual property structure cannot be adjusted in the marketization revolution; neither can the special “high investment, low consumption” characteristic of China’s macro economy achieve “endogenous” optimization. The next vital step of revolution is to establish a good relationship between the government and the market. On one hand, we should actively promote factor liberalization and establish a limited government. The government should reduce market intervention and establish an efficient market allocation system to enable self-allocation according to the comparative advantage of factors. On the other hand, to make sure the market is healthy and efficient, we should improve the service quality of the government and also establish an efficient

government to provide a fair constraint mechanism and efficient government service with good quality.

Besides establishing limited and efficient government, we should also improve the level and structure of marketization. First of all, accelerate the marketization of the senior elements of production in areas such as human resource, technology, finance, education and culture etc. Secondly, speed up the development of social welfare system forming a “security network” and pay attention to the transferability and sustainability of capital. Lastly, we should improve the ability of innovation and industry structure level guided by market competition. The growth model of this new innovation drive should be lead by government, relying on a strong market as the fundamental function to utilize market resource and the main body of the innovation should be enterprises.

WZY: You mentioned that the main body of innovation driving strategy should be enterprise. If that's the case, are there any other new developed countries we can use as an example?

SKR: Use Korea as an example, they have a great amount of big enterprises and the R&D group is mainly in the company. What's more, the fund used for R&D comes from the company. China is in a transforming period, research centers are usually set up in universities or as government institutions. The technology innovation and personnel training is of course important in these places, but the main body of research centers should be raised by enterprises, guided through the market and actively conduct research according to market needs.

China Needs to Join A FTA as High Standard as TPP

Reporter: Qiu Meifang



Sung Yun Wing

Professor of the Department of Economics of Chinese University of Hong Kong; Co-Director of Shanghai-Hong Kong Development Institute jointly established by Fudan University and The Chinese University of Hong Kong.

In the future, China needs to join a free trade agreement as high standard as TPP. In the future, china's Opening and Reform should follow world standard.

Reporter: TPP (Trans-Pacific Partnership Agreement) is the key word of this year's "The Integration of Regional Economy in Asia" sub-forum. Will TPP become the only model of Asia-Pacific economic cooperation?

Sung Yun Wing: TPP will not be the only mode of the Asia-Pacific economic cooperation. But to some extent it represents the trend of regional economic integration in Asia in the future. In addition to TPP, there is RCEP (Regional Comprehensive Economic Partnership) which includes 16 member states. These two regional trade organizations are likely to change the future of the world economy and trade patterns, and the competition is already formed. Although TPP countries have higher proportion of the world's GDP than RCEP, the influence of RCEP is not less strong, as China, one of the member countries of RCEP, is developing very fast economically.

TPP strategic cooperation covers intellectual property protection, labor standards, environmental standards, government procurement, etc. Its scope is larger than

RCEP, and it will break the traditional free trade agreement (FTA) to reach a non-exceptional comprehensive free trade agreement that will have a strong impact on the process of the integration of Asia-Pacific regional economy. TPP, as a high standard of free trade agreements, could become an epitome.

Reporter: In June, Xi Jinping will visit the United States. There is speculation that the United States may invite China to join TPP. Is this a good timing to join TPP?

Sung Yun Wing: Even if the USA invited China to join TPP, China couldn't reach the requirements of TPP at this moment. It's not possible for China to become a founding member of TPP right now, but we cannot deny the possibility of China's participation in the future.

The negotiation of free trade agreement is a process. The more countries involve in the negotiations, the harder it will be reached. TPP negotiation process has been ongoing for some time. The negotiations were expected to complete in 2013, but now it seems impossible. No country wants to postpone the date of agreement again and again, so the potential participants are all countries that can join within a short time. Japan is regarded as a later applicator. Next, 12 countries will focus on completing the negotiations to become founding members. It's difficult for china to join within a short time.

Reporter: Failing to be a founding member, will China be besieged? Will China be able to join TPP in the future?

Sung Yun Wing: Some scholars believe that China's rise is inevitable. The United States wants to besiege China by using TPP. I don't deny that the United States has such intentions, but in the long run, siege is impossible. Although China cannot become a founding member of the TPP, 7 of the 12 TPP countries are also RCEP member and they signed free trade agreements with China. South Korea and Japan are also negotiating free trade agreements with China. Neither government has a strong desire to complete the negotiation immediately. They have to wait for the right momentum and timing. The United States is a huge market. Chinese products in the United States have not been greatly restricted. So failing to be the founding member will not have a big impact in short term.

In the future, China needs to join a free trade agreement as high standard as TPP. In the future, china's Opening and Reform should follow more closely to world standard.

In the next ten or twenty years, with the development of global trade, both WTO and TPP have to expand the scope to cover goods, trade in services, high technology and so on. China should join a trade agreement of advanced international standard, then it can have more say in making the rules of the game. Whether it joins TPP or a trade agreement with another name is hard to say by then.

Reporter: Taiwan takes FTA as an important way of expanding its international living space. It's very enthusiastic to participate in TPP negotiations. How to react to the possibility of Taiwan joining TPP?

Sung Yun Wing: Ma Ying-jeou proposed that Taiwan should join TPP, but the goal won't be achieved until in a decade at least. There will be many uncertainties during ten years. Taiwan today is still far from TPP standards. Internally there are a lot of oppositions, especially from farmers. Many free trade zones have exclusive terms for agriculture, but the TPP has none. Agriculture in member States is influenced by free trade competition. This is an important reason why Japan applied to join TPP so late. If Taiwan wants to join TPP, it has to ensure the interests of farmers. If Taiwan is ready to join the TPP when condition allows, how mainland China react also depends on the cross-strait relation at that time. If the cross-strait relation is fine, Taiwan joining the TPP is not a big problem.

The ECFA (Cross-strait Economic Cooperation Framework Agreement) that the mainland China and Taiwan signed covers 15% of the cross-strait trade. With the further implementation of the ECFA and the expansion of the scope, Taiwan will lift up the protection, which helps Taiwan to reach the criteria to join TPP.

Reporter: In 2009, the State Council announced that Shanghai will be developed as an international financial center. This is a significant measure to reach China's modernization and reform and opening up. What's your comment on Shanghai's development during last four years?

Sung Yun Wing: Now Shanghai's stock market trade volume is much more than Hong Kong'. Hong Kong is relatively independent, but Shanghai's development is inseparable from the development of the whole China.

However, almost all banks in Shanghai are subject to the supervision of the People's Bank of China, including the loan. Before the free conversion of Chinese Yuan, it's hard to compare Shanghai's foreign exchange trade volume with Hong Kong. It's

almost not possible to build Shanghai into the center for Chinese currency products by 2015. Due to social stability concerns, Chinese government restricts a number of high-risk financial products, which to some extent affects the development of financial market. To develop into a financial center, another big problem Shanghai is facing is the lack of healthy financial law and protection of property right.

These restrictions can't be solved in short term, nor is the Shanghai municipal government too lazy. The internationalization of Chinese Yuan is a process. Regulation of financial products is way more difficult than monitoring usual products. Even the sophisticated American financial market cannot avoid financial crisis. The Chinese government has a reason to strengthen the regulation. The perfection of law is a step by step process, and the growing up of investors takes time too.

Reporter: In the Twelfth Five Year Plan, modern service industry is key part of transformation of China. But in terms of the service market, Shanghai is behind the international level, less than Beijing in both total value and the proportion. What do you think are the factors that restrict the development of service sector of Shanghai?

Sung Yun Wing: Shanghai is undergoing a painful transformation of tertiary industry. This process needs to face the problem of slower economic growth, but we don't have to worry. There are certain laws of economic development. The more mature the economy is, the relatively lower the growth rate will be. Shanghai's economic growth needs innovation, but innovation is not easy. There is a limit of speed.

Current obstacles of Shanghai's service sector are that most of its high-end services are state-owned, such as telecommunications, banking, airport construction and so on. The development of tertiary industry is closely linked with reform. Since the state-owned companies are powerful, the existing profit group can't be broken. These high-end services may also be related to some sensitive issues, such as national security. In addition, talents and information are extremely important for the development of service sector, but there are still a lot of restrictions on tax system, transparency of information, etc. They are not easily solved. All these restrict the development of Shanghai's service industry.

To change this situation, on the one hand, we need to introduce competition to solve the problem of monopoly; on other hand, we need to loosen regulation and control and specify the measures of supervision and management of each industry.

Stimulus Policy of the Government Only Is Undesirable

Reporter: Cai Zhixin



Wang Jian

Senior Economist at Dallas Federal Reserve Bank and Ph.D. in Economics. His major research interests include international finance and monetary banking.

The economic recovery of the United States is spontaneously formed through the private market, not through the economic stimulus plan of the government. Bottom-up adjustment is healthier and more dynamic. This is a lesson that China and other countries can learn. Stimulus policy of the government only is not a desirable solution.

Reporter: The impact of the Asian financial crisis in 2008 is ongoing and far-reaching. Asian countries have taken a series of measures to restore the economy. Can you comment on the current economic situation in Asia?

Wang Jian: Emerging countries recovered better than western countries after the economic crisis, especially better than the European countries still in debt crisis. In contrast, growth rate in Asia has been relatively higher, but they are facing some challenges. Firstly, after the crisis Asian countries generally took a more aggressive fiscal policy and monetary policy, the side effects of policies have slowly emerged, and it will probably constrain the economic growth in the coming years. Secondly,

many Asian countries, especially China, are facing the risk of economic slowdown. Of course, this slowdown is not entirely a result of the financial crisis, but mainly caused by structural adjustment. When the economic development reaches a certain stage, the high growth rate can't always be maintained. The closer it gets to the border of maximum growth, the slower the speed will be. Hong Kong, Taiwan, as well as Japan and South Korea were all there before.

