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# BEIJING REVIEW

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# G20 2016 CHINA

Summit set to address global economic uncertainties



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# A Chance to Contribute

The 2016 Group of 20 (G20) Summit will take place in Hangzhou, capital of east China's Zhejiang Province, on September 4-5. As a primary platform for international economic cooperation, the upcoming G20 Summit is steering the world's attention to the middle kingdom. This summit has provided China with an opportunity to play a more active role in the G20 platform, marking a new starting point in China's engagement with global economic governance.

As the second largest economy and a leading driver of global economic growth, China has made use of the hosting of the G20 Summit as a chance to push forward the opening up of its service sector. It is trying to ensconce itself deeply into the new round of globalization. This will cast a far-reaching influence on China's economic and social development in various aspects.

Since it assumed the 2016 presidency of the G20, China has analyzed the macro-economic situation and tried to coordinate various policies, focusing on top-level design of structural reform. For example, China took the lead in formulating the Hangzhou Action Plan, to be issued at the summit, and has worked to fulfill the goal of "strong, sustainable and balanced growth."

China has reactivated the International Financial Architecture Working Group. For the first time, it has brought green finance onto

the G20 agenda. These measures display China's determination to push forward structural reform and opening up as well as its active role in maintaining global economic balance and promoting sustainable development.

The severe global economic situation is now under the influence of various social and political factors. The priority is to locate the source of the problems that are slowing the global economy down and devise a recipe for economic improvement. China has put forward the theme of the summit as "Toward an Innovative, Invigorated, Interconnected and Inclusive World Economy."

Key topics for discussion at the summit will include: a new path for growth, more efficient global economic and financial governance, robust international trade and investment, and inclusive and interconnected development. The focus is on addressing the most striking, significant and urgent challenges facing the world economy with a view to spearheading international cooperation.

Notably, China pays attention to strengthening communication and policy coordination with developing economies and industrialized countries alike so as to help further expand global economic governance. Hopefully, guided by this summit, the G20 will inject new vitality into the world economy for its better growth. ■

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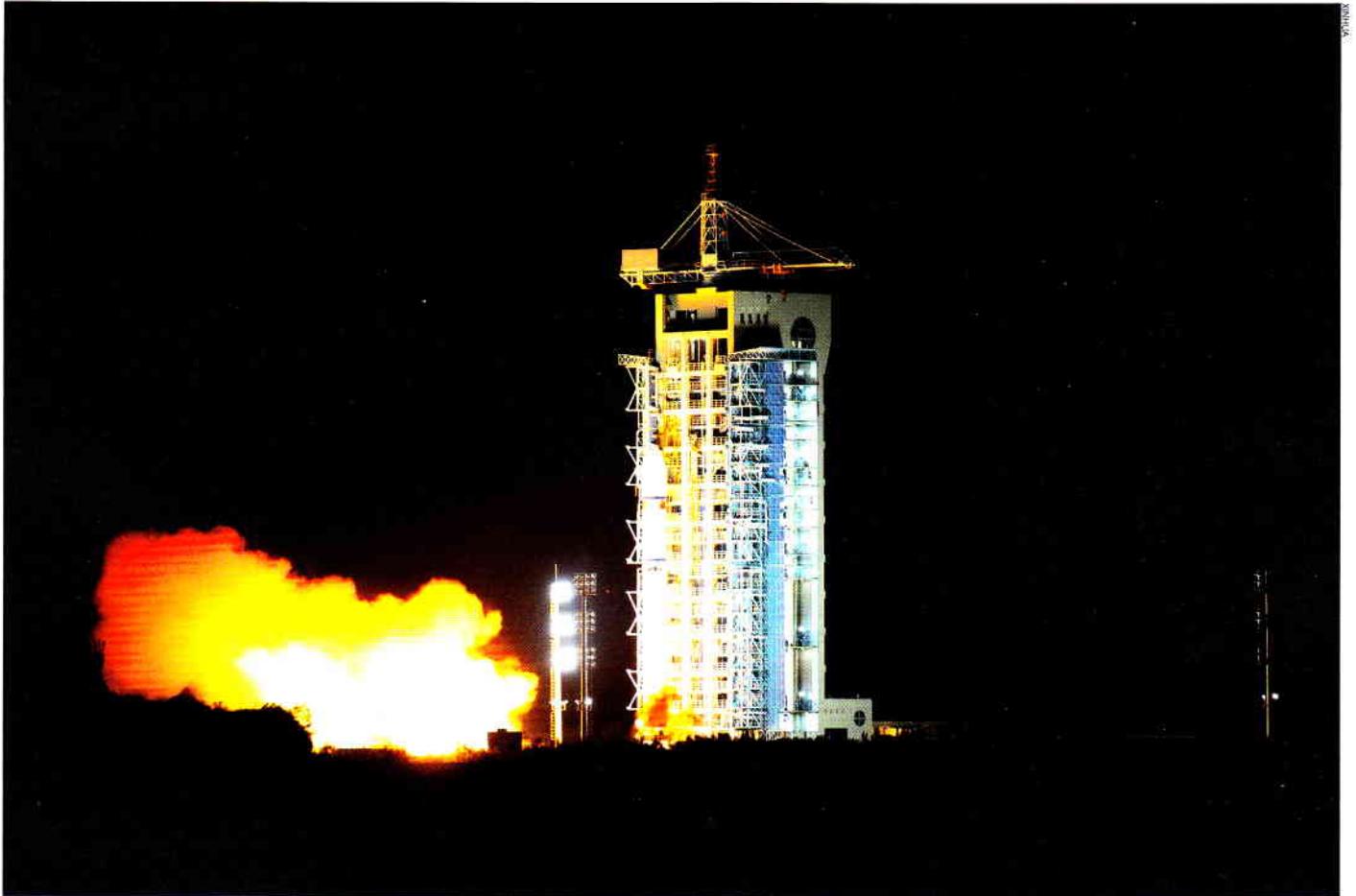
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## A QUANTUM LEAP

A rocket carrying the world's first quantum communication satellite, *Micius*, blasts off at the Jiuquan Satellite Launch Center in Gansu Province on August 16.

The satellite, developed by the Chinese Academy of Sciences, is named after an ancient Chinese scientist.

Circling the Earth once every 90 minutes along a sun-synchronous orbit at an altitude of 500 km, *Micius* is designed to enable hack-proof quantum communication by transmitting undecipherable information.



## Appeal for Peace

Delegates from China, South Korea and Japan at an assembly on August 15 at the Memorial Hall of the Victims in Nanjing Massacre by Japanese Invaders in Nanjing, Jiangsu Province.

The day marked the 71st anniversary of Japan's unconditional surrender at the end of World War II.

## Lawsuit Requirements

The Supreme People's Court (SPC) released a circular on August 16 making it mandatory for relevant officials of government bodies to personally appear in court when trials involving major administrative disputes take place.

The stipulation applies to administrative cases that affect the public interest, come under intense public scrutiny, and are likely to induce mass incidents. Courts should also issue notices to recommend officials' appearance in other cases, the circular said.

"Officials who should appear in court include government department principals, as defendants, as well as

other officials in charge of the specific areas concerned in cases," it said.

According to the SPC, those who cannot attend should designate other government staff to appear on their behalf. They should not have lawyers as their sole representatives in court.

The circular also banned courts from refusing or delaying such lawsuits, stating that principals of the courts found doing so will be disciplined and punished.

"Resolute efforts should be made to deter any illegal act to interfere in and obstruct a court's handling of an administrative case," the circular said, urging courts to keep clear records of government officials attempting to influence case management and outcomes as proof of liability in the future.

## Space Mission

China's *Shenzhou-II* spaceship, set to take two astronauts into space, was delivered to the Jiuquan Satellite Launch Center in northwest China on August 12.

General assembly and testing will begin at the center ahead of the vehicle's launch, which is scheduled for mid-October, said a statement by China's Manned Space Engineering Office.

The spaceship will transport personnel and supplies to China's second orbiting space lab, *Tiangong-2*, which is due to be launched in mid-September.

The astronauts selected for the mission are both male and have been undergoing intensive training, the statement said.

*Tiangong-2*, which will accommodate two astronauts for up to 30 days at a time, was delivered to the center in early July, and its carrier rockets arrived one month later.

## Authorities' Responsiveness

Government departments have been required to respond faster and better to public concerns, according to a circular issued by the State Council, China's cabinet, on August 12.

"Regarding exceptional emergencies, press conferences should be held within 24 hours, and responses to other topics should be made within 48 hours," said the circular, which stressed that information should be regularly updated.

The document said that spokespersons or departmental heads should be present at press briefings, and information should be "accurate, well-founded and pertinent." It added that in responding to public questions, officials should be given a certain level of discretion, and mistakes should be tolerated to some degree.

The circular also contains a two-year plan to train all officials in charge of publicity and spokespersons of State Council departments and administrations at or above county level.

## Wealth Report

Guangdong Province in south China has overtaken Beijing as the Chinese mainland region with the largest super-rich population, according to a report from Hurun Research Institute and Chinese insurance giant Taikang Life Insurance Co. Ltd.

In May this year, the Chinese mainland was home to about 1.34 million high net worth individuals (HNWIs) each with assets over 10 million yuan (\$1.51 million)—a 10.7 percent year-on-year increase—the report shows.

Among provinces and cities, Guangdong, rather than Beijing, now has the largest and fastest growing

number of HNWLs with assets over 10 million yuan—about 240,000—chalking up 17.65 percent annual growth. Beijing ranks second with 238,000 such residents, followed by Shanghai and Zhejiang Province, the report shows.

Business owners, senior corporate employees, property speculators and professional investors are the four key occupational groups making up China's super-rich population, the report pointed out.

## War Crime Survey

The Liji Alley Comfort Women Museum in Nanjing, east China, has begun collating information on military brothels, or so-called "comfort stations," established by Japanese armed forces during their occupation of the city during World War II.

The investigation will produce a comprehensive record of Japan's war crimes, according to museum curator Su Zhiliang, and the evidence will be used in support of the ongoing application to have "comfort women" inscribed on the Memory of the World Register, established by UNESCO in the 1990s.

An exhibition and a report on the museum's findings are scheduled for next year.

The survey will be completed in three parts: sourcing of plans, maps, photos and videos of Japan's military brothels in Nanjing; collating interviews with "comfort women" and witnesses; and interviewing those

that lived nearby "comfort stations."

NGOs from eight countries and regions, including China, the Republic of Korea and Indonesia, are working together on the nomination.

The museum, opened in December 2015, is situated on the former site of a WWII Japanese military brothel, which was established after Japanese troops occupied Nanjing at the end of 1937. Around 60 such brothels existed in Nanjing at the height of the Japanese occupation, according to Su.

## Residential Permit

Beijing will introduce a new residence permit system on October 1, local authorities said on August 11.

According to provisional regulations released the same day, Chinese citizens who stay in Beijing for over six months with a stable job, fixed residence or in full-time education will be able to apply for the new permit, which will be issued in about 15 days. Holders of the permit will be entitled to many of the benefits enjoyed by Beijing's over 20 million permanent residents—educational opportunities, employment support, senior citizen benefits and social welfare.

## New BGI HQ

China's BGI has chosen Queensland, Australia, as its Asia-Pacific headquarters and will start operating from its new Brisbane hub forthwith.

BGI, formerly known as Beijing



## Attraction of Handicrafts

Children look at clay sculptures at a cultural center in Raoyang County, Hebei Province, on August 14. A series of activities to do with folk customs were held there during the summer vacation for children.

Genomics Institute, one of the world's top genome sequencing centers, will employ 10 local researchers at its new HQ, the company announced during a media conference on August 16.

BGI president and co-founder Wang Jian said the new center will be based within the existing grounds of the QIMR Berghofer Medical Research Institute.

"We have been considering coming to Queensland for some time given the strength of Queensland's research sector and

the visionary state government committed to innovation and science as the driving forces of economic development," Wang said.

Queensland Deputy Premier and Minister for Trade and Investment Jackie Trad said she was delighted about BGI's establishment, as it means more job opportunities for local researchers.

"They will be working closely with Queensland universities and government bodies on key research issues in genomics, healthcare, agriculture and biodiversity," Trad said.



## Deep Sea Research

Staff members sample seafloor sediment through a sampling tank onboard deep sea exploration ship *Zhang Jian* in the Solomon Sea off Papua New Guinea on August 14.

*Zhang Jian* started environmental exploration in waters near the New Britain Trench in the Solomon Sea on August 12.

## Stock Connect

The Chinese Government has approved plans to connect the Shenzhen and Hong Kong stock exchanges, Premier Li Keqiang said on August 16.

The preparation for the launch of the Shenzhen-HK Stock Connect scheme is generally in place, Li said at a State Council executive meeting.

A similar link between the Shanghai and Hong Kong bourses was launched in 2014. It allows investors on the mainland and those in Hong Kong to trade selected stocks on each other's exchanges.

"The rollout of Shenzhen-HK Stock Connect after that between Shanghai and Hong Kong marks another concrete step for China's capital market toward becoming one that is more law-based, market-

oriented and global. It will generate many positive outcomes," Li said.

The Shenzhen-HK Stock Connect arrangement will help investors to share more of the dividends from economic growth on the Chinese mainland and in Hong Kong and promote closer partnership between the two markets while shoring up Hong Kong's role as an international financial center, the premier added.

The scheme will be launched at an appropriate time this year after the regulatory rules and technical preparations are completed, China's securities watchdog said on August 12.

## Urbanization Promoted

China has made significant progress in shanty-town renovation and

affordable housing and public transportation construction, an official said on August 16.

By the end of June, the country had met 66.9 percent of its annual shanty-town renovation target, 82 percentage points higher than in the same period last year, said Zhao Chenxin, a spokesman for the National Development and Reform Commission (NDRC), at a news briefing.

As for affordable urban housing projects, 97.9 percent of the annual target had been reached as of the end of June, Zhao said.

In the first half of 2016, city and intercity railway networks grew rapidly. Rail transit in 25 cities reached a length of more than 3,300 km, and another 3,800 km is under construction in 37 cities. The intercity traffic network has hit 1,250 km.

Moreover, local governments of

all provinces and municipalities, as well as the Xinjiang Production and Construction Corps, have released their reform plans on the household registration system.

The Central Government is supporting 37 towns to innovate infrastructure investment financing, helping small and medium-sized cities and towns to improve underdeveloped infrastructure such as water, heat and gas supply systems as well as sewage and garbage treatment facilities.

Zhao also said that China will strive to foster new pillars of economic growth and deepen international cooperation in its urbanization drive.

## SDR Bonds

A division of the World Bank has been allowed to issue bonds denominated in special drawing rights (SDR) in China's interbank bond market.

The International Bank for Reconstruction and Development was approved to issue bonds worth 2 billion SDR (\$2.79 billion), according to a statement on the website of the People's Bank of China on August 12. The Chinese yuan will be the currency of settlement. The inclusion of the yuan in the SDR will take effect in October.

The first batch will be put on the market "soon," said the statement, adding that interbank debt denominated in SDRs will diversify investment portfolios both in China and abroad.

The Industrial and Commercial Bank of China, the country's largest lender by market value, will be the lead underwriter for the issue.

These will be the first bonds denominated in SDR since 1981.

## Apple Investment

U.S. tech giant Apple will increase investment in China and actively participate in China's "Internet Plus" strategy and smarter manufacturing, said the company's CEO Tim Cook in Beijing on August 16.



## New Energy Power Generation

A tidal current energy generator set situated in Zhoushan, Zhejiang Province, on August 15.

The 3.4-megawatt generator set was independently developed by China. When it achieves stable operation, it is expected to generate 6 million kwh of electricity annually.



## Manufacturing Breakthrough

Train G8041 is ready to depart from the Dalian North Railway Station in Liaoning Province bound for the provincial capital of Shenyang on August 15. This marked the beginning of China Standard Electric Multiple Units (EMUs) trains coming into operation.

China designed and developed the EMUs and owns all of the associated intellectual property rights.

Cook made the remarks while meeting with China's Vice Premier Zhang Gaoli, who called on U.S. companies to increase their investment and expand the industrial chain of their businesses.

Zhang said that trade and investment cooperation between China and the United States injects dynamism into the two countries' economic development and boosts global growth.

Cook also said that Apple plans to set up an independent research and development center in China before the end of this year, the first in the Asia-Pacific region, though he did not reveal the specific location.

## Licensing Suspended

The People's Bank of China (PBOC) said on August 12 that it will halt the licensing of new non-bank payment agencies, as authorities try to better regulate the fast-expanding industry.

