

THE ROAD OF ASIA

INTERVIEWS WITH
SHANGHAI FORUM 2012
GUESTS





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FUDAN UNIVERSITY
KOREA FOUNDATION FOR ADVANCED STUDIES

In Shanghai Forum 2012, we recruited over 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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We Should Take Care of Your Own Interests in the Long-term

Reporter: David Young, Wang Yizhu



Carlo Carraro

President, University of Venice; Vice-Chair, Working Group III, Intergovernmental Panel for Climate Change (IPCC)

We are talking about problems that will not show their effects in the next 5 or 10 years, nor 30, 40, or 50 years. This requires a real long-term vision and perspective.

Reporter: The title of this conference is “Economic Globalization and the Choice of Asia”. What has been your impression thus far?

Carlo Carraro: I think my impression is a very positive one because of the range of issues we are talking about at this conference, from financial stability to environmental problems. These are no longer domestic issues; these concerns are not only Korean ones or Chinese ones; these are not even just regional problems - these are global problems. Globalization lies at the heart of many of these issues. National governments are no longer able to tackle these problems sufficiently. I believe that the reflections happening at this forum are very important in advancing a more international cooperation focused on addressing climate change, tackling energy concerns, understanding how financial markets work, etc.

Reporter: One of the keynote speakers, Long Yongchu, mentioned one difference between the Shanghai Forum and other governmental forums is that it is organized by a university. As the President of the University, what

are your thoughts on that?

Carlo Carraro: In other forums, (e.g. the DAVOS forum, the World Economic Forum, or other ones organized by independent conferences) they focus specifically on the policy dimension. Here, policy is also critically examined—with deep academic analyses by scholars from a variety of different disciplines. Universities are the best equipped institutions in the world for handling this type of endeavor.

Reporter: Your keynote speech was very impressive. You mentioned working with IPCC to develop different options for mitigating climate change and developing some adaptation options. Given your role as an energy company, what do you think the focus should be or what do you think can be done?

Carlo Carraro: There are many things that can be done. The IPCC is trying to gather existing knowledge. They are not going to produce any new knowledge. I think the global frame of this IPCC report would be transition. The key word here is “transition” because it is slow, it’s progressive, and cannot be done within a few years. It will take decades to make. But it’s important to start now. We should focus on research and development first. We need key innovations in order to achieve a global control of emissions and key innovations come from improvement of energy efficiency. We’ve done a lot, but we can do much more. We have renewables, but the cost is still higher than the cost of fossil fuels. However, the market for these advancements has been well received lately. This proves that these improvements are possible.

But for all these technologies to become a real alternative you need the right infrastructures. The current infrastructures in place are not adequate enough to accommodate a larger proportion of people using electric cars, alternative fossil fuels, or other renewable energy types. In order to make innovation worthwhile, it also requires a suitable infrastructure to sustain its transition.

Reporter: You stated a very important fact. I’m feeling that you would agree that governments should support the development of this infrastructure. The industry itself has to make money. This requires some subsidizing on behalf of the government to get things started.

Carlo Carraro: Also through regulation. For example: thin-film solar panels. On new houses, this could become compulsory. Of course, this will help the industry

because the size of the market will increase and according to return to scale, production will become more effective. On electric vehicles, the infrastructure could be covered by public investment rather than private investment and would help to develop these technologies. There is also the move towards private-public partnerships regarding these investments, which is probably the main approach to these kinds of problems.

Reporter: Now since we're talking about money. You mentioned that by 2050, it could be more than 20 billion dollars or 25 billion dollars. So who is going to pay for it? Considering the cost of these environmental changes, is it really realistic to assume that governments and private entities would be willing to pay for it?

Carlo Carraro: The additional cost is not too large. In the energy sector, there are already a lot of investments. And a lot of investment will take place anyway, because the energy demand is going to increase due to growth of the world's population and an increasingly more energy-reliant world population too. The key is to re-direct these investments, to shift this investment from traditional fossil fuels sources to new climate friendly energy sources. And the additional cost is not that high. Of course, the total cost is high. But a large fraction of the cost should be paid for anyway if you want to produce energy with fossil fuel sources. Of course, renewables are, for the moment more costly and the thing we need to pay is the difference and I think the government should cover the difference. The difference will become smaller and smaller as the size of the market increases.

Reporter: So you think the public sector or government should pay that difference?

Carlo Carraro: Right. And also the structure of the market for renewables is much different than fossil fuels. For example, oil, gas, and even coal are controlled by a few companies and a few states. But the market for renewables is much more democratic.

Reporter: You said that right now we are at 440ppm and that the target was 450ppm. Do you feel that this is a realistic goal?

Carlo Carraro: As I showed earlier, the reasonable target is about 450ppm. Today, we are at 440 ppm, so we are there. There is no way to stop at 450ppm. We'll move beyond 450 and probably even beyond 500. There is a possibility to come back

however. But to come back we need to remove carbon dioxide from the atmosphere. Technological innovation and improvement can play a big big role here. But we're not there yet. A lot of research is being done and there are plenty of ideas. Several technologies have even been developed, but nothing that can be industrialized yet.

Reporter: We know the previous Copenhagen summit did not go as you expected. Now the Rio+20 is coming up. What are your expectations for it?

Carlo Carraro: The expectation will be a political event, which will send a signal and identify areas for future policy making, but there will be no decision taking place. It will be more of a celebration, a celebration of 20 years of efforts. The Rio+20 is an important step, but just a first step. However, it will still deliver a signal for future policy makers to carry out more initiatives. The goal of the meeting is more concerned with redesigning economic roles. The whole discussion will be on a green world and green development, because I think for most countries, or for at least a major portion of the global population, the environment is not just a component of economic development. It's the essence of it. And the conservation of resources and developing renewable energies are crucial components of economic development.

Reporter: In what way can transfers of resources from develop countries to developing countries be incentivized? Do you feel that there are other methods outside incentives in order to foster this transfer or resources?

Carlo Carraro: The incentive is there if you are far sighted, if you have long-term vision. We are talking about problems that will not show their effects in the next 5 or 10 years, nor 30, 40, or 50 years. This requires a real long-term vision and perspective. Sometimes policy makers don't usually have this because they worry about getting elected and reelected.

Another incentive is related to the issue that these problems are not just developing countries', but also developed countries' as well. The world is becoming more interconnected and production factors (in particular, labor) are becoming quite mobile. So if some regions of the world become too difficult to live in, and it's problematic to survive in those regions, people will simply move. A growing number of people moving around is going to have global adverse effects

Besides population concerns, we should also take into consideration health and safety concerns (e.g. viruses), crime rate, and even the potentiality of wars. These are

not local problems anymore, but now globalizing issues. Just consider how financial markets operate and the consequences felt by the stock exchange when there is a problem in one side of the world far away. When we talk about these issues, we are not just talking about regional or domestic issues. The developed nations must be just as concerned as the developing ones. But you need a long-term vision.

Reporter: So are you saying it's a matter of education and making these leaders more aware of the situation?

Carlo Carraro: Not only education and awareness. It's really a matter of taking care of your own interests in the long-term by adjusting in the short-term. Economists would say it's another "discount rate". If you don't discount the future too much of course, all these issues become a real concern.

Reporter: At its current stage in economic development; China cannot avoid its growing energy needs. Of note is China's rising domestic gasoline prices and price of electricity, which have incited popular discontent. While we cannot view environmental concerns and the Chinese people's livelihoods as a zero-sum game, can you offer any suggestions to help balance these two pressing concerns?

Carlo Carraro: When you raise the price of a good that is fundamental to a population, there is always going to be some discontent. With this in mind, I believe that pricing resources correctly is very important. The price signal must show that, even for basic goods like energy, this is something precious, something that must be preserved and which the quantity of resources is finite. We need to be careful in how we use them. Don't forget that world population has grown at an unprecedented rate in the past century with an increasing exertion of pressure on the resources of the planet. It's feasible, but we need to do it very carefully. And this is why the right pricing is important.

Reporter: Do you feel that the domestic political and academic climate in China is conducive to seizing this opportunity for domestic policy changes regarding climate change?

Carlo Carraro: I think so, particularly in Asia. In Asia a lot of investments, particularly infrastructure investments have yet to be completed. They need to build new power plants, pipelines, new roads, and new infrastructures. They can

think about their own development using a different “green” approach to economic development, which can be implemented at a cost that is not much higher than a traditional approach. I feel that this is an opportunity that both the U.S. and Europe were not able to take advantage of for various reasons, but one that China, S. Korea, and even India can.

Reporter: So precisely because the East Asian region is in a period of economic transition is has the chance to decide what kind of transition that will be?

Carlo Carraro: Exactly.

Reporter: I want to ask you some questions about Copenhagen. What do you think of China’s attitude at Copenhagen? And what do you think the role of China or Shanghai will be or should be in the next ten years?

Carlo Carraro: I think the role of China in Copenhagen was too defensive. They tried to defend their own interests of course and their own development path and their own view of economic development. I think that China now has a different and more prevalent leadership type of role that it should play in global politics. China needs to propose something new to the other countries as well. There are many efforts and measures to increase energy efficiency and emissions efficiency and to reduce the amount of emissions per unit of production. Of course the total emissions will not decrease. It will continue to increase with the rising GDP. Either way, the relation between emissions to unit of production is decreasing. The objective of China declared at Copenhagen was not satisfactory. I think additional efforts are necessary to show what kind of leadership role China can play.

Reporter: In your personal experience with other high level officials and academics, what has been your most frustrating experience?

Carlo Carraro: Probably international negotiations. International diplomacy is still quite old fashioned, with long discussions—sometimes useless discussions with an equal role given to all countries big and small. Each country has the same role and same importance. I think that we need new kinds of governance in which leading countries and important countries are more effective in at least pertaining to the way decisions are taken by all countries. Even more, if some decisions can be left to some sort of global authority—of course not all of them—but if some of them can be

delegated to a global authority that decides on behalf of all other countries - this can be the way out.

Reporter: Is this idea a popular one?

Carlo Carraro: There are discussions about it. Some countries are not ready to accept these kinds of ideas, but sooner or later it will come. The European Union had very little consensus in the beginning, but it gradually gained more and more over the past 30-40 years. Now, the 27 countries accept the idea that some decisions are taken by a central government and not by domestic governments. I think on a world level we should follow a similar process. Though, again, not on all matters. Not on economic issues, etc, but on social, military, or environmental issues it would be useful.

China Will Be A Country with Duality

Reporter: Wang Yizhu



Chen Jian

Graduated from Dept. of English, Fudan University, Chen Jian has longtime worked for Chinese Ministry of Foreign Affairs and was one of the first Chinese diplomats at United Nations after China restored the legitimate seat in UN. He used to be China's permanent representative to the UN and the Director-General and spokesman of the Information Department of the Foreign Ministry. He served as the Deputy Secretary-General of the UN from 2001 to 2007.

The so-called “responsible great power” is defined by western countries who want us not to challenge the United States and the current international system. To deal with it, we need to develop political influence, or China needs to become a country with both influence and affinity. Yet China is still not doing enough in those two aspects at present.

Reporter: As a senior diplomat, how do you think of China's cultivating an image of a “great power”?

Chen Jian: There actually doesn't exist the issue of “cultivating an image of a great power”. The image of a great power will come out naturally as long as China is strong. Now the issue is, it is the west that wants China to be a responsible great power. The so-called “responsible great power” is defined by western countries who want us not to challenge the United States and the current international system. To deal with it, we need to develop political influence, or China need to become a

country with both influence and affinity. Yet China is still not doing enough in those two aspects at present.

Influence, reflecting in our own success, includes that is brought by the achievements on economic construction and that already in China's systems and values. Our values should be not only accepted by the entire Chinese people, but also regarded as an advanced system of values by international community. Thus, we would have the political influence. Meanwhile, we also have to develop our affinity in diplomacy. We need to provide the world public goods, promoting the most interests shared among various countries.

Reporter: How would China define its international position for another decade from your viewpoint?

Chen Jian: I should say it's the most difficult to position China, because we are ranked as the global second by GNP and would probably pass the United States and win the first place in the next decade according to various estimates. China is already a big guy in the sense of total amount, but its per capita GNP is still low; soft power and hard power, such as technology level, are far away from those in developed countries. That's the reason that China has a duality: it maintains the characters of developed countries, for instance, developments in southeast coastal area and in cities like Shanghai and Beijing are comparable to those in developed countries; but some hinterland still suffers desperate poverty. This duality would exist for quite a long time, more than 10 years.

The government has formulated the goals of development which consist of sustainable development, eliminating poverty, reducing the gap, etc. If the goals could be met, we would become a moderately developed country in the following decade or so and move to developed country ranks. Our difficulty now is, we are considered and asked to take responsibilities as a great power, whereas we know we are still weak, large but not strong. The contradiction is always there.

Reporter: How do you think of China's diplomatic performance on Huang Yan Island event?

Chen Jian: We did well on Huang Yan Island event. Based on historical experience, we ought to be both reasonable and righteous. China should possess an international vision all along, seeking the commanding heights of its own interests as well as standing on the moral high ground. Neither is dispensable. It's a diplomatic difficulty.

Reporter: What stance do you think should China take in the future international negotiations on carbon emission and environmental protection responsibility?

Chen Jian: In my opinion, China should take more responsibilities than ordinary developing countries and less than developed countries. Emphasizing that we are only a developing country is not enough any more since China is already one of the world's biggest polluters and the world's second largest economy. However, in a sense of historical responsibility and per capita, we indeed should not foot the bill for developed countries. Therefore, our position should be like this which is more acceptable to international society.

Reporter: The United Nation is another important stage for great powers to compete. Some might say, the UN could be easily driven by the interests of great powers. Since you have worked in the UN for many years, how do you evaluate this viewpoint? What should China do?

Chen Jian: The UN could be easily driven by the interests of great powers – it's absolutely right. The UN is founded on the basis of great power unanimity. If great powers are not unanimous and the right of vetos is cancelled, there will be no UN at all. That's why the UN would be driven by great powers definitely, which is normal and we need to accept. For China, the key is how to utilize the power to accord the interests of China with those of numerous developing countries. In this way, we would not be a superpower with hegemonism like the United States that tries to dominate the world; we would stand on the moral high ground then.

Reporter: Various nations now take much count of people-to-people or public diplomacies. With the enhancement of national strength, should China do anything in this aspect?

Chen Jian: The best example for people-to-people diplomacy is the disturbance of Olympic torch relay in Paris. Western media basically did not comment the speech from Chinese Ministry of Foreign Affairs then, some of which even opposed to it. But during the Paris torch relay, Chinese oversea students were holding both French flag and Chinese flag, which drew a lot of attention. The benefit of people-to-people diplomacy is it has much more influence; sometimes governmental speeches are often considered to have a fixed pattern and thus could not be paid attention.

Shanghai Urbanization Should Weigh “Quality” more than “Quantity”

Reporter: Dai Li



Chen Xiangming

Chair Professor of Fudan University School of Social Science and Public Policy, Dean of City and Global Research Center in Connecticut Trinity College, the United States, Chair Professor of Paul E. Reather Sociology and International Relationship Research in Connecticut Trinity College, the United States

In order to break through the bottleneck of urbanization, we should consider to slow down the pace of development, putting more emphasis on development of “quality,” instead of merely focusing on development of “quantity.”

Reporter: In February, 2007, Mayor Han Zheng proposed that we solve such key issues as how Shanghai assimilates itself to the whole country, serves the whole country, and construct “four centers,” etc. during a new round of development. Then, how is Shanghai doing in solving such problems after five years’ development?

Chen Xiangming: As far as I am concerned, it is unrealistic to completely achieve “four centers” at one time. For example, as to the financial center and shipping transportation center, I think that Shanghai enjoys large advantages in developing shipping, yet there are many systemic problems in becoming a financial center, such as whether banking can be really open, whether the currency is able to flow freely. Therefore, there are many restraints which make it harder to Shanghai to become

a financial center at once, and thus it is easier for Shanghai to become a shipping center rather than a financial center.

Reporter: In post-Expo time, Shanghai faces restraints in lands, resources, etc., which form bottleneck for Shanghai’s urbanization. Do you have any suggestions for Shanghai in breaking through such bottleneck in order to achieve further development?

Chen Xiangming: In order to break through the bottleneck of urbanization, we should consider slowing the pace of development while putting more emphasis on development of “quality,” instead of merely focusing on development of “quantity.” I think that after Shanghai reaches some stage in innovative development, high-tech research and development, etc., it is qualified to develop characteristic projects which not necessarily need many human resources or lands, thus getting rid of the restraint of land resources. We need to find a new point of growth and seek for new way of development and new angle, for instance, though the population density in Shanghai increases a lot, it at the same time brings many opportunities, as well as new opinions and ideas due to the intense inter-personal communication.

Reporter: What is the goal of Shanghai’s urbanization transition? And what is the standard to judge whether the transition is successful or not?

Chen Xiangming: The goal of Shanghai urbanization transition can be decided by the government, but I think that such so-called transition will eventually meet restraints, because a city is a system composed of many sub-systems, which means that human beings cannot completely control the inner relationship between those sub-systems. Therefore, a city is not a person, but composed of many molecules, many tiny as well as diversified groups, which means that the speed and direction of a city’s transition are to some extent influenced by inner regularity of development of a city. Of course, designing the objectives for any large city’s transformation needs a push from the government. In China’s urban development, government plays the most important role in city transition, but such role gradually suffers restraints or weakening, the function of market for instance, and at the same time, some non-governmental forces are also developing. Such factors will influence the transition, but how large the influence can be depends on the coordination between them.

Reporter: Would you please give us your thoughts of what Shanghai will be in the future ten years?

Chen Xiangming: Such a question involving prediction is the hardest one to answer, because things change fast. On the whole, I think that the pace of urban development will gradually slow down, which is good for every aspect of a city in that the urban development will enter a new and more stable stage. I think that China's cities relatively lag in the promotion of software ("soft goods"), i.e. happiness index, environment, and the pressures of urban living, while the speed of economic development and hardware (infrastructure) construction is very fast. In fact, cities are built for people, meaning that we should endeavor to make cities comfortable to live in so that people love them. However, if people feel more and more tired, face fiercer and fiercer competition, and suffer ever more pressure from working in a city – which affects their health as well – how can such city be called an attractive one? Therefore, we need to slow down the pace of development so that the problems as a result of rapid development can be solved gradually.

There is a Saudi Arab waiting to be exploited in China

Reporter: Zhao Yuying



Chen Xinhua

Work in BP, China, chairman of China - EU Chamber of Commerce Energy Committee, senior adviser of Shanghai Energy Research Institute

As long as there is profit space, professional energy saving company can develop in order to play roles of energy saving technology and talents.

During the interview, Dr. Chen points out the problems in China's energy industry, and provides his expectation of development tendency of energy industry. Current energy industry depends on coal, oil, and some other fossil energy. However, in using fossil energy, China's extensive mode causes huge waste. It is widely said that "there is a Saudi Arab waiting to be exploited in China", referring to millions of coal boilers and oil refineries. As long as we can make proper adjustment to current energy mode, we will surely receive large benefits. For example, as to the common problem of industrial boilers around China, these small-scale industrial boilers without dust removal, desulfurization equipment, or proper supervision cause huge waste and environmental problems.

Dr. Chen thinks that we should shift from over-emphasis on quantity in the past to emphasis on quality, trying to improve oil quality, stabilize electric power frequency and voltage, in order to provide better energy for national economic development.

Dr. Chen thinks that the key of pushing forward energy saving lies in talents, yet for

now, no universities in China have set up energy saving discipline. Even though there is environment science discipline which seems similar, the focus of such discipline is mainly to research on processing of polluted water, which has little to do with fossil energy saving highly needed in China.

Nowadays, many frontline engineers in energy industry only focus on keeping machine's operation while not knowing how to save energy. We should try to make energy saving a profitable industry, because the profit space enables professional energy saving companies to develop in order to play roles of energy saving technology and talents. Therefore, Dr. Chen has advised Tsinghua University to first establish energy saving discipline in order to make up the lack of talents and technology in China.

Dr. Chen thinks that in the future ten years, there won't be a too big change in China's energy industry. Unlike IT industry, energy industry, as a heavy industry, follows thermodynamics conservation law, and therefore it is unlikely that we can achieve revolutionary breakthroughs in development. The energy industry has great inertia, and therefore we can only gradually adjust it. In order to solve China's energy problem, we should reduce expenditure and enhance utilization efficiency of current energy rather than broaden sources of supply.

Now, to improve utilization efficiency of energy industry can be improved in two respects:

1. T Use of Energy

We human beings need electricity, heating power and mobility, and our temperature range varies greatly. We should put energies at their proper places. For example, as to natural gas electricity generation, we can use high temperature for electricity generation, moderate temperature for heating supply in residents' housing, and low temperature for bathrooms and swimming pools. Even the most efficient coal electricity generation factory nowadays can only achieve 45% heating utilization rate, and many other energies are wasted. If we can T use these energies, we can largely improve utilization rate of energy.

2. Circular Utilization of Resources

Currently, the most practical new resource is liquefied natural gas. A cubic meter of natural gas can replace a ton of gasoline, while the price is only half of that of gasoline. However, the supply of liquefied natural gas in China is still limited and the standard also relatively lags behind.

When talking about his expectation of China's energy industry in the future ten years, Dr. Chen states that "no one can imagine the price of gasoline can exceed \$100 ten years ago, but today's world mainly depends on fossil energy, which has still not been changed till today. Though development of new energy will be faster than fossil energy, base is still small, and therefore in foreseen future, new energy can still not beco

Dr. Chen thinks that in the future ten years, there won't be too big a change in China's energy industry. Unlike IT industry, energy industry, as a heavy industry, follows thermodynamics conservation law, and therefore it is unlikely that we can achieve leap-forward development. The energy industry has great inertia, and therefore we can only gradually adjust it.

Asia Will Be the Center of Economy in the World

Reporter: Li Ying



Chung-In Moon

Professor, Department of Political Science, YYONSEI University

Asia, particularly Northeast Asia, will be the center of economy in the world stage. Asia will be the most important. Without Asia, the world cannot work.

Reporter: Early in 2002, China, South Korea and Japan set out to discuss the possibility of a Free Trade Area, and it took a decade for them to reach a basic agreement. What, according to you, contributed to the successful arrival of the agreement?

Chung-In Moon: I think the most important thing will be domestic politics. Once you have FTA, there are some “losers” and “winners” at home. For example, farmers in Korea and Japan will be “losers” as a result of China FTA. Political issues can delay and impede process of FTA. Whether FTA can be successful or not will depend on domestic political leadership. Because China has strong domestic political leadership, I don’t think there will be any problem in China. Problems are mainly in Korea and Japan.

Reporter: What is the most difficult part of establishing a FTA between the three countries, and what kind of obstacle still remains? Will the intervention of America be a negative element?

Chung-In Moon: Still, domestic politics in Japan and South Korea. America is not necessarily an obstacle. In the past, America used to be very critical on this kind of push, but now South Korea has FTA with America and Japan will have TPP. In the way, US can have access to China as well. I do not see any reason why the US would oppose this kind of arrangement.

Reporter: If you imagine that an East Asia Community existed, what role would China play in such a community?

Chung-In Moon: China will be the most important. Trade dependence of East Asian countries with China is increasing. . China is a very important part. It should have an open market. We cannot imagine an East Asian Community without China. Still, China is not ready to play leadership at present, for leadership means provision of more qualified goods. But for the time being, the speeding up of cooperation itself is the most important one.

In fear of China's major role, Japan, Singapore, India, Australia and New Zealand seek a way of balancing China. I don't think that is a good idea. Regardless of these countries behavior, China is a very important actor.

Reporter: What will be South Korea's role then? There are some misunderstandings between China and Japan due to some historical reasons. Will South Korea be a media?

Chung-In Moon: yes, if China and Japan continues to be in conflict in the future. Korea wants to play a harmonizing role between the two. It is a very stupid idea for South Korea to pick one side (whether to pick side with China or with Japan). Korea should work hard to associate Korea, Japan, China, and Russia. We should all work together.

Reporter: Can you imagine how Asia will be in the next decade (like the distribution of power and the degree of cooperation)?

Chung-In Moon: Asia, particularly Northeast Asia, will be the center of economy in the world stage. Asia will be the most important. Without Asia, the world cannot work.

Whether LGFV bonds are a safe investment is controversial

Reporter: James Long



Donald Clarke

Professor at George Washington University Law School

The central government has not, however, provided any formal or informal guarantee for LGFV bonds. It is therefore important to examine what kind of security, if any, stands behind these bonds.

Reporter: Today I would like to specifically discuss what your finding mean for Shanghai and China at large. As a student and someone always looking for an interesting thesis topic, how did you come across this topic and furthermore how are you conducting your research?

Donald Clarke: Well, conducting research can be very difficult, especially in China. I came across this issue of Local Government Financial Vehicles in a Bloomberg article I read this past year. It sounded like an interesting topic so my research assistant and I decided to research the topic from a legal perspective.

Reporter: So in your lecture you spoke most about legal issues concerning repayment of the loans, why are these bonds so unreliable?

Donald Clarke: Whether LGFV bonds are a safe investment is controversial. Many

analysts predict default. Others predict that even if the investments funded by the bonds do not pay off, the central government will bail out any LGFV that is in trouble. The central government has not, however, provided any formal or informal guarantee for LGFV bonds. It is therefore important to examine what kind of security, if any, stands behind these bonds.

Reporter: Interesting, you mentioned in your speech three forms of security or collateral as a guarantee to the creditor, what are the current forms of collateral creditors are expected to trust?

Donald Clarke: In reviewing LGFV bond offer memoranda, we found three main types of repayment safeguards, the local government promises to pay back the debt in case of a default by the LGFV. Many bond issues providing this kind of safeguard expressly say that they have obtained such a guarantee from the local government. Some local governments will set aside part of their revenue as a special fund to pay off LGFV debt; others will pledge a bank account that has cash receivables from an infrastructure project providing fee-based services according to a build-transfer agreement between the local government and the LGFV. Still other LGFVs make statements that are more obscure, saying that they have always received the utmost “support” from the local government for their activities. Regardless of the specific form it takes, however, a government guarantee is not a legally valid security. As Second kind of “safeguard” mentioned is use of land use rights as collateral. This type of security interest is straightforward. The issuer receives granted or marketable long-term land use rights from the local government and offers them as collateral under the Guarantee Law. The third kind of safeguard mentioned is when a third party entity guarantees to be liable for the bond in case of default. The guaranteeing entity could be either a holding company with steady cash flow generated from its subsidiaries’ operations or, more often, a professional guarantee company whose business is to provide financing guarantees.

Reporter: You mention the Government as a safeguard, if they [the government] say they’re willing to back up the bonds, why is there a problem?

Donald Clarke: Well, this particular safeguard is problematic for several reasons. First, government guarantees are not recognized by Chinese law. Second, government guarantees are unenforceable in practice. Chinese law does not fully recognize governmental entities as an adverse party in economic activities. These laws are referenced in my paper. Even if a party were to successfully sue a Chinese

governmental agency, the chances of collecting on the judgment are virtually zero. It is unimaginable that a party could show up at local government offices and begin carting away computers and office furniture in satisfaction of a judgment. In short, any government guarantee represents at best a “soft obligation” of the current (but not any successor) government administration. Nevertheless, half the bond issues we studied have this kind of safeguard and no other.