Compared with these countries, China has two negative factors. One is population. The aging of population is serious, as a side effect of birth control. The other one is environment pollution. The economic slowdown of Hong Kong occurred in the 1980's when there was a serious financial crisis; the economic slowdown of Korea was in 1997 together with financial crisis too; the economic slowdown of Mexico happened in 1994. Every economic slowdown is accompanied by crisis. If there is a crisis in China, the rest of the Asian countries will no doubt be influenced. How to prevent the crisis during the economic slowdown is also a big challenge.

Reporter: In post-crisis era, Asian countries have taken various measures to restore and develop the financial markets. Currently the focuses of China's financial market include the internationalization of RMB and interest rate liberalization. How do you see the issue?

Wang Jian: In the long run the internationalization of RMB is an inevitable trend. As the world's second largest economy, China in the foreseeable future will surpass the US to become the first economy, which is an inevitable result. However, becoming an international currency will not happen overnight, especially when the exchange rate system is still fixed in China. Risks will come along when a closed financial system opens up. The internationalization of RMB must not be too hasty. We have to take the key steps slowly. The first step is to straighten out the domestic financial market. Based on past experience and research, for a country, opening the capital account and the current account is not the same. The opening of current account is helpful to the country's economic growth, but the outcome of opening the capital account depends on the efficiency of domestic financial market. If the fund utilization rate is high and the capital can be put into the highest productivity industry, then the economy will be developed. If the financial market is very inefficient, the asset bubble can't be digested, then a financial crisis will occur and has a negative impact on the economic growth. Interest rate is the basic standard to evaluate the efficiency of a country's financial system. When the interest rate is not totally decided by market, it's hard to imagine that RMB will be international. So the interest rate liberalization

is the key to improve the efficiency of China's financial market.

The second step is to liberalize the exchange rate. The fixed exchange rate system can't continue. There is a famous theory called the "trilemma", which means that a country cannot have a fixed exchange rate, free monetary policy and open capital accounts. If China wants to open the capital account and have the power to decide monetary policy, it will have to abandon the fixed exchange rate system. During the process import and export sector will be impacted in the short term, but in the long run, abandoning the fixed exchange rate will benefit both China and the world. When interest rate liberalization and exchange rate fluctuation are completed, one can consider opening the capital account.

Reporter: How long does it take to complete the two steps?

Wang Jian: Interest rate liberalization is not simply a financial problem, but concerns various aspects of economy. State-owned economy accounts for a big proportion of the economy. State-owned banks subsidize the state-owned companies in a disguised way. With the low rate bank loan, the operation cost of state-owned companies is reduced. The interest rate liberalization will impact these state-owned companies for sure. This is not an economic problem, but mainly a political problem. We will have to see the determination of the Chinese leadership to overcome these problems. It won't be solved in two or three years.

Comparatively speaking, exchange rate fluctuation is easier. We always say that the exchange rates influence the foreign trade a lot; the influence actually covers a lot of aspects. It will greatly influence the companies with low profits and without competitiveness, but for rising Chinese companies, the influence is positive. Therefore, exchange rate fluctuation should be realized first, domestic banks should decide the exchange rate freely, then we can proceed to liberalize the interest rates.

We have to notice that the reform of financial market is not only about interest rate liberalization, we need to develop a financial market of multi-levels. For example, companies can get both bank loans and financing from commercial paper market, stock market or bond market, then funds can be most efficiently distributed. It also takes three to five years. Even after all the above-said are achieved and RMB has become international, there is still a process to build up the acknowledgement from international investor and the RMB user. The US dollar didn't replace the pound to become the most important currency until after thirty years later when the total

volume of the US economy surpassed the UK. It takes at least ten to twenty years for RMB to become the main currency in circulation.

Reporter: After talking about China, we then look at Japan. Japan has recently introduced the quantitative easing policy. What do you think?

Wang Jian: I think this is a good thing. Quantitative easing monetary policy is a supplement to normal monetary policy. Normal monetary policy adjusts the economy by adjusting the short-term interest rates, but Japan's short-term interest rates are already zero. It's no longer a channel to boost the economy. The purpose of adjusting short-term interest rates is to affect the long-term interest rates, thus to boost the production and consumption. Quantitative easing can directly affect long-term interest rates, so it is the right monetary policy for Japan. Of course, this policy has some negative effects on Japan and neighboring countries. For example, quantitative easing may lead to asset bubbles on the Japanese market. The high rising of Japanese stock market to a certain extent reflects this risk. People think Japan's economic downturn over the past ten years is caused by wrong monetary policy, and have good expectations on economy after the new monetary policy comes out. If later on it turns out that the economic downturn is due to some structural factors instead of monetary policy, the stock market will rebound after the bubble appears, bringing risk of downside of the stock market.

In addition, there is a misunderstanding that the recent depreciation of the Yen is caused by quantitative easing, but in fact is not necessarily. The exchange rate is affected by many factors. FED's quantitative easing didn't devalue US dollar, on the contrary, it appreciated against major currencies. The reason why the Yen depreciated is because that it appreciated too fast, almost 30% to 40%, as an anti-risk currency after the financial crisis in 2008. The depreciation of Yen is a correction of the appreciation after the economy restored.

We have to be careful about the risk from the financial market, especially for China. Interest rates are very low after Japan's quantitative easing and there are adequate funds on the market, while China has relatively high interest rates, and China is gradually opening up the capital account, which gives the arbitrage mechanism operational space. This is one of the reasons why I don't think that the internationalization of RMB should be too fast.

Reporter: You just mentioned the US policy of quantitative easing. Some

people claim that that it will cause inflation in China and Asia. Do you agree?

Wang Jian: I think this view is wrong. Two channels are considered to be the main cause of inflation. Firstly, US dollars will flow to China when too many are printed. As China has to buy US dollars with RMB, China has to adopt quantitative easing passively. But data shows it's not the case. Dollars will become China's foreign exchange reserves after entering China. If China adopts quantitative easing passively, foreign exchange reserve and RMB supply will increase rapidly. However, data shows that only RMB supply has increased rapidly, while foreign exchange reserve has not. Therefore, China's inflation is more of a result of the over relaxed monetary policy caused by the 4 trillion investment when China was afraid of being influenced by global financial crisis in 2009. Secondly, some people think that the US quantitative easing pushed up the price of bulk products, such as oil, as these bulk product prices in developing countries have a greater proportion of the CPI, inflation in these countries can also be pushed up.

But data does not support this view. Same as the exchange rate, price of bulk products is affected by many other factors. The United States has been implementing quantitative easing, but the oil price has been declining recently. Moreover, the government has the control of the monetary policy. If oil price rises, it's a rise of relative price rather than absolute price. The real inflation refers to the rise of absolute price. For example, if the prices of ten products rise at the same time, then it's inflation. If the prices of two or three products rise, while others remain unchanged or even fall, it's a rise of relative price. Monetary policy can control the change of absolute price, but not that of relative price. If China doesn't issue currency recklessly, prices of products will rise even slower than in normal situation when the oil price rises. Averagely, the inflation is similar to before. We can't say the rise of the price of a certain product will cause the rise of CPI rise. This logic is wrong.

Reporter: In the process of economic recovery after the crisis, what do you think Asian countries can learn from the United States?

Wang Jian: The first thing is the development of the real estate market. During the crisis, the United States allowed the real estate price to fall quickly, so the price was well adjusted. Now the real estate price is on the rising again. The second is the improvement of the labor market. The bargaining power of trade unions and other institutions were weakened. The labor market became more flexible. The third is the

progress of the energy revolution. Shale gas developed very quickly, and the energy price dropped a lot. Labor cost and productivity cost is effectively adjusted to make the commodities more competitive. The fourth is the improvement of federal finance. Though further improvement is needed, the financial progress of each state is great by means of layoffs, reducing employee wages and benefits to alleviate pressure on the government. To sum up, what the US concerns is how to increase the efficiency. The economic recovery of the United States is spontaneously formed through the private market, not through the economic stimulus plan of the government.

Weak stimulus at the beginning of the financial crisis will have miserable result, but given enough time, such bottom-up adjustment is healthier and more dynamic. This is a lesson that China and other countries can learn. Of course, the government support is still needed during crisis, but with different measures. We can adopt unemployment insurance or direct compensation to families to alleviate the stress of a family to stabilize the economy. Direct investment as a stimulus policy of the government is not a desirable solution.

Reporter: What do you think is the positioning of China in economic development in Asia?

Wang Jian: It was not very high before, but is upgrading now. I'm not talking about service industry and finance industry. Take manufacturing for example. We are proud that many products are "made in China", in fact, many of them are processing of intermediate products or assembling of products. 80 RMB out of the cost of a product is made in other countries, only 20RMB is made in China, but 100 RMB is counted as China's export volume. It seems that the manufacturing industry of China is strong, but the added value is only 20 RMB. There are many products made in China in American stores. If you ask a sales person to name three to five Chinese brands, nobody can do that. China is in the low end of the manufacturing industry. There is a long way to go. China has to see clearly where our competitiveness is. We are only in the stage of 1970s of Hong Kong. We can learn a lot from Hong Kong and South Korea. Hong Kong always emphasizes free economy, while there is still a large proportion of state-owned economy in China and competition is not allowed in many industries. China has to stimulate the vitality of the market and allow competition.

Reporter: What do you think are the opportunities and challenges that Asian finance faces in the future development?

Wang Jian: The financial markets in Hong Kong and Taiwan are rather mature now. They can compete with European or American markets in terms of complete legal system, professionalism of work force and market transparency. Shanghai has to make more effort to catch up. This also has to do with the situation of China. The financial market of China is far from complete. Though China has been emphasizing to become a world financial center, it's only an ideal in the current situation. Finance is not an advantage of China if we look at the economic level and system level. Compared with Hong Kong and Singapore, we don't have much advantage. We have to do a lot of homework.

Reporter: Economic integration in Asia is more prominent, the financial cooperation is deeper. What is the role of China in Asian financial market?

Wang Jian: China's role in Asia financial market is very important. For example, China is now trying to exchange of currencies between China, Singapore and Korea. This will stabilize the Asian currency system. But because of the control of capital account, the role of China is still very limited. Along with the improvement of China's financial market, China's role will become more and more important.