"No new institutions will be approved for a certain period, in principle," the PBOC said in a statement, while announcing an extension of business licenses for 27 third-party payment agencies that

have already qualified.

Those agencies, including industry leader Alipay, were first authorized in 2011 and will have their services extended for another five years.

Some of them, however, will have to narrow their scope of service due to serious violations of rules or sluggish business, the PBOC said.

There are around 270 third-party agencies that own payment licenses in China, with online transactions surging 46.9 percent year on year to 11.8 trillion yuan (\$1.8 trillion) last year, according to statistics from consulting firm iResearch.

With the exception of Alipay and Tencent's Tenpay, however, many third-party agencies have struggled to find good profit models, with some starting to explore services such as peer-to-peer lending and crowdfunding platforms.

## Share Acquisition

The State Grid Corp. of China has reached a deal to gain control of Brazil's CPFL Energia SA, after two major shareholders agreed to sell the Chinese company their stakes in

the \$7.3-billion utility, according to people with knowledge of the matter.

Bonaire Participacoes and Banco do Brasil SA's pension fund, known as Previ, have given informal approval to sell their combined 44.5-percent stake in CPFL for 25 reais (\$7.8) a share, said the insiders who asked to remain anonymous.

The terms are the same as those the Chinese company earlier offered when it agreed to buy Brazilian company Camargo Correa's stake in the power distributor in July, and the deal will likely be announced in a few weeks, according to one of the people.

State Grid is currently engaged in due diligence for the Camargo Correa deal, a process that will take two more weeks, according to a third person with knowledge of the matter. After that, State Grid will send a formal offer to CPFL's shareholders, who then have 30 days to respond.

The sale would increase State Grid's stake in CPFL to 68 percent. The Chinese company has to extend the offer to all shareholders, which also include subsidiary CPFL

Renovaveis, according to another person. The full deal could reach 50 billion reais (\$15.6 billion), including debt, the person said.

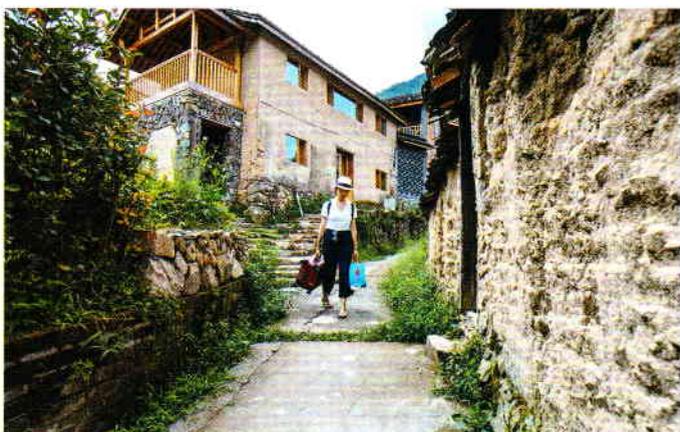
## Greening Beijing

The Beijing Municipal Government has raised over 10 billion yuan (\$1.51 billion) from social enterprises to landscape the capital, the city's Landscape and Forestry Bureau said on August 12.

The funds are being used by projects of public-private partnerships and other foundations to build wetland parks, plant fruit trees and start seedling nurseries, said an official with the bureau.

From 2011 to 2015, nearly 90 billion yuan (\$13.6 billion) went into fixed assets investment in Beijing's landscaping industry, a majority of which was backed by the government.

The bureau plans to increasingly utilize more market-oriented approaches to collect funds in the future by giving preferential treatment to enterprises that invest in and establish "green foundations."



## Vitalizing Village Economy

A tourist walks along an alley in a village in Songyang County, Zhejiang Province.

Located in southwest Zhejiang, Songyang has more than 100 intact traditional villages, which can provide people with a chance to feel the beauty of green mountains and water and relieve stress.

WPH/ARX



## PERU

Rescuers search for survivors in the debris of a destroyed house in Arequipa on August 16. At least nine people died and an undetermined number of people were injured after a 5.2-magnitude earthquake hit Arequipa on August 14



## BELGIUM

Locals dressed in costume perform at the annual Saint Lambert March, which re-enacts a march by Napoleon's army on August 15



## GREECE

A cruise ship collides with a naval vessel 35 km southwest of Athens on August 16, leading to four deaths and four injured





## LIBYA

A member of forces loyal to Libya's UN-backed Government of National Accord holds a position, targeting jihadists of Islamic State group in a neighborhood in Sirte on August 14



## PAKISTAN

President Mamnoon Hussain addresses a ceremony in Islamabad to mark the nation's 70th Independence Day on August 14



## THE UNITED STATES

People wait for the security check at JFK International Airport in New York City to reopen on August 15. All the flights at the airport are suspended following reports of shooting inside one of the terminals

## ↓ OLYMPIANS ENGAGED IN RIO

Olympic divers **Qin Kai** (left) and **He Zi** not only won medals but also made one of the most important decisions of their lives in Rio de Janeiro, Brazil. In front of a cheering crowd on August 14, Qin got down on one knee and proposed to He with an engagement ring. He, who had just come off the podium with a silver medal from the women's 3-meter springboard, nodded yes.

Qin, a two-time Olympic champion, announced that he would retire from his athletics career after landing a bronze in the men's synchronized diving at the Rio Games three days earlier.

Qin, 30, and He, 26, have been dating for more than six years, the latter told reporters. "He has made a lot of promises," He said. "But the thing that has touched me the most is that I think he is the one I can trust for the rest of my life."



## Lessons for Internet Companies

### **Economic Daily** August 15

Kaixin001.com, which used to be a prevailing social networking site in China, has recently been acquired and reorganized. Its experience, from shooting to fame to slipping to the bottom in eight years shows a glimpse of the Internet industry's complexity. Internet companies need to make continuous efforts to please users and improve their experience. They shouldn't rely on one or two games or applications, even if they are very popular.

The past decade was a period in which the Chinese people began acclimatizing to the Internet. In the early stages, users

were likely to be attracted by what would now be considered sparse content. But now, users have started to expect more advanced Internet services, as they become increasingly familiar with the Web. If Internet companies fail to stay ahead of the curve, they'll soon be outpaced by stronger rivals.

The fall of Kaixin001.com also demonstrates the effects of the mobile Internet trend. This website possessed 70 million registered users in 2009, but it failed to keep in step with the speed at which smartphones were becoming popular. The rise of the mobile Internet has produced new darlings for users in China such as Tencent's WeChat, while Kaixin001.com has now been pushed to the wayside.

Startups in the Internet industry need to draw experience from Kaixin001.com's rise and fall, which should serve as a lesson on the need to keep pace with the times.

## Idle Theaters

### **Oriental Outlook** August 18

There are more than 2,200 performance venues in China, including some 1,000 professional theaters, according to the Beijing-based Daolue Cultural Industry Research Center. However, 72 percent of the theaters see fewer than 30 performances per year.

In China, theaters are usually financially supported by the government, which often looks for independent companies to carry out the investment and construction. Some of these companies aren't well acquainted with the function of theaters. As a result, the design of a theater may not be able to meet users' requirements. If problems surface when the construction is finished, renovations often cost a large amount of money.

Private troupes are incapable of constructing their own performance venues, at least for now. Theaters are thriving, but the rent keeps rising. As a result, troupes have to hike ticket prices so as to cover the rent. This, however, can lead to a decline in the number of theatergoers.

In Europe, theaters are mainly funded by government, while in the United States, they largely depend on donations

**"Until 1800, China was preeminent in science and technology. This is a renaissance rather than a *naissance*."**

Francis Gurry, Director General of the World Intellectual Property Organization, commenting on China becoming the first middle-income country to join the ranks of the world's top 25 innovative economies, according to the Global Innovation Index released on August 15

**"Our estimates suggest that the continued rise in high blood pressure, an increasingly sedentary lifestyle, increasing obesity and worsening dietary trends will add millions of new cases of heart attacks and stroke over the next two decades."**

Yanping Li, a research scientist with the Department of Nutrition at the Harvard T.H. Chan School, on his recently published study, which finds that China is facing an epidemic of cardiovascular diseases



from companies and individuals. Some experts in China believe that the best way is for the government to provide subsidies, while the operation of theaters is left to the market. The more the government assigns tasks to theaters, the more the subsidies should be. This is actually aimed at benefiting the audience by lowering ticket prices. Many experts argue that theaters are places for the public to become more culturally literate and thus should be treated as a public service.

## New-Energy Car Services

### Guangzhou Daily August 11

The first batch of public charging posts for electric vehicles in Guangzhou, south China's Guangdong Province, has recently come into operation. Guangzhou is planning to build 5,000 charging posts in the coming four years. It is suggested that 30 percent of parking lots in old residential communities should be equipped with charging posts, while newly built communities will be completely furnished.

New-energy vehicles, a promising emerging industry, have become increasingly popular in the market. Despite favorable government policies, the public is still reluc-

tant to embrace electric cars. The key lies in an insufficient supply of charging posts.

Charging posts are not common in public areas and are usually difficult to be located. Therefore, priority should be given to increasing the number of the posts. Guangzhou is also planning to launch an online software application, by which car owners can access a map of charging posts and their availability. Apart from a lack of charging posts, their inefficiency is another problem. It usually takes as long as 10 hours to charge a car, and car owners have to pay for both electricity and parking.

Compared to public areas, equipping residential communities with charging posts may be more effective. However, despite their calls for this service, car owners' demands are often rejected by their residential complex's property management company. Under these circumstances, changes to the status quo are highly anticipated.

### PILOT FLIES AROUND THE WORLD

**Chen Jingxian**, an amateur aviator from southwest China's Sichuan Province, is on a journey to become the first Chinese woman to circumnavigate the world. She left Cleveland, Ohio, in the United States on August 1 in a single-engine aircraft. Her trip is estimated to last 45-60 days including stops in Canada, Iceland, France, Egypt, Saudi Arabia, Thailand and China.



Chen, 31, divides her professional time between New York City and Shanghai as a lawyer. She first learned to fly while pursuing her master's degree in the United States and was licensed as a private pilot in 2013.

Chen aims to win the prize of 1 million yuan (\$150,000) offered by Chen Wei, who became the first Chinese pilot to fly around the globe in 2011, to the first female Chinese to circumnavigate the world. She has a competitor, though. Wang Zheng, a U.S.-based flight instructor, is also scheduled to start a circumnavigation attempt later in August, according to media reports.

**"China's dairy industry has seen dramatic changes."**

Gu Jicheng, Vice President of the Dairy Association of China, on a report released by the association on August 16 that said Chinese dairy products are emerging from the shadow cast by 2008 safety scandals that tainted the industry's image

**"We can relieve pain and bring happiness to patients and bring patients and doctors closer together."**

Wang Yongsheng, a trainee at a China-Israel joint medical clown training center at the Sichuan Provincial People's Hospital in Chengdu, speaking at the center's inauguration on August 12

**Editor's Note:** This edition of *Beijing Review* is specially devoted to analyzing the potential impact of the Group of 20 Summit taking place in Hangzhou this September. We've invited experts, academics and industry insiders from abroad and within China to express their opinions on topics such as the world economy's anemic recovery from the 2008 financial crisis, reform of the global financial and monetary system, and how China can contribute to global economic governance.

Since the G20 nations make up 85 percent of the gross world product, 80 percent of global trade and contain two thirds of the world's population, the group is an important platform for leaders of developed and emerging economies to work out mechanisms for long-term collaboration on a variety of issues.



COVER STORY

# COLLABORATION FOR J

China continues to be the major powerhouse and stabilizer of the world economy and is willing to share opportunities with its trade partners

By Mei Xinyu



A cargo ship unloads at Lianyungang Port in east China's Jiangsu Province. Demand for imports from China greatly stimulates economic growth in the nation's trading partners.



The author is an op-ed contributor to *Beijing Review* and a researcher with the Chinese Academy of International Trade and Economic Cooperation

**T**he world is facing the most economic and political uncertainties since the debt crisis in the 1980s: The United Kingdom will leave the EU; the banking crisis in Italy poses risks to the European financial system; price fluctuations of primary products are affecting many emerging economies; Japan's Abenomics has failed in reality; economic uncertainties and election debates in the United States cast a slur on the country's policy environment.

In the current circumstances, is China still one of the major powerhouses for world economic growth? Is it still the major stabilizer for the world economy? Major world economic organizations, from the International Monetary Fund (IMF) to the World Trade Organization to the Organization for Economic Cooperation and Development, respond to these questions affirmatively.

China has also showed its strong will to share with its trading partners the opportunities for sustainable growth, with the aim of better playing the role of powerhouse and stabilizer of world economic growth.

### A larger role

Early in the 1980s, China started to serve as a stabilizer for the East Asian economy. Its role was completely recognized during the 1997 Asian financial crisis.

According to figures from the IMF and the People's Bank of China, comparing the coefficient of variation in the annual GDP growth rates of East Asian economies from 1980 to 2001, China was the lowest at 0.35, while the coefficient in all East Asian economies other than China and Japan was 0.49. Such a low coefficient of variation in economic growth rates fully demonstrates China's role in stabilizing the East Asian economy.

Moreover, during the 1997 Asian financial crisis, China maintained a stable exchange rate of the yuan, preventing further proliferation of competitive currency depreciation in the region. It is the stabilizing role China played that helped East Asian economies overcome the financial crisis. After the 1997 Asian financial crisis, East Asian economies didn't collapse or enter a "lost decade" ▶▶

# JOINT GROWTH

as did Argentina, Brazil and some other Latin American economies. Only three years after the crisis, East Asian economies resumed growth.

As the share of East Asian countries in the world economy was growing quickly, the 1997 Asian financial crisis should have soon spread to international financial markets. However, because of China's role in stabilizing the East Asian economy, the world economy was prevented from declining into a great depression, as it did in the 1930s.

During the prosperous first decade of the 21st century, China and the United States together contributed half of the world's economic growth. The average annual growth of China's imports was more than twice the global average, driving growth in many other countries. After the U.S. sub-prime mortgage and European sovereign debt crises broke out, China established itself as the stabilizer of the global economy.

China's economic growth has slowed in recent years, but it still stood at 6.7 percent in the first half of 2016, and the economic

outlook is more optimistic for China than for other major world economies.

According to the World Economic Outlook, updated in July by the IMF, the baseline global growth forecast for 2016 and 2017 has been modestly revised downward by 0.1 percentage point relative to the forecast given in the April edition. Similarly, the U.S. growth forecast for 2016 was revised downward by 0.2 percentage points, the eurozone's 2017 growth was also revised down by 0.2 percentage points, and India's growth forecast for 2016-17 was trimmed down slightly. But in China, the growth outlook was broadly unchanged relative to April, with a 0.1-percentage-point upward revision for 2016.