Reporter: What about land uses rights and third party guarantees, what problem do you see with these kinds of collateral?

Donald Clarke: In terms of the quality of this land use rights as a form of security, several issues must be considered. First, the land tends to be overvalued or questionably valued. Not all prospectuses disclose how the land use rights were valued. Second, there may be other encumbrances on the land. The quality of disclosure here varies greatly. Third, it is not clear how robust the land use rights are as a legal matter. The Urban Real Property Law contemplates (without actually stating so unequivocally) that local governments shall receive cash payments when they grant land use rights, and that development shall take place soon after the grant. In the case of LGFVs, the transfer must be taking place without any cash payment (the LGFV will not yet have issued the bonds at the time of the transfer) and the cash payment cannot come later, since the cash raised from the bond issued is needed for infrastructure projects.

Reporter: I expect that Third-Party Business entities do not hold much promise either.

Donald Clarke: Not really. The guarantor in this case can be either an investment holding company or a professional guarantee company specializing in the guarantee business. The bonds are secured by the guaranteeing entity’s operating assets that can be legally transferred or disposed of in order to pay off the debt of LGFV. Accordingly, the disclosure made in such cases includes material information about the guarantor company instead of the LGFV issuer, with the guarantor company’s income-generating operations and assets constituting the bulk of the disclosure. Obviously, bond holders need to do significant due diligence on these companies to ascertain their assets and liabilities. A guarantor company’s guarantee will be worth little if it has to make good on many guarantees at the same time with limited assets. And it is reasonable to suppose that whatever financial conditions cause some LGFVs to default will cause many others to default as well.

Asia Should Build Regional Currency Integration Unit

Reporter: Yuming Chiko, Yan Qin



Eiji Ogawa

Professor of business school (international finance) in graduate college, Hitotsubashi University, Japan, guest researcher of International Monetary Foundation Bureau; research project (2011-2015): study of currency basket: study of east Asian financial cooperation and best currency basket in policy field (2006-2010)

China and Japan are both big producers and consumers. Therefore, all of East Asia including China and Japan will provide inexhaustible power to world economic development in the future.

About past: why do we need “Asian currency”?

The scene that countries resorted to IMF for help with high price during 1997 Asian financial crisis still triggers a lingering fear. Since then, Asian countries have been searching for a cooperation mechanism that can protect against risk, and they hope to gain capital support from neighboring countries when crisis comes so that native currency won't suffer uncontrollable devaluation.

On May, 2000, finance ministers of ten members of ASEAN and China, Japan, and South Korea after financial crisis (Chiang Mai Initiative 10 +3) sign initiative of building regional currency exchange network in Chiang Mai, Thailand (Chiang Mai Initiative). This meeting expanded original currency exchange mechanism within ASEAN to China, Japan and South Korea so that other countries can provide support when certain members suffer short-term capital difficulty and thus try to

avoid financial crisis. After global financial crisis in 2008, the Chiang Mai Initiative became a multilateral initiative, from bilateral currency exchange to multilateral exchange, and an AMRO is set up as supervision unit according to contribution rate of members.

In fact, concept of regional mutual currency unit has long been discussed within east Asia, and it is called ACU for short. In meeting for financial ministers, they put forward reason to build regional currency, and then they called it Asian Currency Unit, while Korean scholars used another name called RCU. Now Ogawa Eiji combined all these ideas together, and promotes a regional mutual currency -- AMU in East Asia. Professor Ogawa chooses ASEAN 10 countries with China, Japan and South Korea to form "Asian Monetary Unit" in his own model, and through comparative research of statistics from 2000 to 2007, he found that during this period, such regional currency is more stable than US dollar, yen or Euro.

About Now: the path to building an "Asian currency" is arduous

For Professor Ogawa, though we do need "Asian currency", it cannot be smoothly promoted in a short time. "If you ask me the time when 'Asian currency' real comes, I can only that it will take a long, long time."

Professor Ogawa thinks that Asian countries differ a lot in economic development speed and level. China's development speed is very fast, and may equal Japan after three to five years, yet South Korea and other ASEAN countries need certain conditions in order to accelerate. Convergence of Asian macro economy needs a long time, and at that time, the opportunity for "Asian currency" may really come.

Professor Ogawa also provides two realization ways for AMU: first through supervision and the second through trade between private departments. The former is easier to do, because AMU can be achieved as long as government makes decision. It takes longer time if we try to introduce AMU through the latter, yet research shows that realization of AMU needs to do both, and in that case AMU can immediately start supervision of exchange rate policy in order to find out deviation of exchange rate and excess fluctuation within region.

For the trade between private departments, we need to first build a financial product package currency as basic value to trade in some markets. We need to also consider which currencies are included in AMU, especially these financial products, not only

current accounts, but also capita accounts can be exchanged, and it should be able to be achieved by all component accounts.

AMU for supervision can test deviation of native currency from AMU in short time, and in the long run, we can see more change in exchange rate of AMU and currency package. As to AMU based on CMIM as standard, we can check which currencies are overvalued and which are undervalued through comparison of every ASEAN currency with AMU.

From the perspective of trade, AMU can be used as currency for current account and capital account trade, and the stability of its inner value equals stability of foreign exchange rate within region, and moreover, it can be paid for governmental cost. AMU can be used as tool in private trade including pricing of current and capital account, and it can be used for large amount trade, not matter under current account or capital account.

However, all these should be based on good supervision of government. As to crisis in Euro zone, professor Ogawa thinks that government should take on main responsibility because of their laissez-faire attitude.

“Economic crisis in Euro zone is caused by lack of governmental supervision, yet our AMU will develop under supervision of governments.” said professor Ogawa, “if governments and currency administrations in Euro zone can effectively supervise the condition, it will definitely not be the chaos.”

About future: RMB cannot become core currency of AMU

Obstacle of “Asian currency” may not only lie in macroeconomic discord. Establishment of Euro is based on members transferring currency sovereignty, while it is hard to be achieved in current Asian political map. Scholars think that a core currency is better for birth and promotion of Asian currency unit, and have proposed that we take RMB as the core currency so that AMU can be more practicable. Ogawa Eiji has also given RMB 36% based on statistics of GDP, export and import, foreign exchange, etc. in his concept of Asian currency unit in 2010 Shanghai Forum. However, Ogawa Eiji still does not think that RMB enjoys characteristics of being the core currency.

“Fluctuation of RMB is so big, and the exchange rate is also not stable, yet one

condition to establish AMU is that we need stable value”, professor Ogawa clearly showed his disagreement with RMB as the core currency, “what is more important is that RMB does not have convertibility. Component currency convertibility in free capital account is an important component, and convertibility is also a necessary condition to bind and split AMU as well as precondition of risk hedging. Therefore, I don’t think RMB has the ability to become core currency.”

At the same time, establishment of AMU requires government to open market and loosen restriction. Professor Ogawa also hope that Chinese government can really make this huge market free. “Currently, Chinese market has not been open yet, and most open trades are practiced in Hongkong, yet even in Hongkong, it is hard to totally enter open mainland market, and therefore, we hope that Chinese government open capital market including bond market. Chinese government should open capital account, and loosen control on capital, no matter it is trade under capital account or liberalization of capital account.” said professor Ogawa.

As to function of East Asian economic ring on global economy in future 5 years, professor Ogawa is very confident. In his opinion, even for now, East Asia has already been seen as engine of global economy which means that the region enjoys strong production power. China and Japan are both big production countries as well as consumption countries, and therefore, the whole East Asia including China and Japan will provide inexhaustible power to world economic development in the future.

Smart Grid Will Help Development of Low-carbon City

Reporter: Wan Hu



Hu Zhaoguang

Vice-dean of Energy Research Institute of State Grid, chief energy expert, member of Academic Degree Committee of China Electric Power Science Research Institute, director of Dynamic Economy Professional Committee of China Electrical Engineering Society, deputy director of Resource Information Professional Committee

Renewable energies that we can get are farther and farther from people's living place, yet there are rich renewable energies in many inland desert regions, which requires a long-distance and cross-regional transportation of electricity produced by those energies.

Reporter: Nowadays, not just the academic or professional fields are concerned with smart grid, but ordinary people pay attention to it as well. Shanghai is the biggest city in China. What advantages do you think can smart grid bring to people if we develop smart grid in Shanghai?

Hu Zhaoguang: If we plan to construct a smart grid in the city, we need to first consider smart electricity utilization. For citizens, they can know during which time the electricity charge is high and during which time it is low through the system. Every household wants to pay less. Surely, the precondition is that we practice time division charge which means that charge differs in different times. If it is cheap to use electricity at night, then citizens can choose to have shower, use washing machine and electric cooker at night. Smart electric meter can not only tell residents when the charge is low, and it can also record at which time residents use electricity and

how much they use, and therefore, through analysis of electricity use of last month, residents can make arrangement of next month to further reduce electricity charge.

Reporter: In the “twelfth five-year plan” of Shanghai new energy development, it is put forward that we will try to make wind power the leading power in Shanghai’s new energy electricity generation. What important role does smart grid play in wind power development?

Hu Zhaoguang: Residents use electricity according to electricity charge information, then where does such information come from? We can gain the information through smart grid. Nowadays many cities are developing wind power, so is Shanghai. Wind power will be wasted if no one uses it, yet it cannot be brought into ordinary grid because grid needs to maintain immediate balance of electricity supply and demand, and it cannot stock large amount of electricity power and needs to send electricity to residents. However, wind power is usually strong at night, and now smart grid can play its role. It can predict, for example, in two hours, or tomorrow, when is the wind strongest and transfer the information to residents. For instance, it can tell residents that there is wind tonight, and electricity charge at that time is lowest, and thus reminds residents to use electricity during that time.

Therefore, through smart grid, we can first make residents to save power consumption, and reduce expense as well. Secondly, smart grid enables residents to know when to use electricity, and thus makes effective use of more renewable energies. Next, we can develop charge for electric vehicles, for example, the charge is lowest after 10 PM because electricity then is provided by renewable energies. In that case, we can reduce consumption of more energy, for instance consumption of coal, and therefore, city will become clean, and it is also a relief of energy supply pressure.

Reporter: What else can be done in urban low-carbon cleaning?

Hu Zhaoguang: Another issue is the electric public transportation. Nowadays people are most concerned with air pollution in cities. Where does PM2.5 come from? It mainly comes from emission of car tail gas. Other pollution sources, such as heat-engine plants can be built farther, and they are indeed moving far from downtown, and therefore, urban pollution is mainly resulted from tail gas. Now, we do not know when technique of electric vehicles can make breakthrough, and I think what is most realistic is to build trolleybus which is the simplest as well as the cheapest. If we change all oil-consumed buses to trolleybuses, we can largely solve problems brought by tail gas.

Reporter: There are also buses using compressed natural gas, and it is reported that it is very clean as well. How do you judge the advantage of trolleybus?

Hu Zhaoguang: Buses using compressed natural gas still emits a little waste gas, yet we can achieve zero emission if we use electricity. Moreover, we should try to use renewable energies to generate electricity. Surely there may be people thinking that it is inconvenient for trolleybus to do overtaking, yet such problem has already been solved in Beijing. When trolleybus goes through Changan Avenue, it lowers electrical poles, and after passing the Avenue, it raises its poles again, and therefore, it is convenient to do overtaking. There is also battery in trolleybus which can support bus to do overtaking and finish the distance. Under the background of no big breakthrough in electric vehicles, especially battery technique, trolleybus is the cheapest. Subway is practicable as well, yet it is too expensive, and to build track above street also costs a lot, while trolleybus is the cheapest.

Reporter: When it goes to trolleybus, many people will feel like returning to the 1960s and 70s. Do you think it a trend in bus system development?

Hu Zhaoguang: You may feel trolleybus is outdated, yet as a matter of fact, in many European countries, trolleybus is still in good function. Whether trolleybus is outdated or not depends on whether it is practical and economical. We cannot say it is not good because it is an old staff before the 1950s. Just imagine, if we use oil, how much pollution will it bring to cities? Therefore, if we make comparison, we can see that the most realistic choice is trolleybus. If we can change all buses to cheapest trolleybus or other railway transportation and thus achieve electrification of urban bus, PM2.5 will rapidly decline.

Reporter: You have put forward a strategic idea that we can “import electricity power from Russia, Mongolia, and Kazakhstan and from cross-national smart grid” in 2012 International Forum of Chinese Smart Grid Construction. What is your thinking in putting forward such idea?

Hu Zhaoguang: It is a general trend. Nowadays, people need more renewable energies, yet we have almost exploited all that we can see or touch around us, which is saying that energies that we can get is farther and farther from living place. Yet, when we open a world map, we can see that there are many renewable energies in many inland desert regions, then how can we solve the problem? We need a long-distance and

cross-regional transportation for electricity produced by renewable energies.

China's inland areas such as Inner Mongolia and Xinjiang enjoy rich stock of energies, and if we look farther, Siberia region in east Russia has very rich resources and small population, why don't we make use of it? Russian people agree to cooperate with us as well. It is a long distance if they want to transport their electricity to Moscow, yet it is a short way to transport electricity to China, and therefore, we can form cross-national cooperation. Nowadays, there is cooperation not only in Asia, but also in Europe. Europe has already considered to cooperate with Africa in transporting solar and wind power in north desert regions of Africa to European grid, and therefore, cross-regional and long-distance power transportation is a general trend.

Reporter: If we import electricity, are there any considerations of diplomacy and geopolitics?

Hu Zhaoguang: They are different from electricity utilization. Production, transportation and consumption of electricity are finished almost at once, and it is impossible to stock large amount of electricity, while oil and natural gas are all inside the country, for example, when there is problem about price during transportation of natural gas to Europe, Russia can stop transportation, and there is no loss if the resources are stocked. However, for electricity transportation, the plants are built in the other country which cost a lot. Plants, whether they are invested by China or the other country, can solve local GDP, employment and tax, and therefore, once plants are built, the other country hopes to sell you more and will not stop electricity supply. Therefore, it is safe. Once plants are built, electricity will be transported to China. In this point, Russia is very active in transporting electricity to China.

Reporter: Topic of this year's Shanghai Forum is "strategy for future ten years." Would you like to imagine what Shanghai's smart grid will be like in future ten years?

Hu Zhaoguang: I believe that Shanghai's smart grid will be in front row nationwide in the future. It can solve energy safety issue in Shanghai, increase percentage of renewable energies, and reduce urban pollution, which can be foreseen by now.

China will return to Xiaoping Line in future ten years

Reporter: Xu Ye



Hua Min

Head of Global Economy Research Institute, College of economics, Fudan University, professor, PhD mentor, vice president of China Economics Society, expert of Shanghai People's Decision-making Advisory Committee, long engaged in research in international economy, global economy and Chinese economy

Systemic innovation which helps gathering of talents is the key to guaranteeing Shanghai's central status in China and Asia-Pacific region economic development.

Reporter: To begin with, would you please provide a brief analysis of the current macro-economy situation in China under the global economic crisis.

Hua Min: When global economy may have already hit the bottom, economic crisis in emerging market economy countries including China may have just begun.

Compared with developed countries, though China's economy still enjoys a relatively high growth rate, it faces crisis already. Before the crisis, China's economic growth reached double-digits, yet it is on a downturn since 2008. However, seeing from outside world, apart from countries suffering severe sovereign debt crisis in Euro zone, economy in most industrialized developed countries is on steady increase. Till 2013, export completely makes no contribution to China's economy increase while consumption's contribution relatively increases, yet increase rate of consumption itself is in decline as well, and investment, especially private investment is in decline. Recently, regulation and control of real estate reduced investment in real estate. The government cannot afford 4 trillion RMB investments as before and began

promoting infrastructure investment such as medical care, railway and electric power. The troika of net export, consumption and investment are all in decline, which means that China's economy increase has already begun to fall.

Reporter: We see that after global economic crisis, emerging market economies including China achieved higher economic growth. Why do you think that it means economic crisis for such countries has just begun?

Hua Min: First of all, after crisis, industrialized developed countries at first chose extension of financial policy and loosened currency policy in order to bail out market, yet under economic globalization, such economy stimulus failed to lead to increase of native economy and job opportunities. The key reason is that giant companies of developed countries transfer manufacturing and job opportunities to emerging market economy countries enjoying relatively low cost through global outsource, thus leading to situation where job opportunities fail to increase in developed countries while emerging market economy countries including China maintain high economic increase rate. Judging from global capital flow provided by IMF, features of developed countries are long-term capital inflow and short-term capital outflow, and seeing from basic stage, it has already hit the bottom. On the contrary, for emerging market economy countries, low-term capital is outflow, and short-term speculative arbitrage capital is inflow, and currently, there are signs showing gradual withdrawal of short-term capital from emerging market economy countries, which seems to tell us that economy of emerging market economy countries begins to decline. Therefore, industrialized developed countries are in steady recovery, while disaster in emerging market economy countries just begins.

Reporter: What is the main reason for China's economic decline? What passive influences does such decrease have in practice?

Hua Min: I think the main reason is inappropriate policy intervention. Simply speaking, such policies as structural adjustment, domestic austerity and export suppression are all inappropriate. China tries to change economic structure by means of policy adjustment, yet structure is inflexible and hard to change. Government hopes to change structure by means of policy, and it can only choose from the following two policy combinations: the first is domestic austerity, and the other is export suppression. However, after practice of kinds of industry austerity policy, industry capital begins to be withdrawn from the real economy, and flow to real estate and finance departments that have lower control, which leads to China's

real estate bubble and sudden rise of capital price. In order to suppress export, the government adopts increase of exchange rate, which leads to increase in both actual exchange rate and nominal rate of RMB. Combination of above policies eventually results in three bubbles troubling China today: real estate bubble, financial bubble and RMB bubble as a result of real economy contraction.

Reporter: To expand domestic demand has long been main measure of our macro-economy policy. Why do you think is such measure a mistake?

Hua Min: Between 2010 and 2012, increase rate of income in countryside is higher than that in city, yet will farmers spend money on consumption goods? No, they will spend money in building houses which become immovable properties that cannot add to future production. Nowadays, bunch of money is still kept in stock department, which leads to decline in future economic development because of lack of flowing productive capital. Statistical data tell us that currently, the percentage of Chinese people's disposable personal income and consumption in GDP are both in decline, and therefore, it is a dead end to depend on expanding domestic demand. Judging from statistical data provided by UN, tax rate of Chinese laborers is the highest in Asia. Since Chinese people's disposable personal income is in decline, such plan as depend on expanding domestic demand is doomed to fail.

There is another phenomenon out of expectation of many people. In recent years, increase of sum of Chinese workers' income is at rapid speed, yet sum of income in private enterprises basically remains the same. Such structural problem shows that while sum of income increases, private economy department adopts downsize, even close down, which leads to such absurd phenomenon that income rate of private economic department increases while sum of income remains the same. The key problem is that most private economy departments are engaged in completely competitive market, and therefore, under the precondition of lack of increase of production rate, restricted by market price competition, once the income cost increases, they can only adopt downsize or close down. The result is very severe, because under the condition of stable sum of income in private economic department, increase of national income sum means that income of national-owned enterprises and public servants is on the rise. The reason for increase of income in national-owned enterprises is that most of them are in monopoly position, and therefore, increase of income of management layer and staff can be digested by price transfer, and that is also why price of goods and services provided by national-owned enterprises continuously increases.

Many people blame unfair distribution of income for insufficient domestic demand in China, which is incorrect. Apart from China's current economic development stage (China has not entered public large-scale consumption economic development stage as said by Rostow), insufficient domestic demand in China is also results from the following several factors: first of all, due to high tax, individuals' disposable personal income is relatively low; secondly, people are forced to make defensive savings because of imperfect social security system; thirdly, there is no obvious promotion in ordinary laborer's production rate as a result of lagging behind of social education, especially professional education, and therefore there is little space for income increase. Further observation shows that there is indeed a large gap in China's income distribution. However, the root of ever larger gap and many people's relative poverty is not unfair distribution, but lack of job opportunities, which is unfair opportunity. Therefore, if China wants to create domestic demand, to stimulate economic increase, it needs first provide fair job opportunity for everyone, not fair income distribution, which is the key to solve China's problems.

Reporter: Before 2004, increase of total factor productivity and capital accumulation promote increase in manufacturing industry, and labor factor plays a bigger role in increase in service industry. However, nowadays the total factor productivity is in decline, is it external factor or policy factor that leads to such decline?

Hua Min: Decline of total factor productivity and low earnings rate of investment are resulted from the following several factors: first, national-owned enterprises replace private ones, and resource distribution shifts from private enterprises to national-owned economic departments. Such reverse replacement in production system is the main reason that results in decline of productivity; secondly, western development is also an important reason for decline of productivity. Compared with developed eastern region, market environment in western region is much weaker, which reduces use and distribution efficiency of production elements; thirdly, most industry plans carried out by government are inverse market, which deprives entrepreneurs and consumers of their market choices, thus reducing use and distribution efficiency of production elements; fourthly, in recent years, we have been trying to replace foreign trade with domestic demand to maintain sustainable increase, which leads to loss of comparative advantage and learning effect, thus resulting in decline of total factor productivity.

Reporter: In 2008, financial expansion policy and investment policy through

national-owned enterprises taken by government to deal with crisis leads to strong crowding out effect to private enterprises, which is somehow related to civilian usury. Then, can we say that our reform in the past few years is inverse market?

Hua Min: Government's tighter control will definitely limit space of market function. If governmental departments directly participate in market investment through establishing national-owned enterprises, it will further lead to replacement of market by government. If government wants to enter market to participate in economic activity, it will definitely result in increase in tax, and government will compete with market bodies for limited credit resources, and therefore, average interest rate of society (including standard and non-standard finance market) will increase, and those private enterprises that are in high need of capital flow will rush into danger by financing in usury market. When government chooses to legalize usury instead of leaving the market and reforming highly controlled dualistic finance system, finance risk of the whole society will rapidly increase, and therefore, the above problems are not resulted from reform, but from government's tightening control and pressure on market in recent years.

Reporter: Do you have any good suggestion to our government and private enterprises as to current economic decline crisis and development trend of China's economy in the future?

Hua Min: From government's angle, it must shift from current industry austerity policy to industry expansion policy: it should encourage social capital to flow from stock real estate and other property departments back to flowing real economy departments in order to achieve austerity bubble, and it should increase effective supply and job opportunities in order to guarantee steady economic development. Judging from enterprise's angle, it must now involve in usury finance activity, should try to reduce monetary lever, and do solid work. Only when real economy is solidified can we achieve steady economic increase.

Reporter: While giving suggestion to Shanghai development policy, you mentioned that Shanghai should regain risk-taking urban spirit, and should take innovation way in future economic development. What are included in Shanghai's innovation? Which are most important among them?

Hua Min: As urban economy, Shanghai's landing and infrastructure resources are

anyway limited, and cannot achieve long-term sustainable increase through material investment. Sustainable increase of Shanghai's economy must depend on increase of total factor productivity and drive of knowledge element, the former depends on market mechanism and the latter requires government's more investment in education and research and development. Therefore, the way of Shanghai's future economic development first requires firm practice in marketization, and government needs to change from leader of economic development to supporter and server. We can call it systemic innovation. Therefore, Shanghai needs to have such idea to lead economy to go out of government-led economic development mode, to promote culture innovation, and to actively promote entrepreneur spirit and risk-taking spirit. At the same time, government needs to loosen policy controls. Among all these reforms and adjustments, the key is to see whether Shanghai can establish a scale platform to gather talents from the whole country, even the whole world. Systemic innovation which helps scale gathering of talents is key to guarantee Shanghai's central status in China and Asia-Pacific region economic development.

Reporter: As is mentioned by you, Shanghai's future development requires a sustainable increase mode that is market-oriented, respectful to knowledge, talents and people. Then, what do you think should government do in order to achieve such mode?

Hua Min: First of all, the government should loosen control and provide space for market. Currently, access threshold of finance market is very high, and government monopolizes in domestic market, which require reform to loosen control. For the external, the government should lower duties and market access; for the internal, the government needs to permit private enterprises to enter property industry, including high-speed rail, medical care, banking, back to original intention of reform in 1970s. Secondly, government should lower cost of setting up a business, and encourages more people to enter market and set up their own business. Thirdly, government should effectively protect knowledge property to guarantee that people having knowledge can get what they deserve by invention and innovation. Fourthly, government should control housing price and lower tax in order to reduce cost for talented immigrants on housing and to increase earnings rate in innovation return. Currently, loose of housing restriction policy is just a dice game between central government and local government. The central government has not sent a regulation and control signal, yet if such control is cancelled, the bubble will become huge, and therefore, the government should live through. Fifthly, the government should develop education, to promote quality of stock population and to increase supply of flow knowledge.

The most important thing is to launch technique education as Germany does. The key to promote technique education is to establish on-board certificate system, just like we need to get driving license if we want to drive a car, or else no one will pay for technique education. Currently, number of university students is relatively redundant, yet the society lacks intermediate technique talents, and therefore to train intermediate and above technique professional education is in high need. The most reasonable mode is that the country is totally responsible for compulsory education; technique education is half-public goods, and government establishes license system through legalization and both government and market invest in technique education; government sets up competition mechanism in high education.

Reporter: The topic of this year's Shanghai Forum is "strategy in future ten years." In the end, would you please imagine China in future ten years?

Hua Min: My expectation is to return to Xiaoping Line: to face the world and the future, to stick to reform and open policy and development is the absolute need.

Construction of Ecological Culture in a Global and Dynamic Framework

Reporter: Yan Wei



Huang Zhilian

Head of Sustainable Research Institute of Macao Science and Technology University, president of Hong Kong Society of Asia Pacific 21; Recently, Professor Huang has undertaken a lot of researches and yielded numbers of works to development of China and Asia-Pacific region in 21st century from the angle of “cross-discipline, cross culture and cross time and space”.

What Shanghai needs is industry transformation and change of development as well as living mode, introduction of the conception of optimization of development-high society-learning-type city, more attention to development of people's living quality and harmonious coexistence between people and nature.

Reporter: The topic of your sub-forum is “Coping with East Asian Ecological Culture Construction” and what do you think is the development prospect of east Asian ecological culture construction?

Huang Zhilian: Reality and prospect of human beings culture and cultural communication largely depends on our acknowledgement and practice of the importance and urgency of transfer of development mode.

The characteristics of so-called “western mode” is to let minority groups, minority countries and regions control and use human beings social fortune and natural

recourses in different ways and different degrees. Extension of such mode is the global expansion of western culture including centralized development of human beings and living things. For example, we can move people from agriculture-based countryside, develop urbanization, industrialization, modern agricultural and service. Like Mr. Long Yongtu, previous secretary general of Boao Asian Forum said this afternoon, China may have not yet broken away from its inherent western development mode and system mode. For me, “socialism with Chinese characteristics” may have been forming a new development mode, but it is still at its primary stage, and how to develop to “3.0 mode-3.0 times” requires more thinking, exploration and service.