Government Is Not the Prime Force in Urban Innovation

Reporter: Xu Litong



Wu Fulong

City Planning lecturer, Bartlett School of Architecture, University College London. He won the Otto Koenigsberger prize issued by Habitat International in 2001.

A mixed model has both the characteristic of a developmental government in the developing country and also the market led characteristic of western countries. This is a management model and also an enterprise model. In this model, the function of the government should be providing a supportive environment for the development of enterprises.

Reporter: In the urban innovation system, the main bodies like the government, enterprise, colleges and universities and research centers play different roles and greatly differ in terms of the profit they pursue. People say that this is why China has not yet established a good urban innovation system, do you agree with this opinion? How should the government coordinate these differences to make the system work more smoothly?

Wu Fulong: This is not entirely the case. China's system of urban innovation faces a number of other problems. Take China's biotechnology industry as an example, the factors limiting its development includes lacking of continuous financial support,

immature venture investment, loose connection between industry and research, and is short of intellectual property insurance.

As regarding how the government should face this problem, I think that although the government has had a great impact in our innovation systems, it does not occupy the primary position. In China's innovation system, it is enterprise that plays the important role, whilst the government mainly plays the role of working for strategic planning and city layout, and providing social services – it is not the leader. On the contrary, the issues I listed previously found in China's biotechnology industry have to do with the government policy and the development model of national sponsorship. For example, the loose connection between enterprises, research centers and schools. Looking at the root of this problem is that the real supporter of biotechnology researchers is the government instead of private venture capital or medicine companies. But actually only when companies become the investors of research project can the research results be beneficial to commoditization. If the government is the main resource of financial support, it would be hard to connect research centers with companies which would block the marketization and commoditization of research achievements.

In the future, I would suggest the government to encourage universities and enterprises to work together more closely, reinforce the relationship between research, industry and the market. Additionally, the government should enhance the protection to intellectual property right and encourage the use of patent. On the personnel strategy issue, I hope the government can realize that it's not enough to rely on importing personnel with science talent. What's more important is to find more entrepreneurs with science knowledge who would also have the courage to take on risks.

Reporter: Your essay discusses the 'Chinese Style' of urban change – is the system of urban innovation a realization or a completion of this style

Wu Fulong: The "Chinese Style" of urban transforming model I mentioned is not a term of praise or a successful model. This is a model where the government uses land to attract investment and to development manufacture industry; after the economy has developed rapidly, the government will take back the land to residential use or business development. During this period, the profit earned by dealing land will be the main income of the government. But we all realize that using land to earn profit has come to an end, we need to develop new industry

structure. Thus the new system reinforces the importance of innovation and developing high technology industry.

Reporter: Can you summarize the characteristic of China urban regional innovation system?

Wu Fulong: China urban regional innovation system is a mixed model. Although the government has introduced some self innovation policy, in reality many creative systems are put forward by local governments. Other than the government, there are also other participant who would have an influence in this system such as cities, enterprises and the market etc. The network and geographic relationship between enterprises can lead to new knowledge and innovation. But relying on the geographic relationship is not enough; the development of technology parks is closely related to urban core function. The only way to attract talent and stimulate innovation is to complete city supporting facilities, improve urban residential environment and upgrade life quality. We can also see from the example of Zhangjiang Biotechnology Park that this is a development guided by the market.

Reporter: The new leadership lineup will be pushing forward the revolution of China. Do you have any expectations of urban future under this new situation?

Wu Fulong: Prime Minister Li Keqiang has proposed the concept of new urbanization. This means that urbanization will change from land centered development to personnel centered development model. The former is a kind of urbanization that is pushed forward by capital – it is imperfect. This model takes large volumes of agricultural land and transforms it into urban land, and in the process is accompanied by the tearing down of large numbers of old buildings. But this model refuses to turn these rural citizens in to urban citizens, while as the government must arrange for accommodation in urban area for them. Thus a big amount of rural citizens are living in the city but are not allowed to enter the urban public welfare service system. This phenomenon is not consistent with the nature of urbanization which is providing public welfare service.

Solving this problem means reforming the system of household registration, which not only divides the city from the country, but more than that indicates that rural citizens are restricted to being outside urban society. When planning our economic system, household registration is linked with the state supply of grains. Placing rural people beyond the city is beneficial to realizing state sponsored concentrated

industrialization. Yet as the train of reform picks up pace and we successfully join the WTO, China's position as a worldwide producer has been consolidated, and household registration no longer prevents or restricts the flow of labour on the market. But it is still limiting the position of rural citizens working in cities which lowered their ability and enthusiasm in consumption. This again would not be beneficial to the transformation from export led economic growth model to emphasizing domestic consumption led economic growth model. On the other hand, rural citizens are also in an awkward position on the housing issue in the city. Neither do they have the qualification to apply for low-rent housing, nor do they have the ability to purchase commercial residential apartments. The household registration system restricted their ability to sell houses which also is a barrier for them to move their family to the urban area. As a result, they can only settle in rental apartments which are cheap and worn-out forming a village of rural migrants in the city. The temporary village they live in is also threatened by the risk of been taken down by the government. Thus, the household registration system revolution is essential to stimulate the development of productivity.

Besides the household registration system reform, to realize the people oriented urbanization, the local government should change their role from land leaders to the provider of public products. Some government officials see urbanization as an opportunity to expand urban area by building more urban architectures, but this will lead to real estate bubble. To avoid this to happen, the new urbanization emphasizes more on people instead of development. The aim is to enable migrants to have a higher salary and to provide a better residential environment for urban citizens. Apart from this, new urbanization also means to tolerate different kinds of architecture environment, enhance the actual needs of people to make their life easier. Thus China should try to avoid removing buildings frequently and the unicity of city construction planning. It is also necessary to give up enormous urban construction under the capital-intensive urbanization. The quality of life should be the most important standard of urbanization which means to increase development consumption and enjoyment consumption. Lastly, the government should pay more attention to the environment; solve the urban environmental friendly issue and urban planting development. This is different from the unilateral urban projects which focus only on making the city beautiful. Human centered urbanization is to develop a sustainable and environmental friendly society.

Nursing Institutions Should Pay More Attention to the Spiritual Care

Reporter: Xu Shengjie



Xiao Shunzhen

Professor at the Peking University Health Science Center, School of nursing

Liu Yu

associate professor at the Peking University Health Science Center, School of nursing

Elderly citizens who have lost their only child, empty nesters, as well as the elderly who are taken care of, at present, we are not enough concerned about their mental health.

Reporter: There is a phenomenon worth pondering, now in China, there are a lot of elderly people who are not willing to go to the nursing home, they thought that is a symbol of non-filial behavior on the part of sons and daughters. What do you think of this phenomenon?

Liu Yu: In the past many elderly persons believed that their moving to a nursing house was a symbol of non-filial children, the pension at home was the most favourable form and the best way. But now many elderly people have changed their concepts, if you can find an ideal place – not expensive, and clean – then they will not rule out the possibility of moving there. When choosing an Old Persons Home, many old people will first consider whether or not the organization can satisfy the demands of the elderly – this is central. Secondly they will consider whether this organization will be able to keep them once their body starts to weaken, whether the place will have preparations for care at the next stage, even whether the organization

will be able to provide continuing care until the time they pass on. If there are such organizations then the elderly will choose them.

Reporter: Our current nursing institutions are contrasted with the west, especially the high welfare states, what do you think are the main gaps?

Xiao Shunzhen: I have visited some western nursing institutions. Of course there are cheaper, common mechanisms, but there also are very advanced nursing homes, to stay at this nursing home, the elderly would pay for a great deal of construction expense to support the mechanism, as a part of the investment, so that they would enjoy very good services in the future.

All in all, the foreign agency's service level compared with domestic is still relatively high, at present in china, the most of the service personnel are inadequate from the concept to the operation technique, so we are committed to training the service personnel, and catching up with the West in software now.

In terms of my visiting some agencies, the United States for example, the services are considerate, and the ideas are very much to the point, they will provide services to meet the demands according to understanding the elderly; the nursery for the aged I saw in Hongkong area, the services are also very in place, for example, the chairs they use protect the old man with action inconvenience from falling off, there are special furniture and equipment for dinner, all aspects are more careful and thoughtful. So are many homes in Japan, I understand through the data, even in feeding, the staff has the corresponding training and skills. This aspect we are more deficient in China, at present, the many of the service personnel in the nursing homes are the cares from the rural area, are not professionally trained in many relevant aspects.

Liu Yu: Actually, now the hardware condition of our domestic nursing homes has achieved the equivalent level of some western countries, some even more than the United States and other countries. But the key issue is the lack of the software. The software, On the one hand, it is the philosophy problem, that the pension homes should provide what kind of services; on the other hand, it is the service personnel of pension homes, the problem of their human components. It has ties with the position of pension homes, if a nursing house accommodates the older people who are half self-care and unable to take care of themselves, who must be fitted out the doctors and nurses and other health management professionals, if not, the home is certainly not qualified.

Reporter: The empty nesters you mentioned just in the report, another group is elderly citizens who have lost their only child. Are there relevant plans on service for the elderly in spirit and in psychology?

Liu Yu: Elderly citizens who have lost their only child, empty nesters, as well as the elderly who are taken care of by their children, I think, we are not enough concerned about their mental health now. Take the community which our subject study group researched for example, we found at present what the most of these institutions provide were purely substantial services, and they did not know how to concern about the old people's mental health. Firstly, they didn't know how to identify the mental health problems of the older people, secondly, they did not know what kind of methods could effectively help these old man. The good thing is, Chinese community is not the same as the west, the relationship between community residents is relatively close, once this community exists the elderly, like elderly citizens who have lost their only child, they're more likely to be paid attention by some relevant service personnel in the community, but the knowledge and skills of the staff are inadequate, so their concern and care is limited to accompany the elderly or do the best to help them solve their difficulties in life such as going grocery shopping, delivering meals. But if we consider with the real feelings, the spiritual care or the more professional and further treatment plan, there would be still much deficiency.