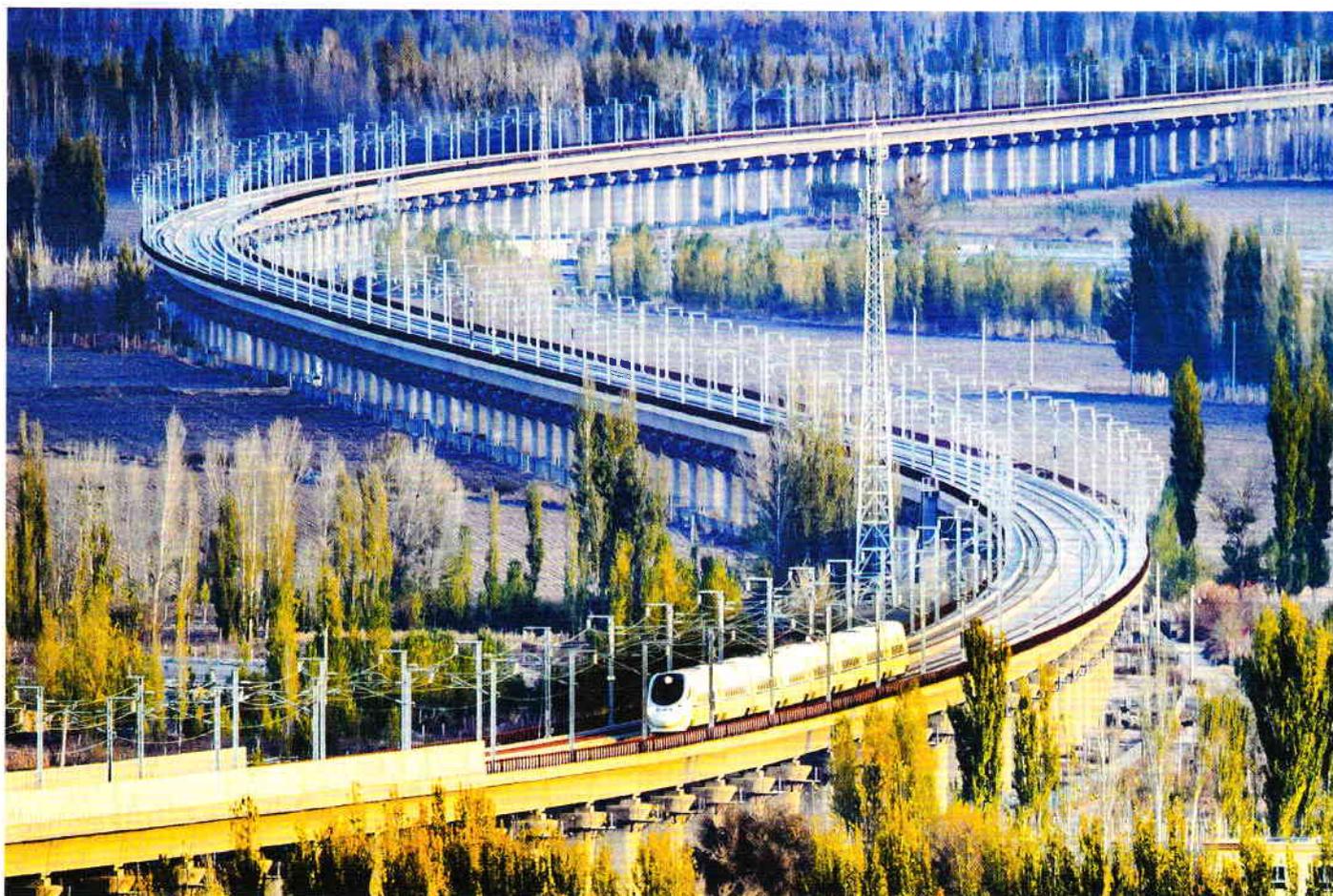
The value of China's imports has declined compared with a year ago, but that is because prices in international markets are declining, while the volume of China's imports maintains marked growth. The nation's demand for imported products is still able to provide its trading partners with enough room for growth. After several years of high growth, China's non-financial outbound di-

rect investment still surged 58.7 percent in the first half of 2016, demonstrating China's powerful dynamics to promote growth of its trading partners.

Based on the above conclusions, leaders of six major international financial organizations came to Beijing on July 22 for a "1+6 Roundtable" to discuss economic issues with Chinese Premier Li Keqiang. For the purpose of better playing the role of powerhouse and stabilizer of world economic growth and sharing sustainable growth with its trading partners, China hosted the roundtable in Beijing and is ready to host the upcoming G20 Summit in Hangzhou.

## Mutual efforts needed

In intensifying cooperation with its trading partners, China has showed strong insight and execution capability again and again. It took only three years for China to complete the process of establishing the China-ASEAN Free Trade Zone—from feasibility study through decision-making to signing agree-



A bullet train runs on a railway bridge in Hami, northwest China's Xinjiang Uygur Autonomous Region

ments—astonishing Japan, which had proposed such a free trade zone 10 years earlier than China but had been unable to create an agreement.

China has also demonstrated its sincerity in collaborating with ASEAN through working to wrap up negotiations on the Regional Comprehensive Economic Partnership (RCEP) as soon as possible, connecting its Belt and Road Initiative with ASEAN's development strategy, intensifying international cooperation in production capacity, and supporting the ASEAN Community Vision 2025 and the Master Plan on ASEAN Connectivity. China doesn't regard the RCEP as a means of competing with the U.S.-led Trans-Pacific Partnership (TPP), but it believes any sensible observer will not ignore the voices within the United States opposing the TPP and the facts that neither presidential candidate supports the TPP and House Speaker Paul Ryan said on August 4 that the TPP doesn't have support for a House vote this year. Together with its trading partners, China has the will and confidence to set up the RCEP as a regional free trade platform that is more stable.

But, one cannot clap with one hand. China's will to share growth opportunities also needs the collaboration of its trading partners. How active they are in developing the Chinese market will decide the size of their share of the "China cake." The past decade has seen cases where different efforts in developing the Chinese market have led to different economic outcomes. Japan and South Korea provide the most typical example.

Japan had been the largest source of exports to China for quite a while since former U.S. President Richard Nixon visited China in 1972 and the embargo against trade with China was removed. It used to be unimaginable that South Korea could replace Japan in exports to China someday. However, due to wrong decisions for political purposes, Japan got off the "train" of Chinese economic growth in the first decade of this century, when China's foreign trade kept soaring. South Korea, sparing no effort to develop the Chinese market, replaced Japan for the first time in 2013 to become the largest exporter to China. In that year, China imported goods worth \$183.1 billion from South Korea but only \$162.3 billion worth of goods from Japan. The gap was further expanded



in 2015, when China imported goods worth \$174.5 billion and \$143 billion from South Korea and Japan respectively.

In the meantime, Japan, once a "top-notch student" among developed economies following World War II, also lagged behind the average level of per-capita GDP among high-income countries. In 2000, per-capita GDP of high-income countries was \$22,749, while that of Japan equaled \$37,292, over 60 percent higher than the high-income countries' average. In 2013, per-capita GDP of high-income countries reached \$39,116, while that of Japan was \$38,634.

Due to long-time close relations in economy and society, as well as historical and geographical connections, ASEAN members are China's first choice of partner in setting up free trade zones. There are disputes between China and some countries in the region, and China will make no concessions on matters involving national territory and sovereignty. Beyond these disputes, though, China can still conduct mutually beneficial

cooperation in economy and trade.

Former Philippine President Benigno Aquino III brought China to the Arbitral Tribunal over the dispute involving the South China Sea, but he also approved his nation's joining the Asian Infrastructure Investment Bank. Currently, the Philippines is performing well in economic growth, but the income gap in the country is very big and unemployment remains high. Its economy excessively relies on private consumption and the service sector and has also suffered trade deficits for many years. Potential risks in the Philippine economy must not be neglected, especially since its economic structure makes its economy fragile in the face of external changes. Changes in international economic and political environments will seriously affect its economy sooner or later, especially domestic consumption and remittances from overseas Filipino workers, which are of vital importance to the country's economy.

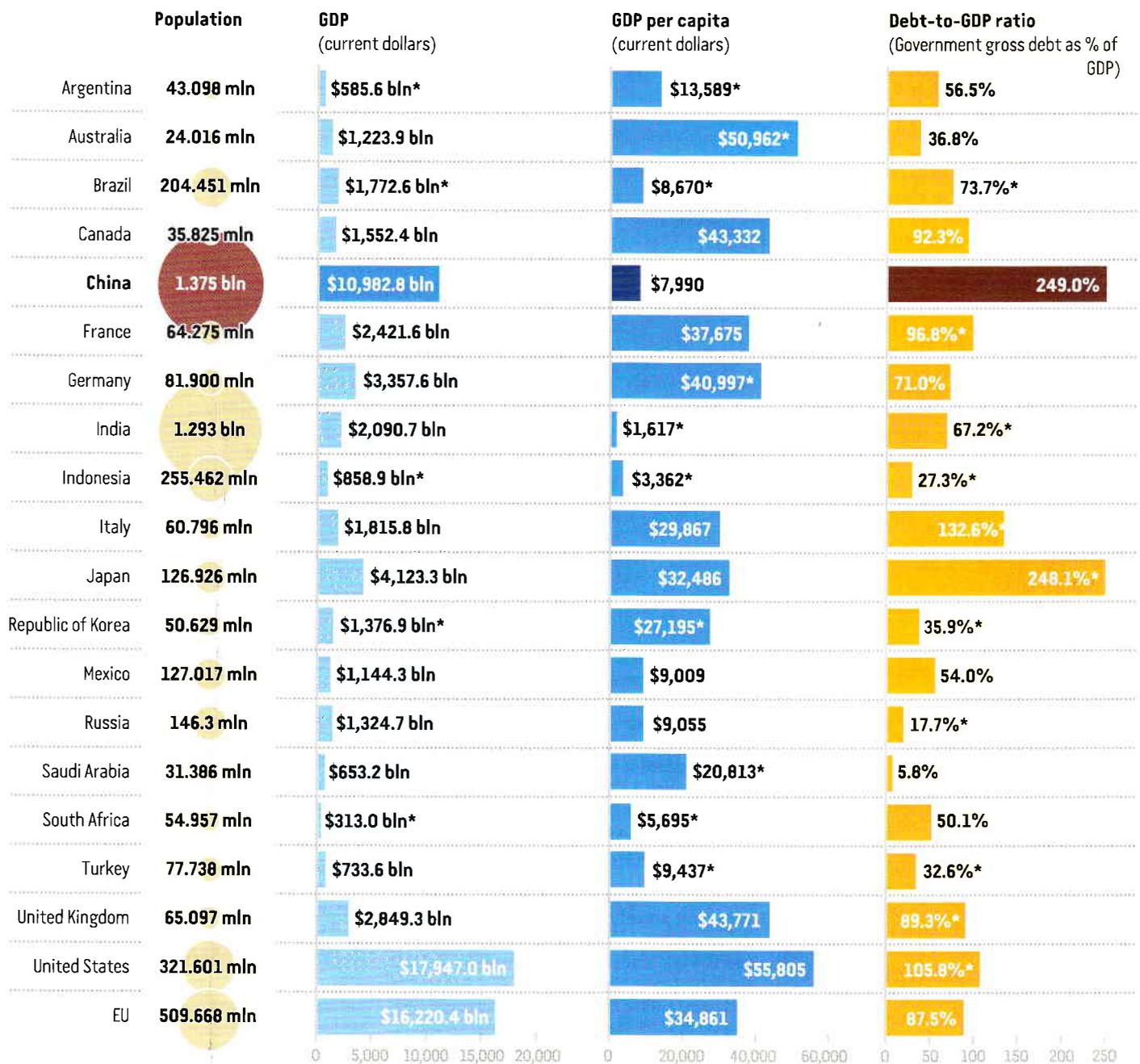
The Philippines, suffering from economic and social uncertainties, needs a peaceful and stable external environment. Economic and trade cooperation with China can facilitate its sustainable growth, and China can provide the Philippines with such help. In 2015, the Philippines' trade deficit

grew very rapidly, partly because its exports to China declined sharply. Its exports to China in yuan-denominated terms dropped by 8.6 percent in 2015, and the decline grew to 13.1 percent in the first four months of 2016. However, China's exports to the Philippines continued to increase, growing from 15 percent in 2015 to 27.4 percent in the first four months of this year. This means that the Philippines cannot develop without consumer goods, capital and equipment from China, but it is unable to take advantage of the fast-growing demand in the Chinese market and rapidly expand its exports to China, as other ASEAN members can. It will be greatly favorable news to the Philippine economy if the country can remarkably improve its relations with China. ■

For more G20 articles, please scan  
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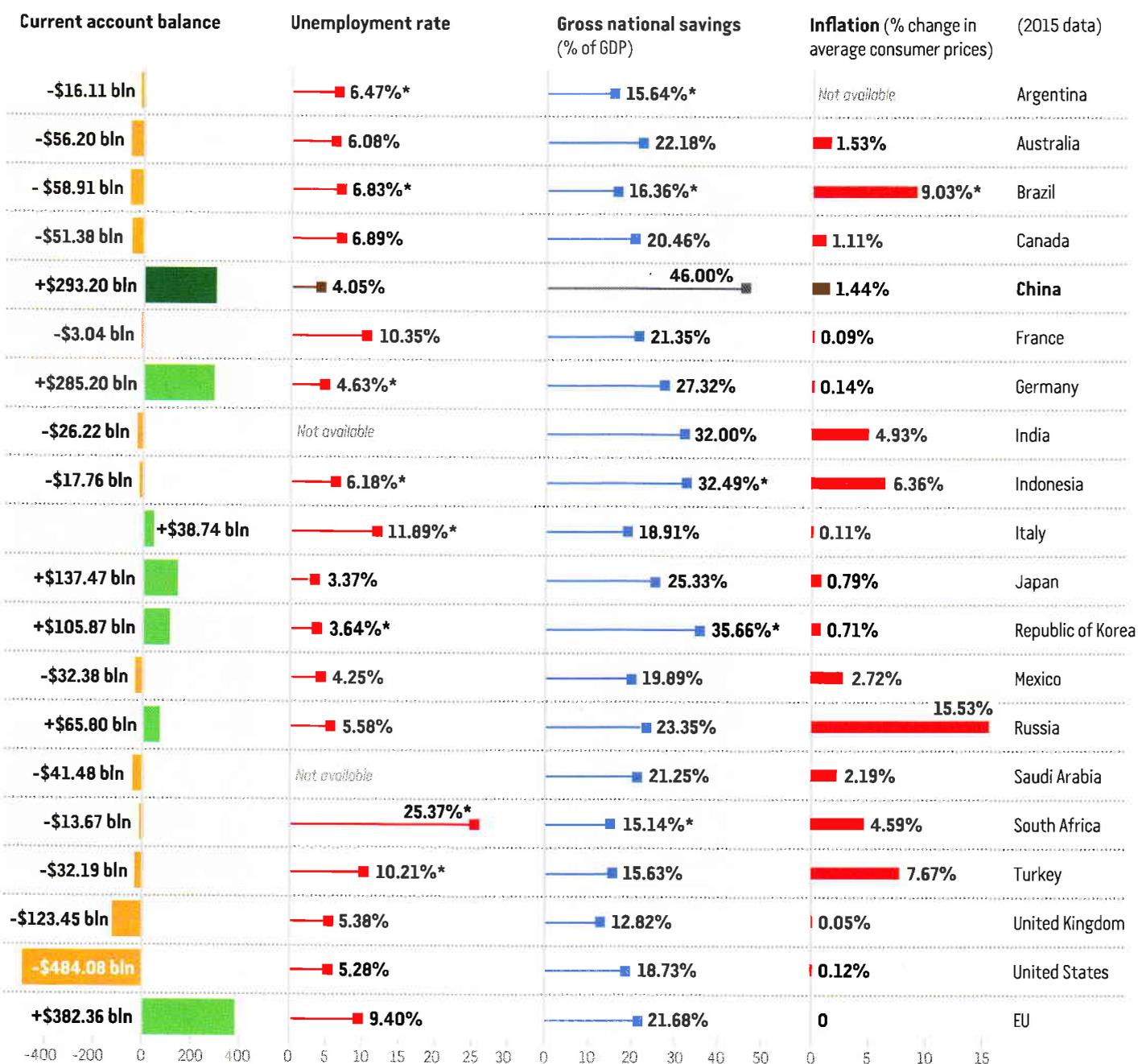
# AN ECONOMIC COMPARISON OF G20 MEMBERS



\*Estimated.

G20 encompasses nearly 85 percent of global GDP and two thirds of the world's population. Its members' economic performance has been essential to the global economic recovery and people's wellbeing. However, development is not balanced, as each member carries its own burdens accumulated over decades.

The chart below illustrates recent performance in each of the 20 member economies.



(Sources: National Bureau of Statistics of China, IMF World Economic Outlook, World Bank, Eurostat, G20 official website; designed by Pamela Tobey)

# TIME TO RETHINK GLOBALIZATION

G20 must address inequality and dissatisfaction By Kerry Brown



The author is an op-ed contributor to *Beijing Review* and director of the Lau China Institute at King's College London

Since 2009, the G20—the international forum for economic cooperation—has become one of the key means by which global leaders can get together and work out ways to cooperate and address common themes. This year, the G20 Leaders' Summit takes place in Hangzhou, China, in early September. With its membership spanning nations like China, India, Russia and the United States, as well as the EU, the group as a whole constitutes close to 85 percent of the global economy, and its decisions have potentially immense impact. The questions are, what can everyone agree on, and how can those decisions be carried forward?

## Off target

The problem with the G20 in the past was that it often seemed to miss opportunities to address the most pressing issues at any one time. Discussion at the 2014 G20 Summit held in Brisbane, Australia, was restricted because of the unwillingness of the host nation's government to prioritize talk of climate change and the environment. This was a great pity because the United States and China, at the Asia-Pacific Economic Conference in Beijing a few weeks earlier, had just agreed to a major accord in which both sides would restrict their carbon emissions over the next two decades. The Brisbane summit also did little to prepare for the United Nations Climate Change Conference held in Paris the following year, which resulted, to the surprise of many, in a



meaningful international agreement. In that respect, the Brisbane event missed a big opportunity.