The quality of a certain development mode, social system or culture ought to be judged by whether its relationship with nature can achieve reciprocal benefits. During the transfer of “3.0 mode - 3.0 times”, we can clearly see that multiply and development of species as well as development of human beings have closer relationship and meet severer challenge, and status of creature ecology - creature resource and “biological diversity” is becoming more and more prominent. If the “2.0 mode” of social development is carried on, then such “destroying” change will be carried on as well, and will result in direct damage to “biology - physiology - physics” in social “five-ology system”(a system composed of physiology, psychology, group psychology, physics and heavenly principles).

Reporter: According to you, is there a problem of “who is the agent” of “East Asian 2.0 mode” in ecological culture construction in the process of globalization?

Huang Zhilian: First of all, we cannot merely talk about ecology issue when talking about development mode. The “East Asian 2.0 mode”, which has achieved outstanding fruits in political and economic field, has biggest impact on ecological culture and environment. Whether the result of such impact is good or bad cannot be determined for the moment. After all, the “2.0 mode” has brought important advantages to cities, human beings’ life, interpersonal relationship, etc. with its science and technology. However, very often, economic development and ecological environment protection cannot be achieved at the same time, yet they are not running contrary to each other as well. Since “culture” is to seek way and gain fruits in collision of diversities, and therefore, for both Asia and the whole world, the most important thing during transfer from “2.0 mode” to “3.0 mode” is to realize the importance and urgency of mode transformation. Secondly, we cannot simply

look at East Asia. In East Asian countries, Japan is the relative “sober” one, because during “2.0 mode”, Japan’s ecological environment once suffered great destruction, yet nowadays it has been trying new developments. In ecological environment construction, we need a global and dynamic perspective.

Reporter: Premier Wen Jiabao has assented <China Biological Diversity Protection Strategy and Action Plan (2011-2030)> in 2010, which has put forward five protection measures, including organization and leadership, matching policy, practice ability, capital input and international cooperation. Then what do you think is the most important and urgent measure in our way to “3.0 mode”?

Huang Zhilian: If the “action plan” can be put into practice, it is worthy of appreciation. Actually, “3.0 mode” has not decided detailed action mode and evaluation standard, and it may take shape after 30 to 50 years. I strongly oppose the so-called idea of “China rise”. China can steadily develop without abnormally rapid increase or immortality. Currently, every country has realized that it is partial to judge social development only by GDP. Many countries, including India, are trying to seek for new development modes. Of course, it is both unnecessary and impossible to totally abandon “1.0 mode” and “2.0 mode” completely, and what we should do is to select from, or even reclaim them.

For example, I have mentioned in an interview with reporters from <Hai Xia Liang An> on CCTV 4 about China’s newly revised idea of “Sannong”(national plan concerning the issue of agriculture, farmer and rural area). I think that in China’s “rural development mode”, we can have a mixture of “1.0”, “2.0”, and even “3.0”, and we can resort to information technology and GPS system, and other means to construct new countryside, build new farming and train new farmers. To fulfill such biological diversity - industrial diversity - spot diversity - community diversity plans, the most important thing is that both government and public realize that we need to “go to 3.0”. At the same time, government’s wisdom and leadership, along with necessary political and legal measures all count a lot in creating the new situation. What is equally urgent is that universities should offer systematic courses concerning diversity construction of industrial civilization - ecological civilization in order to provide talents. In a word, just as pointed out in Deng Xiao-ping Theory, we do not need to bother whether we adopt “socialism” or “capitalism” in development mode, and therefore, we also do not need to bother whether it is 1.0 mode or 2.0 mode, but should surpass the mode through “surpass time and space - surpass industry - surpass culture”, thus achieving “explore 3.0 mode - go to 3.0 times”.

Reporter: “Urban Planet Pavilion” among the five Theme Pavilions in Shanghai Expo vividly demonstrates the impact and challenge brought by urban expansion to biological diversity. How do you think does Shanghai do in “biological diversity” development and ecological culture build?

Huang Zhilian: Shanghai’s development, just like China’s development, mostly depends on real estate, automobile industry, etc., is still in “speculation” or “2.0 mode”, and has not got rid of “2.0 mode” of modern western civilization. In the past few days, we have traveled in downtown Shanghai, and the traffic jam, noise and disorder leave me the same impression as we were in big cities of Malaysia early April. The challenge for Shanghai is to realize that it should “go out of 2.0” and “go to 3.0”. Once such idea is willingly accepted, it needs industry transformation, changing of development as well as living mode, and introduction of conception of optimization of development-high society-learning type city, because current development is not to manifest achievements through construction of modern buildings, huge shopping malls, or new roads, but to pay more attention to development of people’s life quality and harmonious coexist between people and nature.

Reporter: It is said that you have expressed your opinions at “Shanghai Forum” on “low-rent houses construction” plan promoted in mainland China. Can you explore what important role it can play in civilized society - ecological culture construction by linking it with “3.0 mode” of “quality development - sustainable development- human beings civilization - eastern and western civilization communication”?

Huang Zhilian: Nowadays, Chinese government spends a lot on low-rent house construction in order to suppress real estate speculation and over-centralized development tendency. The low-rent house can be compared as a derivative of “public housing mode” in Hong Kong and Singapore. In Hong Kong and Macao, similar construction is called “housing village”. In days to come, there will be millions of buildings built every year in mainland China. At such development speed, in a few years, there may be about one-fifth to one-fourth of China’s population living in “housing village”, which will then exert big influence on “social condition - social environment - ecological civilization” construction. Therefore, if it is built as a bunkhouse, and equipments as well as facilities of hardware and software are not qualified, then it may become a new ghetto, which will not only lead to increasing crime rate, but also give rise to conflicts, riots or political protests. However, it can also make a comfortable dwelling place for people who can enjoy integration of social and

ecological civilization, even turn into the cradle of civilization.

Not only Shanghai, but also all other cities nationwide need to construct the whole city from “social environment - ecological civilization - optimized life” angle. Construction of “new housing village - new community” requires common exploration of people from all walks and all ages, and it is a very important measure to construct new “3.0 mode”.

Specifically, the “new housing village - new community” ecologic civilization can be achieved through four stages which are “balcony - hallway - ground - underground”. We can decide what plants can be cultivated at each stage according to various climate and geological features of different regions; we should pay attention to both protection and care, and we can also make use of “ecological repair” mentioned by Professor Zhou Qixing to re-cultivate species which are already extinct or close to extinction, and therefore, after a long time, we can create a small-scale ecological system which provides a new living space for living things and allows their freedom, thus placing resident - villager - citizen in it in order to experience better life. At the same time, we should combine construction of “new housing village - new community - new ecology” to politics, management, legalization, education, research, life, leisure, tourism, etc. Such change of production mode - development scheme will naturally attract enterprises’ investment in construction of community environment and ecological civilization and will create more job opportunities for citizens.

What we are trying to achieve is to make buildings and surroundings form comprehensive and positively interactional ecological system - living space, to create a wise “housing village”, a civilized “housing village”. It is a great issue, a giant undertaking and a grand prospect, requiring experts, university scholars and students to engage in related tasks for study and research, and at the same time, to popularize such development idea in general public to promote mutual understanding of the necessity of investment in housing village and thus encourage collaborated contribution, and to make people acknowledge the necessity of “residents need to build their own house - people should pay for their own cost”. Such long-term and big investment requires people’s active participation and long-term support, such as paying rent and tax, actively providing suggestion, communication and supervision, which is that “government provide opportunities to citizens and citizens provide opportunities to government as well”, and thus provide a relatively steady and peaceful environment to public administration.

China should play the role as a provider of global public goods

Reporter: Tim Lu, Jeffery Chen, Wang Yangkajia



James B. Steinberg

Dean, Maxwell School, Syracuse University, Former Deputy Secretary of State, USA

Economic Globalization is a great trend, and China plays an important role. Strategic mutual trust is the key to ensure a steady and positive development of U.S.-China relations.

Reporter: The theme of Shanghai Forum this year is “Economic Globalization and the Choice of Asia.” Facing the aftermath of economic crisis, what do you think is the area that is most challenging in the future?

James B. Steinberg: I think that the biggest challenge is sustaining public support for globalization and economic integration. At times of economic difficulty, people begin to question whether this level of integration is good for them. It tends to reinforce a sense that maybe we are too connected to each other and we should be more insulated. But as the history of modern times has shown, that’s actually a false theory - we saw during the Great Depression of the 1940s that the reaction against globalization can actually deepen the woes of each of the countries. We need to have leadership that convinces our publics that even though they appear to pay a price for globalization, that actually they would be even worse off if we backed away from it.

Reporter: On “Creating a Regional Order in Asia” people have been asking about Asian regionalism in dealing with all these economic and security issues. What do

you think is the future of Asian regionalism?

James B. Steinberg: I think regionalism generally is important. There are many issues which can be addressed on a global level, but often on a regional basis finding common ground is more likely, which can provide a basis on trade and economic issues. Broadly, a sense of regional coordination can help deal with many of the big challenges on both a global and a regional dimension, whether it's public health, or energy, or environment. Slowly but surely we're seeing the emergence of these forums, whether it's the East Asia Summit, or the ASEAN Defense Ministers [16:00], these are all ways to deal with common challenges.

Reporter: Since the US government always says that China must allow the exchange rate to fluctuate, what do you think about the recent move to widen the Yuan's trading band, and is it enough?

James B. Steinberg: Even out of government I'm very sensitive to the views of people who are responsible for economic policies. I would simply say that it's very important, especially on the Chinese side, that people understand this is not about the US trying to harm China. There is a broad consensus among all of China's trading partners, in Asia, in Europe, in Latin America, that there's a problem here and Chinese policymakers should take that seriously. And that's why I think it's important to take this in a multilateral context and not turn it into a dispute between the US and China, but to have this as a part of China's own responsibilities and interests in sustaining a robust global trade and investment system. This system cannot succeed if people engage in beggar-thy-neighbor policies. We know what happens; you end up with recession and potentially worse. So, it takes courage, China has shown that courage, in many ways, both in 98 and 99 financial crises, China sustained its position, didn't get into competitive devaluation policies, which was very important to the recovery. There were many things China did to stimulate the economic growth in 2000, 2009. Having said that, I think there is a real responsibility here. It's important for the US and everybody else to recognize that there will be costs here in China for those adjustments, and we need to be sensitive to those costs. What you heard from Secretary Geitner is recognition. We understand this is not easy and there will be adjustment costs that affect the ordinary workers in China as well. So we should be open to the pace and the method. But what's important is the direction, a clear direction and clear sense of the end point, which is to avoid the artificial use of currency as a way to promote economic growth at others' expense.

Reporter: What's your view of China's power in terms of economic global leadership or financial influence in the next 10 years?

James B. Steinberg: So much of the debate here is quite artificial. There's the sense that if China's GDP goes up that somehow makes the US weaker. There's no relationship at all. The more China grows, the more we have a common interest in sustaining the system. So I don't believe this a zero-sum, unless China has a radically different view about what the international trading and finance system is. If China, for example, believed in a highly mercantilist approach to global trade and finance, that would be problematic, because there would be conflict. But it's obvious the more China grows the more need we have for an open trading system. In some ways the growth is likely to bring more convergence than divergence. As China become more developed and invested in the global finance system, it will have more of a stake in making sure those institutions are effective. Seems counterintuitive, but China's growing shares of the international economic system, rather than leading to more divergence and conflict, could actually lead to more convergence.

Reporter: In describing the new administration's approach to U.S.-China relations, you coined the phrase "strategic reassurance." Which part of it do you think is the biggest departure from the previous approach of the administration?

James B. Steinberg: I don't think it's a departure - from the beginning, building strategic mutual trust has been at the heart of the approach that President Obama and Secretary Clinton has taken. Although we had been talking about the importance of China's role, we had not been addressing the core challenges as China becomes a part of the international system. It raises questions about what kind of role China will play, and how can other countries welcome China's rise while feeling confident that it won't come at their expense. That's what strategic reassurance is: for China to find a way to demonstrate that it means what it says, on both security and economic questions. How does China demonstrate that it wants to succeed economically, not by taking advantage of others but by providing growth for everybody?

Reporter: The United States sometimes inevitably faces dilemmas in carrying out this principle?

James B. Steinberg: Whether it's human rights or economic integration, the challenge for the US and the responsibility of the US is to say that - as President Obama has said very clearly - that when we advocate greater human rights in China, it's not because we want to harm China and keep it down, it's actually because we believe that it will help China achieve its potential. Again, that's what strategic reassurance is about. It's not that we'll agree on everything, but it's to demonstrate that our intent is positive. The underlying question is about trust and understanding even though we have differences, the differences are out of

good faith and good motives rather than hostile intent.

Reporter: A lot of people actually believe that a lot of countries outside China are threatened by China's rise, especially the US, and the growing presence of the US in the Asian region through a lot of multilateral institutions is actually evidence that the US is trying to engage China's rise.

James B. Steinberg: This raises a question: if people do perceive that, why do they perceive that? The media and leaders a big responsibility, because how this is projected to the ordinary citizen will impact how they see it. That's why it's so important for US leaders to constantly reiterate our conviction that a strong China is in America's interest, and to explain to the American people why. Likewise, it's important for China's leaders to make clear why, as President Hu has said in the joint declaration with the US, that China welcomes US presence here. We need to more exchanges, we need more opportunities for building understanding between people. I think the bigger challenge is that in times of economic uncertainty, there is always doubt. This is less about China and more about globalization. We need to do a lot to help reassure people that we're taking the steps in the US to give people an economic opportunity without blaming problems on somebody else. To create opportunities, to sustain the competitiveness of the US, to create jobs and good, strong social safety nets. Then I think this anxiety which can turn to fear is less likely to happen. The same must be true in China.

Reporter: Do you think that the way the United States, China, and other countries deal with the issue of North Korea has gone through some improvement, or do you think it is actually getting more challenging?

James B. Steinberg: It has been an improvement. There has been a broad consensus shared by all countries, that constantly rewarding North Korea when it doesn't take meaningful steps is counterproductive. The North has to come forward and demonstrate its sincerity and commitment to move this process forward. Over time, that approach is more likely to achieve a good result.

Reporter: You emphasize a lot of multilateral engagement in Asia. Is there a particular reason for that?

James B. Steinberg: First of all, many of these problems require multiple countries to be part of it. They don't fit themselves very well into bilateral issues. I also think that when you bring multiple countries together, you have less of the "who won, who lost"

feeling. In a multilateral context, it's more diverse, and you have less a sense of rivalry and competitiveness and more a sense of common enterprise. That's an important part of why multilateralism, especially at the regional level, can be so attractive.

Reporter: Just now you talked about the importance of multilateral engagement, especially with territorial disputes. When China's core interests in terms of territorial integrity and the core interests of the US and US allies, i.e. in the South China Sea, when these core interests come into conflict what should the US role be in terms of multilateral engagement?

James B. Steinberg: The core role of the US is our strong interest in the peaceful resolution of these disputes. There are going to be disputes. We have sharp disputes occasionally with European partners, but we don't go to war over Airbus and Boeing or bananas, because there is absolute commitment to peaceful resolution of disputes. The cardinal interest is to make sure that everybody understands no matter how strongly one feels, there's absolutely no justification for resorting to force. That's true with the South China Sea, that's true with Taiwan, that's true with the Koreans. That's the big interest of the US, and in some cases we have a view about who's right and some we don't. All cases our strong interest and commitment is to encourage and to take whatever measure we can to make sure that these disputes are resolved peacefully and when they can't be resolved they are managed in ways that don't lead to escalation of conflict. I think multilateral forums are good for that because it provides the opportunity for people to say this is not one side against the other, it takes out some of the risk of misunderstanding.

Reporter: How do you chart the future of US-China relations?

James B. Steinberg: This is the great question that we're all facing. There are some clear, objective reasons why the US and China should sustain a positive relationship. We have a lot to gain from working together and a lot to lose if we end up in conflict. We also know that there are a lot of forces both internal to the two countries and in the nature of the way states interact with each other that can tend to lead to conflict. Left unguided, the risk of conflict between countries is high. So, the only way we will get the positive outcomes that we all need is by determined effort on both sides to keep our eyes focused on the big goals and the long term here and to really make a commitment to each other to try to avoid conflict.

Reporter: I want to talk more about soft power. Clearly, China is investing heavily in its cultural and social influence. This week, reports about the US State Department cracking down on visa requirements at Confucius Institutes across the country have

led Chinese media to claim that this is an attempt to constrain China's growing soft power, and that it could harm the US-China relationship. Do you view this in terms of a visa & immigration issue, or as the news reports suggest that the US is trying to contain China's soft power growth?

James B. Steinberg: First, I'm a big supporter of the Confucius Institutes, it's a tremendous initiative and a great thing. Second, I know nothing about the State Department's decision. But if I had to guess, I would say this is a very technical issue. Which is that, many people came on J-1 visas because they were thought to be university professors. I think it's a good thing that they're providing instruction in elementary and secondary schools, but technically that's not what J-1 visas are for. I hope people don't blow this out of proportion and people find a way to do this with minimum inconvenience. Whatever the right visa category, there's a tremendous need for Chinese teachers at all levels in the US, again the press has a big responsibility here. I saw the China Times article, it was so inflammatory, and I'd be willing to bet that doesn't reflect the basis for this decision. There is a responsibility that the State Dept has here, they can't change the visa laws, and if they did there would be a backlash by Congress that would make it even harder. They are bound to uphold the laws, and if in fact because of the technical nature of J1s they are not supposed to be teaching in elementary schools, let's just find a way to fix this and not turn it into a culture clash.

Reporter: What kind of social and cultural trends from China do you think the US is going to be looking for in terms of reassurance about the relationship?

James B. Steinberg: This is more about understanding. The 100,000 strong initiatives etc. are examples of the feeling that more engagement contributes to reassurance, because there is a better understanding of what causes mistrust and therefore better tools for addressing it. I believe very strongly, the difficulty here is even if the two governments are working together well, as I believe they are, that if that's not communicated and convinced to publics, the governments won't be able to sustain it. The more worrisome thing, sometimes governments may be tempted to playing on fears and uncertainty. The more the people of two countries understand each other, the less effective that strategy will be. There's a huge stake in developing mutual understanding not just at the government level but at the people-to-people level. Understanding each others' history and culture, why there may be differences and why we may perceive things differently, and to understand that those differences don't come from malign intent, but from different cultures, traditions, and histories. That's why these things are so important, and the more understanding the better-see each other's movies, read each other's literature, listen to each other's music, and talk to each other-the better we will be at resisting the dangers of mutual scapegoat, mutual scaremonger.

Reporter: We have just mentioned soft power. Do you think there's a better way for China to show her attraction? Because things such as Confucius Institutes are not working perfectly right now.

James B. Steinberg: I think the main thing about soft power – and I don't like the term because I don't really know what it means – is that it's about increasing public goods. To show that you are able to use your position is not just to advance your own interest, but the interests of others. What China needs to do is to show, for example, when it engages in Africa that it's not just there to take advantage of natural resources. In the case of Zimbabwe, here's a country with a profoundly oppressive government, which does not respect the rights of its own people. China needs to understand that if it's going to be engaged in a country like Zimbabwe, it can't be indifferent to the way the government acts there. It can't say, we're gonna get access to the minerals and it's not our business what goes on there. So if China wants to extend its soft power, it's going to have to start producing public goods. It's going to have to recognize that it can't pursue its interests that narrowly. At the point in which China is seen as not just acting narrowly out of its own self-interest, but in a more broadening and wide sense of self-interest – we obviously believe, in the US, that our success as a global power has in part come about because people don't feel the need to balance against us because we are seen as producing public goods as well as private goods. That's a transition for China; we see some early signs that there is an awareness of that. Importantly, if China wants to be accepted as a global power it will have to be convincing about its willingness to play that role as a provider of global public goods.

Change of Cultural Institution to Cultural Enterprise Is a General Trend

Reporter: Liu Xiao



Jia Baolan

Committee member of CPPCC, executive chief editor of Reading magazine

Administration-oriented mode restricts function and training of talents, and nowadays, what we lack in achieving cultural development and prosperity is talent.

Reporter: Would you please talk about the “several issues concerning China’s cultural system transformation” on which you gave a speech in the forum.

Jia Baolan: As to this subject, the public may not be very familiar with it. First of all, the concept of cultural industry itself is not very clear for most people. The concept of cultural industry was raised in early 20th century in the book *Dialectics of Enlightenment* co-written by Horkheimer and Adorno, and the English expression is Cultural Industry. However, as a specific cultural type and economic type, different countries hold different understandings of it. UNESCO defines cultural industry as: cultural industry is a series of activities including production, reproduction, stock and distribution of cultural products and service, which is same as other industries. Under such definition, cultural products include cartoon, movie and television, entertainment, game, tourism, education, website, information service, music, drama, art museum, etc.

In <Several Opinions on Supporting and Promoting Cultural Industry

Development> carried out by cultural department, September, 2003, culture industry was defined as “business engaged in cultural goods production and cultural service supply”. Culture mentioned here refers to a broad concept, including three main types: the first one is industry producing and selling cultural products, such as books, newspaper and magazines, movie and television, videos, etc. the second is cultural service industry, such as performance of drama and dancing, sports, entertainment, plan, management, etc. the third is industry that provides cultural adds to other goods and industries, such as decoration, image design, cultural tourism, etc. In <Suggestion about Fifteenth Five-year Plan on National Economy and Social Development> passed in CPC fifteenth five plenary meeting in October, 2000, cultural industry improvement policy was put forward, as well as strengthening of cultural market construction and management, and promotion of concerned cultural industry development. Here the concept of cultural industry was first put forward, and cultural industry was brought into track of market construction and management. Since then, cultural system transformation becomes main content of next stage, and cultural institution has begun to undergo a process of transformation from national governance to enterprise management. Such transformation actually started in 2003. Till now, our cultural system transformation has almost finished, yet the transformation is basically a government-led, from top to bottom transformation.

In <Resolution of Several Important Issues on Deepening Cultural System Reform and Promoting Socialism Culture Development and Prosperity> drew up in seventeenth six plenary meeting last year, cultural development and prosperity was regarded as important content of future five-year plan, and “accelerate development of cultural industry and promote cultural industry as pillar industry of national economy” was mentioned, also, a series of goals and directions were also put forward to develop cultural industry. This resolution differs from that drew up in fifteenth five plenary meeting in that development of cultural industry is put forward under the precondition that China has become the second largest economy body in the world, also the precondition that there is global financial crisis and China’s economy is seeking for a new development point while facing new bottleneck. In this resolution, there are detailed description of content and goal of cultural industry, and it also makes it clear that cultural industry includes culture art as well as related products and service, and culture service includes entertainment.

Reporter: How do you evaluate cultural institution transformation and current situation of cultural industry? Is there anything worth thinking about for us?

Jia Baolan: It is a general trend that cultural institution transforms to cultural enterprises, and it is only an issue of time. In industrial age, cultural industrialization is a necessary choice. Only, I think that if we fail to pay enough attention to certain factors, they will become restraints to cultural industry development, such as:

First, institutional barriers: pluralistic management model. Though cultural institution has already transformed to cultural enterprises, it is not actually managed according to laws of market economy from thinking mode to management mode. What is typical is administrative management, meaning that enterprises are led by administrative clerks instead of experts, which is definitely in contrast to real market, and will even restrict development of enterprises.

Secondly, it is lagging behind in laws and regulations. Let's take publishing as an example, <Regulations on Publication Administration> carried out in Zhu Rongji time is revised this year, yet there is still certain gap between revised regulation and current culture industrialization. For example, our opening to market is limited to publishing, while in fact, many "studios" have already cooperated with publishing press, and some published works are very good.

Reporter: Are there any more problems about China's systemic reform?

Jia Baolan: Another problem is lack of talents and talent training mechanism. Administration-oriented mode restricts function and training of talents, and nowadays, what we lack in achieving cultural development and prosperity are talents.

Additionally, current evaluation mechanisms put too much emphasis on quantity while paying less attention to intellectual products. Here I mean that pay for intellectual products is very low, and flippancy permeates the whole society. Therefore, many such products suffer lack of content, too much repetition and lack of original creativity. Such problem is obvious in publishing where "grind a sword for a decade" in the past becomes so rare nowadays.

Also, when cultural institution transforms to cultural enterprises, the stock right issue is not solved, at least not in legally solved, which is also an instance of law regime lagging behind cultural transformation. Therefore, when chatting with friends, I tell them that I am not in favor of "privatization of national-owned enterprises". I am not saying that it is wrong, but how we can privatize national-owned enterprises has not been solved yet. Cultural institution used to belong to

the country, and therefore, when it becomes a corporation limited, the country, group, and individual should all have stock right and enjoy profit, otherwise public enterprises will in the end be monopolized by a few people, which is to some extent a rob to the majority.

Reporter: What is China like after ten years in your imagination?

Jia Baolan: China is a nation enjoying long history and deep cultural tradition. Apart from this, it is also a nation enjoying great wisdom. As long as our system is reasonably designed, I believe that our country and people's life will become better and better. I think that confidence is very important for us.

The Future Ten Years is a Very Important Adjustment Period

Reporter: Cui Mengling



Ju Jiandong

Professor of Economics Department, College of Economics and Business Administration, Tsinghua University, Dean of International Economy Research Center, Professor of Oklahoma University, Resident Researcher in IMF Research Department, mainly focuses on International Trade, International Finance and Industrial Organization, etc.

After ten years, if we can achieve greater success in opening and reform, our society will develop along a healthy track. Therefore, these ten years are very important period adjustment.

Reporter: There have been 12 years since your proposition of a Chinese Community, how do you think the Chinese Community is developing now?

Ju Jiandong: The construction has not started yet. I proposed the theory 12 years ago under such a background: there are two tracks for opening of the world economy. One is multilateral opening featuring the WTO's principle, which is opening policy for one country should be applicable to all members under WTO structure. The other way is regional economic cooperation like North American Free Trade Area and Association. In fact, China faced such two different ways 12 years ago, yet in 2001, we joined WTO and thus chose the multilateral opening way. Now, there have been many discussions in both academic world and the society arguing that there are many technical restraints of WTO while regional economic cooperation is becoming more and more active. Though the re-proposition comes 12 years later, it still has its

practical meaning. If we want to achieve a multipolar economic situation, we should first establish our pole which is east Asian economy system led by China. On this meaning, it is a general trend to build Chinese Community.

Reporter: For now, the Greece sovereign debt crisis continuously deteriorates, and the international society worries that Greece may exit Euro Zone and holds pessimistic attitude toward prospect of Euro. What experience does this crisis provide for future Chinese Community, even Asian countries' regional cooperation?

Ju Jiandong: First of all, EU is a huge success in regional economic cooperation, just that it meets some problems. One of the problems is that currency policy does not go with financial policy, for example, Greece debt crisis, especially the heated issue whether Greece will exit Euro Zone. Even though Greece exits Euro Zone, core members of EU will stay in the union. Many experts doubt whether the pushing forward of EU goes too fast. When I proposed the theory 12 years ago, there were only 15 countries in EU, but now there are 27. For our country, we have a clear goal which is to promote Chinese Community construction and other regional cooperation. Also, political cooperation is an important precondition of economic cooperation. Maybe you have not noticed that the Chinese Community I propose does not include Japan, because if Japan does not want to cooperate with China in politics, it is hardly possible to talk about economic cooperation.