Reporter: Now some homes in china are starting to do the training in this area?

Xiao Shunzhen: Now the empty nesters have been paid a lot of attention to, the corresponding homes are gradually starting. And now the attention for elderly citizens who have lost their only child is relatively less, this is another area which needs to be urgently paid attention to.

Reporter: There is a practical problem, now not all elderly people with money can obtain the high – quality nursing care services, and the welfare of our country still is not perfect, do you think what to do under the economic circumstances restriction?

Xiao Shunzhen: This is why we are very welcoming of volunteers during training. We hope to find more warm-hearted volunteers who understand the psychology of old people and who understand how to show concern for and help the elderly. I think that trained corps of volunteers are capable of solving this problem.

The software of the care for the elderly we emphasize is also divided into two aspects. On the one hand, to take care of the elderly we mentioned repeatedly in spirit and in psychology, on the other hand, the dynamic care, which does not mean to ask the old man "do you take medicine" every day, but to care for and record the changes in physical and in mental for a period, once the conditions are uncovered, they would be accompanied timely with treatment. We now place great importance on the dynamic care, in these areas, if the volunteers can do well, a lot of problems of the current economy and manpower would be lifted, that is why we are also eager to do this research and practice, after all, the elderly will really benefit from it.

Reporter: How long have you done the research in this field? Have some results already begun to be apparent and enter upon the practical stage for policy services?

Xiao Shunzhen: This cycle is relatively long. We are still trying to do step by step, after all, to train the talent is in need of long-term observation, they do not make it when just taught. The participants in training also need a feedback process, if they encounter difficulties in the process of services for the elderly, for example, the elderly ignore them, this time we need repeatedly to teach them how to get on well and communicate with them.

I emphasize what we do is not ordinary training but a scientific research project, it is necessary to have feedback, feedback and learning are in need of a process, we now make great efforts to use our knowledge, ideas, enthusiasm and the scientific attitude to promote it.

Liu Yu: As for the access to policy service practice, in order to promote a policy, the State must take data and research findings, and we are still in the stage of data collection.

Xiao Shunzhen: But now is a good time, the government places great importance to the interests protection of the elderly, so we now invest more energy to do this thing and catch a good opportunity, policy support will reduce a lot of resistance.

Of course, our training covers two aspects of the staff taking it as a career and volunteers. When the government invests more money to hire such a group of people engaged in the pension services, as their number grows, the relevant education and training will be more widespread.

Reflection on Chinese Governance Model and Reform Agenda

Reporter: Liu Luqian



Yang Xuedong

Researcher of the Central Compilation and Translation Bureau of global governance and development strategy research center, executive director.

How to keep the advantage in society growing pluralistic and society demands increasing, on the other hand, doing upgrade, that is a more important problem than the acknowledgement of system advantage

Reporter: You have ever mentioned when we are making a major decision, it is necessary for us to learn from these countries with similar national condition to us, which is more appropriate for referring. In fact, there are many similar countries around us, so in the context of globalization, what global vision should we hold? And how can we handle the relations with regional areas?

Yang Xuedong: The reason why we should learn from those countries which are more similar to us is that the problems we face share more similarity, thus, they can be discussed in a deep way as to how to address the issues. Now some of the domestic scholars have proposed to learn from Hong Kong or Korea, however, some of the experience might merit referring, but as far as the scale of mainland China or the complication of its problems and effects they caused is far beyond imagination, therefore, it is hard for us to acquire something useful.

From the view of global vision and regionalism, except for maintaining the good relationship with US, China has also paid more attention to take good care of the relations with other surrounding nations, such as in the issue of territorial disputes with Russia, establishing Shanghai Cooperation Organization (SCO) for supporting the development of Central Asian countries, actively engaging the negotiation with ASEAN, even trying to cooperate with some Northeast Asian countries like Korea and Japan, so we could say that China is working hard to create a better environment. Nevertheless, China is a rather big country in the East Asia, not only having the big neighbor like Russia, but also is adjacent to some small nations which have ever had complicated relations with China in history, even brought up the painful memories, for example, China-Japan relations. In a word, China has to face a great many barriers in boosting the regional co-operations in the Asia, especially in East Asia areas.

East Asia has been the area that develops fast in its economic development but each nation still holds the suspicious attitude toward each other in terms of politics, which hurdles their development as a result. With the intention of properly handling the issues concerning global vision and regionalism, each country has to build mutual trust and cope with the historical problems in an appropriate way, making it possible for China to play a leading role in the development of entire East Asia. In addition, East Asia is ought to reduce trade frictions with ASEAN especially in dealing with the issue of territorial dispute.

Reporter: In recent years, the relationship between our nation and other peripheral countries has not been stable due to the territorial sovereignty. How can we change this situation in order to realize the international cooperation in your opinion?

Yang Xuedong: What is the key to solve the problem might be the attitude towards the history. It could be seen that each country has made an effort to deal with the problem, but unfortunately, we did not see any substantial progress or some breakthroughs. Some countries like China and Korea are the countries suffering the most destructive damages in the World War II, however, their reasonable requires cannot be met, some related countries are supposed to sit down, seriously discuss the problems and fully express each other's view, but in a way, which might not be implemented in a short term. Taken a related country like Japan as an example, it is reluctant to correct some historical errors in terms of its value and culture, with regards to this point, Japan has to correct the history on its own, simply depending on exterior pressure may not works well.

China has been putting lots of disputed issues back for a long period of time, whereas, more and more previous issues have been brought back at present, and this might be attributed to many reasons, among which the rapid development of China should account for since other neighboring countries cannot adapt to this quickly and even their interests have been harmed, resulting in the conflict eventually. In terms of politics, further bilateral or multilateral communicating should be strengthened rather than randomly attacking each other, which may make the problem, become more serious. Of course, the communication will last long and none of the country can develop well without depending on any others, Asian regions in particularly. More nations are ought to see the common interests instead of widening the contradictions.

Reporter: China is a member of the BRIC countries. What do you think that "BRICS cooperation" breaks the western dominant and establishes a new international order in favor of the developing countries?

Yang Xuedong: The BRICS development level and scale are similar, the attitude to the international affairs, they can stand together. It is the most significance to support each other in development through mutual cooperation, which is better for forming a new economic cooperation organization, such as the BRICS develops Bank to build under discussion now, that is a very good attempt. The current international economic order based on the WWII'S Bretton Woods system, dominated by the western countries, but there exists obvious defects in ability to reply and respond the new problems. If the BRICS could explore the new system, it has a big benefit to the current international economic order stability. Of course, it is not possible to replace the current rules and order in a fairly long period of time, much more as a support and supplement.

Reporter: Asian countries compared with traditional western developed countries, has the political governance model some unique advantages? How should China use these advantages to make the Chinese characteristic political governance model?

Yang Xuedong: There is much talk now about the problem. After the financial crisis, many western countries themselves also reflected on this issue. Of course, meanwhile they said their problems, also by reference to China, spoke the Chinese unique advantages such as long-term strategic planning (such as five years planning), attention to infrastructure construction, decision-making efficiency higher to concentrate on managing affairs. In a way that the western society now can view governance model of

the Asian countries, represented by China with a more normal mentality. Objectively speaking, if to acknowledge China's tremendous achievements in thirty years of reform and opening up, we should be aware that the achievements have a unique system to support it. This system has a very strong function and rationality, but it also faces many problems. How to keep the advantage in society growing pluralistic and society demands increasing, on the other hand, doing upgrade, that is a more important problem than the acknowledgement of system advantage.

Reporter: In the context of globalization, on the one hand, China is to give power back to the society, transfers the function of the state into providing public goods and public services, eases the social impact of globalization; on the other hand, competition between countries further intensifies, we put forward new requirements to the functions of the state including economic and social aspects. How to coordinate the two requirements in China?

Yang Xuedong: The 90s of last century in the context of globalization, everybody thought that the state functions would become increasingly weak, later found they did not, but grew strong in a way, the scale of state functions was in adjustment, expenses of government expanded. A lot of problems China faces are similar with Western, there are many specific problems. On the one hand, we must improve national capacity as a very important task; on the other hand, countries have to re-know the relationship between state and society, the individual. At last nation might represent social, control economy, constraint individual. But after these years development, the society is stronger, the market function is more perfect, personal qualities and demand are increasingly high, it needs to more clearly draw more clearly boundaries of the three. Countries should let society, market and individual fully go to work and provide supports they need. The government changes from management to services, countries should strengthen coordination, maintain independence, which is a request of society and direction of reform. These years of China's reform, the fastest is the economic field, especially the administrative examination and approval, this is the market demand. Now in fact we are most dissatisfied with the personal life field. The next step of reform, we will be in social and personal life field slowly in depth.

Reporter: Now the number of Internet users in China has reached nearly the half number of total population, meanwhile the Internet brings many conveniences, but also brings many challenges. The government as the exerciser of public power, in the governance process, how to make better use of network?

Yang Xuedong: The Internet is a new thing and its development is much faster than many people imagines, especially the government. The government always struggles for adapting to the development of the Internet era, such as releasing information on the network, increasing the transparency of decision making, and doing some communication with public. But I think that is not enough, the network brings not only a technological revolution, the more important which brings is the social organization and the change of people's life style. If from this perspective, it is a very big challenge for the government. The most dissatisfaction now everyone has with the government management network is too much and strict, in fact, that the government is not good at using the network. One the government is better to understand the network, take the network transformation and reform and innovation of government together; two is to set up their own mind, the core of the information does not exist in the Internet era, everyone has existence in parallel, the government is just a node of turnover of information, better to disseminate information. Information announcement by government is usually slower than the social network, a message to be released government must firstly accept it, the internal need audit it, but also, especially the local government delays, thus falls into a passive position. So the government should produce the information completeness and accuracy advantages, so as not to be the underdog.