The pressure on this year's G20 to deliver something is heightened due to the number of pressing issues facing the world and their complexity. The United States

is experiencing what looks to be its most contentious presidential election in recent history, with Republican nominee Donald Trump standing on a vehemently anti-globalist, protectionist platform. In Europe, the UK's decision in June to exit the EU has been ascribed by most experts to similar

People rally in Dresden in Germany on October 19, 2015, to protest against the inflow of refugees



(a largely ceremonial but hugely symbolic role) is likely to result in another extreme right-wing success.

The revolt against globalization has spread across political systems, resulting in more-nationalistic and more-divided electorates and communities. Predicting where all this might lead proves very difficult. One thing is certain, though. Given the levels of anger and frustration, complacency is not an option.

## A catch-22 situation

This year's G20 Summit gives global leaders the chance, from the perspectives of their different economies and political systems, to think about the central paradox of the current age: People have never lived longer, enjoyed higher standards of living, or enjoyed better health than they do at present, yet levels of dissatisfaction are also sky-high.

What can be done, however, when the very means to unlock more growth and stimulate more economic activity is also perceived by many as being the source of all their ills? Free Trade Agreements and trade deals are regarded with deeper and deeper suspicion, and protectionist sentiment is intensifying, despite the evidence from most economists that unless trade barriers are removed and access to markets is increased internationally, global GDP is likely to flatline. Such stasis would almost inevitably cause more unhappiness and dissatisfaction, thereby creating a vicious circle. So, what is the solution to this conundrum?

## Fear and loathing

Common issues at the G20 will include inequity and inequality, issues that underlie the anti-globalization movement. Societies want to incentivize innovation; they want to encourage entrepreneurial individuals and to have dynamism in their economies and their companies. But studies—from a famous one by French scholar Thomas Piketty to one by British economist Richard Wilkinson a decade earlier—have shown that across the developed world, and now in the developing one, inequality has never been more severe.

The Gini coefficient is the most commonly used measure of economic inequality, with one representing complete inequality (one person having all the wealth, for example, and everyone else having nothing) and zero representing absolute equality, with everyone having exactly the same. According to this measure, the United States, China, and parts of Latin America, Africa and Europe are now highly unequal societies. While north European countries like Sweden, Denmark

and Norway exhibit high levels of equality, with Gini coefficients of around 0.25, China comes in at 0.46, the United States at 0.45, and the UK at 0.32.

Although the phenomenon of increasing inequality is recognized, how to deal with it remains undecided. Redistributive tax systems offer one method, but they have proved poor at coping with the upper levels of wealth, and in the case of corporations, they have largely failed. One of the great controversies in both the United States and the EU in recent years has been the ability of transnational companies to seek out benign tax regimes. In an era in which so much trade occurs online, the issue of the physical location where business actually happens and where taxes accrue has become more blurred and harder to manage. Outrage at how major companies like Amazon, Apple and Starbucks have been able to make huge profits yet pay limited amounts of tax is one of the factors contributing to public anger at globalization.

Another is weariness with austerity measures. For large sections of society in the United States and the EU, wages have remained stagnant, and job security has been eroded. Many people in the UK blame immigration for their adverse economic circumstances, despite academic studies showing that it usually stimulates growth. Fear exists that openness to outside markets means greater insecurity at home. Almost a decade has passed since the financial crisis of 2008. Yet, its fallout continues, with public distrust and anger at banks, international finance and liberal market systems remaining high.

## The way forward

The G20 members all share the issue of how to deal with the benefits and pains of globalization as well as the challenge of finding ways to preserve the good things offered by unimpeded access to other markets while protecting their home markets and core constituencies.

While each nation has particularities in its issues with globalization, from China to the United States and Australia, the acknowledgement that inequality, unequal development and public uneasiness need to be addressed cannot be avoided. A new kind of global dialogue about globalization and its impacts needs to start. What was regarded by some as unambiguously positive over most of the last two decades is now looking more complex. ■

# CHAOS AND ORDER

The world is in need of a blueprint for its future peaceful development

By An Gang



The author is an op-ed contributor to *Beijing Review* and a researcher at the Pangoal Institution

**W**ith the spate of trouble witnessed globally in July, political and security situations around the world now seem more chaotic.

In the Korean Peninsula, the United States and South Korea have pushed forward the deployment of the Terminal High Altitude Area Defense (THAAD) system, despite strong resistance from domestic opposition parties as well as neighboring countries including North Korea, Russia and China. A miniature, NATO-esque military triangle, led by the United States and incorporating South Korea and Japan, is forming, breaking the strategic balance in the region.

Defeated in World War II, Japan is now trying to rid itself of constraints laid down by the post-war order to play an aggressive role in international affairs. In an election in July, Japanese Prime Minister Shinzo Abe and his ruling Liberal Democratic Party expanded their majority in the nation's parliament, sending the country further down the road toward overthrowing its pacifist constitution.

Last month, conflict and terror attacks continued in various parts of the world. In war-torn South Sudan, two Chinese peace-keeping soldiers were killed on July 10 during fierce fighting between the opposing armed forces of the country's president and vice president.

In the south of France, at least 84 people were killed in Nice when a truck drove into a crowd celebrating France's National Day on July 14. Besides destroying innocent lives, the terror attack has also dented Europe's confidence and will damage its prosperity.

The attempted coup in Turkey on July 15

shocked the international community. After putting down the uprising, Turkish President Recep Tayyip Erdogan announced the arrest of rebels involved. Since then, tens of thousands of people have been detained or dismissed or suspended from the military, judiciary and civil service as well as from the education sector.

## Growing uncertainties

Since the end of the Cold War, the world has undergone significant changes. Admittedly, the relative decline of the United States' power and global influence and its shrinking willingness to interfere in world affairs underlie the scenes of global turbulence.

But, it is also worth pointing out that the current worldwide disarray stems from U.S. interventionist policies over the past several decades, during which the nation has sought to export its values to regions that are not ready for them.

The world economy enjoyed an era of

prosperous growth, as globalization and regional integration advanced in giant strides under the leadership of the United States—founder of the post-World War II global order and winner of the Cold War. However, the dream of peace vanished into thin air after the United States suffered terror attacks of September 11, 2001. After that, the world's sole superpower went to war in Afghanistan and Iraq.

Despite Washington's global counter-terrorism efforts, terrorism has become more rampant worldwide. What is worse, U.S. intervention in South Asia, the Middle East and North Africa has reduced many countries in these regions to chaos. Religious extremism and terrorism have rapidly expanded to areas where power vacuums exist due to the overthrow of regimes by Western powers.

Today, the world is striving to maintain achievements made over the last decades, but signs of reversal can be spotted in many



A high-level tax symposium kicks off in Chengdu, southwest China's Sichuan Province, on July 23, serving as preparation for the G20 Summit to be held in Hangzhou in September



Protesters in Seoul on July 8 hold posters to oppose the decision to deploy the Terminal High Altitude Area Defense (THAAD) system in South Korea

places. Trade protectionism and new regional FTA initiatives, such as the Trans-Pacific Partnership (TPP) supported by the Obama administration, sideline the WTO framework for global trade. Britain's departure from the EU deals a heavy blow to the most successful model of state-level economic integration. The endless wars and conflicts in Iraq, Syria and Libya continuously produce refugees and jihadists. Even in the West, long-term economic stagnation and social problems are fueling populist politics. The geopolitical confrontation between the West and Russia caused by the Ukraine crisis threatens the security of the whole of Europe.

Now, the world order faces the threat of increasing fragmentation. The pursuit of building a "world government" to address global issues is deviating from its course. And, Western civilization, having held a dominant position for centuries, is now falling into comprehensive decline.

In Western politics, it seems hard to reach consensus on many issues. In a referendum held in 2014, Scotland voted to remain in the UK. But in another historic vote in June this year, the UK decided to leave the EU, generating new divisions between England and Scotland.

Divisions also exist among Britain's neighbors in mainland Europe. EU unity has been dampened by disagreements on how to manage the refugee crisis. The series of deadly terror attacks in recent times not only reveals security flaws in Western Europe, but also reflects the racial bias in Western society and the abject failure of successive European governments to properly manage immigration, create genuinely inclusive societies and, thereby, avoid the deep-rooted social problems that have consequently arisen and now plague European states. Most terrorists who conducted the recent shocking at-

tacks in France and Belgium were local citizens from immigrant families. They were born in Europe but eventually became jihadists.

The United States, allegedly the most reliable cornerstone for global governance after the Cold War, has become the source of much uncertainty. Its ongoing presidential campaign confuses many observers. By any criterion, Donald Trump is not a typical politician. He doesn't even bother to hide his objectionable opinions about women, Muslims, minorities and immigrants, which should be a critical defect in a presidential candidate. Yet, he still won the Republican Party's presidential nomination, leaving many wary about his foreign policy, should he take office.

### China's role

Change has also affected China, which has become the world's second largest economy. For a long time, China was inward-looking. In recent decades, though, it has gained a more international perspective and has become more responsive to, and actively involved in, international affairs.

The Asia-Pacific region has witnessed rapid economic growth and sound relations over the last decade. But its peaceful trajectory has been largely undermined by the Obama administration's pivot-to-Asia strategy, which increases regional tensions. Many Asia-Pacific states now have to take sides in the U.S.-China contest, an outcome that was obviously intended by Washington, and China has inevitably become the center of the vortex.

In his book, *The Pivot: The Future of American Statecraft in Asia*, Kurt M. Campbell, former U.S. Assistant Secretary of State for East Asian and Pacific Affairs, said that the prosperity and stability of the U.S.-led order rests in part on how Washington manages Asia's intensifying

security competition and China's historic rise.

China has realized that long-term peace in the Asia-Pacific region depends mainly on the relationship between itself and the United States.

Under such circumstances, security has increasingly become a concern for many regional countries. China has put forward new proposals on building common and comprehensive security with a cooperative approach, which differs markedly from the U.S.-led security system, which is characterized by a zero-sum, exclusive and collective defense mentality.

In spite of the complicated security environment, peace and development are the most ardently pursued objectives of all members of the international community. China will neither allow its legitimate national interests to be spoiled, nor resort to force to solve disputes with other states.

Modern-day global governance needs China's participation. More importantly, "China should and can offer the world a successful pattern in the exploration for a better social system," as Chinese President Xi Jinping, also General Secretary of the Communist Party of China (CPC) Central Committee, said at the official event held in Beijing on July 1 to mark the 95th anniversary of the founding of the CPC.

China will keep opening to the world and working to promote communication between its people and those of other countries. China is making efforts to provide more public goods for the international community and to work together with other members to reform international institutions.

In September, the G20 Summit will take place in Hangzhou, capital of east China's Zhejiang Province. China will seize this opportunity to contribute its wisdom to the charting of a blueprint for a better world. ■

Copiedited by Chris Surtees  
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# UNIVERSAL OUTREACH

Economic growth and development must embrace inclusivity in a multipolar world **By Clifford A. Kiracofe**



The author is an educator and former senior professional staff member of the U.S. Senate Foreign Relations Committee

**W**ill the upcoming G20 Summit mark a constructive new direction for the international community? Clearly, the global situation today is in dire straits, and many see failed Western leadership and policies as responsible.

Many hope the G20 will play the leading role in fostering a new era of global growth and development. The crumbling post-World War II international financial and political architecture, spreading international terrorism, and deepening social turmoil and poverty call for real change and new, constructive vision.

## Repeating history?

Almost three decades after the end of the Cold War, international tensions are increasing, and the global economy is threatened by a lack of financial stability and productive economic development.

Critics say that the West has run out of ideas and solutions. Not only is Washington and the NATO alliance stuck in a Cold War mode, but they seem to be moving nostalgically backwards to an updated version of 19th-century imperialism.

The foreign policy establishment in the United States is now sharply challenged by Donald Trump, the blunt and bombastic Republican Party presidential candidate. The challenge resonates with the American people, who reject further unnecessary interventionism and seemingly endless wars.

But the transatlantic elite in the United States, Canada, and Europe pursues a neoimperial vision. For over a decade, this dominant elite has followed a geopolitical vision which takes note of the rise of China and the reemergence of Russia and seeks to build an Atlantic fortress.

The intention is to tighten Western political, economic, and military ties so as to maintain global dominance.

The vision regards the Atlantic stronghold as the "center" of power onto which the global "periphery" is linked and by which it is dominated. Critics say this resembles the plantation systems of centuries past imposed on non-Europeans in Africa, the Middle East, and Asia.

## New international direction

Today, in the context of the new industrial revolution, lessons from the past must be recalled lest yet another round of neoimperialism be unleashed in the world. It should not be forgotten that the second industrial revolution of the late 19th century caused a new wave of European imperialism particularly in Africa.

Aside from military power, critics say the central mechanism of such systems is finance

capitalism, which undergoes various crises over time because it is unsustainable. In recent years, Western banks and financial markets owing to rampant speculation and corrupt manipulation, triggered the crisis of 2007-08. Lack of effective national and international regulatory action facilitated the meltdown.

The financial crisis illustrated the consequences of permitting finance capitalism to dominate national and international policy-making and to preclude effective regulation in the interests of stability and economic growth.

The emphasis of the upcoming G20 Summit on economic growth and development is welcome and must lead to a new international direction. If not, the world will face ever sharper contradictions in the global economy.

The fundamental contradiction is between finance capitalism on the one hand and the productive forces of a modern industrial econ-



omy on the other hand. Certainly, finance must serve industry, and not the reverse, as a basic principle of the real economy.

## Regulating 'casino' capitalism

The G20 process grapples with many pressing issues on the financial side. It is to be hoped that concrete and effective measures and policies will result. Serious national and international regulation of present-day speculative "casino" capitalism is long overdue.

In fact, critics say that the financial situation in Europe and the United States is worse than just before the 2007-08 crisis. No significant steps have been taken to separate speculative investment banking from commercial banking. Thus, the world is more vulnerable today to another severe crisis, they say.

The G20's focus on development means focus on the real economy, which some call the physical economy. This stands in contrast to the virtual economy of speculative "casino capitalism." This means a focus on the productive forces in industry and agriculture.

It is essential to foster growth and development investment in productive forces. The present G20 emphasis on investment and sustainable growth is welcome. It comes none too soon, given the challenges of the present international economic situation and the socio-economic challenges faced by many countries in today's rapidly changing world.

Infrastructure is central to economic development. From its very beginning in the United Kingdom, the industrial revolution advanced

owing to continual development and modernization of infrastructure. The dense railroad infrastructure in the UK was a primary factor.

The lesson was not lost when the British went on to modernize the transportation infrastructure of India by building a massive railway system as a key factor of integration and economic development.

The United States would never have developed into a modern industrial country without the systematic development of infrastructure which followed the British and French examples. First came river and seaports, then canals, and finally railroads.

The transcontinental railroad developed under President Abraham Lincoln symbolized the unity of the nation but also the integration of the national economy. Although the United States once had the leading railroad system in the world, it has declined greatly and now requires redevelopment.

In today's world, modern seaports and airports join railroads as being fundamental to the real economy of productive forces. To its credit, the G20 is addressing such issues and no doubt will spur a modern vision for global development benefiting developed as well as developing countries.

## No country forgotten

The G20 2016 process aims at fostering inclusivity. This is essential as the world becomes more multipolar and polycentric. No country should be forgotten or left out of the process of sustainable global development.

China wisely invited representative developing countries to the G20 Summit. All voices of the international community should be heard, and these representatives can bring a much needed message and vision. Toleration of cultural and political differences and of development models responsive to local characteristics and values is essential to the international community. Such toleration can foster a sense of unity within diversity.

China has advanced a historic proposal in the Belt and Road Initiative, which is forward-looking and inclusive. It brings mutual benefit to participants, not to mention a certain sense of community, as did once the ancient Silk Road.

The United States has failed in its foreign policy under presidents George W. Bush and Barack Obama. Washington has failed to promote peace and development. Rather, it has promoted endless war and destruction.

It is time for new ideas and new leadership in world affairs. The universal values of equality, mutual respect, and mutual benefit must be restored within the international community.

The G20 mechanism may well be a key to a better future for mankind. In a sense, the hopes of the world focus on the upcoming summit hosted by China in the ancient city of Hangzhou. The Grand Canal of many centuries ago is an enduring symbol of the central role of infrastructure in national development. Perhaps that ancient symbol can inspire a new direction for mankind today. ■

Copyedited by Francisco Little  
Comments to liuyunyun@bjreview.com



(left) 28-year-old Kadee Ingram sits with her son outside a tent where she lives in Seattle, while trying to find work on October 13, 2015

Japanese and U.S. officials hold a joint defense meeting in Tokyo on July 5 in an effort to strengthen their military alliance

# INNOVATIVENESS AND INCLUSIVENESS

The G20 Summit in Hangzhou will showcase China's role in a changing world **By Jon R. Taylor**



The author chairs the Department of Political Science at the University of St. Thomas in Houston, United States

The annual G20 Summit will take place in Hangzhou in the midst of what is now a relatively long-term lackluster performance of the overall global economy. While the G20 garnered widespread praise in containing the 2008 global financial crisis, it now faces issues related much more to long-term economic governance than to crisis management. The G20 faces questions about both its effectiveness and its ability to address multiple global economic challenges. With this in mind, the Hangzhou Summit comes at a time when China, now the world's largest economy in terms of purchasing power parity (PPP), will likely seek a much more active role in shaping global economic governance.