Reporter: You have mentioned in your speech that basic force of Chinese economy development is promotion of human capital. The world economic crisis is still deepening. What problems will we face regarding economic transition in domestic economy? What direction should labor intensive enterprises that have made great contributions to our economy go? What place will our labor intensive enterprises take in the future ten year development strategy?

Ju Jiandong: First of all, we need regional adjustment. Nowadays our per capita GDP reaches \$5000, and the biggest problem is structural unbalance. The so-called structural unbalance means that national per capita GDP is relatively high, but per capita GDP of eastern China such as Shanghai and coastlands is very high while per capita GDP of midwest China is very low. Therefore, the per capita GDP \$5000 means that we still have a very big increase space, yet such space is unbalanced in different places. In the days to come, it is very common that the speed of economic development in highly developed regions such as Shanghai, Beijing, etc. will rapidly come down while that of midwest

areas rapidly increases, and therefore, we need big adjustment in structure.

Secondly, we also need adjustment in industry. Labor capital which we originally focused on labor intensive enterprises may shift more to capital intensive enterprises, and industries in different regions need adjustments as well. On one hand, adjustment is change of opening policy in the new stage of opening, on the other hand, we need to make more efforts to construct domestic market in structural adjustment in order to build up Chinese market led by Chinese enterprises, Chinese brands and Chinese rules. By far Chinese brands have not taken a leading place in Chinese market, mobile phones for example. If we go along such direction, we will have a very big increase space. To build a market led by Chinese enterprises is totally different from cutting off China from the outside world. Only, judging from the two concepts in economics and economic advantages, we should do what we should do, import what we should import, do not import what we should not import, and protect what we should protect. Our task for now is mainly to assimilate to world economic system by providing many discount policies for businesses which are good for export and march into the world market, but our task in the future should more tend towards domestic market construction.

Thirdly, by now our urbanization mainly focuses on large cities and metropolises, hardly on moderate cities. Our focus of development in the future should go back on towns and regional markets. Opening is not only for foreign markets, but for regional markets as well, especially for countryside and country regional economy. If we can well adjust the above structures, we can have very big increase space.

Reporter: Would you please imagine China after ten years?

Ju Jiandong: After ten years, if we can achieve bigger success in opening policy and transition of reform policy, our society will develop along a healthy track. Therefore, these ten years are a very important adjustment period. I am very confident of China at that time!

Put Emphasis on Talents Instead of on Equipments, on Quality instead of on Quantity

Reporter: Xu Shengjie



Li Junfeng

Director of National Climate Change Strategy Research Center and International Cooperation Center

Independent innovation cannot be achieved in a short time. It requires decades of great effort, from training talent to system of organization to policymaking.

Reporter: Durban Climate Conference just closed at the end of last year, and our National Climate Change Strategy Research Center and International Cooperation Center was also founded in last December. What practical measures do you think should we take in utilizing new energy in order to make more achievements in energy saving and emission reduction.

Li Junfeng: We need to enhance the opening force of some markets. So far our national industries have already made very good achievements, yet we still meet some problems in market, and therefore, we need to enhance opening force of market, or else we can hardly achieve more. Nowadays, the utilization percentage of new energy is still very low. It increased a little during “Eleven Five,” yet decreased last year. Till now, the whole percentage has not achieved the expected goal, which requires enlarged market.

Reporter: A key point that the world cares much about the climate conference is China’s responsibility as a big country. There are certain

doubts in international society arguing that China, as a big country, should take more responsibilities, yet at the same time, China is only a developing country. How do you think of such controversies?

Li Junfeng: The responsibility and obligation should match a country's development background and level. It is meaningless to only talk about responsibility without mentioning development stage. Countries in different development stage should accordingly bear different responsibilities. For example, it is impossible for elementary school students to take on college students' responsibilities, and university students cannot take graduate students' responsibilities. This has a lot to do with development stage and level. Therefore, we need to take the practical condition into consideration before talking about a country's responsibility. Every country is responsible to save energy and reduce emission, but the so-called "responsibility of big country" cannot be taken so easily. It is just like we cannot ask a three-year old child to take responsibility as an eighteen-year old adult. In fact, when it comes to responsibility, there exist no fundamental differences between big countries and small countries. Therefore, it is reasonable and meaningful that we objectively look at China's practical development and then decide responsibility accordingly.

Reporter: We are continuously making efforts in energy saving and emission reduction, then what achievements do you think may we make in future 10 years?

Li Junfeng: We hope that by 2020, the percentage of non-fossil energy can achieve 15%, but it is very difficult judging by now because there are many factors including economic development level, fossil energy increase issue, and uncertain development of nuclear and water electricity. Therefore, whether we can achieve the 15% goal remains a suspenseful matter. We surely hope to do better, yet judging by present factors, there are so many uncertainties in the future ten years, and therefore we can only say that we will try our best. Nowadays, we are planning to put great emphasis on water electricity, solar power, wind power and some other new energy, and safely developing nuclear electricity, yet the current status is not mature, which requires further improvement on practical measures.

Reporter: You have mentioned many times during past interviews that the focus of new energy development is on independent innovation. How do our new energies develop by now? Have we made breakthroughs in independent innovation?

Li Junfeng: Independent innovation is impossible to be achieved in a short time, but

requires decades of great efforts on talents training, mechanism, system construction and policy making. Currently, our research and development system does not match requirements of innovation, which needs big improvement in mechanism without which innovation alone is meaningless. For example, compared with western countries, we do not pay enough attention to talents. For a same research program, the United States spends about 60%-70% on innovative labor cost while our support is less than 5%, and the rest is only for equipments. How can we achieve innovation if we care so little about talents?

It is a long existing problem in China that we pay too much attention to equipments while belittling value of human beings. We are always willing to spend bunch of money on equipments or buildings, yet we have never provided talents with enough support. Many Chinese are now working with high salaries for the United States, Germany, etc., while China cannot effectively keep talents. If such situation remains, we should be very worried about the results.

Reporter: How do you think a highly developed city like Shanghai should achieve low-carbon development? Would you please give us some advice?

Li Junfeng: I have talked about the same issue three or four years ago in Shanghai. Shanghai has already been an internationalized metropolis. In my view, Shanghai needs not solely pay attention to fast development, but should slow down a bit and try to keep track with international society in environmental quality and living quality. We have many excellent universities such as Fudan University, well-built buildings, and advanced laboratory conditions. The gap with developed countries lies in our lack of those with experience and technical mastery. What Shanghai needs to consider now is how to improve quality instead of quantity. Today, we need no more expansion of our campus, no more decoration of our buildings. What we need is how to better and more practically improve life quality, which is more important than focusing on how much our GDP increases.

Though it is surely a long time work, we need to have a sense of urgency and a determined idea to seek for change! The problems such as lack of respect to talents and lagging behind of innovative mechanism cannot be solved if we depend alone on capital support without making basic changes in system and mechanism. Shanghai may act as a foregoer in making such changes though it is hard to be achieved nationwide in a short time, and I sincerely hope to see such internationalized metropolis as Shanghai to lead the path well.

I Advocate High Accordance of Financial and Administrative Power

Reporter: Zhao Weicheng



Li Weiguang

Chief Professor of Financial Department in Tianjin University of Finance & Economics, chief editor of academic journal, PhD supervisor, chief editor of <Modern Finance and Economics> magazine, member of Chinese Finance Society, member of Chinese Finance History Special Committee, member of World Association of Tax Law.

The biggest characteristic of national tax revenue is to eliminate fiscal illusions.

Reporter: In recent years, public budget reform has become focus of society. What is budget then, and where does its importance lie?

Li Weiguang: Actually, budget is very simple, just a chart recording government financial expenses and receipts. Such chart reflects public services provided by government and expenses of activities, yet government is not a company or a production department in that it does not create wealth. Therefore, all governmental expenses come from tax, which involves many problems: Who bears the expenses? Who benefits from resources gained by expenses? Are distributions of benefits fair? Are the expenses worthwhile? Such problems have more meanings beyond the chart itself and have influenced every aspect of social life, and therefore, budget bears deep meaning.

In the past, there was no modern budget. Though there may be accounts of expenses and receipts, they fully cater to willing of the ruling class while tax payers have no saying, which leads to the result that very often expenses of taxes are against willing

of tax bearers. China has over two thousand years' authoritarian history, and change of system cannot be achieved in a short time, and therefore, budget becomes a sensitive chart in Chinese society amid transformation.

A mature civil society in fact signs a visible or invisible contract with the government, which is to say I give my money to you under the precondition that you treat me well and enable me to live in dignity, and in that case, I am willing to pay tax and tax evasion can be suppressed. Fiscal budget and tax are all economic act of government, and reflect in relationship between government and people the relationship between democratic politics and traditional politics. Democratic politics means that it is widely recognized that people support government and every coin comes from fortune people themselves create while there are no fiscal illusions. The biggest characteristic of a tax country is to eliminate fiscal illusion (government pays for all kinds of social securities and social assistances to feed people).

Reporter: What is the present condition of government dealing with tax payers' awakening sense of interest? What should government do then?

Li Weiguang: To begin with, government should try to achieve openness of budget arrangement process, and next, it can expect maturity of civil society when citizens are not satisfied to a single bill, but more positively take part in formulation of budget. Therefore, fiscal budget has exceeded the tool and technique layer, and become a social and political problem. To make good fiscal budget requires government to adopt more democratic way to listen to people's suggestions, to satisfy people's willing to participate in budget-making process and requires coordination of the whole society.

Compared with tax payers' awakening sense of interest, some government officials' ideas have lagged behind. According to China's national conditions, change of such ideas cannot be achieved in a hurry. I find that Shanghai is a city where the majority of tax payers have awakening senses. If let me say which city in China is closer to a civil society, Shanghai will exceed Guangzhou and be No.1.

Reporter: How should we supervise budget in order to guarantee biggest insurance of tax payers' rights?

Li Weiguang: Supervision can be divided into internal supervision and external supervision. The internal supervision means that government supervises itself,

such the audit storm that we have always heard of, which means that Auditing Administration carries out selective audit to every ministries and commissions every year, yet what is worth mentioning is that it is always carried out after the fact. The second supervision is called external supervision, which is so-called external control. It is just like People's Congress carries out supervision, discussion and decision of governmental expenses the name of the people. We should try to play the function of people's supervision and control. Some congress representatives can be gradually specialized, and we can set up a professional committee inside People's Congress to invite experts to carry out routine supervision. Such things need to be pushed forward gradually, and only after a certain period can construction of People's Congress and routine budget operation gradually merge. Such issues as democracy, constitutionalism and rule of law can yield results which are acceptable to both government and people only if people express their ideas through representatives by means of representative system in order to form a beneficial interaction.

Reporter: What problems do you think our system has currently in national system reform?

Li Weiguang: The main problem is that our financial system is going upward, and therefore, the lower status the government is, the less money it has. I favor the situation that local governments have more available resources than central government because the value of government is to provide public service which is main function of local governments. Therefore, local governments should have enough power to allocate resources. Actually, financial and administrative powers are responsibilities, and need to be highly in accordance with available resources of governments. In the bus crash in Hunan Province, for example, I have watched an interview conducted in Qinling. In fact, the town head was very worried about the safety of children, yet the report that local government handed in to build a bridge got no replies, and the result was that eleven children were drowned. The town head said in the interview: "We don't have enough money and our report gets no replies." Shortly after the accident, the bridge is built and the problem is solved, which creates such an impression that the bridge is gained at the cost of eleven children's life while such tragedy could have been avoided.

Local governments want to do their duty, yet they don't have enough money. Frankly speaking, central government does not need to bear so many resources because it can choose not to do something. I personally think that compared with one more warship, safety of schoolchildren is far more important. No one will doubt that

safety of people is much more important than building a powerful army. A powerful army alone does not guarantee the strength of a country. If the whole society is in harmony and people enjoy themselves in living in the country, a powerful army is not necessary.

Reporter: Local governments have to use 45% relative financial income to pay 75% relative financial expense, which causes many problems. Why do such things happen?

Li Weiguang: Strictly speaking, construction of local governments still has a long way to go. Local government in China is basically an agency of central government and lacks independence. Different from the United States where every state has its own law, even constitution, and can decide many local things, local government in China does not have such right, and therefore, central government needs a lot of money. Moreover, even if local government gains money from the central government, it is the central government that decides the expense because it adopts special fund transfer payment. Why do we call it special? It is because the central government has special orders on use of fund. For example, the central government provides fund to build a highway, local government cannot spend the money elsewhere. However, local government faces various public services, while the central government cannot make arrangements according to practical conditions, which will lead to low efficiency in fund use.

Reporter: Have other countries experienced public finance reform that China now faces? Are there any lessons that we can learn from?

Li Weiguang: First of all, we must realize that tax issue, especially budget, is not merely economy issue or political issue. In western academic field, budget is first of all political and legal issue. Only after budget is solved in such level can it moves to management and economy. Governmental budget needs not to be as precise as that of private economy and needs no very complex ways, yet it has to be in place both politically and legally because the basic system of a country is politics centered. Budget system of the United States seems to be the most complete by now. Apart from examination and approval of budget, there is also a fund allocation right in the United States. In China, after budget is made, the money will be directly allocated to certain department and the budget unit will do nothing more than audit afterwards and certain supervisions during the process. It is not the case in the United States, where even if your budget has been approved, you cannot get money because there

is also a Budget Allocation Committee deciding when to allocate money, how many times and how much money you can get each time. Additionally, the committee will also examine how your budget goes during the process and make adjustment accordingly. The budget unit doesn't have access to money during allocation because it is taken care of by another final estimate system, which accounts for the fact that we seldom hear about vital corruption in the United States.

Surely, every country has its own national condition. I am not saying that we must set up a Budget Allocation Committee, we surely can set up our own budget way. After all, these are all problems in tools and techniques. The openness of financial budgets is a way to go. Though we do not practice western system to separate powers, we can also achieve some effects through transparency, yet whether we can really succeed should be proven through practice.

Asian Pacific — Wrestling Ring of Great Powers in the Future Ten Years

Reporter: Yang Boya



Li Xiangyang

Dean of Asian-Pacific Research Prostitute, the Chinese Academy of Social Science.

We can mitigate exclusionary pressure on China brought by TPP through launching a free trade area treaty with third parties, of which one of the most effective is the Sino-Japan-Korea FTA.

Reporter: Japan is going through negotiation to join TPP. How possible do you think can Japan win the negotiation and finally join TPP?

Li Xiangyang: It is highly possible that Japan finally joins TPP. The TPP is a turn in Japanese politics showing that Japan's future diplomatic policy will be based on the America-Japan alliance. However, Japan cannot leave China in economy, and therefore, many officials and scholars believe that joining the Sino-Japan-Korea free trade area does not contradict with joining the TPP. For Japan, the idealistic result is to both a member of Sino-Japan-Korea free trade area and TPP, and thus, it can use its membership in Sino-Japan-Korea free trade area as bargaining chip to negotiate with the United States since currently the TPP is led by the United States.

At the same time, Japanese know clearly that TPP enhances China's willingness to push forward construction of Sino-Japan-Korea free trade area, and thus can use

its joining TPP as bargaining chip to ask for higher charge to China in negotiation in Sino-Japan-Korea free trade area. This is a strategic choice for Japan because it is hardly possible to initiate Sino-Japan-Korea free trade area negotiation while giving up joining the TPP. On the contrary, more people prefer to give priority to joining the TPP in Japan. Though Japan may first initiate Sino-Japan-Korea free trade area at the end of this year, it is hard to imagine “it finishes Sino-Japan-Korea free trade area before negotiating TPP”, which seems hard to accept for Japan, and a more possible result is that Japan first finishes TPP negotiation.

Reporter: There have already existed effective bilateral free trade treaties between the United States and South Korea, and if Japan joins TPP, it will produce certain influence upon Sino-Japan-Korea free trade area construction. What do you think can China do to face such a situation?

Li Xiangyang: It is a highly contradictory issue. Many people including some government officials in China propose that China join TPP and they believe that China will surely become a member of TPP. For this, I think that they fail to clearly see the motive of the United States for drawing TPP clauses, which is to say that they long ignore strategic goal of the United States. Many people fail to see that the United States has a clear goal which is to “return to Asia-Pacific area” in order to contain China’s peaceful rise.

When conflicts between newly rising great powers and chief powers cannot be solved through wars, a very important way is to peacefully compete for right of making regulations. For the United States, the ideal state is to take China in a rule system that the United States itself makes, and TPP is a most typical instance. Even though the United States may not achieve such goal, it will try to disorganize China led rule system. Though currently China is unable to “make new rules” worldwide, developments of ASEAN 10+1 free trade area, 10+3 free trade area, etc. are China-led new rule systems. It is reflected in Japan’s standing stated last year when Japan decided to join TPP negotiation -- “Japan’s joining TPP means Asian rule making shifts from China led system to America and Japan alliance.”

Also, there are some other views holding that China should first join TPP, and then to “disturb” and obstacle TPP negotiation progress, yet the United States has already taken such situation into consideration -- China can accept the preconditions of TPP, and thus join TPP; or else, China is not allowed to join negotiation and is excluded. It is impossible to “join negotiation first, and then disorganize it”. Therefore, China

doesn't have a card to play if it wants to "disorganize" TPP.

Then how can we deal with TPP? I think what we can do is try to reduce negative impact of strategic exclusiveness that TPP brings to China. If China can settle down Sino-Japan-Korea free trade area treaty, we can to some extent ease, if not break down the impact brought by TPP. That is to say, we can establish a situation of coexist of "TPP not including China" and "Sino-Japan-Korea free trade area not including the United States" in Asia. However, if such situation happens, game between China and the United States will become more complex in the future because it covers two biggest economy bodies in the world.

The second way to deal with TPP is to enhance cooperation with other regions, such as cooperation with south Asia. To carry on the "bridge head strategy to open to southwest" that China designs for Yunnan province, Yunnan establishes positive relation with Bangladesh, Burma, India, etc. The design of "bridge head" Yunnan province to become a free trade area seems hard to be achieved in a short term, yet to enhance cooperation helps to create a mechanism to future institutional cooperation. Another way is to promote economic cooperation among Shanghai Cooperation Organization in the Northwest region, which China has long endeavored to do. However, there is a problem -- Russia's opposition, because Russia strongly opposes to change Shanghai Cooperation Organization to a free trade area, yet other middle Asian countries hope to enhance cooperation with China and to construct free trade area, and therefore, development in northwest region is possible.

The third region is in northeast, referring to "sub region cooperation" among China, Mongolia, Russia, even North Korea. At the beginning of this year, Tumen River region (Hunchun) cooperation model area has won recognition nationwide. If "sub region cooperation" can really be achieved, it will have huge impact on Japan and South Korea, because if "sub region cooperation" among four countries is successfully launched, it will first attract capital from South Korea.

South Korea has no way to solve Korean Peninsula issue, and bilateral cooperation in Keumgang Mountain is always interrupted for lack of external binding. Therefore, if South Korea joins the cooperation between China, Mongolia, Russia and North Korea, it will help a lot in stabilizing Korean Peninsula situation and improving south-north relationship. Once South Korea joins the cooperation, economy profits will force Japan to join as well, and therefore, it may be a wonderful go for China. However, the biggest obstacle is still Russia. In principle, Russia avoids signing any

free trade area treaty with China because it worries that Chinese economy is so strong that it may threaten Russia's economy safety.

From the above three ways, we can see that apart from Sino-Japan-Korea free trade area, there is also sub region cooperation that China can consider. Also, there is cross-region cooperation, for example, negotiations with Gulf Cooperation Council and countries such like Australia are also on the way. In a word, we can soothe exclusiveness pressure brought by TPP through launching free trade area treaty with the third party, one of which the most effective ones is Sino-Japan-Korea free trade area.

Reporter: At the fifth Sino-Japan-Korea summit meeting, the three countries have achieved consensus that they will start Sino-Japan-Korea free trade area negotiation this year. How confident are you of the start of negotiation? What results do you think can such negotiation yield?

Li Xiangyang: There are uncertainties in negotiation. There have been ten years since proposition of Sino-Japan-Korea free trade area, and research has already proved that it can yield huge economic profits. The reason that the negotiation cannot start is mainly due to obstacles of non-economy fields. Whether obstacles in non-economy fields between China and Japan will deteriorate in short term is highly uncertain. Lately, there is the Diaoyu Island issue between China and Japan, and Japan and the United States' involvement in Huangyan Island issue between China and the Philippines in East China Sea region. Whether such issues will result in short term deterioration in political and diplomatic fields between China and Japan, and thus influences Sino-Japan-Korea free trade area negotiation is uncertain. However, in the long run, the fact that the three countries announce to start negotiation in this year is in itself a positive signal, and whether negotiation can be settled down depends on some uncontrollable non-economy factors.

Reporter: How do you evaluate current establishment achieved by TPP? Has it reached the goal of becoming "unexceptional, comprehensive and high free trade area"?

Li Xiangyang: To begin with, we need to notice that the increase of TPP members from four countries to nine countries is basically led by the United States. The so-called "high-quality FTA of 21st century" has indeed been achieved in TPP's contents, yet the effect of it being a so-called "open regionalism" is somehow downsized because the majority of the twenty some bilateral free trade treaties that

nine members of TPP had will be kept, which is to say that many treaties including original rules will be kept, while on the other hand, what the United States needs will be continuously added in TPP.

For example, competition policy including status of national owned enterprises, decision mechanism, etc. has already been focus of negotiation since the end of last year. The United States totally copies the conflict solve mechanism of NAFTA to TPP. Unlike WTO mechanism -- national governments conduct prosecutions, and expert group will hold discussion to solve conflicts, any enterprise or individual can directly charge the government in NAFTA.

For example, an enterprise of Canada wants to open a factory in Five Lakes region, and if it thinks that American federal government hasn't well protected Five Lakes, it can directly sue American federal government. Such things are unimaginable under WTO conflict solve mechanism, as well as hard to accepted in other countries, because it involves transfer of sovereignty. From these examples, we see that the increase of members from four to five can in fact be compared to "shell merger" in China's stock market. In the end, the "shell" resources are not important, but it is the enterprise which is on the market that needs new capital, needs to extend new businesses, and to change members of its board of directors. Though the name is the same, the actual function has already been changed.

Reporter: In Asian-Pacific region, the APEC, 10+3, 10+1 plus TPP have resulted in "Spaghetti bowl phenomenon". How do you think of this problem?

Li Xiangyang: Undoubtedly, such problem exists. I have mentioned that the American-led TPP itself cannot solve "Spaghetti bowl phenomenon" because the majority of previous twenty some bilateral free trade treaties, original rules and some exceptional articles will be kept. Since "Spaghetti bowl phenomenon" inside TPP is hard to overcome, it is even harder to overcome it in the whole Asian-Pacific region. For example, there exist double regulations in APEC, which are "APEC members in TPP" and "non-TPP APEC members". Once TPP comes true in the future, "APEC members in TPP" will not care about liberalization issue which "non-TPP APEC members" care because TPP enjoys higher liberalization than APEC, and therefore the final result is that APEC is without foundations.

What kind of situation ASEAN 10+1 can maintain after appearance of TPP is what ASEAN worries most about. Previously, ASEAN wants to become leader, pilot, or

presiding country of east Asia through 10+1 mode because ASEAN has already signed bilateral free trade treaties with many countries, for example Japan, South Korea and China, etc., and therefore, ASEAN does not want to sign free trade treaties with such countries again. However, once TPP mode succeeds, whether the leader, pilot or presiding country status of ASEAN can maintain is a new problem. ASEAN may be marginalized, yet the final result depends on development of Sino-Japan-Korea free trade area negotiation. Once the negotiation yields substantive progress, ASEAN will be totally marginalized.

Reporter: Therefore, there are big uncertainties in development of Sino-Japan-Korea free trade area and construction of free trade areas in the whole Asian-Pacific region. Is it right?

Li Xiangyang: Yes. Future relationship between main powers in Asian-Pacific area will be reorganized because of TPP, especially the relationship among China, the United States, and Japan. In the future few years, the relationship will be affected by TPP, Sino-Japan-Korea free trade area, even Asian regional integration, and conditions of the three parties decide that the result of such game will be highly uncertain.

The Worldwide Economic Crisis' Impact on the Chinese Economy

Reporter: Edward Allen



Lim Hua Sing

Professor of Waseda University, Tokyo. His field of specialization is overseas Chinese and Ethnic Chinese Economies; Asian Economies; International Economics.

The Chinese economy has connected with all these key pillars of the world economy, but also facing certain historic opportunities to take a leading role in this great equation.

Professor Lim Hua Sing gave a lecture on state of the present worldwide economic crisis and its impact on the Chinese economy. The speech concluded with some thoughts as to how China should strive to take advantage of and take the lead in certain areas of the world economy during the years ahead.

The content of Professor Lim's speech was divided into four sections, which also represented a provocative division of the present world economy into four areas. Firstly, he discussed the present state of the U.S. economy, in recent history the healthiest and most robust of any, but recently on an inexorable slide downhill. Responsibility for the U.S.'s extremely large trade deficit was given to historic presidential initiatives to encourage beyond a reasonable point domestic consumption and a culture of imports, which had lead to a depreciating dollar against the Japanese Yen. Professor Lim followed this with a discussion of the "financial storm" in the European Union, plagued with knotty and apparently unsolvable problems of high inflation, persistent

unemployment and financial deficits across the board. This information came to the participants at a time when the situation in Greece, Spain and other European countries was no familiar to many. The third stop was the Japanese economy, which despite undergoing what Professor Lim called twenty years of gloom has managed to avoid a financial crisis. Credit for this must go to well integrated Japanese companies, which agreed to acquire over 96% of bonds issued by the Japanese government over the past few years. Despite downturns in exports and manufacture, the support of governments and companies has ensured a small trade surplus built on a technological and creative superiority that brings low unemployment through a neatly organized and relatively liberal employment program.

These considerations put the situation for China as Professor Lim saw it in a more sophisticated light. Professor Lim saw the Chinese economy has connected with all these key pillars of the world economy, but also facing certain historic opportunities to take a leading role in this great equation. Recent acquisitions of foreign reserves, generally profitable government participation and the controlled but stimulating injection of 'hot money' into the market have complemented well a generally conservative investment temperament that has seen Chinese levels of savings consistently top the world rankings, reaching 52% according to Professor Lim's figures.

But, there remained several major challenges which Professor Lim saw as potentially derailing to this enviable progress. The first was the impact of pollution and the problem of the climate, which Professor Lim took as an extremely serious and ever more serious threat to the health of the Chinese economy. This was a common theme of the debates on both days, often creeping in to a topic unrelated to pollution, and clearly represented a consideration Professor Lim would urge any Chinese organizing body to take a strong line on. The second factor was the poor-rich disparity in China, which connected with well-known disparities in wealth between China's Eastern and Western regions.