Reporter: Whether do you think Shanghai as an international and open metropolis in the process of reform in China play a special role or not? Can you give us outlook for its development in the near future?

Yang Xuedong: Shanghai is of course at the frontier of the reform and opening up, Pudong is the most typical. Shanghai has its unique advantage, one the domestic first-class level of city management, seen from the infrastructure, humanized design, plays an exemplary role, now China develops rapidly, there may be more and more large-scale cities, these cities can be able to learn a lot of things from Shanghai; two China's function of the external window function, Shanghai can do the best to convey the development of China through a way more familiar with international society; three the mechanism reform has unprecedented development, the reform of administration and political system is worth looking forward to. In the future Shanghai should already play a leading function role, and continuously improve the level of internationalization and political management. Like the Expo slogan, "better city, better life". I believe that Shanghai will become a more livable city.

Global Governance Issues Should Use Chinese Confucianism for Reference

Reporter: Liang Yanjie



Ye Jiang

Doctoral Tutor, Professor, Dean of European Office of Shanghai Institute for International Issues. Successively as a visiting scholar in the University of Copenhagen, George · Washington University, the University of Cambridge and other world famous universities, Research fellow in the International Affairs Research Center in the University of Cambridge; Double as Executive Director of Chinese World National Research Association.

Realizing Chinese Dream lies in achieving the happiness of people, which needs us to be participated in global governance. We should have confidence in our domestic culture. It is hopeless to continue adopting a seclusion policy as we did in the past, and inappropriate to learn from the Western countries with thoroughly ignoring the excellent traditional culture of Confucianism. Combining both of them can really promote China's participation in global governance, make our nation prosperous and strong and realize Chinese Dream.

Reporter: Xi Jinping, the General Secretary of the CPC Central Committee, has visited the grand exhibition Road to Revival, interpreting the theme of Chinese Dream. He proposed that achieving the great rejuvenation of the Chinese nation is Chinese nation's great dream. What do you think about Chinese dream?

Ye Jiang: We can say that China has achieved a strong country, national rejuvenation, but the well-being of people has decreased gradually. In this situation, national

rejuvenation has become an empty talk. I think the organic combination of the three is the only way to realize Chinese Dream, therefore the national happiness is very important. In the sub-forum “Asian’s wisdom to solve issues of global governance”, Yang Xuedong, Central Compilation and Translation Bureau, also talked about the importance of the domestic governance. We have to pursue the national happiness which will be achieved by Good Governance advocated in the Confucian culture, that is to say, we should establish good governance mechanism especially in the highly developed present society.

Reporter: Speaking of domestic governance, actually it has close relationship with global governance. In your speech of the conference, you mentioned that the core of the Confucianism should be combined with the concept of global governance. How do you think of us searching for the combination point or the starting point?

Ye Jiang: Benevolence is the core thought of Confucianism, that is, we should be human-oriented in the governance. So the main subject of governance is not only the government, as well as the society and market. In order to realize the balance among three of them, every person of them should play a significant role in it. Human-being should not only be in the charge of management, but also in charge of management. In the current globalization world, many domestic issues are global ones. In turn, some global issues will influence the domestic life of the people such as climate change, environmental pollution. These problems cannot be solved by one country alone. If a certain region releases a large amount of carbon dioxide, it will have impact on the whole world. These kinds of international issues have broken the international boundaries. Therefore, if we truly want to achieve national rejuvenation, we should actively participate in global governance. There is no big country is immune to any other countries and it is impossible to develop in isolation.

While we are participating in global governance, we need to have our own cultural details, traditional philosophy, our unique Asia’s wisdom and Chinese wisdom. Personally I think that Asia’s wisdom and Chinese wisdom are rooted in the various schools of thought. At present, the core of Chinese culture is some thought of Confucianism such as Benevolence and Love, and some of important thought I think has its reference meaning in global governance. Take human goodness by nature for example, we could carry forward the good side in global governance. Meanwhile the Confucianism emphasizes on the concept of harmony, we can hold different concepts and cultures, but have every kind of culture in

harmony coexistence, namely Harmony but not sameness. Thus, our thought would transcend western thought such as Evil by nature, that is, people need to be restricted and balanced. Firmly believing in the human goodness by nature, we should give full play to our goodness so as to promote good governance. Further carrying forwarding the Confucianism is of great help for China to actively participate in global governance. I believe that the ancient thought in young global governance will always have leeway to develop and flourish.

In summary, realizing Chinese Dream lies in achieving the happiness of people, which needs us to be participated in global governance. We should have confidence in our domestic culture. It is hopeless to continue adopting a seclusion policy as we did in the past, and inappropriate to learn from the Western countries with thoroughly ignoring the excellent traditional culture of Confucianism. Combining both of them can really promote China's participation in global governance, make our nation prosperous and strong and realize Chinese Dream.

Reporter: The conference is focused on Asia. As we all know, Japan and South Korea and China are important Asian economies whose economic gross accounts for 70 percent of Asian gross. The three countries have established Free Trade Zone to expand the trade cooperation. However, the recent nuclear weapon, territorial sovereignty and other issues have resulted in a strained tripartite relationship. In this situation, what is your expectation of the tripartite economic cooperation?

Ye Jiang: From the perspective of culture, I will explain this problem. The three countries have the same cultural origin and in ancient times they were located in the East-Asian civilization circle, deeply influenced by the Confucian culture. From this respect, a series of contradictions caused today will be solved, if we treat them with our benevolence. But this region has actually suffered too much external power politics, especially from Japan. It launched war against China in the thirties of last century due to the western logic of power politics. Japan doesn't have conscious understanding of history till now. The ways of governance should be combined with the traditional Confucianism to search for the common interests, penalties and shelve sensitive issues, disputes. Now Japan and China lack the common sense of shelving disputes, which could be regarded as the tradition of Confucian civilization. That is to say, issues will be well solved by the principal of moderation not by the extreme way.

Conversely, the world is on the whole peaceful under the background of globalization. Why this region is outside the overall trend? The reason of that is the region has not returned to the relationship of Harmony but not sameness emphasized by our ancestors. Japan, South Korea and China should play an active role in global governance to promote “good governance” and “rule of human” as far as possible, meantime maintaining the regional peace to follow the traditional Confucianism. Then the three countries will have a broad development prospect of cooperation not only in the trade but the culture and political fields. This requires joint efforts of all East -Asian countries and is certainly based on Japan’s conscious awareness of its own aggression and some historical problems.

Reporter: What should China make every effort to do and contribute to the promotion of it?

Ye Jiang: For the domestic, we can absorb more from traditional Confucianism and use more ways of good governance to solve the issues. When we study on the international politics, we not only learn to deal with international relations simply but also pay more attention to the continued traditional culture of two thousand years, for the Confucianism is still having vitality today. East Asia and even the whole world could avoid the form of security dilemma mentioned in *The Tragedy of Great Power Politics* written by John Mearsheimer. He regarded it as an objective law. But I think great power relations can avoid the power politics entirely in the current stage of promoting globalization development and global governance, eventually we will go to the path of peace. The thought may be somewhat idealized, actually we are doing so in some aspects. If countries still adhere to the logic of power, the wars will continue. However, countries are still negotiating with each other through various channels and communications. This indicates the path of peace is the new way of global politics. Although the road of global governance is tortuous, it really promises a new development direction of the future.

Reporter: You mentioned that we should learn the essence of Confucian culture, in fact, we are exactly doing so. But Japan does not recognize the history unilaterally and always faces the issues of Sino-Japanese relations with Public Opinion Warfare, misleading people in a false and spurious manner. Therefore, China is in a passive position in the Sino-Japanese relations. Now we want to spread the Confucian culture, Japanese may psychologically accept the position of Confucianism in East Asia without showing in behavior manner. How should we deal with it?

Ye Jiang: We resisted on such kind of irresponsible behavior firmly. The thought of Japan is that China's continuous prosperity will threaten Japan's development so as to contain China developing. If we hold the same way of thinking, that is, we also take the tough decisions when facing the reality with rumors and history with irresponsible attitudes, it will result in a security dilemma. So we should hold the concept of peaceful development for the mainstream and take gentle ways when facing this problem. Without radical attitude or pressure from our government, we have more room to solve the problems. Certainly in the territory, sovereignty, historical problems, we never give in. The measure we could take is to shelve disputes advocated in the times of Deng Xiaoping. Our generation is not strong enough to resolve this problem, then to think another way of continuing to take the road of peaceful development. Meanwhile countries actively participate in joint management to make the region go towards peace. So the entire international public opinions will lean to China naturally, conversely the opinions are not beneficial to China for the prejudices of foreigners. If we pursue a way of peaceful settlement, our country's image will be improved in the eyes of the world. Joseph Nye is highly focused on the soft power. I think the image of a country has become more important in a peaceful development and win-win cooperation world.

The above of my thoughts are not dominant, but some current mainstream thoughts actually have negative impact on international relations. In the conflict between Japanese and China, the primary responsibility lies with Japan with no doubt. Whether our opinion is handled by the exactly right way should require us to think when they are concealing the facts. We emphasize the peaceful development and cooperation for win-win while we are not reflecting the spirit of it. Many people may regard global governance as a temporary expedient and think its essence is to struggle for power, but I think it is precisely what we persist on the policies and goals.

We should sincerely realize the changes of the world and accept the traditional thoughts while absorbing the new ones. China will achieve the true happiness of people only with establishing such a goal and take the path of national rejuvenation.

Normative Dualism-The Germ of An Idea to Solve the Problem of Order and Disputes in China

Reporter: Li Jixuan



Yu Xingzhong

Chair professor of The United States Cornell University law school Anthony W. and Lulu C. Wang.

An attitude to the order and disputes in Chinese traditional culture usually apply the "admixture of etiquette and law", there are two sets of standard system to adjust the order and no order, but in the west, they apply a set of standard to cut through the dispute, and punish crime, When the tradition of "admixture of etiquette and law" is to be introduced to the western world, which I call the "normative dualism" (Normative Dualism).