Announced at the closing of the 2014 G20 Brisbane Summit, the 2016 G20 Hangzhou Summit marks the first time that China will chair what has been described as "the premier forum for international economic cooperation." For those unfamiliar with the G20, it was established in the wake of the Asian financial crisis of the late 1990s primarily as a venue for discussions between finance ministers and central bank governors. Its goals then, as now, were to bring stability to the world's financial markets and to promote economic cooperation. Membership consists of both advanced and emerging economies from all regions of the world.

During the global financial crisis of 2008, the G20 was seen as the most effective forum to lead global efforts to stem the crisis and to

mitigate its effects. Since that time, separate summits have allowed G20 leaders to discuss methods to stabilize the global financial system, to coordinate national economic policies in order to steer the world toward recovery, and to ensure that international financial institutions were provided with the right underpinnings and adequate resources.

As an original member of the G20, China's involvement stretches back to the summit's establishment in 1999. In this respect, China has a claim to a stake in the ownership of the G20 process as equal as that of the United States or any other G8 nation, something which is both politically and symbolically important. Given that the G7/8 wrongly refuses to involve China as a member, leadership of the G20 is of historic importance. The G20 provides China with an opportunity to shape global economic governance. The nation's growing economic clout and its experience in handling short- and long-term economic challenges make it an ideal candidate to work well with both developed and developing economies.

The G20 offers an opportunity for China, as chair of this year's summit, to demonstrate its key roles in both global relations and global governance.

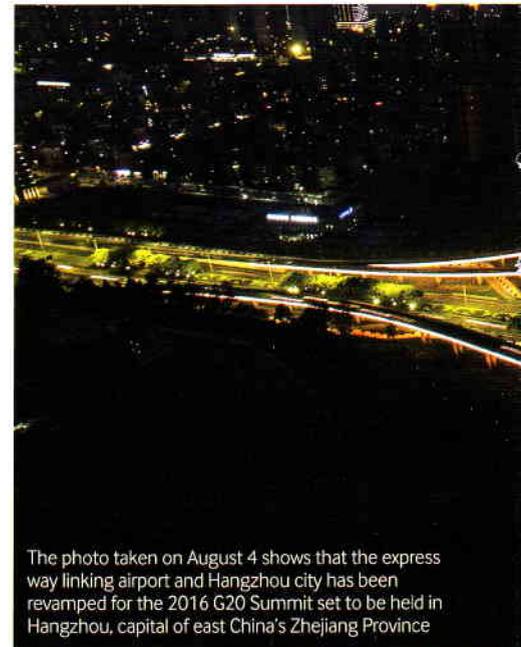
## Great expectations

As Chinese President Xi Jinping has noted, the G20 Summit shows both the international community's strong confidence in China and China's wish to make a contribution to the international community. But the G20 Summit comes at a time when China is making an uncomfortable transition from an export-led economy to a consumption-driven economy, while still producing gross domestic product data that almost all G20 members would envy.

Given the developments in China's economy, what can we expect from the G20 Summit?

China will likely use the G20 as an opportunity to promote its own robust program of economic reforms as well as its foreign policy objectives. China's leadership of the G20 occurs within the first year of its 13th Five-Year Plan (2016-20). While the G20 itself will have no influence over either the content or implementation of the five-year plan, the summit provides a venue for China to use the G20 as a platform to both publicize the plan's authoritativeness and to garner domestic support for it.

The G20 also provides China with an opportunity to use the summit as a venue to leverage support for China's role in international affairs, particularly as a leader in shaping the world's economic and financial policies and rules. President Xi has regularly demonstrated his



The photo taken on August 4 shows that the express way linking airport and Hangzhou city has been revamped for the 2016 G20 Summit set to be held in Hangzhou, capital of east China's Zhejiang Province

willingness to have China engage more actively in economic diplomacy. China's G20 leadership can be viewed as a continuation of both the country's economic diplomacy and its peaceful development strategy. Economic leadership is a key component of China's soft power campaign, which seeks to counter the theory that China's rise threatens regional peace and security and to promote instead a benign and positive image of the nation. In this respect, leadership of the G20 Summit fulfills an element of the Chinese dream: soft power as a diplomatic strategy that not only promotes the renewal of the nation, but also enhances China's international appeal and, in turn, its stature in global relations.

Perhaps the four themes created by China for the G20 can provide some context: "Innovative, Invigorated, Interconnected and Inclusive World Economy." These themes spell out China's four priorities for the G20 agenda: seeking new growth models and opportunities from reform and innovation to uncover growth potential; strengthening global economic and financial governance and the representation and voice of developing countries to build up resilience; making trade and investment contribute more to growth and building an open global economy; and, facilitating inclusive and interconnected growth by following through on the 2030 Agenda for Sustainable Development by reducing poverty and pursuing shared prosperity.

As both G20 leader and host, China will likely play a key role at the summit by mediating the interests of the developed and developing members. In particular, China's G20 leadership in Hangzhou will be critical in fostering areas of cooperation and consensus in trade, investment

and the coordination of both new and established economic governance management systems.

## Why Hangzhou?

Choosing Hangzhou as the G20 Summit host city is the perfect way to highlight China's dramatic transformation on the international stage since reform and opening up. In many respects, Hangzhou is the ideal city in China to showcase, because it both represents the nation's traditional cultural values and exemplifies China's current achievements and future plans.

As the capital of the prosperous province of Zhejiang, Hangzhou expresses the nation's economic potential as one of its most promising technology hubs and a pioneer in education. Hangzhou has been a leader in China's move toward a more consumption-based and service-oriented economy. It was Zhejiang's first city to advance into a service economy, with its service sector already accounting for more than half of the city's GDP growth since 2012. It is also an example of the leadership of President Xi, since this was the province that he led as he rose to the position of General Secretary of the Communist Party of China Central Committee and the state presidency.

## What China seeks

During the G20, China will focus on several areas for discussion: seeking new growth drivers; increasing the power of emerging economies in global economic governance; increasing global trade and investment; and fostering growth in developing countries. Also, look for a discussion about expanding the role of the G20 in

non-traditional security.

China will likely seek changes to the traditional global economic governance model. Specifically, China will propose that the world move away from the exclusivity of monetary management by the Bretton Woods Institutions (BWIs), which, since the end of World War II, have been the primary source of the rules for commercial and financial relations between the United States, Canada, Western Europe, Australia, and Japan. While BWIs such as the World Bank and the International Monetary Fund have set up a system of rules, institutions and procedures to regulate the international monetary system, China will contend that these accords are not enough for a changing and diverse global economy, one in which China has a preeminent role. It will be within this context that China will push for experimenting with new global economic processes such as the BRICS forum and the Asian Infrastructure Investment Bank (AIIB).

China, like the United States, Japan and Europe before it, has an incentive to pursue global economic rules that are more favorable to itself. China also has an interest in retaining those aspects of the international system that have facilitated the prosperity of both itself and other nations. Simply stated, China's global economic governance preferences will shape the future character and distribution of global governance responsibilities, particularly between the G7/8-dominated BWIs and the more diversified group of emerging 21st-century governance actors.

The G20 Hangzhou Summit affords President Xi with a unique opportunity to show that China is willing and able to advance its cooperation with economic partners and develop new standards for global governance. China's interest in reforming global economic governance, particularly by giving greater voice to the developing world, has been a key part of China's foreign policy since the establishment of the G20 in 1999. As China assumes leadership of the G20, that foreign policy objective remains unchanged. Multilateral economic processes like the AIIB, the New Development Bank, and the Silk Road Economic Belt and 21st-Century Maritime Silk Road (Belt and Road) Initiative demonstrate China's interest not only in giving greater voice to the developing world and emerging economies, but also in creating a win-win environment for both the developed and developing worlds. The G20 Hangzhou Summit will enhance China's global standing as it pushes for further reform of the BWIs, pursues newly emerging global economic processes, and carves out a greater role for Chinese-created development bodies. ■



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# A SHARED OPPORTUNITY

China can contribute to the global economic dialogue by hosting the G20 Summit By Paola Subacchi



The author is director of the International Economics Research at Chatham House, an independent policy institute based in London

**C**hina, now the world's second largest economy, is still growing at a relatively robust pace—at least compared with the G7 economies. It has attracted considerable international attention as the host of this year's G20 Summit. China's hosting of the G20 presidency comes at a moment when its leadership has begun to take a more active role on the global stage.

China should seize this opportunity to lead by tapping the G20's potential to address fundamental global economic challenges, with which China's own interests are increasingly embedded. Most challenges facing China's economy are not just China's own, but exist in different forms for both advanced and emerging economies. Having benefited from market-oriented reform, integration with the global economy, and the resulting technological catch-up, China provides a most recent relevant case for other developing economies. However, China also faces great external and internal challenges ahead in advancing its economic progress.

## Policy coordination

More economic openness and financial resilience constitute a key driver of further expansion of global value chain and technology diffusion. China can help strengthen the G20's legitimacy by bringing more of the aspect of fair access and distribution of opportunity in trade, investment and finance to relevant policy dialogues. Through this initiative, China can also show its willingness to support the development of developing economies outside the G20. Besides work-

ing on a more development-favorable global policy environment, China can also put effort into developing the G20's potential in furthering domestic structural reform within member economies to lay the market and institutional foundations for sustainable productivity growth.

Since the realistic room for global economic policy coordination varies from one issue to another, due to their different game structures in essence, it will be far from objective if we have similar expectations for all.

With the growing importance of China in the world economy, the country has become an important partner in global economic governance. Before the financial crisis of 2008, the rising trade surplus in China to a large extent reflected a mirror image of the widening trade deficit in the United States. China's exchange rate arrangement and current account adjustment suddenly assumed global significance and was no longer just its own business. While China was pushed into the center stage of global economic policy discussions by events, its authorities were reluctant to take too strong a leadership role too soon, as the country was still a developing economy with still many people living under the official poverty line.

Given the rotating mechanism for the G20 presidency, the country hosting the presidency can play a very critical role in terms of agenda setting and leading the concerted policy effort. How China handles the presidency will showcase China's top leadership's view on the global economy, global economic governance and China's role in both. It will also be a good opportunity for China to develop its own leadership roles in global economic policy dialogues.

In recent years, there has been also a gradual evolution in the G20's agenda from short-term focus to medium- to long-term focus, since the Los Cabos Summit [in Mexico] in 2012. This shift of focus in agenda in the G20 countries corresponds

well with China's economic transition and the subsequent huge demand for further reforms. China's GDP growth has slowed down since 2011, reflecting to a large extent the slowing down of global growth as well as difficulties with China's own structural adjustment. As with the global economy, China can no longer revert to the growth model before the crisis, because it will only exacerbate the overcapacity issue and the risks in the financial system. Two features from China's own experience—one external and the other internal—can be drawn on in addressing these issues: externally, the integration with the global economy through more openness in trade and investment within a stable international financial and monetary system; internally, deepening reforms to facilitate resource allocation and encourage entrepreneurship and innovation, while promoting fiscally sustainable public investment in both infrastructure and human capital.

Leading a more global effort on promoting economic openness in trade and investment will not only be in China's interest, but also in the interests of most other countries. Specifically, how to promote trade and investment in a more balanced and inclusive way will be a very relevant issue for a large number of developing countries. Considering disputes around the Trans-Pacific Partnership and other regional free trade agreements in recent years, this is an area where the G20 can explore possibilities for more global cooperation or even coordination.

Strengthening the resilience of the global financial and monetary system is also an area where more work should be done by the G20, in which China will have a special interest due to the internationalization of the renminbi. Some of the key issues here include progressing with reform in the global financial infrastructure, establishing an extensive, multilayered and adequate global safety net while controlling moral hazard,



The Youth 20 China 2016 meeting, one of the outreach programs of this year's G20 Summit, opens in Shanghai on July 27

and promoting a multicurrency international monetary system.

Pushing forward a structural reform agenda pivoting around promoting potential growth and productivity will also be an important area where China's core interests intersect with those of other G20 countries as well as other non-G20 countries. If the G20 can lead on structural reform and set good examples for non-G20 countries, it will also provide strong testimony for the G20's efficacy.

### Mechanism improvement

To ensure the G20's work in various areas to deliver solid steps ahead, China could also initiate an agenda on streamlining G20 processes and enhancing the group's effectiveness and legitimacy. There are lots of issues that can be challenged about the status quo; for example, why there is no ro-

tating or selection mechanism for the chair of some working groups, or how to ensure the coherence of the work in different working groups when overlaps are inevitable in most cases. More innovative mechanisms or improvement of existing mechanisms can also be considered to promote policy effort across the board. The peer pressure mechanism, enabled through the Mutual Assessment Process approach to policy collaboration, needs more refinement and better assessment, for which international organizations' technical support is necessary but may not be enough. Beyond the internal pressure mechanism, which is largely opaque to the public, external pressure mechanisms can also be considered, like encouraging more involvement of think tanks in assessments of the relevance, implementation and impact of policy commitments.

Amid a general recognition that the global economy cannot revert to a pre-crisis

growth model while productivity growth remains weaker than the pre-crisis period, China can draw from its own development experiences and lead more global effort on promoting economic openness in trade and investment in a more inclusive and systematic way to ensure more opportunities for all, including non-G20 countries. China can also strengthen the G20 structural reform effort by focusing on the market and institutional foundations for higher and more sustainable productivity growth. By contributing to strengthening the G20's role in steering the global economic policy agenda, China can also strengthen its role in the global policy arena. ■

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# GOODBYE EU, HELLO CHINA!

Can China offer relief to the UK as it mulls over the pros and cons of Brexit? By Bryan Michael Galvan

The United Kingdom is experiencing its worst identity crisis since the end of World War II, according to panelists discussing the repercussions of the British vote to leave the EU. What role will China play in the UK's efforts to redefine itself following its historic referendum?

As the 2016 G20 Hangzhou Summit looms on the horizon, experts convened in Beijing on August 11 to discuss the future of the UK, Europe and those regions' relationships with China. At the meeting, Jiang Shixue, Deputy Director of the Institute of European Studies at the Chinese Academy of Social Sciences, said that China hopes that the bilateral relationship it has with the UK will continue to move forward despite Brexit.

Jiang was steadfast in his belief that China wants to go global and wants to go anywhere there is money to be made, highlighting the fact that the UK is still a popular destination for Chinese investment. Nonetheless, Brexit has somewhat tarnished the UK's image, since its economic ties to mainland Europe were one of its main drawing points.

"The UK will not be as sexy as before," said Jiang. "But on the whole, the UK still is one of the best places for Chinese investment to go to, since [it has] very nice manufacturing capacity, infrastructure, legal system and one of the best financial systems in the world—China is ready to offer a helping hand if its economy is in trouble."

The economy does face uncertainty as the Bank of England's decision earlier this month to cut interest rates to depreciate the British pound could backfire on the UK, since it requires increased investment from abroad in order to succeed. This is a hard sell since the country is expected to undergo major political and economic changes for the foreseeable future.

Furthermore, the UK's Office for National Statistics said on August 16 that import prices for metals, oil, food and other products grew by 6.5 percent year on year in July, the fastest rate in five years, prompting fears of inflation.

However, Jörg Wuttke, President of the EU Chamber of Commerce in China, was doubtful of claims that China could offer the UK assistance in the short term. "I don't see that actions on China will move fast forward, in particular because [the UK authorities] have to completely change their storyline. Britain has been selling London and the UK as the entry-point into the EU—that's not the case anymore."

## Great expectations

Brexit is believed to be a hot topic during the G20 Summit, especially considering the fragile state of the world economy and its tepid recovery prospects. Clare Pearson, Chair of the British Chamber of Commerce in China, was nonetheless optimistic about the G20 meeting, claiming that it would be good for the world economy.

In an exclusive interview with *Beijing Review*, Pearson declared that the upcoming event would be the right forum, at the right time, in the right place, because it's bringing together countries with some diverse issues and real common problems.

As the world muddles through the doldrums of economic recovery eight years on after the 2008 global financial crisis, nations are faced with obstacles composed of terrorism, climate change and developmental issues in contentious areas such as the Middle East and Africa.