Professor Lim talked about what he saw as one of the most serious and unspoken problems – that is the dire economic straits that local governments find themselves in, since the central government has given ever decreasing amounts of support to these bodies. As far as Professor Lim could see the problem, it was only through the establishing of a waterproof, well-administered and guaranteed non-corrupt system for the sale of local government bonds that these hundreds and thousands of local administrations could keep themselves afloat and dynamic. Professor Lim agreed with words spoken during the morning's presentation by a professor of the Chinese

Environment, who expressed concerns at how a local system of administration and economic growth that was in many areas largely built on government businesses doing government sponsored work on government land could be carried on to the profit of its proprietors and the benefit of all any further. This reflected an issue with China's development of its critically unstable and threatening reliance on central directives at the base level, and it represented a security complex that could only be broken by throwing local economies into the real world of bonds and trading, as well as, Professor Lim argued, a well organized sale of state land to creditable developers, as a way of securing revenue for local governments and looking to make these developers compete and find more economically productive and perhaps culturally appealing models.

In addressing these issues, Professor Lim was agreeing for the most part with comments made in the morning forum which he had chaired. Participants stressed with particular emphasis the need for a new, coherent policy on land as the only way that China's resources can be utilized in a way that continues to demand growth. With his wide-range of experience in housing markets and the cost-of-living in East Asia, Professor Lim was not the only voice expressing disbelief at the cost of land in certain parts of China, a problem that can only be addressed with a more open land policy.

Seeing as the second and final day of this year's conference took place in Fudan University, Professor Lim quite naturally moved into a discussion of education and its relevance to the concept of Asia. Professor Lim expressed his concern that after over twenty years of work at Japan's Waseda University his institution remains one of the few with extensive links to universities and faculties in China, with a modest but steady stream of language students arriving in Fudan every year from Japan. Looking to the future of Asia over the next ten years, it will be especially necessary to put more concerted and intelligent effort than has been done at present in order to bring a greater number of students from across Asia to study and learn in Shanghai and other cities. This is a key issue to the consciousness of messages and ambitions put forward by the whole forum, and requires effort not only in China to attract more and better candidates from Asia and across the world, but also initiatives – no doubt based on international governmental cooperation – to raise the interest of Japanese students who wish to study in China as well as Chinese to study in Japan. The potentials behind this academic exchange and its importance for confirming and bringing real historic and cultural evidence to the question of Asia 2011 – 20, is undeniable. These ideas represent both a confirmation of the worth of the debates at this year's forum, and also a challenge to bring them into an all-round and inclusive Asian universe.

China Can Act As Model of Moral Values of Coexistence and Common Prosperity

Reporter: Geng Lu



Lin Jinyuan

Associate Professor of Economics at Tamkang University, and received his Ph.D in economics from USC. A long-time supporter of cross-strait unification, his research focuses on applying insight from Taiwan's economy to mainland China. He advocates diligence and thrift, placing emphasis on the people's livelihood.

It is impossible to create a common currency if countries are in conflict over territorial disputes, military issues, and diplomatic standoffs. Therefore, there is still a very long way to go to establish an "Asian Currency Zone".

Reporter: You mentioned in your essay that the western "one vote one person" election system would produce negative effects for economic development and fair distribution, and therefore believe it to be inappropriate for Taiwan. Do you think it inappropriate for mainland China as well?

Lin Jinyuan: First of all, I must correct your saying, because what I mean is not that "democracy is inappropriate for Taiwan", but that we should not regard western democratic values as universal. Most of the younger generation considers western democracy to be a universal value, yet in fact, democracy is only one way to solve problems, especially public issues. Ostensibly, in western democratic systems everyone has an equal right to vote and each vote bears equal value, which makes it appear fair. However, financial groups and rich people will try to affect politics in many ways. Though each person has one vote, their influence on public politics is definitely not proportional to their vote.

Secondly, to deal with public issues requires consideration of benefits on every level. The key issue of democracy is how the government takes these different interests into account. However, many people misunderstand the key task of democracy as “one vote one person,” as electoral participation. Such an interpretation misses the point. For example, American democracy elects president through “one vote one person”. Starting with Jiang Zemin, the rise of Chinese leaders has a certain mechanism, yet the mechanism is unqualified in the western view because it is not an open election. Actually, for the public, as long as Chinese government operates well in that it is able to solve problems and will not cause political unrest, such a mechanism merits being carried on.

What I care about more is whether or not the fruits of economic development are shared by the public. The disadvantaged have no channels to express themselves, and very often, those who influence government are financial groups and elites. Therefore, what we should consider when we design a political system is how to guarantee that the voice of the disadvantaged will not be ignored.

Reporter: You just talked about the gap between the rich and the poor, saying the government’s decision is to some extent influenced by financial groups and other interest groups. In the 1980s and 1990s, Taiwan underwent privatization of state-owned enterprises, but such action somehow caused a larger gap between the rich and the poor in Taiwan society. What experiences do you think the mainland can learn from to better prepare itself for the reform of state-owned enterprises?

Lin Jinyuan: In economics, what is the meaning of state-owned enterprises? Those monopolistic industries possessing economies of scale or those that provide public goods are appropriate to be state-owned enterprises. Such enterprises can be good for consumers, such as water and electricity supply. There are many state-owned enterprises in mainland China, and most of them are remains of planned economy in the history.

Before the 1980s, government controlled state-owned enterprises in Taiwan, achieving both fair distribution of earnings and supporting development of private enterprises. For a long time, Taiwan enjoyed a growing economy, fair distribution, and mutual sharing of benefits.

The policy of “invigorate large enterprises while relaxing control over small ones” is correct, which is further proven by Taiwan’s experience. Earlier, many state-owned

enterprises in Taiwan were Japanese-invested enterprises. If state-owned enterprises operate correctly, it is good for the growth of private enterprises except for water and electricity as mentioned before. Certainly, state-owned enterprises should not compete for profits with people. Therefore, such adjustment is correct.

However, during the privatization of government run enterprises, you should pay close attention in order to guarantee that enterprises will not be controlled by financial groups. Taiwan had such experience before. Moreover, you should avoid launching privatization for privatization's sake which leads to cheap selling of many state-owned enterprises which enjoy high profits. Therefore, mainland China should endeavor to avoid launching privatization for privatization's sake. We should not assume that state-owned enterprises are poor in efficiency. Singapore Airlines is a state-owned enterprise, but it operates very well and enjoys high profits. After Japan's surrender ended WWII, South Korea quickly privatized Japanese-invested enterprises and sold state-owned enterprises at low cost, which leads South Korea to giant enterprises and financial groups.

Reporter: Someone has mentioned that China's rise today is only economic, not in civilization. What is your opinion?

Lin Jinyuan: This is also what I worry most about, and the direction I always call for mainland China to work hard for. As long as mainland China adopts the correct system and avoids big mistakes, it is easier to achieve economic growth, but the rise of civilization is a long and difficult process.

How can we launch a civilization transition? It is very important not to let economic development corrupt peoples' soul. First of all, we should guarantee fair distribution, because some people tend to show off if they become so rich. If we want to achieve civilization development, we can develop more public facilities, gain happiness from knowledge, achieve promotion of personalities through education, and avoid competing for materials. China is a state of etiquettes, should not learn western consumerism. Western consumerism is actually promoted on purpose by producers who create a consumer culture through advertisement telling the public that there is a new product which is different from previous ones, but such differences are exaggerated. For example, every time I come to mainland China for a meeting, I will get bottled water, yet recently, an environmental group proposes not to drink bottled water any more because there is a big lie underlying bottled water. American enterprises first tell the public to drink bottled water instead of tap-water, while in

fact, the source of bottled water is still tap-water, and plastic bottles will be thrown to underdeveloped countries and cause pollution. Therefore, if everyone brings a bottle with him that can be used for a long time, he can change his view of consumption immediately.

In fact, the United States already has consumerism, which is similar in Taiwan, but mainland China still has time to avoid such a result, for consumerism has not been a confirmed habit in mainland China.

Reporter: Mr. Robert Mundell “father of Euro” predicted in 2001 that “there will be three big currency zones in the future ten years”, among which Asian Currency is one of them. What are the reasons do you think that Asian Currency Zone has not been established yet?

Lin Jinyuan: A typical model nowadays is the Euro, because those European countries enjoy higher isomorphism, for example, in their development level, industrialization and historical and cultural background. However, the situation is much more complex in Asia, because countries differ in development levels and have many conflicts in history, the conflict over Diaoyu Island between China and Japan, and the conflict between China and the Philippines over southern sea. It is impossible to create a common currency if countries have conflict in sovereignties, military issues and foreign affairs. Therefore, there is still a very long way to establish an “Asian Currency Zone”.

Why should we create a common currency? For Euro Zone, the countries in EU want to compete with the United States, which can add chips for negotiation. It is widely predicted that there will be a situation of tripartite confrontation in the future. However, it is difficult to establish an Asian Currency in a short time. Therefore, we had better first solve conflicts between East Asian countries, thus achieving cooperation in resource development, which promotes the whole Asian economy and is helpful for the situation of tripartite confrontation.

One thing I want to put emphasis on is that the world view of European countries and the United States always regards the international relationship as a zero sum game that if you use more resources then I have to use fewer. However, China is long nurtured by Confucianism and has moral value of coexist and mutual prosperity and the spirit of regarding the whole world as one community. Therefore, China can act as a model of moral value to achieve a win-win situation instead of playing a zero sum game where people struggle fiercely with each other.

Chinese Government Needs to Pay Enough Attention to Environment Issues

Reporter: Huang Anli



Liu Shaochen

Graduated from Pittsburgh University, America in 1972, distinguished researcher and director of Environment Change Research Center in Taiwan Central Research Institute, part-time professor in National Central University and Taiwan University, guest professor of Peking University, elected as member of American Geophysical Union, won excellent paper prize awarded by American National Oceanic and Atmospheric Administration in 1981, 1989, and 1990, won councilor prize awarded by American National Oceanic and Atmospheric Administration in 1993.

China should take global warming as a real new science, a science very important to the country, and combine it with education and society to be taken into consideration by national policy.

Reporter: The report you bring this time is “Water Resource Crisis in Eastern China and Sustainable Development,” the main content of which is to talk about the influence of climate change on eastern China water resources. You have mentioned in your report climate change, global warming, and meteorological disaster. What is their inner relation?

Liu Shaochen: Academically, climate change includes many aspects, yet what I refer to here is mainly global warming. Meteorological disaster will naturally happen, yet the frequency of disaster is higher and higher because of global warming.

Reporter: Global warming will bring many influences to China, why do you

pay specific attention to water resources?

Liu Shaochen: If temperature rises, it will bring a series of problems. Both Chinese government and many scientists think that influence of global warming is no more serious than a little rise of temperature and sea level, and though there are certain negative influences, such influences won't become visible in a short time. I also think that some problems can wait for another ten or twenty years, yet water resource issue is very serious. We have been influenced by greenhouse effect for one hundred years. Flood disaster results are instantaneous, yet drought is even more serious. Statistical data show that economic loss brought by drought is several times larger than that of flood disaster.

With the rise of temperature, heavy rainfall in eastern China will increase while small rainfall may decrease. Small rainfall is the main source of surface water. If temperature rises, evaporation will intensify. According to an IPCC report, global temperature will rise 0.5 degree by 2040, in which case time between droughts in eastern China will be three times more than that in the past. Actually, not only eastern China, but also the whole country needs to deal with such problem. China is already a country short of water, and moreover, there are many giant reservoirs in China now, yet the number of small-sized reservoirs is smaller than that in developed countries, and recycling of water resource is even weaker than that in developed countries. If China fails to take measure to deal with water resource, it will face serious problems in agricultural water, living water and industrial water, and the whole economic development will be affected, which will be a very large cost.

Reporter: China has put forward a “low carbon city” concept in order to prevent global warming, then how powerful do you think is such measure?

Liu Shaochen: China's “energy saving and low carbon” is different from “carbon reduction” I refer to. By saying “carbon reduction”, I mean that the total emission of carbon decreases. The concept China puts forward actually refers to increase of energy utilization rate. Take one ton of coal for example, though our emission is half of that in the past, the total coal I use is ten times more, then total carbon emission still increases. Moreover, there is not enough time for carbon reduction. CO₂ can live for 100 years in the air, yet the effect of carbon reduction won't be seen until 50 years later. Global temperature will rise in 50 years, and increase of flood and drought disasters in eastern China is unavoidable. What we should do now is try to reduce loss of disaster by broadening water channels, solidifying

dams and building reservoirs.

Reporter: How is China's attitude toward climate change?

Liu Shaochen: China basically accepts view of IPCC, and there are many Chinese scientists in IPCC. However, IPCC is rather conservative, and therefore both Chinese government and many scientists think that global warming is only a small rise of temperature and sea level, and though global warming may bring some negative influences, the influences won't be seen in a short time. Flood and drought have something to do with global warming, yet Chinese government does not think so. Though IPCC says that there is connection, it does not clearly say how serious the impact may be. Chinese government thinks it not serious, yet I think that it is very serious.

Reporter: Are China's measures toward climate change positive and effective?

Liu Shaochen: China's measures toward climate change differ little from that taken by other governments. In face of climate change, a country usually should take two important measures: one is mitigation, the other is adaptation. Energy saving and carbon reduction is mitigation, and adaptation means how we deal with problems after it already happens. China does not deal with problems at all, while many other countries such as UK and Holland have taken measures very early to deal with rise of sea level. UK is protecting sea gate, and they are doing better, yet Chinese government does not want to take measures and think it as natural phenomenon. Though it is natural phenomenon, can we ignore it when it is getting more and more serious? It is so naive to think that because it is a natural phenomenon that it will not continue to be a problem.

There is also a cognition problem in government and scientific field. China regards global warming as a problem, yet not an urgent one. For instance, PM2.5 impacts China a lot, yet our government officials and EPB staff have long ignored it. PM2.5 has more direct and detailed result than global warming. Apart from Chinese officials, the whole world regard it a very serious problem. However, China does not set up a standard until 2016 while many other countries set up a standard 30 years ago and have carried the standard out. China's is an "ostrich policy." If we don't solve such obvious problems, how can we deal with rather abstract influence of global warming?

Reporter: Chinese government has already taken certain measures to deal with global warming. What stage do you think should such issue be taken onto?

Liu Shaochen: Indeed China has done something, yet it is pointed at global warming. Yunnan province has twice suffered severe drought, and China has decided to build more small-size reservoirs and make it a regular measure. Natural disaster does have natural fluctuation, and frequency of fluctuation is higher and higher, yet people only see the fluctuation without noticing gradual rise, and they only take measures when problems rise. There is not enough water in Yunnan province because of drought, and kids have to walk over ten kilometers everyday to carry water home for cook. If there are more small-size reservoirs in Yunnan, such problem can be solved. China should take global warming as a real new science, a science very important to the country, and combine it with education and society and take it into consideration of overall national policy.

There are many resources in China that can be used on such large-scale adaptation project. If Chinese government truly realizes that it is necessary to do so, it can do very well. If China can practice such big project as the South-North Water Diversion Project, it is not hard to build several small reservoirs. Moreover, Chinese government enjoys high administrative efficiency, and therefore, once the government truly pays enough attention to such problem, it can get very good results.

Development Space for China's Labor Intensive Industries Is 10 to 20 More Years

Reporter: Gong Yingqi



Long Yongtu

Long Yongtu is a member of International Advisory Board of Boao Forum for Asia. He used to be the vice minister at China's MOFTEC, the chief negotiator when China joined the WTO and secretary-general of Boao Forum for Asia.

Don't regard the international environment as a disaster. The United States has basically restored; the Europe has huge economy and with the addition of its advantages of technology and systems, it would maintain great resilience to recover. I've always disapproved the statement that China's economy outshines rivals.

Reporter: People have cared about the growth rate of GDP deeply since the beginning of this year. Premier Wen Jiabao set the target of economy growth rate as 7.5% for this year in the two sessions, which is the first time in eight straight years that this number went “below 8”. It's 8.1% in the past quarter. How do you estimate China's economic growth this year?

Long Yongtu: Economic transition in China still needs a long time; the developmental growth in east area has slowed down, whereas it rises rapidly in the central and western regions. Though the overall figure is not remarkable, that in Sichuan, Chongqing and Guizhou is 14% to 15% as we can see. In all central and western areas, the trend of investment driven growth is still strong. As for this year's

growth rate, I think 8% is not a problem.

Reporter: Does the eastern part meet the bottleneck and need to find new sources of growth?

Long Yongtu: The eastern part would indeed suffer quite a painful adjustment process. However, during the period of industrial upgrade, labor intensive manufacturing industries, including processing trade, should not be dropped too soon. The growth and cultivation of new industries take time and high-end service industry could not be matured at once. As a result, we should not give up the market we've already held.

Development space for China's labor intensive industries is 10 to 20 more years, which accords with our history and current situation of population structure. Western countries, including US and UK, developed their industries for one to two hundreds years. The transition should be to improve commercial quality and meet market demands. Labors in central and western regions still hold competitiveness as everyone considers that labors begin to turn expensive.

Reporter: Someone believes that the European debt crisis is getting worse and worse. What kind of role do you think should China play in this crisis?

Long Yongtu: Don't regard the international environment as a disaster. The United States has basically restored; the Europe has huge economy and with the addition of its advantages of technology and systems, it would maintain great resilience to recover. I've always disapproved the statement that China's economy outshines rivals. China's foreign trade data for the last three months is not good, but it's fine generally since the global financial crisis; a 20% increase happened in China last year. I think it's possible this year that the figure would go up by double digits – 10% to 15%. So don't easily give up the international market we've already held; I've consistently pointed this out.

Reporter: People have paid much attention to prices of commodities, food safety and air pollution. Do you think whether these livelihood issues would affect China's development?

Long Yongtu: Inflationary pressure in China is not big actually; it is reflected in the rise of agricultural products and food prices, which belongs to structural inflation.

We can see that the price of industrial products is not high while the prices people feel high are exactly those supposed to rise. This is logical because China is on its way to industrial society from agricultural society. The price of agricultural products is supposed to increase and people need to understand and accept. In this process, the dilemma of medium and low income crowd would definitely follow. Therefore, some necessary financial policies should be applied, such as subsidy for medium and low income crowd - a strategic subsidy is inevitable.

Integration and cooperation in Political Area among East Asian Countries

Reporter: Chen Lijuan



Miles Kahler

Rohr Professor of Pacific International Relations at IR/PS and Distinguished Professor of Political Science at UC San Diego.

A regional institution with broad scope, covering both political and economic issues, and one that brings together top leaders in an organized summit setting is one path for encouraging positive linkage between the two domains.

Reporter: You mentioned that economic interdependence is guarantee of Asian regional order. As we all know, while the integration in economic area has moved deeply, the cooperation in political area between governments lagged behind, in your opinion, why does this phenomenon exist? How to solve this problem?

Miles Kahler: East Asian governments have largely separated economic and political-military issues as the region has become more integrated. This approach is valuable in maintaining economic ties during periods of political conflict, but the positive spillovers from economic integration are also reduced. A regional institution with broad scope, covering both political and economic issues, and one that brings together top leaders in an organized summit setting is one path for encouraging positive linkage between the two domains. The East Asia Summit could become such a forum.

Reporter: There is a popular view that China-centered hierarchy is one avenue to the maintenance of a peaceful order in the region, what's your opinion? And what kind of role should or can China act?

Miles Kahler: Hierarchy of the type that once characterized East Asia is an unlikely future for the region. The region contains large nation-states, other than China, that would be very unlikely to accept a subordinate status in such a system. Chinese leadership in regional issues would probably be welcome, however.

Reporter: The United State takes an important role in the Asia area, especially its relations with China, so what do you think of the hierarchical orders between the United States and China in the Asia area?

Miles Kahler: Neither the United States nor China can sustain a hierarchical order in the region; rivalry between the two would also be damaging to regional order. Participation in the design of a new regional order on the part of both China and the United States is the optimal course of action for East Asia. Both China and the United States share broad goals of peace and economic integration for the region.

Reporter: There exists many disputes like longstanding maritime disputes and historical problems among Asian countries, the recent standoff between China and the Philippines at the Scarborough Shoal is a dramatic example. Can these problems be solved? Do you have any proposal to enhance the consensus and trust among Asia countries?

Miles Kahler: Unlike Latin America and Europe, East Asia has not found an accepted regional formula for resolving territorial and maritime disputes. Bilateral and multilateral negotiations may resolve some of these disputes, but regional governments may choose to rely on judicial or quasi-judicial mechanisms as well. For example, ASEAN governments have in the past turned to the International Court of Justice for a resolution of some territorial disputes.

Reporter: Although there are many inter-governmental organizations in East Asia, but they are scattered and in low degree of integration. Can Asian create a regional order like the European Union? Why or Why not?

Miles Kahler: East Asia can develop more effective regional institutions without following the model of the European Union and its highly elaborated institutions. For those institutions to achieve success at deeper economic integration and a reduction in militarized disputes, a different institutional design will be required.

Regionalism Is the Outlet of East Asia Cooperation

Reporter: Chen Xialu



Pang Zhongying

Pang Zhongying is a famous Chinese scholar on international politics in the present age. He works for School of International Relations, People's University of China, as a professor and doctoral supervisor.

The order of Asia in the future must be a regionalism arrangement.

Reporter: You've mentioned in your speech in the sub-forum that East Asia cooperation is not just about the issue of the United States, but more about realizing internal conflicts. What do you mean by that?

Pang Zhongying: We should not emphasize the cause of the United States while facing everything; the US does influence, because what they want is not cooperation of East Asia but of transpacific area, namely Asia-Pacific cooperation. There is an easy solution for China; we, on one hand, need to emphasize the necessity of regional cooperation and East Asia cooperation. We may admit that the US is a pacific country, but it's absolutely not an Asia-Pacific country. As for Asia-Pacific countries, it refers to those in the west of the region (Asia). We cannot make the concessions just as we cannot regard the US to be a European country. The US is not among the European Union, so similarly, why should it be considered while speaking of the East Asia cooperation? The East Asia Summit invites the US, Japan invites the US and South Korea invites the US; that means the major obstacle of East Asia cooperation is from inside. Why do these countries invite the US? It's mainly for balancing off China. In this situation, carrying out East Asia regionalism is impossible.

Doctrine is supreme. It's a theory guiding our actions and our way to the safety of our social and political system. Nationalism is one type and regionalism is another when thinking about East Asia cooperation. We cannot define regionalism with nationalism, neither with imperialism since they are conflicting with each other. In a word, if every part really wants to cooperate, they should stop blaming the US, saying that it's the US that destroy the East Asia cooperation, and find internal reasons within East Asia instead. Like the cooperation between France and Germany, the distance from Berlin to Paris is absolutely much longer comparing to that from Washington to either of the two cities. Despite a long conflict period between the two countries, they come together at last. Back to China and Japan, the distance between Beijing or Shanghai and Tokyo is short, but what we see is Japan is the first East Asian alliance of US and they are closer to each other. The Sino-Japan relations are so complicated and confronting so many difficulties these days. We are geographically close, but psychologically separated greatly.

As a result, it's before the time right now talking about regionalism. However, regionalism is the only way to solve the problems in Asia. People have forgotten regionalism and would probably stay the same in future. But regionalism needs to come back in the future and the problems should be solved within a regional framework. The experience from Europe, even Africa, can be borrowed because Africa is not only a continent but all countries there share common characters and common future. East Asia is the same as well. Voices have been raised recently that China is trying to restore the tribute system. However in the future, we would not go back to the China-centered tribute system or the Japanese Great East Asia Co-prosperity Sphere, and not keep the current US-centered imperial liberal regime, but formulate a regionalism arrangement like what in Europe – an equitable order in its true sense. Ireland and even smaller countries are in the European Union, which solves small countries' problems and wipes out their worries about big powers. The issue of China's rising which people fear could be dealt with in this way. The order of Asia in the future must be a regionalism arrangement.

Now every part is unwilling to pursue regionalism due to the US and various internal reasons. In those days, Hu Shi said people should discuss less on doctrines but more on issues. Nowadays it's just the opposite and more doctrines are welcomed in East Asia as well as in this conference. So I think China's action in the future is to push East Asia to the direction of regionalism, to ensure that countries are equal no matter how big they are; regionalism could indeed realize the equality of large and

small countries. Why have 27 European countries joined the EU? EU is attractive to large countries, but more to small ones. Some small European countries put forward a slogan called “Return to Europe” after the collapse of Soviet Union; the “Europe” here refers to the European Union then. No one is interested in the Japanese militarism Great East Asia Co-prosperity Sphere; US-centered liberal regime is not suitable either. We should center on the Asia.

Therefore, I think the order of East Asia in the future is not Great East Asia Co-prosperity Sphere or US-centered but a regionalism arrangement. But just owing to the so-called return of US to Asia, regionalism is neglected. That’s the problem.

Reporter: The theme of this Shanghai Forum is the strategy for the next decade. How do you think of China’s future development?

Pang Zhongying: China’s next decade is promising. Considering the past ten or twenty or even thirty years, great changes happened in each stratum. This means China has made tremendous achievements. Certainly huge problems come along, but it’s on balance positive. This is why foreigners are afraid of China’s rising. We need to maintain our positive impetus for the next decade, not only the impetus of development but of making achievements. If we can on one side keep this positive impetus and at least control manage and govern some pointed, complicated, difficult issues effectively on the other, we China would have a promising future in the coming decade.

The west, including Europe and US, is at a time of crisis while the influence of Soviet Union’s collapse is not over yet to Russia. So we need to keep our impetus and solve our problems properly. The “problems” here could be perceived generally as the reform of our political system, imbalances between our economy and society, etc. If China could not settle these problems, our efforts and achievements of the reform and open to the outside world, even those for China’s rising in the past 100 years might be digested gradually. The west had made large progress in Renaissance and Industrial Revolution during last centuries, but some say they are declining and suffering crisis. Take Greece as example. The western civilization is traceable to Greece while it could be described as a tragedy there now. But if China would keep its impetus and solve the problems including various macroscopic ones as I have said, it will go far then. Surely it’s conditional; I’m not saying our future is definitely bright. These conditions must be met and the problems need to be solved.

Regardless of the One-child Policy China's Fertility Rate Will Drop

Reporter: Caspar van der Plas



Ronald R. Rindfuss

Professor at the Chapel Hill South Carolina University. He is a social demographer. Initially most of his work deals with fertility, also dealt with population, environment, migrations and family demography.

By disbanding the current one-child policy on the short-term nothing will change in China's population growth rate, the question should be whether the current policy is able to control China's growing population and the negative effects that come with this policy.

Reporter: What would happen if China's one-child policy would be disbanded?

Ronald R. Rindfuss: Basically on a short term basis, nothing will probably change. One of the reasons is that it also has a lot to do with the mentality of a country's population. At this moment China's one-child policy is a hot topic around academic circuits and there are a lot of discussions about what will happen when it would be disbanded, but actually, we don't know.

Reporter: Do you think that China's fertility rate will decrease during the upcoming 10 years either with or without the one-child policy?

Ronald R. Rindfuss: As long as the one-child policy remains, the decrease of fertility

rate will be faster than without the one-child policy. This means that regardless of the one-child, policy China's fertility rate will drop. But still there is a huge difference in fertility rate between rural and urban areas. China's rural areas seem to keep a high fertility rate in comparison to urban areas. But these circumstances are linked to different topics such as urban migration and increase of wealth.