Reporter: you in the article "Strong Culture, Dualistic Epistemology and the Rule of Law" proposed "Dualistic Cultural Epistemology", does it cohere with the "dualism" in your speech today? What are the differences and similarities? Does the "dualism" present the situation of other countries in Asia?

Yu Xingzhong: The two are incompatible. In that article I mainly covered the two different ways of governance, at that time people are vitally concerned about the rule of law, oppose the rule by men, the discussion is that the rule of law is superior or rule by men is superior, namely two alternative routes. I in that paper mainly

criticized the either or dualism epistemology. The present article is mainly related to the jurisprudence research. The international jurisprudence research accesses to a no-mainstream age now. It provides an opportunity for the development of the Chinese jurisprudence research. What do we contribute to the world, and how do we want the world to understand our own law tradition. In such a context, I chose the characteristic of admixture of etiquette and law of the Chinese legal system tradition, and introduced it to the western scholars. But the westerners did not know what "admixture of etiquette and law" is. It actually refers that China in governing or cutting through the dispute is not in the use of a set of system standard to resolve disputes and punish crime as the western countries are. The "etiquette" we call in tradition is crime prevention, the "law" acts as the punisher. Such an approach consists of two sets of standard system to adjust the order and no order, which I call "Normative Dualism".

The Tang Dynasty law has a deep influence on the legal system of the Southeast Asian countries, especially Japan, Korea, and Vietnam. In some sense, before the changes did not take place in these countries, their civilization and order were the same as Chinese, with "morals" as a positive image, the penalty as negative image. But after the social system changes, this "normative dualism" cannot completely present the situation.

Reporter: How does this "Normative Dualism" has an impact on the contemporary Chinese statutory construction?

Yu Xingzhong: There is some certain binding. Here a more macro issue is involved: the role of the law in the economic development. One story says, the law should escort economic reform, but the facts say otherwise. No example explains that there is the necessary relation between law and economy. The situation in China, firstly there is to be the policy, the government observes the feasibility in people's practice, locally generalizes it, after finding it effective, expand the scope of the promotion, make laws, and with the development of social relations, change the law, or put it on the shelf. The "Normative Dualism" originated in the sacrifice and gradually developed itself into the rule to adjust the noble standards of behavior, that is the "etiquette". The "law" is from the "punishment", it is punitive, rather than administrative and preventive. Now whether the standard modes should continue to exist, or be reformed, in order to let the maintenance of social order and disputes settlement rely on the law, we still cannot blindly draw a conclusion, but in terms of the "the nation of laws", it is probably that we should abandon the " Normative

Dualism", the "law" is oriented.

Reporter: It can respond to the viewpoint in your essay "as the legal civilization order of the "rule of law """, then Asian countries follow the order of moral civilization, China is the model of this civilization order. Is there is a conflict between this civilization order and the legal civilization order which the western countries follow and the religious civilization order that Islamic countries follow to rule the country in the social system arrangement? How to avoid these conflicts and apply their essence to the present social governance?

Yu Xingzhong: In fact, the three kinds of civilization exist in all countries and regions, but because of the different external conditions, each country or region has a most ruling civilization order. When they conflict, the one of which must be dominant, such as Chinese law's Confucianism, the moral of china's law. After the three-dimensional civilization orders of a society all develop, the social arrangement is relatively the most idealistic. There should be some principles in an ideal society, the most important is the "right principle", which guards the full maintenance of individual rights. The second is the "connection principle" in the connection society .When these is a conflict between rights and rights, rights and connection, it occurs "mercy principle", it is widely used in all areas of society, in explanation: Doing the best and showing the best performance of worst point of view. In the eyes of others, do not deny a different point of view, but seek a way to understand it. In the realm of the rule by law, the parties of dispute try the best to express their views as fully as possible. In addition, in the political arrangement, we must adopt "the principle of separation of powers". "The principle of subsidiary" is when a matter can be solved by the smallest working unit, not to ask the large working unit to support. As a small county can solve things, there is no need to request the central for direct intervention, when the small county does not solve it, its superior government is to assist them, offer them aids.

Reporter: How do you think those principles are embodied in the governance of Asian countries?

Yu Xingzhong: It may be said that Japan and South Korea were more sophisticated than other countries in Asia in politics, economic system and human consciousness. The two countries adopt "the principle of separation of powers" in political system, as South Korea formed the constitutional court, Japan implements judicial review, so that they are all the performances of separation of powers and checks and

balances. But "the principle of subsidiary" does not put up a wider performance, the EU regards it as one of the most important principles, all countries of federalism implement this principle.

Reporter: Professor Sun Xiaoxia mentioned in the opening ceremony of the law sub-forum, the law of Nordic countries is unified from the law of bill step by step, Asian countries do you think can borrow this pattern?

Yu Xingzhong: First of all, to reach an agreement in the culture, the unification of law later. The day before yesterday in the forum I made a summary, also referred to the future of unification of contract law in Asian. Firstly, is there need to formulate a unity of law? Now the whole world is governed by "United Nations Convention on Contracts of International Sales of Goods", why to re-legislate a law of Asian countries, is it necessary? Secondly, how to unify? Finally, to unify what? So like this movement, even if it is not adopted by governments, itself is a kind of academic research.

Reporter: So, which areas do Asian countries need to unify the law in?

Yu Xingzhong: Obviously, the mechanism of dispute settlement is in great request. Another is the correspondence to natural disasters. I think that Asian countries should have a common mechanism of emergency. And the contract law discussed in the forum, because it is not due to be limited by region.

Reporter: The so-called "Asian wisdom", or be narrowed to "legal wisdom of Asia", which do you think or what kind of idea and tradition are most worthy of being disseminated?

Yu Xingzhong: First of all, it is to be clear that what "Asian wisdom" is. But before talking about this concept, you have to ask what Asian is, including East Asian, Tibet, India? In terms of religion, Asia includes Buddhism, Islam, Christianity, etc. This concept, its connotation is too wide, its denotation is too large, only in generally speaking, all things in connection with the Orient. What does the "Asian wisdom" really mean? You will find there are "harmony", "mediation", "multiple mechanism of dispute settlement", these keywords, in the articles and the speeches of participants, but these wisdoms strictly are in extralegal fields, so the discussion of "Asian law wisdom" is a "precarious" thing. Of course, from a constructive perspective, the concept of "law" I think should be clearly defined, it may be necessary to extend its connotation and denotation, and excuses the extralegal normative methods, in

normally speaking, so which can include the concept of "harmony".

Reporter: What does the global governances borrow from these extralegal normative methods?

Yu Xingzhong: After introducing them, perhaps it is useful, such as the western ADR (Alternative dispute resolution), including the arbitration and conciliation, conciliation in the United States is used to compensate for its formal litigation system, but it is hard to say whether the conciliation is passed from china. I myself do not advocate the "Asian characteristics" or "Asian values", instead, we should spread some universal ideas and tradition, so that it is more valuable.

China Should Build "The International Energy Security Concept"

Reporter: Guan Henan



Zhang Xiliang

Professor of management science and engineering of Tsinghua University, doctoral supervisor, director of Institute of Energy and environmental economy research of Tsinghua University. Professor Zhang Xiliang is one of the directors of expert advisory draft group in China's renewable energy law (Draft). Professor Zhang Xiliang is a lead author of the energy supply chapter of the United Nations Intergovernmental Panel on climate change (IPCC) climate change assessment report and national climate change assessment report in china.

We should be not only concerned about the construction of national energy security system, but also pay more attention to how to involve the country effectively into building global energy security system, to play a greater role.

Reporter: Since 1980 the United Nations held a "United Nations Conference on new and renewable energy", the development of new energy has been the focus of attention of people, now 30 years has passed, can you generally introduce the development and utilization of new energy in China and the world?

Zhang Xiliang: In the past 30 years, the development and utilization of renewable energy in the country and the world have undergone a qualitative change. As regards our country, changes embody in two aspects: the first is the technology progress, such as the fan efficiency 100 watts to 300 watts from 30 years ago to 1.5 MW now; the second is the costs down soon, the fan cost 15000 from 20 years ago dropped to

4000 RMB now. In general, in the view of the world, the development of renewable energy developed slowly in previous 20 years, and has advanced by leaps and bounds in recent ten years. This is mainly due to the support policy of the different countries around the world: the "renewable energy law in 2004 in china, Electricity Feed Law in 2004 in Germany which create a conducive environment for development, the long-term reliable income prompts investors to invest in renewable energy research.

Reporter: The renewable energy has entered a brief comparatively smooth developing period over the past two years as you mentioned in the meeting. Will there be a tendency to break through the period in the next few years?

Zhang Xiliang: Renewable energy was very popular a few years ago, but it at a certain developmental stage indeed faces the problem. From an international perspective, the main reason is that policy on the technological progress of renewable energy, cost reduction, equipment industry development issued by Germany, China, Spain, India, Brazil and other countries is a time limit in recent years, countries need to discuss the second stage of the plan, and whether to continue the development of renewable energy or not; China's problem is especially evident: firstly the business of renewable energy is very small, the government offers a lot of preferential policies to support, such as collecting electricity surcharge to subsidize the wind power, but with the renewable energy business getting great and into comparatively smooth developing period, the difficulties to further continue development cannot be compared 10 years ago. For example, the fan installed electric power has now become a 60000000 kW, if to more improve it, we should increase the electricity surcharge, it is necessary to make a decision through social discussion. Another bigger problem in china is the uneven distribution of resources and population, take the electricity for example, the electricity resources in the west, the users are centered in the East, if you want to build new transmission circuit, which would increase the cost, raise the surcharge, that is also a problem which is need to reach the national consensus. All in all, the development of renewable energy encounters these problems of interests, policy, system, technical contradictions when the conflicts of these problems accumulate to a certain extent in the process of development of renewable energy, we must solve them, in other words, the renewable energy is faced with the development issues.

Reporter: Now all countries are very interested in the market development of new energy, and also made a lot of attempts, with regard to the foreign policy of new energy and new energy technology development, do you think what are the advantages and disadvantages, can these help us get through the period?