Pearson said that although there are some things that divide those 20 countries, there is more that unites them. "I think the G20 will stimulate the global economy by



Chinese and British flags fly in front of Buckingham Palace on the Mall in London on October 19 before President Xi Jinping's state visit to the country in 2015

creating the one-to-one relationships on which economic growth depends. So it's the right forum, the right time—you know, we've just had Brexit in the UK, we have a government that is confident in China, and I just think it is a good time for people to reassess their bilateral relationships with countries around the world," she said.

The G20, which collectively accounts for 85 percent of the world's gross domestic product and 80 percent of global trade, was designed to be a platform to address problems that transcend any one nation's responsibilities. Pearson said that rather than just looking at issues from the selfish point of view of a single country, "What the conference does is that it wakes you up to the bigger picture. This is what I think we need our politicians to do—show less self-interest and more mutual consideration for the spillover effect of their domestic policy on the global stage."

## Free trade agreement?

Following the Brexit vote, Chancellor of the Exchequer Phillip Hammond has begun



discussions for a free trade agreement (FTA) with China. The chancellor told the BBC on July 24 that it was the right time to explore “new opportunities” with China and the rest of the world. China is one of the UK’s most important trading partners, as it is its sixth largest export partner, and its second largest in terms of imports, after Germany.

Hammond said that the UK should deal with Brexit in a way that minimizes the economic impact on the economy in the short term and maximizes the benefit in the long term. “We have hugely increased our trade with China, investment both by British companies into China and by Chinese entities into the UK,” said the chancellor during the meeting of G20 finance ministers which took place in July in Chengdu, China. “Once we are out of the EU, then I have no doubt on both sides we will want to cement that relationship into a firmer structure in a bilateral way that’s appropriate.”

A free trade deal between China and the UK could become a multi-billion pound affair involving a large number of commercial

markets and financial sectors.

Pearson told *Beijing Review* that what she’d like to see from a potential FTA is greater ease of access to the Chinese market for services like insurance, banking, law, professional services and in return, greater ease of access to the UK for China-manufactured goods and investment in infrastructure.

But aside from these areas, what else can both parties offer each other in terms of socioeconomic exchanges?

“I think the UK has been global for centuries, so I think they can help Chinese banks to think globally,” she said. “But in return, Chinese banking can give the UK system an awareness of the Chinese market, which they sorely lack. How people like to do investment in China is completely different to how they like to do it in the UK.”

For example, based on a report in May by the Rosen Consulting Group and the Asia Society, a non-profit educational organization, between 2010-15, Chinese buyers invested upward of \$300 billion in the U.S. real estate market.

As China looks to shift its main economic engine from traditional manufacturing industries to investment targeting consumption and innovation, an FTA with the UK could also be a boon for the nation’s creative industries. “In the future, we’ll be branding not just for the European and the U.S. consumer, but for the Chinese consumer,” said Pearson, who claimed that the Chinese consumer market will probably become the biggest, eventually.

Nonetheless, Wuttke noted that achieving such an agreement would not be a walk in the park. “How interested will China be in deepening links with the UK in a period of time when anything is in total uncertainty?” Adding to concerns of instability, the UK side also has to reconsider what leverage they have before engaging other countries in such talks.

“What is their bargaining power against the second largest economy in the world in real GDP terms? What do you have to give except good will?” Wuttke was reserved on the UK’s prospects of an FTA, saying that, “to get something sensible out of China these days is very, very difficult. Britain has to find its feet with the European continent first and foremost.”

## Becoming a bridesmaid

Regardless of the future relationship between the two countries, opportunities and losses for businesses in China and the UK are likely to continue. But China’s business environment is filled with impediments for foreign companies looking to take a slice of the lucrative market composed of 1.3 billion people. Earlier in August, one of the world’s most valuable startups—ride-hailing company Uber—folded under market pressure after bleeding \$2 billion in China and merged with home-grown rival Didi Chuxing. What can foreign companies do to get a leg up in one of the world’s most challenging markets?

“The one bit of advice I give to British businesses is to ‘learn to be the bridesmaid,’” said Pearson, who asserted that you have to lose somewhat to win in China. Pearson coined this concept as “parallel opportunity for profit” after realizing that the way to win in China is to lose—by grafting yourself onto people in China in a mutually beneficial manner. “If you want to access the Chinese market, get with the program! Britain has to realize that the center of economic gravity is now closer to Shanghai than Sheffield.” ■

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# Better Late Than Never

Mitsubishi apologizes for subjecting Chinese to forced labor during WWII By Bai Shi

**W**orld War II (WWII) finally ended when Japan announced its unconditional surrender on August 15, 1945. But the battle waged by Chinese victims for compensation and apologies from the Japanese Government and Japanese companies involved in the war has never ceased.

On August 15 this year, the 71st anniversary of the end of WWII, 87-year-old Yan Yucheng, a Chinese survivor of forced labor, released the entire text of the settlement between himself and Japan's Mitsubishi Materials Corp. regarding compensation and an apology for Yan's suffering in a forced labor camp in Japan during the war, the Beijing-based *China Youth Daily* reported on August 15.

Yan was one of the Chinese victims who reached settlement deals with Mitsubishi Materials on June 1 this year. The Japanese company has now completed actions to compensate and apologize to Yan.

Tong Zeng, the activist who initiated demands for compensation and apologies from Japan on behalf of Chinese slave labor victims, was authorized by Yan to release the text of his arrangement on August 15.

Tong told *China Youth Daily* that Yan hoped the world could witness the completion of the agreement in which a well-known Japanese enterprise has finally begun to apologize and show regret for the crimes it committed together with Japan's militarist government more than seven decades ago.

"The deal offers a valuable example for Japan and other countries to make settlements for war crimes," Tong said.

In the document, Mitsubishi Materials recognizes the fact it forced nearly 4,000 Chinese to work in labor camps during WWII and subjected them to inhumane treatment. It is the first Japanese company to officially apologize to Chinese victims since the end of WWII.

The company has agreed to compensate each of the Chinese victims, the deceased as well as the survivors, 100,000 yuan (\$15,000)

for their suffering in Japanese labor camps. "On our part, we've come to a conclusion that we will extend our apologies and offer the money as a proof of these apologies," a Mitsubishi Materials spokesman said.

The company also promised to continue to seek a comprehensive and permanent solution with all of the former laborers and their families and pledged to build a memorial to honor the victims. Furthermore, the company said it would continue trying to track down forced wartime laborers who remain unaccounted for in official records.

The settlement, negotiated between representatives of the company and the victims, was formally signed on June 1 by senior Mitsubishi Materials executive Hikaru Kimura and three survivors, including Yan, on behalf of more than 3,000 of the company's wartime forced labor from China.

## Untold sufferings

As Japan expanded its military campaign in WWII, the island country was badly short of manpower to run its war machine. To meet the large demand for labor in heavy industry, particularly in coal mining and construction, the Japanese Government and some of the nation's corporations conspired to force captive locals to work as laborers. At that time, a large number of prisoners from the United States, Britain and China were forced to work in labor camps for Japanese industrial and mining enterprises. Mitsubishi Materials was one of them.

Yan was only 15 years old when he was abducted by Japanese soldiers and transported to Japan in 1944 from his hometown in Qinhuangdao City, North China's Hebei Province.

Yan told China News Agency that he was taken to the city of Lizuka in Japan's Fukuoka Prefecture to toil in a Mitsubishi coal mine until December, 1945, when he was set free and repatriated to China.

In Japan, "We worked over 10 hours a day.

The Japanese guards and supervisors gave us only two meals a day, and the food was too poor to eat. We were always hungry," Yan said.

"A total of 189 Chinese, including me, were brought to the coal mine in Lizuka. When we were free to return home, there were only 166 left; 23 died of inhumane treatment within a year," Yan said.

According to statistics released by Japan's Ministry of Foreign Affairs after WWII, at least 39,000 Chinese people were forcibly brought to Japan between 1943 and 1945 to assume exceedingly hard labor in Japan's mines and factories. Today, historians identify such action by Japan's militarist government during the war as mass-kidnapping and human trafficking. Among the forced Chinese laborers, 7,000 died during their hellish internment due to the rigors of labor, squalid conditions and lack of basic essentials like food and water. Some who tried to escape from labor camps were shot to death.

The Mitsubishi Mining Corp., a former part of Mitsubishi Materials, received a total of 3,765 Chinese workers during the war. They worked as slaves, suffering from hunger, cold and violence. By the end of the war, 722 Chinese workers had died in Mitsubishi's mines.

"I don't care about the amount of compensation," Yan said at the compensation agreement signing ceremony held in Beijing on June 1, "I do care if Japanese companies recognize the facts of their crimes, if they feel guilty, and if they are willing to apologize for what they did in the past."

"We have been fighting for the apology for over 20 years," Yan said.

## Efforts for justice

Not all Chinese victims, though, have agreed to Mitsubishi Materials' settlement. Sixty-three people have filed a lawsuit in Beijing.

Liu Shili, 91, who was forced to work for a year in a coal mine operated by Mitsubishi Mining, told Xinhua News Agency, "We refuse to accept the company's reconciliation deal."

"We will hold the Japanese accountable for their war crimes in accordance with law and fight for our rights," Liu said.

"The settlement deal is unfair to my late father and thousands of other victims like him," said Pan Ying, whose father Pan Jingxiu tried unsuccessfully to sue the company for two decades. "We demand real compensation and will carry on our battle with the support of our country and our legal aid team," Pan said.

Xu Jingbo, President of ASQIA, a Tokyo-based news agency, told Shanghai-based ThePaper.cn that "I can feel that the words of apology offered by Mitsubishi are not sincere and thorough enough."

"But the apology itself is a significant victory for Chinese victims," Xu said, "After all, a

Japanese company is eventually able to agree to apologize to Chinese victims for the crimes that it committed 71 years ago.”

Over the past 20 years, Tong has worked to help Chinese victims seek redress from Japan through legal means.

“The process is very hard because it involves China’s domestic law, Japanese law and international law,” Tong said, “The settlement gives us a way to start reconciliation between Chinese victims and other Japanese companies.”

Actually, the Japanese Government doesn’t support Mitsubishi Materials’ decision to apologize, Tong claimed. But the government’s attitude puts the company in a dilemma during its process of seeking business expansion in China. However, Mitsubishi Materials’ board of directors decided to apologize, taking into account the company’s humanitarian and human rights responsibilities as well as its business future.

According to Tong, as many as 35 Japanese companies are believed to have been involved in forced labor from 1937 to 1945, during Japan’s invasion of China. Today, the Japanese Government has still yet to apologize for its war crimes including the mass-abduction of

Chinese citizens.

Tong said that in his experience over the past 20 years, he has seen plenty of arrogance and rejection from Japanese government officials and enterprises in numerous lawsuits and negotiations which sought compensation for the Chinese victims of Japan’s war crimes.

With much effort, and assistance from lawyers in both China and Japan and many dedicated professionals, Chinese victims and their families have made some progress in recent years in claiming compensation.

In 2014, Japan’s Mitsui Co. agreed to compensate Chinese ship owner Chen Shuitong for his losses during WWII. Chen leased his cargo ships to Mitsui in 1930s. During the war, the ships were commandeered by Japanese imperial forces prior to eventually being destroyed in the conflict.

Chen’s descendants had pursued compensation for near 70 years since the end of WWII. In 1988, the Shanghai Maritime Court accepted a lawsuit filed by Chen’s family. In 2007, the court sentenced Mitsui to pay compensation of 2.9 billion yen (\$28.91 million). To enforce the ruling, the court froze Mitsui’s ship *Baosteel Emotion* in Zhoushan Harbor, Zhejiang Province, in 2014. Mitsui

then agreed to follow the ruling and compensate the plaintiff.

Behind the compensation case, China’s growing comprehensive national strength and international status are important factors contributing to the success of the compensation claims, said Tong.

To some extent, Mitsui’s case can be considered a commercial dispute. But, the settlement of Mitsubishi Materials should be a milestone for Chinese victims demanding apologies and claiming compensation from Japanese companies, Tong continued.

“Today, there remain about 20 Japanese companies that enslaved Chinese workers but have not apologized. Therefore, we need to comment positively on Mitsubishi’s settlement, encouraging others to correctly face history,” Tong said.

“Next, we will strive to seek the Japanese Government’s official apology to Chinese forced laborers,” Tong said, “Only a formal apology made by the Japanese Government can initiate a new chapter of China-Japan relations.” ■

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People from both China and Japan mourn Chinese victims who were killed in forced labor camps during WWII in a commemoration held in Odate City of Akita Prefecture in Japan on June 30, 2015



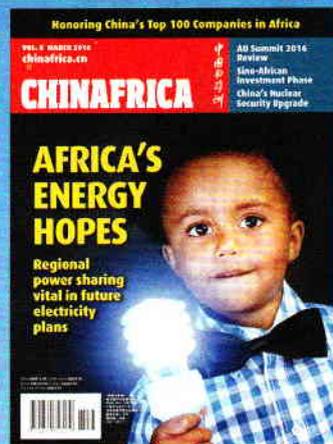
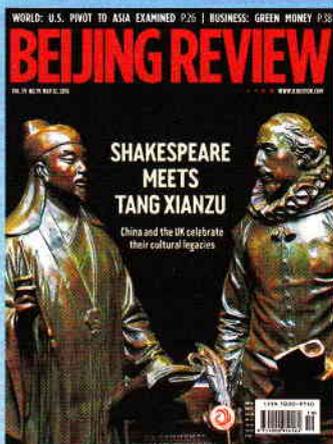
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# Pinpointing The Problem

China promotes precision medicine to provide more rapid and accurate clinical diagnosis and treatment **By Wang Hairong**



Scientists at a lab of the Hefei Institutes of Physical Science under the Chinese Academy of Sciences do experiments on August 10. The lab is engaged in making progress in precision medicine to combat malignant tumors

A village in Yicheng County, Shaanxi Province, is home to a strange medical phenomenon. A family, dating back at least six generations, has no teeth. One of the family elders told local media that his late mother and his great-grand father were toothless, as are his children and grandchildren. Afflicted family members usually had primary teeth, but their permanent teeth failed to grow after their baby teeth were lost. As a result, they have to eat food paste and liquids for the rest of their lives.

The mystery of the toothless family was unraveled in the 2000s by He Lin, Director of the Bio-X Center of Life Sciences at Shanghai Jiao Tong University and President of the Institutes of Biomedical Sciences at Fudan University.

Professor He identified the gene causing the disorder of the family, which was later named He-Zhao deficiency after him and two locals of Shaanxi—doctor Zhao Shuangmin and teacher Zhao Wanli—who first reported and studied the phenomenon in the family.

## National strategy

He and his team have mapped and cloned several other important genes and made progress in hunting candidate genes of schizophrenia and other mental disorders.

Now, He is applying gene technology to clinical diagnosis and treatment. On July 27, he signed a letter of intent to cooperate with Xiamen City No. 5 Hospital to set up a laboratory

for genetic diagnosis.

Currently, He serves as director general of the China Alliance of Personalized and Precision Medicine and Industry, which was set up in Shanghai on December 11, 2015, to promote the application of precision medicine.

The alliance is committed to promoting sharing of clinical experiences and other resources in personalized and precision medicine, popularizing relevant technologies and providing consulting services.

Genetic differences may lead to different reactions to health risks and treatments among individuals, said He. Citing an example of a 9-year-old boy with attention deficit and hyperactivity disorder, who died after taking a common drug to treat the disease, he said that the same drug can have obvious healing effects on some patients, less obvious effects on other patients, and adverse effects on the rest.

"Many factors can affect the effectiveness of a drug on an individual, while genetic polymorphism is the primary factor, and other factors include height, weight, gender, age, concomitant diseases, organ functions and environmental factors," said He.

Precision medicine is an emerging approach for disease prevention and treatment that takes into account people's individual variations in genes, environment, and lifestyle, according to the definition of the U.S. National Institute of Health.

That approach is made possible by cutting-edge technologies such as sequencing of the human genome, biomedical analysis and new tools for analyzing large datasets.

On January 20, 2015, U.S. President Barack Obama unveiled a Precision Medicine Initiative during his State of the Union address.

The promise of precision medicine, according to him, is to deliver "the right treatments at the right time, every time, to the right person." He asked congress to invest \$215 million into the project.

Meanwhile, China has also begun to attach importance to precision medicine. On March 11, the Ministry of Science and Technology convened the first expert meeting on precision medicine strategy. China decided to invest 60 billion yuan (\$9 billion) in precision medicine by 2030, one third of which will be paid by the Central Government, and the rest come from local governments and enterprises.