Reporter: The Hukou system in China refers to the system of 'class system' residency permits. The household registration record officially identifies a person as a resident of rural or urban area and includes identifying information such as name, parents, spouse, and date of birth. Based on this system, rural born woman with agricultural Hukou status are subjected to rural fertility policy, even when they have migrated to urban areas. A big negative effect of the policy is that disparity of wealth between rural and urban areas increases. So does this mean that in order to decrease the disparity between rural/urban wealth and have positive effects on China's TFR, the Hukou system has to be improved before changing or disbanding the one-child policy?

Ronald R. Rindfuss: With the current Hukou system the disparity in wealth between rural and urban areas is really big. There is a correlation between getting children and an increase of family wealth. If China's Hukou system would be improved, the disparity between residents from different areas decreases, this would have an effect on China's TFR. The question is whether it makes a difference when changing the one-child policy afterwards. Based on the given statement, the one-child policy is implemented within the Hukou system, so if the Hukou system would change this would also have effect on how the current one-child policy is implemented within the changed Hukou system.

Reporter: Can you comment on the statement: "China has outgrown the one-child policy"?

Ronald R. Rindfuss: Nobody really knows what will happen when the one-child policy will be disbanding. There are too many variables that could have an effect on China's population growth rate. China's population increases each year by approximately 12-13 million people, a number that exceeds the total population of many individual countries. Therefore we can conclude that by disbanding the current one-child policy on the short-term nothing will change in China's population growth rate, the question should be whether the current policy is able to control China's growing population and the negative effects that come with this policy.

China's Role in the China-Japan-ROK FTA

Reporter: Che Rui



Takashi Terada

Professor of international politics at Doshisha University in Kyoto

I think China should move to realize its own trade and economic interests in the form of regional FTAs. As such a big economy, China's move would inevitably have a considerable impact on any nation including the United States.

Reporter: What may be the possible obstacles against forming a China-Japan-Korea FTA?

Takashi Terada: There is a regulation on foreign investment that requires a consolidation with local companies, and principally it does not approve the shareholding ratio of more than 50% when foreign companies construct an automotive factory, to which the Japanese industry has expressed complaints that the regulation is not always clearly defined and the requirements for approval get changed without notice. Hence, Japan and Korea both had the common issue of complaints and requests from companies, which led them to request China for the trilateral investment arrangement, including the transparency of the regulation and the strengthening of the protection of intellectual property.

FTA means an industrial adjustment between contracting parties, and, therefore, Japan and Korea, who are less competitive than China in terms of the price of agricultural products, were cautious about the trilateral FTA.

Reporter: How can we narrow the difference over political and economic values between China and Japan?

Takashi Terada: There are many differences: human rights, democracy and so on. Many people may say that we need more discussions and dialogues to talk. At least, we acknowledge the mutual differences. So if we find it almost impossible to narrow the political differences and values, why don't we go without narrowing them? We can simply find the areas or fields in which China and Japan can cooperate with each other, for instance, regional financial architecture and less dependence on the US dollars. In this case, we don't need to narrow such different political systems and values.

Reporter: What should China do to establish a regional FTA framework?

Takashi Terada: While the negotiation for the U.S.-led TPP was progressing, China was claiming more strongly than before for the promotion of Japan-China-Korea FTA. When Japan decided to participate in the TPP negotiation in November 2011, China accelerated the movement towards the conclusion of Japan-China-Korea FTA. This means China's FTA interest, especially the trilateral one, has been inspired by the United States through TPP. I think China should move to realize its own trade and economic interests in the form of regional FTAs. As such a big economy, China's move would inevitably have a considerable impact on any nation including the United States.

Reporter: How should China improve its labor standards and environmental protection to join the TPP?

Takashi Terada: A labor section in TPP would request member states to follow the rules set up in the International Labor Organization (ILO), including collective bargaining, freedom of association, prohibition of forced and child labor, and discrimination in employment. Yet, I don't think the Chinese government would allow companies, especially state-owned ones, to set up labor unions to negotiate the wages and other issues.

Reporter: What do you think about the rise of Chinese-style state capitalism

in other countries? (As you mentioned in the article: <Games Changes in Economic and Strategic Order in East Asia>)

Takashi Terada: I think the Chinese capitalism means the government intervention in the market. Beijing's quick and decisive injection of a four trillion-yuan package in November 2008 was touted as a crucial state intervention which lifted China out of the global economic doldrums in double time. This model has attracted many admirers from developing countries which sought to copy the China model. For instance, a strong indication of an ideological shift is how the crisis has intensified the relationship between the four developing BRIC (Brazil, Russia, India and China) countries.

At a meeting to discuss the global financial crisis in Russia in June 2009, the BRIC countries reportedly advanced the possibility of dumping the U.S. dollar as the world's reserve. But in western countries, the decision-making process of democracy needs quite a long time to implement a policy to rescue their people urgently. This is a reason why the China model became attractive. Yet China and Japan differ over political and economic values such as the promotion of democracy, human rights or intellectual property rights, and this fundamental difference will never allow Japan to fully join the Beijing Consensus camp, leaving Japan in a delicate position in its relations with China.

Reporter: What's your own attitude to the maritime disputes between China and its Asian neighbors?

Takashi Terada: If China wants to solve maritime issues, I think China would have no choice but abide by international law which is UNCLOS. This is an international rule on maritime territorial disputes and I think China as a global responsible state should legitimize its territorial claims by providing evidences based on this international law. I believe many countries and people want to know what the legal basis of China's territorial claims in South China Sea is. I am aware that the so-called cyber nationalism has been growing and that people in this group would like to accuse the government of its weak stance towards foreign affairs, especially territorial disputes. To cope with or control the cyber-nationalism is substantially difficult for any state, especially when the internet makes it possible to express radical opinions anonymously.

China's Rise is the Rise of a Superpower

Reporter: Zhang Ruoyao



Wang Wen

Experienced editor of Global Times

Peaceful rise represents a strategy goal which does not mean we need to totally give up military force and war. The whole world should believe that China has the determination and goal of peaceful rise, and should also work together with China in order to make China's rise really peaceful.

Reporter: Luo Jiahui, during the interview early this year by NPR, said that “all people and governments around the world doubt China’s intention” while talking about China’s development and rise. Do you agree with him?

Wang Wen: I think it is an exaggeration of international doubt. A couple of days ago, I interviewed John Mearsheimer, who coined the “China Threat Theory” and has been propagating the “China’s threat” for many years, yet he also admits that only 10% in American academic field agree with his view while 75% disagree. From this angle, we can see that the majority of people believe that China can achieve peaceful rise. Moreover, international opinions toward China’s rise also change in the past few years. Facts since 2008 show that more and more people in the world hold

recognition and welcome attitude toward China's rise and believe that China's rise is controllable and will not bring threat. American president Mr. Obama has said for several times that "we welcome China's rise". Author of "end of history" Francis Fukuyama has also revised his opinion, thinking that there is nothing American democracy can teach China.

If we have to find some reason for Luo Jiahui's view, which may be with the rapid speed of China's rise, China's behavior is more and more exposed to global media and opinion. Now main media around the world almost cover China in reports everyday, which never happened in the past. In this case, the whole world is examining China with microscope, and western media tend to report China in negative discourse, which more easily causes fake phenomenon that the whole world doubts China's rise, yet today, more and more western media people have been learning to explain and understand China's rise, and therefore, percentage of positive reports keeps increasing.

Reporter: Professor Mearsheimer said during the interview with you that there was nothing new in proofs against his point of view in the past 9 years, does it mean that we have long made no breakthrough in proving legality and rationality of China's peaceful rise?

Wang Wen: To some extent, it is the truth. Firstly, we need to admit research bottleneck, because it is not only problem of China, but the whole world has no quality change in international relationship in the past 9 years. Secondly, there is almost no big power achieving peaceful rise in the past 500 years, which makes peaceful rise hard to be proved just like Goldbach conjecture. Thirdly, China's rise is the rise of a super power. UK's and France's rises in the 19th century are rises of millions of people; America's and Japan's rises in the 20th century are rises of tens of millions of people, yet China's and India's rises in the 21st century are rises of billions of people. China's rise equals rise of 50-80 powers like UK and France in the 19th century. Rise of such a super power will bring stronger uncertainties, which makes it harder to prove China's peaceful rise than to prove that of UK and France, and there are also more changes in reality.

Reporter: Is it possible that we can gain some substantial proofs in the future to enhance international recognition toward China's peaceful rise?

Wang Wen: I think that progress of theory first depends on practice. The 19th

century sees rise of small-size power; the 20th century witnesses rise of middle-size power, and the 21st century is rise of super-size power. Whether we can achieve substantial progress in theory depends on development of practice. There is still a long way to go for China's rise, and there are many uncertainties about the future. Maybe after 30-50 years, China will successfully rise without a war, and then, practice will naturally prove innovation of theory, and make it easier to prove. Whether we can solve peaceful rise topic mainly depends on practical development.

Reporter: Last year, there was a review in Global Times saying that “China should hold the balance between peaceful rise and courage in facing friction”, believing that peaceful rise concept is not in contradiction with the possibility of use having regional military friction and conflict.

Wang Wen: Peaceful rise represents a strategy goal which does not mean we need to totally give up military force and war. The whole world should believe that China has the determination and goal of peaceful rise, and should also work together with China in order to make China's rise really peaceful, which is a good thing for the whole world, for east Asia, and of course for China. However, if some countries make troubles, China should give active response.

Reporter: There are some Chinese netizens doubting whether China can rise peacefully, and professor Mearsheimer has also mentioned that he believes that there are number of Chinese people who agree with him. According to you, how do Chinese people recognize peaceful rise?

Wang Wen: We need meticulous research from academic perspective. If let me say according to my feeling, I believe that the majority of Chinese look forward to China's peaceful rise, yet on the other hand, when China is bullied, the majority of people hope that China can give timely and forceful response. The seemingly contradictory views reflect Chinese people's complex and contradictory attitude toward peaceful rise, and I think such attitude is very normal which typically reflects puzzle and uncertainty of the future. Nowadays, both national and global environment is very complex, and no one knows what China can do in the future. In this case, Chinese express a wish that we hope not to fight with others, and there are few people holding chauvinism in China. Generally speaking, Chinese people are tender, yet being tender doesn't mean being weak.

Reporter: Your suggestion of solving territorial disputes is “put aside

disputes and try to achieve common development”, yet there are also opinions thinking that there are many problems now and it is hard to maintain stability in the past, and therefore, current diplomatic policy should turn from seeking for stability to trying to solve problems, what is your opinion of such point of view?

Wang Wen: I think it a very reasonable point. Of course we cannot adopt past “ostrich policy”, and it is not contradictory with “put aside disputes and try to achieve common development”. In the past, what we did more in the South China Sea and other issues is “put aside disputes” without seeking for “common development”. I restate “put aside disputes and try to achieve common development”, and it is very important at least in our debate with the Philippines, because China has never stirred dispute on Huangyan Island, etc., yet countries such like the Philippines and Vietnam don’t want to put aside disputes, and hopes to stir sovereignty dispute. There is no space for bargaining when it comes to sovereignty, and therefore China should fight back. If in the end the problem cannot be solved through talk, we have to resort to war.

I hope they can put aside dispute and try to achieve common development. The latter is more important for China. There are over 1000 oil wells exploited in the South China Sea in the past 30 years, yet China just exploited the first oil well there one month ago. In the past, we could not achieve such goal because of national power, strategic sense, etc., and now we should take the initiative to develop. In some disputed areas, we can actively cooperate with dispute countries, put aside disputes, and what is important is how to cooperate and gain profits according to contributions.

Reporter: You have mentioned role of American responsibility in avoiding East Asian war, as to this part, does it mean that we can only depend on American self-control, or we can also make some effort in order to form certain restraints on America?

Wang Wen: Both. Crucial sources and solutions of many East Asian problems are actually closely connected with America. If East Asia wants to go out of current difficulty and lower possibility of war, America is surely an important action taker. The result of America’s offshore balance in East Asia is that relationship between every two Asian countries is worse than their own with America. America needs to take on duty of maintaining peace, and not to stir doubt and fight among East Asian countries. Once war explodes in East Asia, American cannot gain too many profits

from it, and burst of war must have something to do with America. Therefore, how to lower possibility of war is closely related to America's duty. On one hand, we should depend on dialogues between China and America, Japan and America, South Korea and America, the Philippines and America to influence America's interest groups, think tanks and media in order to let them realize their responsibility of east Asia, and on the other hand, we need to have certain ability for game as well, for example, we can pose pressure on America on selling warship to Taiwan, military maneuver, the Philippines issue, etc., and express strong opposition.

Reporter: Why do you specially mention the role of strengthening dialogue between media and the public in lowering possibility of war?

Wang Wen: First of all, with China's rise, nationalism also rises. More and more people hope that China can show strong standing on disputes, yet on the other hand, every country has such nationalism. Philippines' media and people also stir nationalism, their foreign minister even said that they would spare no effort to fight with China. However, problems cannot be solved on force alone. How can we deal with such feelings? We need to strengthen dialogue between mainstream media and opinion leaders. Once they achieve mutual understanding, they can effectively reduce some misunderstandings and hostilities because of wrong judgment. Surely, it is not the only solution.

Reporter: You have mentioned that there is more and more discord between nationalism and East Asian peace. Some scholars think that today we more need support of a global sense than any time, and at the same time they cast eyes on Chinese tradition. Do you think it possible for us to develop an idea or principle that can guide regional order construction in order to lower possibility of war?

Wang Wen: Surely it is one of choices for scholars. Nowadays there are basically three groups of scholars according to their evaluation of China's relationship with other countries and general strategy for China in the future: the first is ancient China belief, more like tributary belief. This group develops very fast in the past two years, and scholars of this group study whether China can recover tributary system of Ming Dynasty which is to achieve peace through other countries' following China-centered East Asian order. The direction of research just starts, yet even though they may get some results, it is very difficult to practice them in reality because tributary system puts China at the top of East Asian pyramid, yet it is impossible to

go back in reality. The second group is western centralism, and their main point is that Europe and America are centers of the world, and as long as China melts into the western-centered international system, it is all right. I do not agree with such opinion as well, because China's rise cannot live under western shadow forever and we have to make changes. Moreover, current international system is unfair and is hard to be improved. I myself relatively agree to the third point of view. Current East Asian condition has never be seen in the past 500 years, first because it is complex, secondly because there are many countries and large population, and thirdly there are many history sequences in east Asian. In face of such unprecedented condition, we can only seek for our way through practice. Reconstruction mode of East Asia is must different from that of Europe and America. An important characteristic of western mode is goal-oriented, while East Asian mode is more like carefully looking every step. Such mode is harder than western mode, and it is problem-oriented in that there will naturally be a way after problems are solved.

Reporter: Back to the topic of this year's Shanghai Forum "Strategy for the future ten years", can you predicate East Asian situation after ten years from the angel of possibility of war?

Wang Wen: It is very hard to say. I am an agnostic about the future. In fact, no one can predicate, especially in the Asian-Pacific region, the most complex area in the world. There are many big powers, complex religions, different cultures, imbalance of economy, conflict of ideologies, disputes of trade and territory, etc. In the Asian-Pacific region, and therefore it is very hard to predicate things after ten years. The topic of this Shanghai Forum is very good indeed, because this year is term change year in the world. There are over 50 countries, including some big powers in Asian-Pacific region such as Russia, America, South Korea and China all undergoing term change this year. In China in particular, transfer of power means that China's strategy for future ten years may be clearer and more certain. Therefore, this year's Shanghai Forum uses "strategy for future ten years" as topic, which actually shows a Chinese ontology. Also, this year is key to the whole Asian-Pacific region because power transfer accomplished this year will make policies of other countries for future ten years clear as well. Therefore, I think the topic of this year's Shanghai Forum has foreseeing ability and grasps the pulse of the times. As to East Asia after ten years, I think it very hard to predicate, and I had better maintain my prudent attitude.

Market Share of Electric Vehicles will Continuously Increase in Future Ten Years

Reporter: Ni Jiawei



Wang Zidong

Director of Storage Battery Lab of China North Vehicle Research Institute, Director of National 863 Electric Vehicle Storage Battery Test Center, No.1 authority in China electric vehicle

What is most important is that we open up the whole storage battery production and utilization industry chain in China. Only by doing so can we make it a circle where there are people producing it, some buying it, some utilizing it, some reproducing it and some recycling it. Only when we make capital and initiative flow can we make money.

Reporter: You have mentioned during roundtable speech that we should draw some lessons from several battery accidents, and one of them is that we should not blindly pursue endurance mileage, acceleration and fast charge. However, for ordinary people, their requirements for electric vehicles are that they can go long way, have good acceleration function and fast charge. Then, what angle do you take when you propose such point of view?

Wang Zidong: In fact, endurance ability is not an index of technique for storage batteries. It is easy to understand because for a electric vehicle, the more batteries it

carries, it gains longer endurance mileages, yet on the other hand, the more batteries it carries, the heavier it becomes, while will lead to many other problems.

Also, fast charge is not as easy as we imagine. Nowadays, fast charge will reduce use time of battery, which I have already mentioned in discussion. A lot of batteries of laptops and electric vehicles are worn out, and a very important reason for that is charge. Present way of battery charge was introduced to us by Japanese battery production enterprises in 1990. Whether there are more suitable charge ways remains to be discovered.

As to constant voltage charge, it is an issue of technique and remains to be improved. Judging from current technical level of storage battery for electric vehicles, we still have a long way to go before meeting various indexes of fuel vehicles.

Reporter: Is there a long-term goal and requirement for domestic storage battery development? Can we learn something from overseas?

Wang Zidong: Overseas technique is indeed a little bit advanced than ours. Compared with foreign countries, we have large improvement space in stability control of materials, automation degree of battery production, combination technique of battery and development of our whole industry chain. Yet, judging from battery for electric vehicle, no country has achieved mature development. Maturity of a product means that it can become a good and thus circulate freely in the market. Only when domestic storage battery reaches such level can it be called mature.

Reporter: I notice that government has provided many capital and policy support in domestic electric vehicle industry development.

Wang Zidong: Judging from electric vehicle development, we do need government's support, especially pulling in the early stage. Once electric vehicle industry technique matures, we need to give it to the market for test. Whether we can make a good real or not mainly depends on test of free market, just like private car. Things that ordinary people are willing to buy without government subsidies can be called a good, or else it cannot develop merely upon subsidies. In the future, China will definitely shift from government leading mode to policy and capital support.

Reporter: As far as I know, currently some cities are launching priority promotion of electric buses and city special electric vehicles, such as Beijing,

Shenzhen, etc., and several domestic automobile companies such as China FAW, An Kai, and Yu Tong have also shown their independently developed pure electric buses, of which some have already left the assembly, and some have already been put to test operation. Do you agree with these actions?

Wang Zidong: In fact, I think current development level is not suitable for electric buses and city special electric cars. It has not been long since development of new technique of electric vehicle storage battery, and therefore there are many things to be tested. As I just said, the technique of electric vehicle is far from that of fuel vehicle. At the same time, electric buses need to carry heavy loading and long mileages, while the reliability is hard to control. If we attach a technically immature product to a vehicle of large loading and poor operation mode, we more or less spoil things by excessive enthusiasm. Therefore, electric vehicle technique is not suitable for buses, and thus I suggest we have more technique considerations on such thing because technically speaking, it is not mature enough.

Reporter: Which respect do you suggest should government provide policy support?

Wang Zidong: We cannot partially focus on a specific respect. What is most important is that we open up the whole storage battery production and utilization industry chain in China. Only by doing so can we make it a circle where there are people producing it, some buying it, some utilizing it, some reproducing it and some recycling it. Only when we make capital and initiative flow can we make money.

Reporter: As you said, government is main force to push electric vehicle industry development in current stage. In 2010, Ministry of Finance and National Development and Reform Commission, etc. Have already set up five model cities of providing purchasing subsidies for new energy vehicles. Cities like Beijing, Shenzhen etc. have already passed implementation plans last year, yet as of now Shanghai's implementation plan has not been carried out. Do you think that there are shortages in Shanghai government's efforts to push electric vehicle industry development?

Wang Zidong: I don't think we can easily draw a conclusion simply on a group of data. Shanghai municipal government has indeed made great efforts in pushing electric vehicle development. The government is sensible in taking action, not that it is taking no action.

Reporter: Judging from current domestic situation, consumer market of electric vehicle is a little bit cold. Many consumers still hold “wait and see” attitude toward electric vehicle. Do you think such phenomenon will turn better in the future ten years?

Wang Zidong: There are many factors for limited acceptance of electric vehicles in current stage, yet these problems will be solved one by one in the future. It is a definite tendency that occupation rate of electric vehicle will continuously increase in the future ten years both because of requirements of scientific advancement and senses of energy saving and emission reduction.

Imperfect Markets are the Biggest Restrictions Innovation

Reporter: Luo Fen



Xue Lan

Dean of Public Administration College, Tsinghua University, distinguished professor of Changjiang Scholar, main research direction is public policy and administration, science and technology policy and innovation administration, crisis administration, vice-president of China Administration Management Society, vice-president of Chinese Management Science Society

Governmental organizations need to actively cooperate with social organizations. Take food safety for example, if we establish a system encouraging people to report when they see illegal actions, and thus find and solve these problems.

Reporter: It is pointed out in <OECD Chinese Innovation Policy Research Report> that there lacks coordination between regional research and innovation in China. For instance, Beijing occupies more basic research resources, yet does not have equipped industrial foundation, while Shanghai enjoys active industrialization yet lacks strong use-oriented basic research facilities. How do you think can such situation improve in the future ten years?

Xue Lan: We need to give concrete analysis for concrete issue. Beijing enjoys very strong research ability in that there are The Chinese Academy of Sciences and other famous universities, yet we also have to see that Beijing is already a political, cultural and educational research center of China, which makes it very hard to

become an industrial center since a city anyway occupies limited resources and it is impossible to become “center” of all kinds. Judging from element cost (population explosion issue in Beijing is already very serious), it is not suitable to develop so many industries in Beijing, which is not saying that Beijing’s knowledge potential has not been fully developed, but it is restricted by other elements that make it hard to develop so many industries. Of course, we can further discuss on how to make knowledge products produced in Beijing spread more quickly and effectively.

Shanghai’s research ability is also in front row like Beijing, and faces similar problems as well, which means that they both need to make sure their position of development. There is one point where Shanghai is better than Beijing - coordination. Shanghai’s coordination with Yangtze River Delta is better than Beijing’s with Bohai Economic Rim. Yangtze River Delta provides innovation potential for Shanghai and achieves strong radiation effect.

Reporter: Do you think that there will be innovative enterprise like Apple in China in the future ten years? Why?

Xue Lan: Frankly speaking, I’m not very optimistic about that. Currently, government has almost used all encourage measures and policy tool that it can use, such as 2011 plan, yet the biggest problem is that there is still a big gap between our market and a mature market for fair competition, and moreover, our market improves very slowly. Sometimes I talk with the founders of small enterprises, and I know that it is very hard to run a enterprise nowadays because there are a series of problems. Imperfect markets are the biggest restrictions on innovation.

Reporter: As to improvement of market, you have previously mentioned that China has already reached the key point to pursue overall improvement of market environment and system structure. What measures should government takes in order to achieve such overall improvement?

Xue Lan: Government can do a lot, and small enterprises as well as innovative enterprises can feel the improvement most deeply. For example, the most basic measure is protection of intellectual property rights. Secondly, government should lower the threshold for enterprise start, and attack illicit competition including monopoly. Thirdly, government should strictly attack irregular action, such as environment pollution and intellectual property right violations. Moreover, government should improve loan floating environment and build relatively perfect

credit system, which are all important components of perfect market environment.

Reporter: You have pointed out that the salary of researchers is highly suppressed and double-track phenomenon in science and technology labor and capital market is very serious, which has become an important reason for flow out of young talents in universities and research institutes in recent years. Can you talk about ways to solve such problem according to your experience of overseas study and work?

Xue Lan: Non-profit organization providing public service is called national institute in China, and if it provides knowledge dense service, it will pose higher requirement on labor capital which costs a lot. Countries in the world all provide encouragement for knowledge capital. Usually, foreign countries offer higher salary for same post. Of course, non-profit organization has lower marketization degree, and thus encounters certain restricts in salary. In the United States, government provides less for same post than enterprise, but work in government enjoys higher stability and retirement security. In market economy, labor capital has a shadow price in market, and if there is a huge gap between salary provided by government and the shadow price, the whole labor capital distribution will be distorted.

Take Chinese hospital for example, it is impossible that all doctors lose their conscience at once. The actual reason is that the salary system of public hospital is very unreasonable. The system offers low salary while at the same time forces doctors to guarantee basic salary by means of irregular ways such as prescribing more medicine. Other knowledge-dense industry suffers similar problem (maybe except financing). We should adjust basic salary system and practice annual salary system, which is overall salary, not piecework system. Nowadays, teachers are paid by class hour, which far less reflects value of labor. Knowledge work should not be treated as brick making which provides one Yuan for one brick. We should offer overall salary, and pose higher requirement accordingly, yet piecework salary has already been a custom in China, and therefore, if we try to practice a new system, there will definitely be dissatisfaction and misunderstanding in society, yet I believe that we can practice it if we make it clear.

Reporter: Do you think that innovation and improvement in science and technology can better guarantee Chinese people in production, food, natural disaster and other public security issues in the future ten years?

Xue Lan: I think in order to solve social supervision issue, innovation in science and technology is not as good as innovation of the system. Fundamentally, we should improve our social supervision system.

First of all, we need to improve our system of supervision, while at the same time enhancing organization power. Secondly, we need to strengthen cooperation between governmental organization and social organization. It is difficult for government to catch all illegal activities (such as food safety, production, etc.). If we establish a system encouraging people to report when they see illegal actions, and thus find and solve these problems. Thirdly, we can also build system between enterprises for mutual supervision and restriction. There are many successful modes that we can learn from, take nuclear safety supervision for example, there is Nuclear Safety Control Committee in the United States posing high requirement on all aspects of enterprise such as formulating standard for setting up nuclear power station. There is also an association among enterprises. All enterprises pay a large sum of insurance money to the association. If accidents occur, the association will withhold insurance money as punishment. Every enterprise must join the association and practice mutual supervision. Sometimes, fellow colleague restriction is more effective than government restriction.

Productive Service Will Definitely Be More Mature

Reporter: Xiang Huilian



Ye Jia'an

Expert in geography information science, urban planning, urban geography, graduated from department of geography and geology of Hongkong University in 1974, professor in Urban Planning and Environment Administration Research Center, dean of research college, director of Geography Information System Research Center of Hongkong University, director of Transportation Research Institute, elected academican of Chinese Academy of Sciences in 2003, first Hongkong academican in Geography Department of Chinese Academy of Sciences, elected academican of Third World Academy of Sciences in 2010

If one day, America does not represent the whole world, and China's GDP per person rises from \$3000 to \$10000, then China will represent the world, and Shanghai will become world financial center and national financial center.

Reporter: What is the reason in your opinion that causes productive service regularly gathers in big cities?