Zhang Xiliang: First of all, the development of new energy in China has made great progress: China's new energy investment ranks the first in the world, equipment manufacturing capacity does the first in the world, too, many countries, including Germany and the United States, their developments are not better than china, at the same time they are also facing the second period mentioned above. In addition, the concept of renewable energy issued during the 30 years, the challenge no country encounters like us is so much big. European nations, the small land area, the challenge is small, meanwhile, European nations unite the grid supply, which makes power conditioning of Europe stronger. in china, we face the mismatch between Power resources and population distribution, interprovincial transmission distribution coordination, which all European countries are not comparable with. Now the problems we face in china are that various contradictions have developed into the critical point. If China can solve this problem, get through the period, and also provide a case for other countries in the world.

Reporter: According to China's energy problems, China's energy consumption pattern has no big change, CNPC economic and technology Research Institute forecasted in 2013, our dependence on foreign oil may exceed 60%. Do you think how to adjust the China's energy structure in the next few years?

Zhang Xiliang: The change of energy structure was not great in the past 20 years in China, the coal accounts for 70% of the total energy, in 2020, the share of non-fossil energy will be 25%, very good. If the proportion of natural gas increase, coal goes down a bit (the possibility may be limited), that is right a big change when it be down to 60% from 70% now. And we discuss structure in the Chinese environment, China has a large population, a big consumption, it is difficult to increase the proportion. These years our country's renewable energy and nuclear energy development have changed rapidly, for a small country, it is quite an event, in China it is a part of reform, China large country, structure change is tough, the great effect can make it. In addition the dependence was mainly caused by traffic recently, motor vehicles increased very quickly, at the same time, in china the oil production is very limited, 0.2 billion tons per year, and then it is expensive to more produce, which would be unable to compete in the international energy market. But in my opinion, we should not only emphasize the dependence of oil import, but also should establish a concept of international energy security in the terms of global oil market.

Reporter: Can you explain the concept of international energy security you just mentioned in detail?

Zhang Xiliang: I think we should be concerned not only the construction of national energy security system, should pay more attention to how to make the country effectively build the global energy security system and play a greater role. The high degree of dependence on foreign oil is not bad, 60% or even 70% of foreign dependence is acceptable to us. In addition, the coal which accounts for 70% the total energy consumption in china, actually a food deal of it counted on imports to meet the demand. I hope China can actively be involved in OPEC and other international oil organization, participate in establishing the international energy security system.

Reporter: As far as the coal is concerned, in fact, energy structure in our country is ruttet, one of the main reasons is that coal occupies overweight in once energy consumption , in the face of such difficulties, do you think we can achieve requirement of 12th five year plan, that is non-fossil energy accounts for 11.4% of once energy consumption?

Zhang Xiliang: First of all, the main reason why the energy structure of our country is ruttet, one our energy consumption is up to 7ten million tons annually, renewable energy and other new energy can not meet increasing demand in the near future, but fossil energy coal can make it, more competitive; two after years of energy construction, the infrastructure coal smelting, etc is well-grounded, if you want to replace it with the latest equipment overall, it is also a very huge cost. But I think, the demand for energy will grow in the future in china, without causing environmental damage and serious accidents, the sustainable capacity of coal in China has a boundary, about 3 to 4billion tons, the development needs can not be met with coal. Can we come up to expectation in the Twelfth Five Year Plan, which depends on the tendency of economy development, if the economic growth is not so fast in the coming time, the total energy consumption is controlled in 4billion tons, we are able to achieve this target.

Reporter: A few decades ago, it was said that oil resources could only be used for 50 years, now we still use it, what are your thoughts on the fossil energy reserves?

Zhang Xiliang: This is a dynamic problem. We should look at it from the prospective view, and can not ignore the significant factor of technological progress. 50 years

ago it was said that oil could just be used for 50years, now we still say so. In fact, over the past 20 years, great changes took place in the energy field, non renewable energy resources consumption, according to previous usage and technical level, the nonrenewable energy resources will be exhausted one day. But today, with the improvement of efficiency, the emergence of new energy sources, the progress of oil exploration technology, the cost of exploration was too high, unavailable exploitation of energy can now also be mined. On the other hand, shale gas as non-regular natural gas, which is a breakthrough, has changed the structure of world energy and pattern of trade .

Reporter: The structure of china's economy faces the reformation. Do you think this opportunity can promote energy structure transformation?

Zhang Xiliang: With the economic development, the low-carbon urbanization and the industrialization to a sufficient extent, we can naturally use the clean energy, as in Beijing, now all the heating are in the use of natural gas, when the economy develops into a certain stage, which will naturally drive the transformation of energy structure.

Reporter: the use of energy affects our environment safe, such as the PM2.5 is mainly caused by the imperfect combustion of coal or gasoline, do you think how the interaction between energy structure and environmental climate is?

Zhang Xiliang: Coal is a major source of PM2.5. In order to solve the PM2.5 problem, we need to include environmental protection issues into the national energy strategy, not only continue developing natural gas, nuclear power, renewable energy ,the non-coal energy, and diversify energy supplies , at the same time, we also develop the clean coal utilization technology. We need to reduce inefficient pollution of the usage of coal, which does not mean that the usage of coal is not good, instead, is to adjust the layout of coal: through taking advantage of a larger amount of coal in China, researching coal vaporization, removing all contaminants from coal, these techniques. We are to fulfill the clean utilization of energy.

Reporter: Has Fukushima nuclear accident an influence on the development of nuclear power project in the future in china? Do you think what the development direction of China's new energy is?

Zhang Xiliang: We have reevaluated all projects of nuclear power under construction, and determine to continue developing the nuclear power. In the new energy development in China, I am an optimist, although there is a certain pressure on the energy supply and demand, but in the global perspective, there are a lot of solution avenues. China has made a great progress in the pipeline construction of natural gas and the imports of liquefied natural gas (LNG). It is likely that the energy diversity system will evenly consist of the coal, natural gas and oil, non fossil in 2050. Meanwhile, we also note the problems of the energy development and our total amount of energy consumption is too much annually. Each year the scale of new power plant is equivalent to the whole energy consumption in Britain at present, such enormous amount drive us to save energy.

The Way of Communist Party of China In Charge of the News Badly Needs to Improve

Reporter: Gao Tianqi



Zhou Ruijin

Chinese Academy of Social Sciences, graduate school, part-time professor, doctoral supervisor, the emeritus president of China University of Mining and Technology, Huaihai culture media research institute. In 1962 he was graduated from the Fudan University journalism and assigned to the "Liberation Daily", took over "Liberation Daily", in 1993 transferred to the "people's Daily" as the vice editor in chief. In 1991, under the pseudonym of "Huangfu Ping", he wrote four reviews on "the reform and opening up needs new ideas", which caused widespread repercussions at home and abroad.

We should believe that the network public opinion has hedging function in some way, the government does not always intervene and commit itself, we may as well let the left wing and the right wing, the elite and the grassroots form a mechanism of the system of checks and balances on the Internet, and let the different value orientation hedge on line, the extreme voice tends to vanish in the hedging, and the rational and moderate voice will prevail.

Reporter: In 1991 your "Huangfu Ping a series of comments" appeared, which effectively promoted the People thought liberation the need for reform and opening up, today China is also in a critical period of government management, medical system, etc, comprehensive reform, how do you evaluate the performance of Chinese news media in the transition period presently?

Zhou Ruijin: In January this year, the new minister of Propaganda Department of the CPC Central Committee, Liu Qibao put forward corresponding requirements when he investigated the people's daily and Xinhua news agency, that is to establish the people-centered news concept, make reports close to the readers' demands, suit the cadres and the masses taste, meanwhile, to grab an opportunity in public opinion and get the right to speak.

But the present situation of journalism is that our concept of the news is not always centered on people, away from reality, do not hit the mark. Especially in the face of the Internet, micro-blog, etc, we-media and activity of network opinion leaders, discourse right is not always in the hands of the party, the government and the official media. How the party's journalism does not to live up to the expectation of the party and the people, we need to summarize the experience and lessons in 64 years after the founding of new china.

These experiences and lessons are summed up I think under two points. First point the bottom line we must adhere to is that CPC takes charge of the news, to ensure the political security of the national period of order and stability; second point the way of CPC in charge of the news advances with times, keeps improving, with the times new changes, the new developments of communication technology, people's new demands, we need continuously adjust the strategies, ways and skills of the media taken charge of by CPC, and implement scientific management, the democratic management and management according to the law, always pay attention to the effectiveness of the news propaganda.

I was graduated from the Journalism Department of Fudan University in the fall of 1962, and worked for the Liberation Daily, 31 years later transferred to the people's daily, more than 50 years of my experiences from local party newspaper to party newspaper, this two experiences I think are very important.

Reporter: Recently, the removes stubborn and Petitioners under re-education through labor, etc, these events are actually the embodiment of the social contradictions in the transformation period, these events drew the large reactions in public opinion, but for these negative hot news, which involved the interests of local governments, sometimes the media coverage is slightly insufficient, how do you think of these phenomenon?

Zhou Ruijin: Since the 18th CPC National Congress, on the one hand the new leader is very modest, proudly announce that the reform and opening up is only running, does not finish and seize opportunity to deepen the reform of the important areas.

On the other hand, we also see the broad masses of the people strongly demand for deepening the reform and opening up and look eagerly forward to it, but which are usual blocked in the news media and in the Internet .From Zhoukou forced to pan and relocate tombs to Shandong's groundwater pollution, from the corrupt officials were paroled to Zhu Ling case of Tsinghua University, the girl of Jingwen in Beijing herself falling off a building, many hot issues of public opinion were not solved, but subsequent reports unaccountably disappeared.