A number of precision medicine alliances have sprouted up across the country. The Clinical Research and Application Alliance of Precision Medicine in China was founded on December 24, 2015. The alliance, initiated by the China-Japan Friendship Hospital (CJFH), comprises more than 20 renowned hospitals in various parts of the country. It aims to promote precision medicine in clinical research and diagnosis.

Some institutions and teams in the alliance started their clinical research and applications of pharmacogenomics around the beginning of the 21st century, said Wang Chen, an academican and President of CJFH.

Since 2004, Wang has been working on genetic testing to determine the clinical significance of genomics in some commonly used drugs and exploring ways to treat diseases by precision medicine.

Wang said that by December 2015, 127 quality hospitals nationwide had established precision medicine centers or individualized drug treatment centers. Thus, a provider network with a moderate scale for clinical application of precision medicine has been set up.

On June 27, the presidents of 15 cancer hospitals across the country formed an oncology precision medicine alliance.

## Diagnostic advantages

Southwest Hospital, which is affiliated with the Third Military Medical University in Chongqing Municipality, plans to conduct gene testing on 2,000 types of hereditary disease next year.

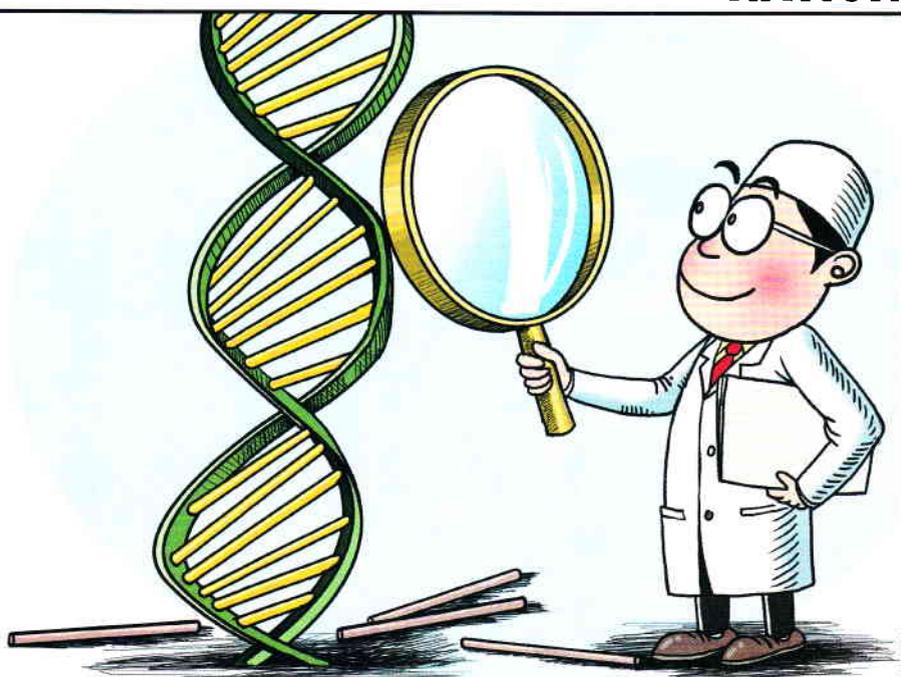
"Through gene sequencing technology, we can screen for genetic disease genes, prevent genetic diseases, and provide personalized disease treatment and effective drugs for patients, reducing the toxic and other side effects of drugs and the economic burden of patients," said Yuan Zhihui, Director of the hospital's center of hereditary diseases.

Yuan said the effectiveness of drugs for some commonplace diseases is only around 50 percent. Precision medicine is expected to change this situation.

At a forum on world future science and technology on June 25, Cheng Jing, a medical professor at Tsinghua University, told the audience that a patient suffering from fever, diarrhea and respiratory difficulty was diagnosed with severe pneumonia in a hospital and paid close to 1,500 yuan (\$225.5) in medication expenses daily, however the patient's condition got worse and worse. Then the hospital used a gene chip to identify the source of infection more precisely, treated the patient with erythromycin, and cured him at a daily expense of just 10 yuan (\$1.5).

Precision medicine has been used in several departments of Beijing Chao-Yang Hospital and has made it easier for doctors to find the appropriate dose of warfarin for patients who suffer from cardiac infarction, said Tong Zhaohui, the hospital's vice president.

Warfarin is an anticoagulant used to prevent clots in blood vessels and their migration in the body. Too high a dose of the medicine might cause a patient to bleed, while too low a dose is insufficient to protect against blood clots. A patient usually needs to be monitored for one to two months for doctors to find the right dose,



Tong said. Now, with gene testing, a patient can learn about the optimal dose within 24 hours of having a blood test, he said.

## Bottlenecks

Despite progress in precision medicine, Tong thinks that currently, for ordinary Chinese citizens, precision medicine is no more than a concept. He believes the dawn of the precision medicine era is still some way off.

Currently, precision medicine is primarily used for disease diagnosis and helps people learn about future health risks, but after diagnosis, precision intervention is much needed, said Ji Jianxin, Executive Vice President of Diao Group, a pharmaceutical group based in Chengdu, capital of Sichuan Province.

Tong said that some basic medical science findings are yet to be converted into clinical therapies.

Zhu Hanqing, a strategic planning manager with Shenzhen-based BGI, a leading genomics research center, said that today, developing targeted drugs is the biggest challenge in oncology. Although some targeted anticarcinogens have been developed, to date no medicine has been found for many targeted spots, she said.

Another challenge for precision medicine is the cost for gene sequencing and other procedures such as setting up gene data banks and sharing data, Zhu said.

She said that the development of medicine is a very long and expensive process, which means that treatment is expensive for patients. Targeted cancer therapies currently cost more than 100,000 yuan (\$15,050) per year, and most can only prolong a patient's life by a few months. The cost-effectiveness is an issue when justifying whether to de-

velop a medicine, she said.

Currently, the cost of gene screening is mostly not covered by medical insurance, so when doctors advise patients to undergo a gene test, patients often refuse, according to Xinhua News Agency.

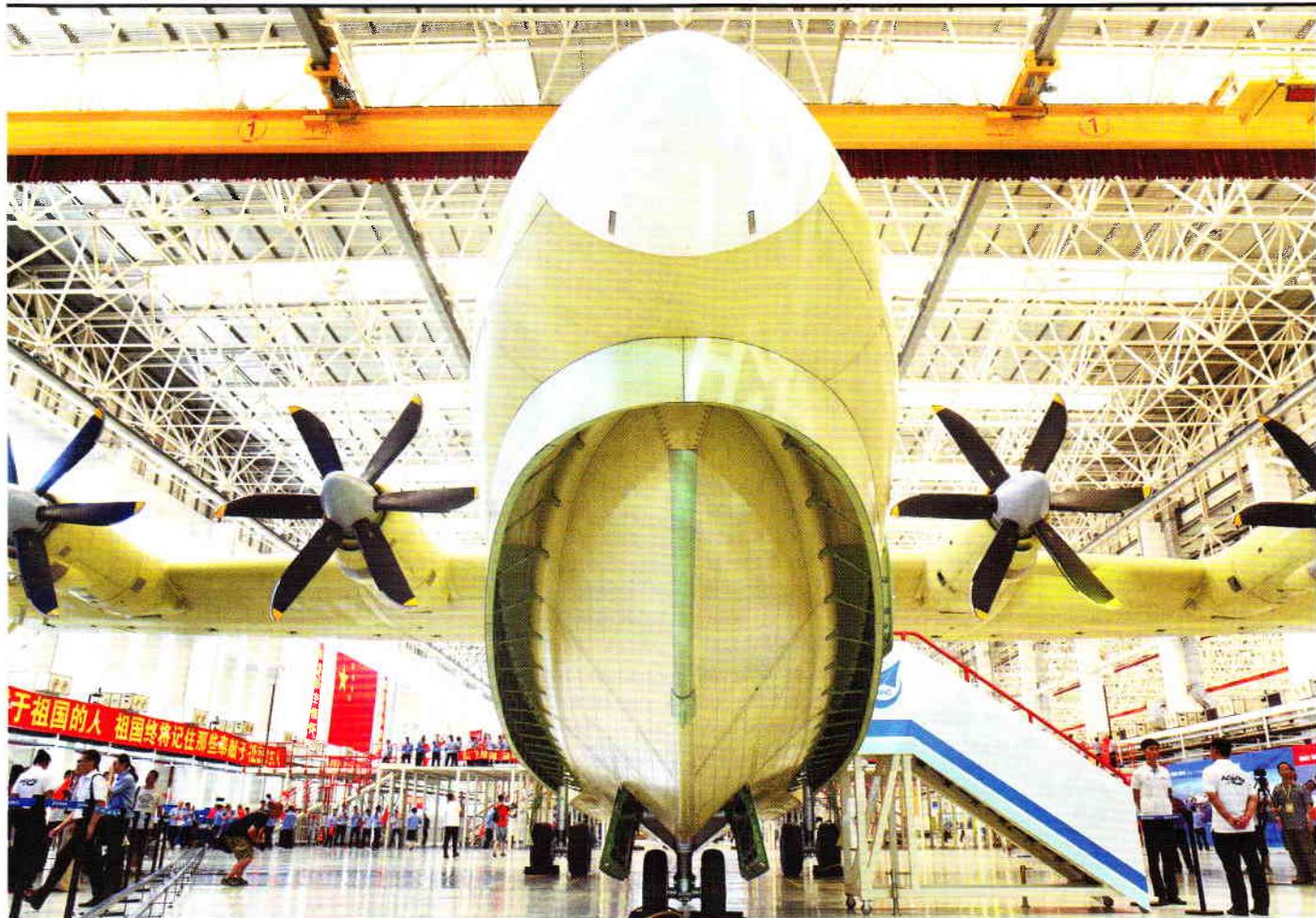
Lack of large gene databases and weak ability in analyzing big data are problems also facing the development of precision medicine in China, said Zeng Changqing, a professor with the Beijing Institute of Genomics under the Chinese Academy of Sciences.

Li Jinming, Vice Director of Clinical Test Center under the National Health and Family Planning Commission, told Xinhua that currently, more than 200 independent medical testing centers can do gene testing, yet the results of quite a number of laboratories are not precise, and that those of some top hospitals are not satisfactory either.

Moreover, most people in China do not have complete personal medical records, there are no national standards on medical information, and hospitals usually do not share information, said Wang Shan, Deputy Director of the Chinese Medical Doctor Association.

Zhu believes the establishment of databases will also raise concerns over privacy and ethical issues. Standards should be made to protect privacy and avoid discrimination against patients, she said.

Despite these challenges, Zhu is confident that precision medicine will play a more and more important role in cancer treatment. "We have reason to be full of hope for the future," she said. ■



The AG600, China's first homemade amphibious aircraft, rolls off the production line in Zhuhai, south China's Guangdong Province, on July 23

## 'Flying Boat' Takes Off

China's aviation industry makes a splash by producing large amphibian aircraft **By Wan Di**

**T**he world's largest amphibious aircraft, a Chinese-made plane, rolled off the production line in late July in Zhuhai, South China's Guangdong Province. The event, which took place in front of an audience from industry, government and military contractors, underpinned a hard-to-achieve result for China, a latecomer in aircraft man-

ufacturing.

More than 60 years ago, the American Hughes Aircraft Co., the leading airplane manufacturer in the world at the time, designed a similarly colossal amphibious plane—the Hughes H-4 Hercules—which ended up being shelved after testing. China's plane, designated the AG600, has made

headlines around the world, as the country attempts to detach itself from a dependence on foreign aviation firms.

It has always been China's airplane industry's dream to be able to produce big planes independently. In November 2015, China's first homemade large passenger aircraft, the C919, was unveiled in Shanghai. It was developed by the Commercial Aircraft Corp. of China. In July this year, the Chinese Air Force welcomed the first homegrown heavy transport aircraft, the Y-20, to enter military service. The Y-20 has a maximum takeoff weight of around 200 tons, and it can carry cargo, large-scale vehicles and personnel over long distances. Developing and making the AG600 amphibian aircraft is a new milestone for the industry.

### A sea monster

The AG600 is around the same size as a Boeing 737. The aircraft, which is an amalgamation of a plane and a boat, is 37 meters in length and has a wingspan of 38.8 meters. The plane's chief designer

Huang Lingcai was quoted by Xinhua News Agency as saying: "The AG600 is like a ship that can fly, with advanced gas-water dynamic engineering and underwater corrosion-resistance technology."

The Aviation Industry Corp. of China (AVIC), the AG600 maker, told Shanghai-based daily *China Business News* that the plane can take off from and land on a stretch of water 1,500 meters long, 200 meters wide and 2.5 meters deep. The AG600's maximum takeoff weight, flight range, cruising speed, and endurance are 53.5 tons, 4,500 km, 500 km per hour, and 12 hours, respectively. That means it can fly non-stop from China's northern-most city of Mohe in Heilongjiang Province to Sanya of Hainan Province in the south.

## Versatility

Currently, amphibious planes are used mainly for sea sightseeing both in China and overseas, so they are usually small. The AG600 is developed to construct a large and special-purpose civilian airplane, which is regarded as a necessary part of China's national facilities for emergency handling.

The new plane is mainly designed to fight forest fires and perform marine rescue missions. As such, the AG600 can collect 12 tons of water in 20 seconds, and transport up to 370 tons of water on a single tank of fuel. With extra maneuverability and a relatively large scope for searches, it is capable of rescuing up to 50 people located far offshore, AVIC told Xinhua.

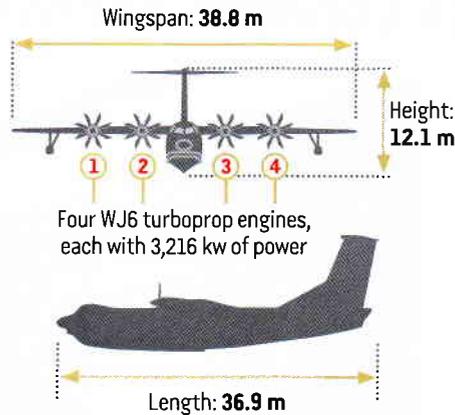
China is a large ocean-bordering country, with its total coastline stretching for 32,000 km, including over 18,000 km of continental coastline. More than 6,500 islands dot its sea areas. The new amphibian aircraft fills a void in marine service, rescue and transportation. In addition, minor modifications can be made to allow it to do marine environmental monitoring, resource detection and marine law enforcement, according to AVIC.

The AG600 will excel in its sea service with "hard work and by standing fast to its responsibilities," Huang told Xinhua.

## National project

According to an information bulletin issued by the aviation management division under the Ministry of Industry and Information Technology (MIIT), the development and creation of the AG600 was an important national project urgently needed for China's emergency management system. Since the project was approved by the State Council in 2009, AVIC has been conducting R&D and production based on the

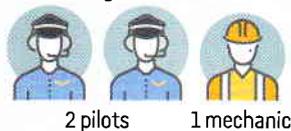
## Large Amphibious Aircraft AG600



Maximum takeoff weight: **53.5 tons**

Flight range: **4,500 km**

Flight crew: **3**



### Functions of AG600:

- Material transportation
- Fighting forest fires
- Marine rescue
- Marine environmental monitoring and marine resources detection



Airborne finished products made in China



Structural and system components supplied by Chinese companies



(Compiled by Beijing Review, designed by Pamela Tobey)

principle of "making an amphibian aircraft, making different types of the aircraft, and developing a series of the product." It also required that the technology of the plane be state of the art, on a par with advanced aircraft manufacturing standards.

According to the MIIT information bulletin, the AG600 is made up of more than 50,000 structural and system components, consisting of 1.2 million standard parts. Thanks to the national capability for technical development, 98 percent of the components and parts and 90 percent of the plane's equipment are provided by domestic suppliers.

The engine used on the AG600 is also a focus of widespread attention. The AVIC spokesman told *China Business News* that the four turboprop engines which power the AG600 are made in China and have already been used on other planes.

Zhang Shuwei, AVIC's AG600 deputy project manager, told *China Business News*

that the AG600 will undergo systematic and very strict testing this year. It is expected that its maiden flight will take place before the year is over, though with a stress on safety. Since the AG600 is an amphibian aircraft, the testing procedure is much more complicated than that for other ordinary planes. For example, its water surface testing will not only be conducted at lakes and Chinese territorial waters offshore, it is also necessary to test the aircraft on the high seas in fierce weather conditions.