Ye Jia'an: Productive service is different from industry and service. Industry can be developed in small cities such as Kunshan, Jiaqing, etc., because their main task is production, and then is the transportation issue. Service needs to be scattered around because its service object are people and people scatter around. In many small cities,

industry develops, and thus gathering labor, and therefore there comes service because of people, yet high-level and diversified services are still gathered in big cities.

A complete city system is necessary which means harmonious existence of large, middle and small size cities. Some people ask whether we can scatter productive service in small cities, they ignore that an important part of productive service is interpersonal interaction. We can make phone calls or send emails, but it is after all not as convenient as face-to-face communication. It is even more so when we discuss about large amount of files because it is definitely more convenient to have conversation across the street than taking an hour bus. We can always see that people coming and going in London, New York and Tokyo, and the value of central business region just lies in enhancing inter-office communication.

Wall Street in America, Fleet Street in UK and Central in Hongkong all form their own integration system. To practice productive service needs to build interpersonal network, yet it cannot be accomplished through virtual space. People think that if nowadays, network is so convenient, why not work and study at home. However, are there many people actually doing these in reality? People need working atmosphere, and virtual world is very different from realistic world. Generally speaking, only 10% people work at home, while others all go downtown. The location of office is very important, and it is also the reason why productive service cannot be scattered around. Urban development must be more and more centralized.

Reporter: Development of industry and service is the precondition of productive service, what are its characteristics in China? How do you think of location issue of productive service?

Ye Jia'an: In UK, industrialization is achieved after the industrial revolution. The industrial revolution happened in cities, and attracted many people to cities. Then industry is gradually replaced by service, yet basic of cities is still industrialization. In China, urbanization is different from that of foreign countries. During open and reform in 1978, Fei Xiaotong put forward “do not leave homeland”, trying to support township enterprises. Many industries develop well in the countryside and small towns, which is urbanization of country side, or integration of urban and rural areas. Manufacturing industry gathers people, and service naturally develops. However, people later finds that environment of countryside and town is not good for enterprises, and therefore moves enterprises to small cities, then to middle cities, and last to big cities. Countryside has already finished the historical task of transfer.

Our industry and service are all rather developed, why can't our productive service keep in pace with them? Research shows that productive service gradually integrates and at last gathers in big cities. In the 1980s, places such as Kunshan, Suzhou, etc. Have set up economic technique development zone and asked the country for land in order to build business center, yet how many of them have succeeded? Early this century, we find that many resources are wasted and many lands are occupied, yet there are few people on those sites. Therefore, we need to consider about location issue. To develop industry needs to comprehensively consider factors including land, capital, transportation, etc., as well as rural places mean high transportation cost and low profit. At the same time, we have many lands but not so many industries because demand in both China and abroad is fixed and therefore industry cannot endlessly expand. Service is closely related to people, yet there is certain percentage as well and cannot exceed. Industry, service and productive service all have limitations and cannot endlessly expand.

Reporter: What function does history play in Shanghai's productive service development? Is there anything of Shanghai's development that can be learnt by other cities?

Ye Jia'an: Shanghai opened and developed Pudong in 1991, and at that time productive service did not start yet. Shanghai had a foreseeing view: We want be an international city again through planning. I mentioned in an article written in 1996 that Shanghai has already been an international city in early Republic of China, and at that time all prosperous things were gathering in Shanghai while Hongkong was only a small fishing village then. Shanghai enjoys rich history background, and is burned with history duty as well. Pudong tried to become an international again, which first needs sufficient office buildings. Then there were foreign scholars thinking that it was unreasonable because too many empty offices would cause waste of resources, yet it was already very hard to find house in Pudong in 2003. If Pudong did not have such leading plan, productive service such as financing would lag behind.

Other cities want to learn from Pudong, yet some fail. There are some things in Shanghai that other cities may lack because Shanghai has specific history background. It studies London, Hongkong, Tokyo and Singapore to make plans in advance. However, there are risks of planning in advance, because if productive service fails to keep up, it is not good. Luckily, China is a country full of miracles. Now cities like Shenzhen are undergoing similar development as well, and we need to draw a questionmark about that and wait for answers from practice.

Reporter: How is the prospect of productive service development? What are the pushing factors?

Ye Jia'an: Productive service will definitely be more mature. Industry is more and more developed, and thus requiring more on productive service. Issues such as finance, law, accounting, research, public relationship, etc. are all hot topics in our time, of which conference and exhibition is an important industry that does well in promotion. With increase of industries, services and factories, there will be more services provided by productive service, and supply will also be larger with increase of demand.

Pushing power of productive service is industry and service. On one hand, demand of industry comes from overseas because we need to sell product overseas and should provide better services such as transportation. On the other hand, we need to develop domestic demand as well. In the 1990s, Shanghai's GDP per person is only \$1000 to \$1500, while now it nearly reaches \$15000, and basic need is usually \$5000 per year, and therefore remaining income stirs increase of consumption and thus promotes the domestic market. The higher personal income goes, the more important domestic demand is. When there are many factories, they need to find productive service, and thus form industry chain: industry promotes productive service and productive service is related with GDP per person. Productive service will continuously increase according to economic regularity and global trend.

Reporter: What will be Shanghai like after 10 years?

Ye Jia'an: Shanghai may become world financial center. Now, it is financial center of China, and main obstacle comes from lack of floating of China's foreign exchange market, and cannot gain foreign investment as a result, yet Shanghai is already excellent as center of national productive service.

It is hard to give definition of world. Is America the world? New York is world financial center, and America is very strong and provides large capital. Nowadays, America is the strongest economic body in the world, and China still cannot compete with it now. If one day, America does not represent the whole world, and China's GDP per person rises from \$3000 to \$10000, then China will represent the world, and Shanghai will become world financial center and national financial center.

We are now used to a rapid development mode, but miracle is not forever there.

We can take more time, and do not mind slowing down because it does no good of developing too fast. From 1978 till now, China's GDP increase has hit three-digit, yet land utilization rate, urban planning and infrastructure all lag behind. Such problem has already been found in early 2000. It is all right for Shanghai to develop at current speed, and it does not have to pursue 100% increase.

We Must Hasten the Development of Financial Markets in China

Reporter: Xu Xiaoxi



Zhang Liqing

Professor and Dean of the College of Finance at Central University of Finance and Economics. He is also Vice President of the China Society of World Economics, and Vice Secretary-General of the China Society of International Finance.

In the next decade, the Renminbi will enjoy wider acceptance, but I still think that it will not be the most important currency. The most important one may still be US dollar or Euro, but one thing is for sure, the status of the Renminbi will be much more important.

Reporter: This April, the floating range exchange rate from Renminbi to US Dollar in foreign exchange market doubled from 5% to 1%. What kind of signal do you think such change shows?

Zhang Liqing: I think it is a positive signal which means that our exchange rate is more flexible and more clearly reflects the relationship between supply and demand, which is good for the increase of China's GDP and enhances our currency policy.

Reporter: You just mentioned that Hong Kong can become an offshore financial center, yet there is another view saying that an offshore financial center could easily become a place for hot money because of its relative freedom. What is your opinion? As Hong Kong's financial market develops,

Shanghai is also endeavoring to build itself as Asia's financial center. What position do you think Shanghai should take?

Zhang Liqing: There is no necessary link between the two places, because financial organizations in Hong Kong are under supervision of Hong Kong government as well, especially in the time when the whole world enhances supervision over financial affairs. Compared with inland China, Hong Kong may have a lower deposit reserve rate, and may be more severe in management of some trade and investment. Overall, Hong Kong enjoys relatively more freedom and mobility, but it doesn't mean that there is no management in Hong Kong.

The difference between Shanghai and Hong Kong is that Hong Kong is an offshore market while Shanghai is an onshore one. In the long run, Shanghai will become a very important financial center, first in China, then in Asia, and at last in the whole world. Whether Shanghai can quickly become a financial center mainly depends on the pace of loosening our capital control. Shanghai should play well on its advantage, improve financial organizations, wait for policy loosening, and thus get more and more opportunities to launch businesses concerning internationalization of the Renminbi.

Reporter: The Euro Zone is going through a debt crisis, what do you think will the crisis be like in the future?

Zhang Liqing: There are several possible results of the crisis. One is good: Euro Zone will become more mature and finally overcome the debt crisis by carrying out reforms, strengthening currency policy and unifying public finance. The second possibility is that Euro Zone will become a smaller yet better monetary fund after exit of Greece and some other countries. The worst possibility is that members cannot reach consensus in policy, which leads some larger economy bodies to exit after Greece, and thus Euro Zone becomes smaller and smaller, even breaks down, but I think such a result is unlikely.

The influence of the European Debt Crisis on China is reflected in two main ways: First of all, if the debt crisis continues to worsen, European real economy will to an extent be shocked, and actually its economy has already declined. If the crisis further develops, it will cause a bigger and bigger shock to economies, which may lead to persistent depression and negative growth. The European Union is the main destination of China's exports, and therefore, if their economy suffers recession, it will reduce our export sales, affect our market, and further affect our economic

growth and employment. The other influence lies in currency. If Euro continues to suffer turbulence, or even devaluation, we will suffer certain losses as well because a large part of our foreign exchange reserves are in the Euro, which means that if Euro devaluates, we will suffer losses.

Reporter: The economy of the United States has also been through downturn. Do you think it possible for the United States to carry out a third round of quantitative easing?

Zhang Liqing: I think that if the Eurozone continues to suffer persistent depression, it is very likely that the United States will carry out a third quantitative easing. Europe is an important market of the United States, which means that if Europe suffers economic crisis, the United States will suffer as well. However, we feel that the United States is making more and more adjustments on its economy, and thus moves toward a better direction.

If the external environment deteriorates, the most important thing for us in face of crisis is to speed up our structural adjustment. This means adjusting to depend more on domestic market demand than on overseas market demand to boost economy, which will be reflected in investment and consumption. For the investment part, we should keep higher investment rate, and thus keep economy growth despite gradual decrease of overseas market demand. To stimulate consumption requires more reforms, such as establishment of social security system, and reforms to education and housing system, etc., thus enables people to reduce defensive savings demand and increases consumption. However, until such reforms take effect, it will be difficult for consumption to become important driver of China's economy.

Reporter: There is a view holding that western countries depend on the market to achieve currency internationalization, yet today's developing countries mainly depend on government. Do you think that China can learn from western experiences? What role should market and government respectively play?

Zhang Liqing: I think that the currency internationalization of a country is basically a spontaneous progress. Governmental push more reflects in creating some basic conditions, such as keeping stable economic increase, keeping local currency stability, even increase, creating more flexible capital inflow and outflow environment -- which, of course, doesn't mean that we will loosen capital control,

and speeding up domestic financial market development to create more financial markets with various choices and high mobility where foreign investors can purchase under the precondition of management.

Reporter: In the end, we have a lighter question, would you please imagine what China will be like in the future ten years?

Zhang Liqing: In the next decade, without a doubt China will be stronger. China's GDP may exceed that of America, and thus China will enjoy a higher status in the world. However, we should also clearly recognize that, as Mr. Long Yongtu said in the morning, China must enhance its soft power. In ten years, the Renminbi will enjoy wider acceptance, but I still think that it will not be the most important currency. The most important one may still be US dollar or Euro, but one thing is for sure, the status of Renminbi will be much more important.

Approaching “Wisdom City” Construction

Reporter: Qiu Meifang



Zhang Weihua

President of China Telecom Shanghai Branch

Construction of wisdom city needs a lot of innovative talents as well as deep cooperation of information technique and sorts of industries. We can achieve industry upgrading and efficiency improvement through informatization.

Reporter: Can Shanghai citizens afford Shanghai as a “wisdom city”?

Zhang Weihua: Judging from optical network set for public, Shanghai Telecom has pushed 20M urban optical network business, which means that one only has to pay 9 Yuan for each M each month. Such price is relatively in the world, and is also lower than that of eight large cities such as Beijing, Nanjing, Hangzhou, etc.

A tendency in communication industry is integration which means whether it is able to integrate all businesses together, and finally provide “package” service. Shanghai Telecom is now to do that, and can provide “excellent” service for citizens at “preferential” cost. I believe that citizens do not want to have low-quality service even if it may cost less. Nowadays, we are using motorcycle at the price of bicycle,

yet we cannot further hope to drive a GM car at the price of bicycle. We can see that “wisdom city” construction can bring sustainable development.

Reporter: According to plan, schools and universities in Shanghai will be all covered by Wifi during “twelfth five-year plan”, which means that Shanghai Telecom needs to cooperate with more organizations such as real estate runners, schools, hospitals, mobile factories, etc., while in the past, Shanghai Telecom is more engaged in private business. What change will you make in management strategy? What function do you want municipal committee and municipal government to play?

Zhang Weihua: Our management idea has undergone huge change these years. In the past, we wanted to do things all on our own throughout, yet nowadays, we have large openness. Take access network for example, Shanghai has set up a third party company for mutual construction and sharing. When fiber-optical is installed in household, community will open access to every operator, which means that the fiber-optical is first installed, and it is up to residents to decide whether they use Unicom, China Mobile, or Telecom, and it is indeed a big change.

We are also open in resources and applications. We have set up urban optical network union by combining video companies to provide services instead of depending on IPTV alone. Actually, IPTV is also an open cooperation mode and union. In Shanghai, Shanghai Telecom has cooperated with SMG as early as 2006, and now we widen as well as deepen our cooperation with SMG, Tudou, SNDA, etc., and we are also open in “source” of business.

Therefore, we have been open in both “access” and “source”, which will produce a big influence as well as an expected result which is diversity and further improvement of industry.

We hope that municipal committee and municipal governmental departments can further encourage Shanghai enterprises to improve informatization, and support Shanghai Telecom to provide informatization plan for those enterprises.

Reporter: What expectation do you have for construction of Shanghai as “wisdom city” in the future ten years?

Zhang Weihua: I think that construction of wisdom city needs a lot of innovative

talents as well as deep cooperation of information technique and sorts of industries. We can achieve industry upgrading and efficiency improvement through push of informatization. Therefore, we need to train cross-type talents who are familiar with both their own industry and information technique. Shanghai Telecom is willing to provide platform for talents cultivation.

At the same time, construction of wisdom city should establish a series of models as soon as possible in order to promote popularization of such models in various fields. Shanghai Telecom is willing to cooperate with related industry for model set-up.

Through cooperation with other industries, we expect to achieve popularization of network and digital throughout internal working, production chain coordination, marketing, customer service, etc. in all walks of life. Surely, every household can depend on WB and Wifi to practice on-line shopping, on-line study, on-line medical treatment, and on-line entertainment. In this way, Shanghai can be called a real wisdom city.

Reporter: Shanghai enjoys highest popularity of WB as well as fiercest competition nationwide. Shanghai Communication Administration is going to carry out “package” WB popularity plan which will tilt toward weaker operators. What do you think of this issue? How can Shanghai Telecom deal with pressure from competitors?

Zhang Weihua: First of all, we should see that all operators share the same goal which is to make contribution to construction of wisdom city. Shanghai Telecom is main force of wisdom city construction, and other operators have their own specialties and advantages, and they are also very important forces for wisdom city construction. Some operators may break market orders and take some irrational action in competition because of heavy pressure given by superiors, yet it is bad for construction of harmonious environment for wisdom city development, and therefore, Such supervision departments as Shanghai Communication Administration, Shanghai Municipal Economic and Informatization Commission, etc. begin to regulate industry competition, and reinforce coordination of various problems emerging during competition.

Reporter: In Transformation Practice Outline drew up by China Telecom Shanghai branch, a long-term goal is put forward that you plan to first achieve transformation in company, and detailed guiding projects in

transformation of network, business, service management etc. are also pointed out. How does the outline practice now? What challenge may Shanghai Telecom face in the future?

Zhang Weihua: In 2005, Shanghai Telecom actively echoed strategic goal of incorporation and published Shanghai Telecom Transformation Practice Outline, putting forward the goal to transform from traditional fundamental network operator to modern comprehensive information service provider. Judging from the effect, Shanghai branch has been keeping front row in transformation evaluation and appraisal ranking in China Telecom corporate in the past few years, and has basically achieved the transformation goal.

In 2011, China Telecom put forward a development goal of “new three roles” which are leader of intelligent pipeline, provider of comprehensive platform and participator of content and application. Intelligent pipeline enjoys high bandwidth, fixed and mobile network integration, customers’ free participation in configuration and management of network and grading on-demand guarantee of customers and services, etc. Comprehensive platform is a highly integrated and open platform that faces all businesses, serves all customers, carries full functions, and integrates multi-abilities. Participation in content and application means to focus on developing and self-operating convergent type content and application, and ability type products such as payment and positioning, and to endeavor to achieve system and mechanism innovation to cultivate increase point for future income. Achievement of such deepening transformation is also the challenge we face in the future.

New Energy Research is a Long-lasting Process

Reporter: Han Qinke



Zhao Guotong

Tenth CPPCC committee, former counsellor in Shanghai Municipal Government, former vice-president of Shanghai Energy Research Society

New Energy research is a long-lasting process, and we need to treat it carefully, prudently, and patiently. The so-called “overtaking at the turn” is unscientific, because promotion of some new staff in a rush will definitely result in certain accidents which may not be fully foreseen theoretically.

Reporter: What new energies may China choose in the future ten years according to you?

Zhao Guotong: We have already developed water energy as well as nuclear energy, and they enjoy huge future potential because currently China occupies only 1%, while South Korea occupies 13% and France occupies 77%. Also, we cannot totally deny nuclear energy because nuclear leak accident in Japan, because what they use is early second generation nuclear power technology, and the tsunami caused diesel engine breakdown, and therefore cooling water could not be provided, which finally led to explosion due to overheated nuclear reactor. What we use in constructing nuclear power station in Zhejiang is third generation nuclear power, and we have

also built a supporting reservoir on mountain in Taizhou specifically for nuclear power station. In case there is something wrong with electric power, we can use water with the help of gravitational potential energy to cool nuclear reactor, which is called “non-dynamic safety system” and it is very safe. There are other new energies which I think are practicable for current ten years. One is shale gas that the United States has successfully exploited in the past few years, and China has a large stock of shale gas as well; the other is deep-sea oil, 1500 meters below. China has built a deep-water semi-submersible drilling platform in South Sea near Hongkong on May 8th, and the equipment used is developed and produced in Shanghai.

Reporter: You have mentioned in your report that people have many misunderstandings of new energy mobiles. What are common misunderstandings according to you?

Zhao Guotong: The first one is that many people think that new energy mobile merely refers to electric vehicles, yet there are methanol fueled vehicle, ethanol fueled vehicle, etc. as well. The second misunderstanding is that people think new energy mobile refers to pure electric vehicles using stock battery alone, yet there are also fuel-cell vehicle, hybrid vehicle, and high voltage capacitor electric vehicles. Electric vehicles are not the only solution, and we should try to find various solutions in new energy mobile research. Also, we should encourage scientific research, yet we need to be prudent about industrialization and need to develop research that is economically practicable because we cannot long rely on governmental subsidies. Moreover, nowadays people feel too good about new energy. Many people think we can replace oil with hydrogen which we can endlessly gain from oceans. It is also a misunderstanding because we have to cost three times as many as energies to get hydrogen monoxide through electrolysis using electric power. Therefore, hydrogen is not “human beings’ primary energy”, and cannot replace oil. Surely, when controlled thermonuclear fusion technology is mature after 50 years, we can synthesize all kinds of liquid and gas fuels at relatively low price, including recycling carbon dioxide as fuel, and at that time, hydrogen can become practicable clean energy. However, it is highly flammable and combustible, and we should pay close attention to safety while using hydrogen. Therefore, I never agree to call hydrogen new energy, because for me, it is only a new fuel.

Reporter: Apart from technology and supporting facilities issues, people argue a lot about whether electric vehicles are clean or not, do you think it is clean?

Zhao Guotong: We cannot make sweeping generalizations about such issue. Not all electric vehicles are clean, and we need to consider it from the angle of whole life cycle. Shanghai uses coal to generate electricity, and therefore electric vehicles consuming electricity use coal as well, which is not clean enough. However, places such like the Three Gorges Area uses clean electricity generated by water, and therefore, electric vehicles are clean as well. Moreover, price of electric vehicles is higher than that of common vehicle, and national as well as local governments provide subsidy in order to encourage purchasing, yet the subsidy itself has problems. Take Shanghai as an example, every 10 thousand GDP output costs 0.75 ton of coal, and if government provides 30 thousand Yuan, it means that as many as 2.25 tons of coal are cost. We can never gain balance if we buy cleanness with pollution. What is worse is that batteries used by electric vehicles usually wear out in two to three years, and to change new battery costs money and worn out battery needs to be cleaned up, which cause more wastes and pollutions.

Reporter: Recently, there happen several accidents with new energy mobile, what is your opinion on safety issue of new energy mobile?

Zhao Guotong: New Energy research is a long-lasting process, and we need to treat it carefully, prudently, and patiently. The so-called “overtaking at corner” is unscientific, because promotion of some new staff in a hush will definitely result in certain accidents which may not be fully foreseen theoretically. Electric mobile is only a choice, yet it is absolutely unrealistic to widely promote it in only ten years! So-called electric vehicles people buy are most hybrid vehicles which can only be called “energy saving vehicles”. Few people choose pure electric because even though consumers have sense of environmental protection, they will not actively pay for inconvenience.

Reporter: Then electric vehicles has little market in recent years?

Zhao Guotong: I think it is the case in big cities, not because of lack of charging pile or high price. There are three basic shortcomings of pure electric vehicles. First, energy provided by one kilo of oil is 100 times as high as that provided by one kilo of lead-acid cell (50 times as high as that provided by lithium battery). Secondly, time spent on filling oil is 1/100 of that spent on electricity charging, while fast charging damages battery a lot, and causes short battery life span. Thirdly, if combustion engine wears out, we only have to change consumable parts, yet if battery wears out, we need to change a whole new one, and the consumption allowance is ten times as high as that of common vehicle. However, electric vehicles suits small cities well

because their travel radius is shorter. Last year, I took several graduate students of Fudan University to visit Shifeng Corporate in Liaocheng, Shandong province, and we found that low-speed small electric vehicles are very popular in Liaocheng. The small electric vehicles are sold at 28 thousand Yuan, and the highest speed per hour is no more than 60 kilometers. Also, lead battery recycling is compensated and dealt with professionally, which is very safe and environmental-friendly.

Reporter: If we don't strongly promote new energy mobile, what we can do in face of ever increase of oil price and tighter supply?

Zhao Guotong: Oil crisis will directly cause "material crisis" because chemical building materials, pesticide, fertilizer, agricultural film, chemical fibre and polymer plastics and some other necessities in modern life are all important products in oil industry chain. History of human beings is history of materials, and people's development in energy use directly pushes forward change of materials. From stone - wood - pottery - bronze - iron - plastics, energy consumed by these materials is more and more. I think we should put emphasis on research about what new material we can use to replace oil in 50 - 100 years.

Reporter: You always encourage people to use bicycles, yet it may not be a mainstream view, then what do you think of difficulty in promoting bicycles?

Zhao Guotong: The reason why the majority of people tend to buy four-wheel vehicles after leaping development of China's economy is that they are much influenced by western, especially American transportation culture. In fact, in my view, China is very different from America. America only has a population of 300 million yet its land area is huge, and therefore, American people need to largely rely on cars for transportation. Moreover, American people pay much attention to living environment, and they prefer independent villa with private garden. American's development mode is "villa with private garden and car for everyone high carbon consumption well-off mode", while China has a large population and pursues a "apartment with public garden, 8-wheel plus 2-wheel (railway and bicycle) low carbon and environmental-friendly fairly well-off mode". Nowadays, Americans also begin to reflect upon their "automobile society" and think that such mode fails to bring a bring future for human beings. Recently, I have read a new book written by American scholars called Two Billion Cars in which scholars pose responsible consideration. As to European countries, they also encounter large population with little land, and they have been promoting bicycles very early. The "No car day" on September 22th is initiated by them! It is a pity that few cities respond to that in China.

There may be ecology breakdown in middle 21st century

Reporter: Wang Kai



Zhao Zhangyuan

Researcher in Chinese Academy of Environmental Sciences, graduated from Peking University in the year 1969, director of Laboratory of Lake Environment and Laboratory of Offshore Environment, deputy director and secretary general of Environment Professional Committee of Chinese Geophysical Society, expert of Environmental Project Evaluation Center of Chinese Administration of Environmental Protection

In my point of view, we should slow, even stop exploitation of resources since technology is not qualified yet. It is better to leave resources to our offspring than blindly exploit them now.

Reporter: In recent years, you have been promoting not to burn mixed waste, then what is a reasonable and effective way to deal with waste according to you?

Zhao Zhangyuan: For domestic garbage, we need resort to recycling and reuse. I have been to many provinces and cities, and found that enterprises had all kinds of ways to deal with waste and basically they could achieve recycling and reuse of waste. Nowadays, many enterprises can deal with over 80% waste, and the problem is that some technologies may not be perfect. Surely, there exists lack of input as well, and therefore, if government can well support these enterprises, the future of waste recycling and reuse is very bright. What we should do is to mix resourceful use of waste into circular economy, which requires sorting of waste at community level and private enterprises' active participation. We should enhance various ways to process waste and build resourceful use of waste industrial parks at different levels.

There have already been previous cases in foreign countries. In the past, Japan was No.1 in burning waste, yet now, Japanese government has ordered to close two thirds incinerators, and only 10% wastes which are too difficult to be reused are burnt while other wastes are all reutilized by resource enterprises.

An important part in so-called circular economy is that the producer needs to be responsible for recycling, and therefore, enterprises should not only be responsible for production, but also for recycling and reuse.

Reporter: What is the current situation in China or Shanghai?

Zhao Zhangyuan: Actually, places in China differ little in such case. Some places just put up waste sorting slogans, or set up long-term experimental sites, while do not really practice them. However, some other places have already established models. For instance, Guangzhou has organized 14 communities to sort waste, and Wangping town in Mentougou, Beijing has achieved zero waste after waste sorting, which are both worth learning from. In waste processing issue, we need to base on government lead, and be supported by public supervision, implement responsibility to community and individual, and then to form a whole system of production, transportation and processing.

Reporter: As to power of people, you have also mentioned in your paper about it. For example, you have said that if government really plays the role of lead and carries out policy in circular processing of waste, the public will practice it. Where does your confidence of the public come from?

Zhao Zhangyuan: We cannot ignore the peoples' power. There are almost 1.50 million environmental protection organizations in the United States, and they are strong enough to directly influence ways to deal with many things or even policy decision. Back in China, we have also set up many environmental protection organizations and they have already actively participated in kinds of environmental protection businesses. For example, in Beijing Liulitun and Asuwei, it is the public that prevents construction of incinerators. Also, in the Bohai Gulf oil leak accident, people from environmental protection organizations arrived at the accident site shortly after, and they urged persons in charge to deal with the accident in time and pushed forward exposure of the accident, which were well known to the public.

Ordinary people are also very concerned about their surrounding environment.

For example, local government in Wuxi once planned to build an incinerator, yet there were villa complexes nearby. When local people heard about the news, they specially sent representatives to Beijing, asked environmental-friendly organizations for help, and set up a public supervision team as well preventing construction of the incinerator without permission and requiring resourceful processing of wastes after being sorted.