Social transformation period is a contradictory highlight period. Some so-called negative news appeared, that is quite normal, abnormal is for a long time, being indifferent as boiled frogs. In the current period of social transformation, the various contradictions need to be dissolved when in the radical, cumulative and additive progress. We should be alert and prevent social unrest. But the propaganda department is different from the political legal Department. We not only help the local government extinguish the fire, and but also focus on the ecological management of the national thoughts and culture. Propaganda Department is to be a gardener of the state ideology and a strong cement of the nation's political consensus, to be an excellent front worker in intellectual and cultural circles.

Reporter: People's daily put forward to permit "heterogenic thinking" in the 5 series of critical, which chief idea is to focus on "social psychology", some have been published at present, specifically, what is "heterogenic thinking"?

Zhou Ruijin: Heterogenic thinking exists in mutual discussion. The right is accepted by social, the wrong itself perish, which influences different people. The so-called heterogenic thinking is actually different from the mainstream public opinion, a democratic legal country should have different voices and allow the existence of different voices, and this society is a multicultural society.

And then, we unite a thought and form consensus in propaganda. So heterogenic thinking is actually usual and normal, it is normality of the whole nation politics, there is no need to much think of it, which does not clash with CPC in charge of the news, we must be good at listening to different opinions in order to better governance.

Reporter: 2013 Southern Weekend New Year messages triggered some controversy, thinking of the current way for party media, how do you look at this event?

Zhou Ruijin: "South Weekend's New Year message event" happened at the beginning of this year, although suddenly, there were many factors, we cannot deny that there was a relationship with leading reporters and editors dissatisfied with the misconduct of local publicity management. This late event got flexible disposed, we not only adhere to the political bottom line of CPC in charge of media, but also pay attention to the strength and skill of management, should give the affirmation. Propaganda work should also be geared with the general task and general policy of the party.

Reporter: Some people think that now the concept of CPC in charge of news limits the comments of media, the age in which everyone has the right of discourse, we should let media more autonomously reflect the people's voice, do you think how the "CPC in charge of news" should be to advance with the times?

Zhou Ruijin: The political bottom line of CPC in charge of media, we cannot miss it, but the long-term continuous news way also needs to be improved, I mainly have four points:

One, the propaganda work is to serve the party and the government's central work, green leaves match safflower, help do not increase chaos. After the 18th CPC National Congress, the Political Bureau of the Central Committee formulated the "to improve the work style, to keep in close contact with the masses, eight provisions", and won people's hearts. The General Secretary Xi Jinping put forward we are to deepen reform of the important areas with greater courage and wisdom, seizing the time and chance. It should be said that this is the total task, the state's guidelines and policies. The responsibility of Propaganda department is for careful coordination and practical implementation. If damage the atmosphere created by eight provisions of the Political Bureau, damage the difficult assault and good situation of the comprehensive recommendation reform, and affect the big situation, central work of the 18th CPC National Congress, it is worthy of reflection.

Two, the leadership of the Party's news propaganda is mainly sure about the Party's and government's policy and tactics route, the correct analysis of the trend of thought in a period, the strategies, and the management of news cadres, not a direct replacement of the chief editor to run a newspaper. Strictly speaking, there does not exist the pure media out the system currently in china, the Southern newspapers, the public opinion is regarded as the folk newspaper, in fact, is also subsidiary newspaper and periodical of the CPC Guangdong provincial organ's newspaper the

"Nan fang Daily", in Guangdong province jurisdiction. Therefore, we can do embody the authoritative management of the Party's media entirely through the newspaper editorial policy guidance, severe judgment on situation of thought trend , and the appointment of cadres.

Frankly, some leaders in Propaganda Department of the party apply the way of administrative management to the news management like management of railway train operation table, are directly involved in the way and procedure of news report, control in much details and specific, are lack of due trust and respect for media people should, which has a great influence on the publicity and effectiveness of the mainstream media. Last December 28th, the NPC Standing Committee adopted "the decision on strengthening of the network information protection", the CCTV and people's daily produced propaganda and campaign at great length in the report, according to the network postings, the effects went into reverse. In comparison, I noticed nine reviews published in the China Youth Daily, every article raised questions from the netizen's concern and insinuated to support the internet legislation, the effects were much better. The Party leadership media includes that the Party's leaders should respect the media workers' independence and an intrinsic element of creativity, we do not underestimate the majority of editors and reporters' political responsibility, professional ethics, and the will of persistence in reform and innovation.

Three, propaganda management departments should not only be the fire brigade of the local government, but also should become the builder of the whole Party and national ideology. Here I want to emphasize on the effective management of the internet. Network management should not be confined to the negative delete and write off cyber-pals' accounts, the key is to promote and safeguard the social groups able to access the Internet to express, bring about the free flow of information, we believe that the internet has the information self-purification mechanism, such as the earthquake in Japan that triggered a storm of the robbing salt event in china, there was not any market in micro-blog. We also believe that the network public opinion has some hedging function, it is not necessary that the government intervene and commit itself, we might as well let the left wing and the right wing, the elite and the grassroots form the mechanism of checks and balances on the Internet, let the different values orientation mutually oppose on line, in which the radical voice tends to die, and the rational and moderate voice will prevail, of course, the leading department needs a proper way to amplify the rational voice and narrow and ignore the irrational voice.

Four, the news propaganda management department own must be subject to the supervision, improve the scientific level of news propaganda management, in order to avoid the public right to private use and subjective. We see, on the one hand, the mass media supervision department works very hard, is on duty twenty-four and absorbed in, captures and put an end to the diffusion of negative news and remarks at any time, and network operators, because the postings management task is heavy and requires more human, makes simply the high-tech industry into the labor intensive industry, but what he puts out is the flame of mass communication media, rather than smoldering fire and fire of the grassroots, the village, the streets, the social deep-seated contradictions and problems are concealed without being solved, which does not give the local officials with the necessary alertness, but leave the people misunderstanding, when the next event break out suddenly, the whole society may pay the twice as much cost to resolve it. We must adhere to the socialist mainstream values, meanwhile, to the view tendency of the left or the right, we should seek common ground and reserve differences ground, gather common ground and dissolve differences through the free and equal discussion. For the different views of cyber-pals and intellectuals, even extreme expression, within the bounds of the law, it is better to treat them with maximum tolerance, not to abuse the public right, to solve the problem of culture and ideology with cultural and ideological method.

Government Should Coordinate the Villages for Land Efficiency

Reporter: Kevin Tham



Zhu Jieming

Received his Ph.D in Regional and Town Planning, University of Strathclyde United Kingdom. Now He is the professor of Asian Urbanisms Cluster, ASIA RESEARCH INSTITUTE, National University of Singapore.

China has seen incredible growth in the last thirty years. But land development is too fragmented in villages which is leading to decrease in land efficiency and environmental problems. The government and villages need to work collectively to resolve this problem.

Reporter: Rapid urbanization in the Pearl River Delta has allowed China to achieve unprecedented growth for the past thirty years, however as you have mentioned land is not being utilized to its fullest potential and limits growth. Would you recommend that the government step in and take control and develop the land instead of allowing for illegal development of farmland?

Zhu Jieming: The village as a social unit in Guangdong is very well established due to historical reasons and hence it is hard for the Chinese government to direct development. In countries such as Canada and America this is usually not a problem because population density in the countryside is low. However, the problem in Guangdong is that population density is too high and as a result the land per capita is very low. This means land developed in villages become fragmented and are only able to attract low quality factories. Thus, the best option

is for a higher level of coordination.

Reporter: For better efficiency of scarce land, there needs to be better organization for the development of the land, but farmers are interested in their short-term personal gains, how would the government approach this?

Zhu Jieming: Villages can solve this issue by using collective action, small villages merge and work collectively to better utilize the land. However, villages cannot seem to work together to achieve this goal. Therefore, the best option is to have the township government dictate and plan how to achieve higher efficiency. The problem with this method is that it is top-down driven and can potentially lead to coercion, which is not ideal for villagers.

Reporter: The majority of China's industrialization and urbanization is happening on the coastal areas and is resulting in huge migration of workers and further enhancing the demand for land. This disparity is causing the coastal region to have incredible growth but the rest of the country is left relatively undeveloped. How can the Chinese government better utilize the land?

Zhu Jieming: One of the reasons why the East Coast is more developed than the Western Interior is due to favorable location, which is more convenient for companies. It is not ideal to have the East Coast too developed and leaving the Western Interior underdeveloped. The best possible solution is to create policy and incentives that help develop the Western Interior and reduce the flow of migrant workers. However, there are some people that advocate that you should leave the market alone but this will create an uneven distribution and lead to social inequality.

Reporter: The rapid urbanization of land is causing adverse environmental and health problems. Would redeveloping the land with proper waste management facilities improve this or just produce large-scale environmental degradation?

Zhu Jieming: Currently, land is fragmented and factories are everywhere resulting in a large polluted area. If land is bettered utilized it will help contain environmental destruction and pollution to a single confined area. This will help reduce the impact on the environment and villager's lives.

Reporter: The Pearl River Delta is a very fertile region of China, with

urbanization and industrialization it is reducing the amount of land available for farming. Do you see this as a problem for the future development and sustainability of China?

Zhu Jieming: The issue of fertile land is important for China because the land development market does not care if the land is fertile or not. There are huge incentives for villages to develop land because of the extra income. From an economist's perspective they would suggest that you can always buy food from another region and thus it is not important to keep fertile land. However, from a sociologist or politician's perspective food security is important for the country. Therefore the central government currently has a policy to not develop fertile land because of food security issues.

Reporter: The Yangtze River Delta and Pearl River Delta are crucial economic areas for China. Do you think that the Chinese government will convert other areas of the country as special economic zones? If they do, will they also face this industrialization problem?

Zhu Jieming: It is hard to determine new economic zones because it is dependent on the market and investments. The Yangtze River Delta is special due to its location and human resources. For other regions of China before the 1980s, the government tried to develop the interior region but it was an economic disaster. It would be hard to find another region for development unless government policy was used to promote equal regional development. The most likely region would be Sichuan and QingHai. However, it would be more costly to produce products there compared to the Yangtze River Delta region.



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