China is developing, and so is people's sense of environment protection and rights protection. Though different people differ in extent of participation, and different places also differ in sense and urgency of environment protection, we should see it with the perspective of development. More and more people are beginning to participate in environment protection, and more and more environment-friendly organizations are set up, which shows progress of our society, and therefore, I am very confident of China's public participation in environment protection.

Reporter: In your report, you have mentioned that you hope that we can control or restrict exploitation of oil, yet energy shortage is a very realistic issue, what is your opinion about that?

Zhao Zhangyuan: It is actually very hard to set up a satisfactory standard for energy demand, and what our government needs to do is to control development speed orderly according to people's demand and current environmental capacity. By saying control development speed, I do not mean that we have to close down factories, but we need time to deal with current pollutions and prevent their recovery, and in this way, development speed will necessarily slow down and environment can be improved as well. We need government to control and design development, not to pay too much attention to increase speed of GDP. We do not need to achieve a development rate over 10%, and it is all right to have a development rate under 10%, which is the green GDP that we promote. In my view, after we gain adequate food and clothing, we should try to control development speed, and guarantee that we can return steadily to previous environment. Though the development speed may be slower, people enjoy sound health.

As to Bohai oil exploitation issue, our current exploitation technique and pollution control technique are not mature enough. Oil tank in Dalian just exploded, yet the emergency management was so poor that local people had to capture oil with bare hands. Now there is oil exploitation mistake, and the time of loss of control is as long as 3 months. Therefore, I am strongly against too fast and too much exploitation

of Bohai oil, and in my point of view, we would rather slow down, even stop exploitation of resources since technology is not qualified yet. We would rather leave resources to our offspring than blindly exploit them now.

Reporter: As to pollution, you also mentioned air pollution in your speech on Shanghai Forum, of which a very important part was to control pollution brought by coal burning. Shanghai has already promoted natural gas in households; do you think it can relieve pollution?

Zhao Zhangyuan: Natural gas is relatively better than coal. Though burning natural gas or coal gas also emits greenhouse gas, yet gas can get sufficient burning, which makes it much better than burning coal. Pollutants such as SO₂ emitted by coal burning have already become a big damage on earth. SO₂ can form acid rain, and is direct cause of many chronic diseases of human beings.

In coal burning issue, large-scale heating power plants are emission giants, yet small-scale heat-engine plants bring more problems. They not only produce dust, but also emit dioxin which people dislike most. Though the country has already forbidden it very early, now dioxin reappears in the new package of green energy. Now government needs to further improve their supervision, yet their sense of environment lags behind, which is also an important reason that we fight against burning mixed waste, and what we should do now is to urge government to deal with it as soon as possible.

Reporter: Pollution also affects our food safety. What should we do about that?

Zhao Zhangyuan: There is too much that can be said about the problem. It is very important to supervise food safety from government perspective. First of all, government should guarantee safety of land, because there are certain standards of agricultural production base, and once land is polluted, government needs to forbid local production. Secondly, we need to guarantee kinds of agricultural products, and furthermore, professional organizations need to examine food safety to strictly guarantee kinds of additives. However, all those measures lag behind. Therefore, people have to take necessary action and suitable protection measure when they have no choice. For example, they can filter drinking water with water machine at home, and can purify air with air cleaner. They should also choose their living environment, and try to avoid buying food containing too many additives.

Reporter: You have remarked “Beijing, Shanghai and Tokyo are not suitable for human beings to live in.” Can you explain?

Zhao Zhangyuan: If we only look at convenient transportation, cultural degree, etc., these cities are still livable cities. What I mean by saying not suitable for living is that environment is bad for health. If health cannot be guaranteed, the cities can't be called livable cities anymore. Air pollution in East Asia is the severest in the world, and the three cities count for a lot in the air pollution. Beijing, in particular, has ranked the bottom three in air quality research published by Environment Protection Department.

I do not mean to get local residents to move out. I just provide my suggestion and hope to raise people's attention to it. I hope that government can take measures as soon as possible, develop circular economy and fight against pollution, which also requires mutual effort of all people.

Reporter: In the end, would you like to imagine China after ten years?

Zhao Zhangyuan: It is hard to say, and it mainly depends on how government controls the environment issue. If we still develop as current situation, the future China will be in great danger. First of all, human beings' health cannot be guaranteed. Currently, China has become a country with largest number of new cancer sufferers, and the number of diabetes patients and angionosis patients increases rapidly as well.

Moreover, patients of such diseases tend to be younger and younger, and even babies suffer such diseases. Birth defect is a very important reason of baby death and disabilities of children and adults. The most dangerous thing happening in China is the rapid decline of fertility. Male suffers “sperm crisis” and female encounters fetus death. After 10 years, such problem will be more prominent than today, and at that time, fertility difficulty will directly threaten China's development. The so-called human beings extinction is not an exaggeration. Scientists all over the world have sensed that if environment is further polluted, the sixth species extinction may really come in the future.

Concern with Environmental Problems Needs to be Lifted to Public Level

Reporter: Zou Ye



Zhou Qixing

Dean of College of Environment Sciences and Engineering in Nankai University, professor, PhD supervisor, distinguished professor of Changjiang Scholar of Department of Education, director of Pollution Ecology Professional Committee of Chinese Ecology Society

After ten years, we are still enhancing attention to every aspect of ecological environment construction and improving standard policies as well as legal regulations, and therefore, I believe that we will have a better environment after 10 years to do what we want to do.

Reporter: Some scholars think that from a longitudinal perspective, our ecology study has much improved, yet you have said that “China’s environment baseline study is very backward and has mistakes in fundamental thinking”, can you give a detailed introduction of China’s environment baseline study?

Zhou Qixing: We divide the environment standard into three parts: one is environment standard of water, the second is of air, and the third is of land. China pays much attention to environment baseline of water: during eleventh five-year plan, China has invested billions to develop water projects, yet standard for land environment relatively lags behind. For example, there are two main systems in

American land environment baseline, the first of which is quality standards and the second is repair standards of polluted land. However, China only has one quality standard, and the environment quality standard of land published in 1995 has not been revised till now and therefore it is very imperfect.

Reporter: You have said that we are in a key period for regulating environment standard and law. What is your understanding of “key period”? How many connections does pollution have with flawed environmental regulations? How do we pass this period?

Zhou Qixing: Our regulations and laws are gradually improving. We should not be in a hurry during the process, and should make further research on the task. With widely recognized standard and well practice process, our environmental problems will be better solved. Many pollution problems nowadays have much to do with flawed environmental regulations. People tend to doubt applicability of regulations and laws because of their imperfection, and thus avoid practicing environmental protection altogether. Additionally, while we improve regulations and laws, we need to better cultivate public sense of environmental protection.

Reporter: The environment is a global issue nowadays, and pollution is not limited to a single country, yet international pollution tends to involve so many factors. Are there any good measures according to you?

Zhou Qixing: Environmental issue always involves political staff and national profit. For example, in the Songhua River pollution, Russia and Japan are located in downstream and they are surely concerned with upstream pollution. Also, air pollution may float from the Eastern Hemisphere to the Western Hemisphere. For example, in early times, SO₂ produced in British industrial production floated in the air, and finally formed acid rain in Sweden, and therefore, Sweden fought against UK using coal containing sulfur. China is not located on a lonely island, and we have Japan and Russia in our vicinity, and Vietnam and the Philippines to the south. Their problems will affect China as well. It is also true with Shanghai: Shanghai has developed very fast these years, yet the environmental problems are also very prominent, and not only Shanghai, but surrounding areas such as Jiangsu, Zhejiang, etc. are affected as well. There is also the public sea issue, and therefore, all countries are concerned with pollution.

To solve international pollution needs communication and cooperation. I myself

think that we should take active measures to solve the problem: firstly, we need to use policy support; secondly, we should improve administrative efficiency through improvement of sciences and technologies, and put these technologies into practice through organizations such as environmental protection department; thirdly, we should try to enhance international cooperation and learn from other countries.

We need to lift concern with environmental problems to public level, and thus problems can be better solved. Nowadays, many people do not know, or have limited knowledge, or do not have enough sense of environmental protection on many environmental problems, and thus influence duty taking.

Reporter: You have said that “we should correctly deal with relationship between economic development and energy saving”. How can Shanghai face the problem as China’ economic center?

Zhou Qixing: Shanghai is always a city centered on industry, and industrial development needs sufficient energy supply, and therefore, Shanghai needs to first face energy issue. In order to solve energy problem, we need first save energy, and then try to reduce consumption of carbon, which is just what we usually call “energy saving and emission reduction”. “Energy saving and emission reduction” is not an easy task, and needs support of policy and technology. Technology is relatively easy, yet once policy and profit issues are involved, it is hard to promote good technology, which is a problem we face nowadays.

Reporter: How can we face population issue, energy issue, land issue, especially coordination of land resource between city and town in China’s rapid urbanization? How can we achieve green urban development at the same time?

Zhou Qixing: Urbanization re-allocates population, and during the re-allocation process, the original ecology system will definitely be destroyed. Urbanization and ecology system seem to be in contradiction with each other, yet if we well plan and practice, urbanization can develop hand in hand with green city. Population in London takes 30% of whole British population, and it is a highly urbanized area, and it practices environmental protection as well. If Shanghai pays attention to ecological protection and make better plans during urban construction, it can still achieve greenness as well as development. Surely, the precondition is that urban design and policy should be long-term and systematic, especially should pay attention to ecology design.

Reporter: From 2009 to 2011, Minhang district won “Model Project of UN Environmental-friendly City”, “Gold Medal for World Best Roof Greening City”, etc., and we can see that many green projects take areas that have not been largely developed as sites. How can areas which have already been heavily polluted such as downtown area in Shanghai develop green urbanization?

Zhou Qixing: Don't make green project just a show. Central cities and old industry regions should practice urban construction according to their own characteristics, and should not follow one type, or else much money will be spent without resolving problems.

Therefore, we need to make good ecology design according to detailed condition of the place at that time, the ecology condition, pollution condition, etc.

Reporter: If we promote “green urbanization” as a concept to the public, and try to make green city living the norm, what is your suggestion about that?

Zhou Qixing: There is still the issue of improvement of international morality and sense of environmental protection. There are several aspects of improvement of sense of environmental protection: government should provide good guidance, and well-known scholars and entrepreneurs should also play their role because ordinary people alone cannot improve and deepen knowledge. We need to promote environmental protection in every way; for example, TV should promote the importance of ecology to contemporary people and their future generations through public service advertising or other means in order to influence the audience.

Reporter: What is your suggestion on Shanghai's green urbanization construction and sustainable development?

Zhou Qixing: I have spent a long time in UK, and British cities developed very early because of the industrial revolution. At first, London suffered severe pollution, and then it paid much attention to environmental protection, and nowadays their ecological environmental protection is very good. Shanghai can learn from London's experience. Shanghai's industrial development is also earliest in China and share many similarities with London in environmental administration, and therefore, I suggest Shanghai first learn from London. Chicago in America is also one source of industrial revolution, and we can also learn positively from their experience.

As to detailed suggestions, the first is to enhance public sense of environmental protection, and the second is to strengthen scientific research on technical level and try to put technology into practice as soon as possible.

Reporter: Some people think that nowadays China's environmental pollution is too severe to recover from, yet there are also some others stating that China's current condition is necessary during this stage of development, what is your opinion about that?

Zhou Qixing: I think it is a stage during the whole development, and we should positively face it. Existence of any social stage has its reasons, and we know that western countries suffered very severe pollutions during the 1960s and 70s. They began to pay attention to environmental protection after their economies developed. For example, the Rhine river in Germany was also heavily polluted in the past, which means that as long as we pay enough attention, positively face problem, and especially try to protect environment from being severely destroyed, environment can more easily gain recovery.

Reporter: What will China be like according to you after 10 years?

Zhou Qixing: Ten-years is actually not a long time; especially in history and it will pass quickly. I can still recall things happening ten years ago as if they happened yesterday. After ten years, we will pay more attention to every aspect of ecological environment construction and improve standard policies as well as legal regulations, and therefore, I believe that we will have a better environment after 10 years to do what we want to do. Pollution will not be so prominent at that time, and environmental problems, especially some polluted lands and waters can be well solved. I am confident of finding solutions to our ecological and environmental problems.

The RMB internationalization is on its way of an “innovation model”

Reporter: Gong Yingqi



Zhu Min

Zhu Min is one of the IMF's deputy managing directors and was one of the deputy governors of the People's Bank of China. Born in 1952 in Shanghai, Zhu Min graduated from Dept. of Economics, Fudan University, in 1982. After that, he went to the US to study, getting a master degree in public administration management in Princeton University and a PhD in Economics in John Hopkins University. Zhu Min is also a member of the board of directors of World Economic Forum, of Princeton University, of Fudan University and a committee member of Global Steering Committee of Business College in Chicago University.

Whether China would become the world's largest economy is important in one way and not in another. What's actually important is, it's per capita GDP, technology, culture, people's accomplishment and institutions, instead of overall GDP, that determines the strength of a nation. Thus in this sense, we should neither underestimate the role of GDP nor overrate it.

Emerging market countries and developing economies will make up half of global GDP

Reporter: The European debt crisis seems getting worse. Rumors went that Greece was about to walk away from the eurozone, while the result of the election in Greece came as a relief for everyone. How did you feel about it then?

Zhu Min: The reasons for people's worries were the government election on one hand and the fleeing deposits from Greece on the other. We think Greece should stay in the eurozone and we believe they will. For now, the leaders of European countries as well as the Greek people hope so. Otherwise, the Greece itself, the eurozone and the whole world will be badly affected. Of course, we respect the decision made by the Greek government and the Greek people and will make forecasting analysis and preparations for various situations. After the new government comes to power, we will discuss further on their subsequent policies. Our responsibility is to stabilize global financial markets and the world economy. We have every confidence in it.

Reporter: How do you think of the future of the eurozone?

Zhu Min: The cause of this euro crisis is that there is a monetary union but no fiscal union exists at all. That's why pushing the money operation confronts much more difficulties. But we still need to see that the entire eurozone is the world's largest economy; its finance is not the worst, debt levels even better than the US and Japan, and it maintains high consumption levels. Its overall level is good enough if we consider it as a "country". But the problem is the European Union is not a country but a monetary union which does not have a central bank and finance in a traditional way. Therefore, these problems come out. The Euro is still a very important reserve currency; it would not be influenced by short-term exchange rates changes.

Reporter: Will the global economy slow down this year because of this?

Zhu Min: The global economy as a whole will slow down this year. We estimate the growth rate will be around 3.2%, much less than 4% in 2011. Since the first quarter, the economic tension has been calmed. The US has been striding more powerfully while the Europe has rebounded slightly, yet fluctuated more fiercely recently. It seems the growth of emerging economies such as China, India, Brazil have also slowed down. Downside risk is increasing at this point. In addition, though the world's economy growth is slowing down, the growth gap between developed countries and emerging markets countries is widening. For instance, the estimated global growth rate is 3.2%, with developed countries 1.5% and emerging markets countries 5.5%, showing 4 percentage points difference. Global economy increased by 4%, with developed countries 2.2% and emerging markets countries 6.2% - 4 percentage points too. The difference is always there, and emerging market countries generally have 2-3 times the growth rate of developed countries. We predict that this year is a crucial one. If we measure in a measurable price, emerging market countries and developing economies

will make up half of global GDP, which is a delightful change.

RMB has chosen a way to go smartly

Reporter: Should China strengthen its capital management of the input and output?

Zhu Min: One of the main challenges for emerging economies and developing countries in the future is how to manage capital flows. It's mentioned above that emerging market countries will account for half of global GDP, but only 19% of this half belongs to financial assets. Capital inflows are surely good, helpful to infrastructure investment, industrial development and financial market reform, but they would lead to a big impact when fluctuating too much. We see that only enhancing the breadth and depth of financial reforms by emerging market countries themselves can resist this fluctuation, and only a superior financial market can absorb and digest more capitals. Moreover, if the capital flows too frequently having affected the macro economy, we also encourage some countries to take new steps; it has gained praise from many emerging economies. But the premise is not to intervene the market and cannot be judged by the volatility of exchange rate; instead, we need to see whether the macro economy is affected, and then take further actions. Exchange rate is surely the No.1 priority; other measures are taken only if exchange rate cannot absorb (influence) the situation.

Reporter: Another question that people concern a lot. When will RMB become a reserve currency?

Zhu Min: The key point of RMB exchange rate is not its standard but mechanism; the mechanism of market regulation need more concentration. It will be the direction in the future. Finance serves real economy after all, the most material method of which is efficient allocation of resources. This will be a process of further reform and opening up and reaching the world; every aspect is along this direction. The traditional theory holds that liberalization of capital accounts and currency convertibility should be accomplished at first, and then internationalization. However, it seems not absolutely right for now. The world has never experienced an economy like China integrating into globalization with such a huge economic scale, low per capita GDP and even an incomplete financial system. RMB has chosen a way to go smartly. RMB trade settlement now has been up to 10%, which increased quite fast.

Meanwhile, people concern a lot when RMB will become a reserve currency. It's actually both important and unimportant – it depends on each country's situation. Take Germany as an example. Deutsche Mark's internationalization process took 50 years, always being managed and floating to progress, but the exchange rate fluctuation was connected with international openness, labor cost and enterprise reform all the time. Thus, its exchange rate rose and its competitiveness improved continually in the 50 years. Japan's exchange rate reform was volatile after the Plaza Accord and, plus an easy monetary policy, formed a gigantic bubble at last. The model according to which China reforms RMB interest rate gradually and promotes RMB's internationalization is an innovative one; it will break the traditional theoretical framework definitely.

Furthermore, as for RMB trade settlement, what's of concern is not reserve currency but reserve products. How will people hold RMB? The efforts must be put on the products denominated by RMB. So open investment channels during RMB trade settlement, then strengthen supervision and expand liquidity; when the market established, RMB's internationalization would come true naturally.

Reporter: With the international of RMB, is interest rate liberalization possible?

Zhu Min: Interest rate liberalization is not only about a process of letting loose but also on a mechanism of market competition, transparency, supervision and management. The opening of interest rate will be successful only after financial institution itself is independent and walking towards marketization. China has made great achievements on its reform of banking; things as intensifying capital mechanism, commercialized operation, changing equity and international capital intervention are all of importance. The marketization of bank conducts and enterprise behaviors should be realized step by step. In this circumstance, interest rate will be in effect.

The risk of China's hard landing is not big

Reporter: China sets a higher priority for steady development. Some worry that it will increase the risk of hard landing.

Zhu Min: We think it will still be a soft landing; the risk of hard landing is not big. It may not be bad that the growth of economy has slowed down at present. Previous

pump priming policies caused a strong rebound, but it mainly relied on investment and loan. This is a re-leverage. The share of investment was 48.7% in 2010, which is surely unsustainable. On the other hand, it's vital to adjust structure when facing decline, for example, opening service industry, increasing employment, reducing income gap, stimulating domestic demand, etc. Many structural problems need to be solved. Economy should be driven from trade to investment and now domestic demand as well. What's more significant, if we want people to consume, we should firstly make them wealthy. First open the trade in service, and then intensify the innovation. Tax requires a broader base, which are all to be reformed. Generally speaking, I have every confidence in China's economy. I think economy growth would be around 8% still.

Reporter: some research suggests China will become the world's largest economy in 2030. How do you think of China's shift on global economic position in the next decade?

Zhu Min: Whether China would become the world's largest economy is important in one way and not in another. What's actually important is, it's per capita GDP, technology, culture, people's accomplishment and institutions, instead of overall GDP, that determines the strength of a nation. Thus in this sense, we should neither underestimate the role of GDP nor overrate it.

Promote Government Environmental Information Transparency from Legal Perspective

Reporter: Yan Yixin



Zhu Shudi

Professor in Law School, Fudan University, Fox International Scholar of Yale University, member of Chinese International Economy Law Society, consulting and evaluating expert in Shanghai's People's Congress and municipal government's administrative law

"People suing officials" may promote administrative rule of law, which includes environmental administration and is helpful for administrations to better make environmental information known to the public so that law can be practiced and profits can be protected as well.

Reporter: The environment is a global issue. What characteristics do international treaties and agreements have on this issue?

Zhu Shudi: International environmental treaty is very different from international trade treaty in that it pursues international public interests, while trade treaty pursues an individual member's own profit on the basis of following international rules. Take antidumping agreement, anti-subsidy agreement, intellectual property agreement related to trade of WTO for example, if action taken by one country may directly influence other countries' profit, for instance, China exports products to America, and America puts forward antidumping and anti-subsidy investigations, and if the result is that there exist dumping and subsidies they have something

to do with substantial damage or threat on same kind of product in America, it can increase custom duty. Parties of pacts care more about their private interests, while international environmental treaty requires participants to mutually pursue improvement of global environment without restriction of nationality, yet it may need participants to pay certain cost, economic cost perhaps or change of lifestyle, and it is why America may not be willing to practice international treaty which is good for global environment, for example, the Bush government announced to quit Kyoto Protocol on March, 2001, and its greenhouse gas emission in 2010 increases 3.2%. Canada also announces to quit Kyoto Protocol on December, 2011.

Reporter: You just mentioned that the process of coordinating mutual profit may involve other profits including economy?

Zhu Shudi: That's right. Environmental problem is a very complex one involving economy, cultural tradition, life style, etc. We can only do from legal perspective, especially from administrative legal perspective, to first promote openness of governmental environment information, and thus enhance public participation in this field, restrict power of administrative body and try to protect citizens' environment right through diverse mechanisms.

Reporter: Do we need NGO or international supervision to guarantee and promote governmental environment information openness?

Zhu Shudi: We do need the public, especially pressure of public opinion for supervision. Some countries and regions have already developed ENGO (Environmental Non-government Organization). Nowadays, we have international organizations and many international treaties as well. However, except organizations such as the WTO which have forceful restriction, many other international organizations do not have very strong restriction force, and therefore their pacts are relatively soft. On environmental issue, even WTO has not reached agreement, which may be related to leading powers, especially America, the big power causing many environmental problems. There are bilateral, multilateral, and international organizational pacts, and people who make great efforts to promote public good also work to improve environment, and it should be better to have international restriction.

Reporter: Many international pacts are soft and do not have enough restriction, then what do you think of national law's restriction power and practicability?

Zhu Shudi: There is a layered structure in China's legal system. The result is that laws are narrowly defined by NPC or SCNPC, administrative regulations, regulations and other legal files. China has already completed its pyramid structure of government-information-law and basic system of general evaluation, yet there are still problems. I have mentioned in my research report that from legislation perspective, basic problems should follow norms and basic principle of good law, which is to reflect objective regularity from content, to be scientific in form, and to be just. On such a foundation, we can carry out unified governmental environment information openness regulation through National Environmental Protection Administration, and in this way, the extent of regularity and standardization will be very high, and thus be more comprehensive and much better than the current system. Legislation of NPC is framework legislation, and the operability is relatively weaker.

In conclusion on the forum, I put forward a question that whether we should use international resources or native resources, and what is the relationship between environment and law? My point is that if we look at the issue with an open view, we can see that environmental culture and ecological culture issues are both very complex, and rule of law is an important systemic guarantee of them, and we should learn to combine international resources with native ones. For example, we should learn advanced environmental evaluation mechanisms from foreign countries, and in ancient China, we can also gain wisdom in dealing with relationship between man and environment. Additionally, no matter where we stand, we should admit that rule of law is key to environmental issues because they are not only environmental issues, but involve economic development, appraisal of local government's political performance, etc., and there is a profit allocation issue. In environment field, public, as social supervision power and law governance promoter, should allocate profit and control power. In order to guarantee public participation, we need guarantee of legal system.

Any law under PRC's legal system has restriction power, and local laws and regulations may have stronger practicability than laws drew by NPC.

Reporter: Do you support the saying that “people suing officials improves rule of law” in governmental environment information openness?

Zhu Shudi: “People suing officials” is a common expression, and its normal name is “administrative litigation system”. Its most direct function is to solve disputes, and from indirect angle, it can put laws drew in governmental environment information openness field into real practice. If administrative organizations think that they

do well while interested party don't think so, there should be an arbiter -- court, the most authoritative judicial inspection body. Courts will inspect administrative action in environment field according to judicial inspection power. "People suing officials" is possible to promote administrative legal governance, which includes environmental administrative legal governance as well, and is helpful for administrations to better make environmental information known to the public so that law can be practiced and profits can be protected as well.

Reporter: What kind of relationship do you think is between people and officials, cooperation or competitor?

Zhu Shudi: Both. Normally, private individual, enterprises and organizations are weak parties in administrative management. For example, if administrative actions done by environmental protection administration all depend on supervision within administration, officials' shield of one another and self-protection of administration are hard to avoid. If individual or enterprises resort to court for help and pursue legal protection and remedy, people can gain equal status with officials and court is the leading party, and there is surely a relationship of competitor.

However, judge gives verdict as representative of court, and he/she needs to depend on law not matter which party wins. Through verdict, law in particular field, for example environmental protection field can be effectively practiced, and both parties accept legal education together. More often, defendants win the case, which means that administrative action of officials are justified while some accusers, individual or enterprise, especially some economic organizations also try to maximize profits, and may take action that is harmful to environment and public profit. In that case, judge practices legal education to both parties, and people will form administrative cooperation with officials. Some places even carry out administrative agreement, for example, an environmental protection administration sign agreement with an enterprise, and if the enterprise can achieve a certain amount of emission reduction or well follow national laws and regulations, the administration can give administrative award to it. The reason for promoting relationship between people and officials first lies in that judge enables both parties to be sure about their right and duty in environmental administration legal system, and then to set up precondition of cooperation for them.

Reporter: You just said that there may be officials' shielding one another, is it a restriction of governmental environmental information openness? Are there any

other restrictions?

Zhu Shudi: From citizens' own angle, their right to know about environmental issues has not been widely recognized. Many people do not know the governmental environment information openness system, and do not know that they have right to let environmental protection departments to release related information. Popularity of law culture is still insufficient because of imbalances in our development. Secondly, public participation in environmental protection is not enough. Many people lack such spirit of doing public good, and thus weaken supervision power to information openness of environmental protection departments. People should have strong sense of environmental protection, and we may promote information openness through media in order to form strong pressure of public opinions. Thirdly, from government's angle, it bears thought that "try not to open" because of influence of the confidentiality tradition. Law is only a large framework, and there is free discretion within the framework. Influenced by confidentiality tradition, administrations try to narrow scope of openness using free discretion, which restricts content of information openness.

Also, judicial inspection mechanism is not perfect enough. Though there is certain progress after carry out of judicial explanation of Administrative Litigation Law, the inspection scope is still rather narrow for China's whole judicial inspection mechanism. Court in many countries with mature law governance will inspect abstract administrative action, yet China regulates that court has no right to inspect abstract administrative action. Apparently, from judicial inspection and administrative litigation angle, the scope is relatively narrow, yet very often, many illegal actions are resulted from the fact that some red heading documents themselves do not accord with host law, and thus cause damage to related person's profit. Currently, China gives such inspection right to NPC, not to court. Court has strict judicial inspection, and should be the last guarantee of social justice, and therefore, narrow scope is another obstacle for governmental environment information openness.



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