AVIC told Xinhua that the AG600 will mainly target the domestic market. Nonetheless, 17 orders of intent from overseas customers have already been received. Island countries, such as Indonesia and some Caribbean states, have also shown interest in purchasing. ■

Copyedited by Bryan Michael Galvan  
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## OPINION

# Shenzhen-HK Stock Connect: Another Step Forward

Since July, there's been much discussion over the imminent Shenzhen-Hong Kong Stock Connect program, focusing to a large extent on which companies will benefit the most from the scheme. However, as another major step in China's efforts to open up its capital markets after the Shanghai-HK Stock Connect scheme, the Shenzhen-HK Stock Connect program, which was approved on August 16, has far more significance beyond just benefiting stocks.

The program is a vital step in connecting Chinese mainland stock markets to Hong Kong's capital markets and an important measure of China's financial reforms. It will not only open a new window connecting China's securities markets with the world, but also facilitate the internationalization of the yuan and underpin Hong Kong's status as an offshore yuan hub.

To start with, it will open up a new channel for China's capital markets to connect to the world. Following the Shanghai-HK Stock Connect program, the launch of the Shenzhen-HK Stock Connect scheme will further increase the number of overseas investors in China's A-share market, improving the investment structure of the market.

While connecting two markets, the scheme can promote the integration of their respective investment philosophy, valuation systems and transaction modes. It will also expand the two-way opening up of China's capital markets by offering overseas investors with more investment channels and targets. Further, in conjunction with the Shanghai-HK Stock Connect, the scheme will realize better connection of the mainland and Hong Kong capital markets to offer global investors a one-stop solution to investing in China.

Second, it's a vital step in pressing ahead with the internationalization of the yuan, which is a systematic project that requires a certain depth and scale of the currency's use.

For years, China's central authorities have been actively opening up the nation's capital markets in a bid to promote two-way flow of the currency, such as by introducing schemes such as QFII (qualified foreign institutional investor), QDII (qualified domestic institutional investor), RQFII (Renminbi qualified foreign institutional investor) and RQDII (Renminbi qualified domestic institutional investor).

In order to speed up its internationalization process, the yuan's status as a global



The exterior of the Shenzhen Stock Exchange

investment currency should be fortified, besides being a settlement and reserve currency. The launch of the Shenzhen-HK Stock Connect will further cement the yuan's status in global investment and promote its convertibility under the capital account, a vital link in the internationalization process. In the meantime, the stock connect scheme will make it easier for overseas institutions to issue yuan-denominated bonds in China and simplify foreign exchange administration under the capital account.

Third, the scheme will fortify Hong Kong's status as an offshore yuan center. Compared with the Shanghai-HK Stock Connect, the Shenzhen-HK Stock Connect will have a larger impact in that regard, as the two markets in the latter program interact much more closely—with personnel exchanges, economic and trade links and policy connectivity—than those in the former program. Investors in Shenzhen and Hong Kong also understand each other's market more deeply, and therefore the program is quite appealing to them.

Furthermore, the Shenzhen program will be more effective in connecting the yuan with overseas markets and pushing forward an adequate flow of overseas yuan capital back and forth between Shenzhen and Hong Kong. Although Hong Kong has the largest yuan capital pool, its yuan products lack

variety, and trading is not active enough. The launch of the Shenzhen-HK Stock Connect will increase investment channels for offshore yuan products and help cement Hong Kong's status as an offshore yuan hub.

Last but not least, the scheme will lay a solid foundation for China's A shares to be included in the MSCI index. Latest regulations released by China's central bank and securities regulator have demonstrated to global investors China's firm determination in steadily opening up its capital markets. However, the A shares failed in June to gain inclusion in the MSCI index for the third time. At this critical moment, the launch of the Shenzhen-HK Stock Connect will further fortify investor confidence in China's capital markets and once again convey to the world China's firm stand in opening up its markets.

A critical premise for China's A shares to be included in the MSCI index is that global capital can invest in stocks in both Shanghai and Shenzhen exchanges. Therefore, the launch of the Shenzhen-HK Stock Connect is bound to attract more international investors and capital, laying a solid foundation for the A shares' inclusion in the MSCI index. ■

This is an edited excerpt of an article published in *Economic Information Daily*  
Copyedited by Chris Surtees  
Comments to [yushujun@bjreview.com](mailto:yushujun@bjreview.com)

## NUMBERS

(\$1=6.7 yuan)

55.4 mln

The total number of passengers carried by Air China in the first seven months, up 7.2 percent from the same period in 2015

1.96 mln units

China's auto output in July, registering a year-on-year growth of 28.9 percent

1.6%

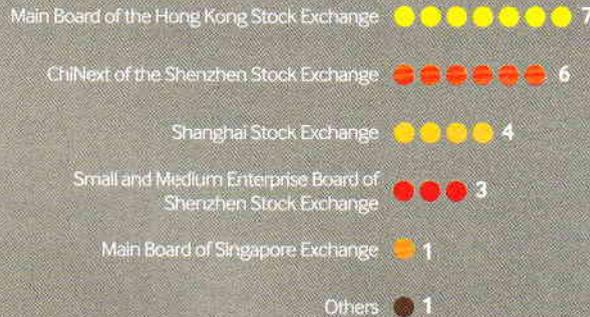
Year-on-year decrease of foreign direct investment on the Chinese mainland in July

5.3%

Year-on-year growth of property investment in China in the January-July period

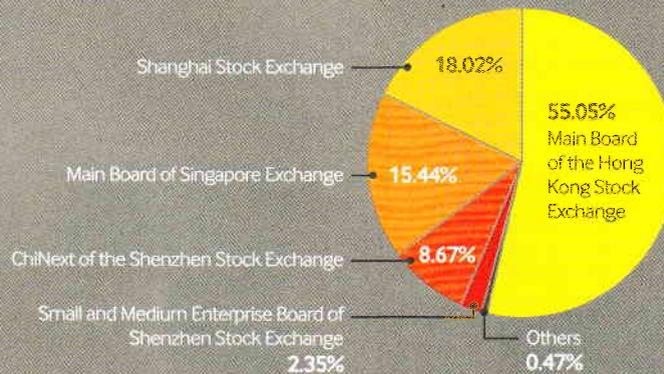
### Cases of Chinese Companies' IPOs by Market

July



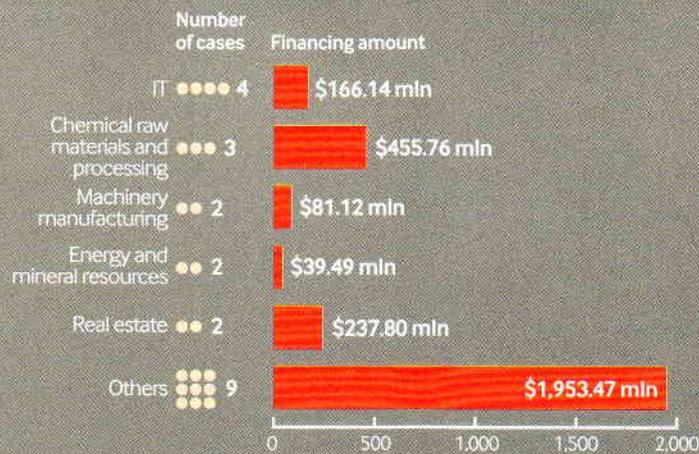
### Financing Amount of Chinese Companies' IPOs by Market

July (Total: \$2.93 bln)



### Chinese Companies' IPOs by Industry

July



(Source: Zero2IPO)

10.2%

Year-on-year growth of retail sales of consumer goods in China in July

2.11 tln yuan

Value of China's government procurement in 2015, up 21.8 percent from the previous year

464 bln yuan

New yuan-denominated loans issued by Chinese commercial banks in July, a decrease of 1.01 trillion yuan from a year earlier

8.2%

Year-on-year growth of China's electricity use in July



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“Chinese Classics” offers a channel for Western readers to learn about Chinese literature, and provides valuable references for translators and those studying English in China.



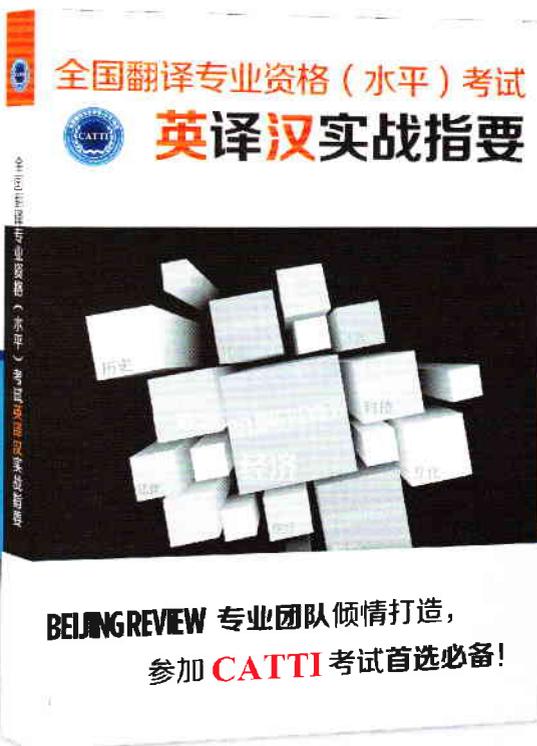
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# Sleeping Beauty Awakens in China

British choreographer brings his hit ballet to Beijing for the first time

By Ji Jing

Stage photo of Matthew Bourne's *Sleeping Beauty*



Matthew Bourne, a renowned British choreographer and director, will bring his ballet *Sleeping Beauty: a Gothic Romance* to the Tianqiao Performing Arts Center in Beijing in early September. Having displayed his work only once before in China—in Shanghai in 2014 during his international *Swan Lake* tour—Bourne will debut his work in the capital.

"We are very happy to be invited to perform in China. It's exciting for us to come somewhere new. It's exciting that China has now opened up for different kinds of theaters to come and be seen here," Bourne told *Beijing Review*.

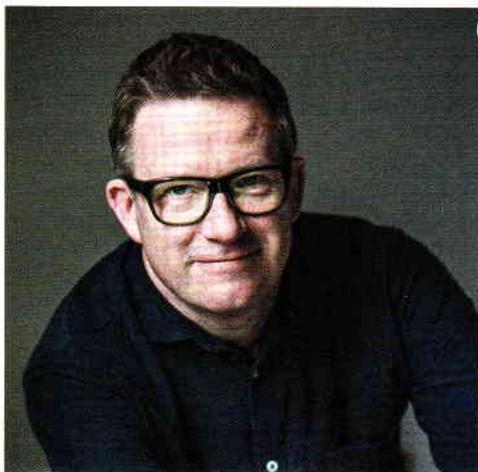
*Sleeping Beauty*, originally a fairy tale by French writer Charles Perrault in the late 17th century, centers on Aurora, a princess cursed into a lengthy slumber by an evil fairy. One hundred years later, she is awoken by the kiss of a prince, who upon first sight, falls in love with the princess.

The story was first produced as a ballet adaptation by Russian composer Tchaikovsky (1840-93) and French choreographer Marius Petipa (1818-1910) in 1890. Bourne's version, premiered in 2012, marks the final piece in his trilogy of Tchaikovsky ballets, following *Nutcracker!* and *Swan Lake* in 1992 and 1995, respectively.

When consulted on which work he considers to be his greatest achievement to date, Bourne picks *Sleeping Beauty*. "It's a most recent piece. I do think it works as a piece of dance, a story, and an alternative way of telling the story through this incredible music," he told *Beijing Review*.

## New twists

Bourne has added Gothic elements into his adaptation, exemplified by the presence of vampires. When asked why he chose such a theme, the choreographer explained, "The musical was written in 1890, and that's the height of the Gothic movement and literature."



## ↓ Profile

Matthew Bourne was born in 1960. He created a number of award-winning works, including *Spitfire* (1988), *Nutcracker!* (1992), *Swan Lake* (1995) and *Cinderella* (1997), as artistic director of his first company, Adventures in Motion Pictures, from 1987 to 2002.

He co-founded theater company New Adventures in 2002. Since then, he has produced new works such as *Edward Scissorhands* (2005), *Dorian Gray* (2008) and *Sleeping Beauty* (2012).

In 2008, he established Re:Bourne, the charitable arm of New Adventures and an important mechanism for finding and nurturing the next generation of dancers, choreographers and audiences. In 2010, he created the New Adventures Choreographer Award to enhance opportunities and showcase the talents of emerging choreographers.

He received a knighthood for services to dance from the Prince of Wales at Buckingham Palace in May and was awarded the Queen Elizabeth II Coronation Award, one of the most coveted accolades in the world of dance, in recognition of his outstanding services to the art of ballet, in June.

(Source: *new-adventures.net*)

According to Bourne, fairy tales are often macabre, and he is making them the way they really are. "The original version of *Sleeping Beauty*, for example, is very dark, very explicit sexually, and very violent," said Bourne. Though, despite its dark elements, he reasoned that it's still a romantic love story.

Based on the ballet adaptation that has run through to the present day, the director wove new twists into his version, adding layers of complexity and fascination.

Bourne is not convinced by the original's romance, in which the prince belatedly shows up, kisses the princess and falls in love. "I think it was a bad love story. I wanted a story that kept the drama going right through to the end," he said.

To thicken the plot, he created new characters. For instance, Caradoc, the wicked fairy's son and a suitor to Aurora, and Leo, a gardener and the princess' childhood sweetheart.

Princess Aurora was simply a motionless baby in a cot in the first act of the original ballet.

Bourne transforms her into a rebellious persona in his version. "I just thought she's the lead character. She needs to have a personality. We need to get to know her a bit," he explained.

"I want her to be a bit wild and unruly. I want her to cry a lot, so that we get a sense of who this girl is. It's made clear she's not really the daughter of the king and queen. She could be a stolen child, a gypsy child," he added.

Another notable change is substituting Aurora's prince with a more lowly born gardener, whom the princess already knows. "I want there to be a love story across time. I want her to be already in love with somebody, who then needs to save her and try to find her in the future. I think that's a nice theme," Bourne said.

## The art of dance

Although the storyline is of chief importance, dance sequences are also integral to his shows. Various dance styles, ranging from classical ballet to more gestural and edgy movements of

the present day, are incorporated to reflect the characteristics of different time periods.

Fifty-six-year-old Bourne embarked on his dancing career at the age of 22. He studied dance theater and choreography at the London-based Laban Centre (now Trinity Laban Conservatoire of Music and Dance), graduating in 1985.

"I honed in on dance because I became quite self-conscious in my teenage years and didn't like speaking very much. So I expressed myself more through movement," he said.

Over the past three decades, Bourne, a five-time Olivier and two-time Tony award winner, has created and directed dance for musicals, opera, theater, and films.

He is renowned for his unconventional approach to adapting classical works. For instance, he introduced male swans to his version of *Swan Lake*. "I like playing around with gender, if it's relevant. Sometimes it really works. It's quite interesting," he said.

Additionally, Bourne is audience-conscious, being prepared to change his work according to audience responses. In the instant world of social networking and smart phones, theater faces a challenge to maintain its appeal.

The director reminisces of the days before TV, when cinema was a major form of entertainment. He believes engaging youth is critical to keep theater alive. "The important thing is that there's a young audience becoming interested in theater. If there isn't, the art form just dies out," he lamented.

Thankfully, he is able to keep his theater company afloat primarily through ticket sales, though government funding and private investors play a part. However, if sales drop off, financial difficulties could force the company to disappear. ■



Aurora played by Ashley Shaw in Matthew Bourne's *Sleeping Beauty*

PHOTOGRAPH BY THEATRE PHOTOGRAPHY

Copyedited by Dominic James Madar  
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## Understanding China Through Keywords

Learning keywords is one of the best ways to keep abreast of the latest developments in a country. The China Academy of Translation, a research institute affiliated with the China International Publishing Group, the country's leading international publisher, regularly analyzes prevailing Chinese terms in various sectors and translates them into a number of foreign languages ranging from English to Arabic. In each issue, *Beijing Review* presents a selection of these keywords to help readers know more about China.

### Political development under socialism with Chinese characteristics

Political development under socialism with Chinese characteristics has evolved over time as the Chinese people made sustained efforts to build a better society under the leadership of the Communist Party of China (CPC) by integrating the basic tenets of Marxism with China's specific conditions. The key features of such a process comprise leadership by the CPC, ownership by the people, and the rule of law. It is informed by continued efforts to improve the system of people's congresses, multiparty cooperation and political consultation under the leadership of the CPC, regional ethnic autonomy and community-level self-governance. Its objective is to continuously improve and develop the socialist political system.

### Political rules

Addressing the Fifth Plenary Meeting of the 18th Central Commission for Discipline Inspection of the CPC on January 13, 2015, President Xi Jinping coined the term "political rules," which soon drew public attention.

The political rules applicable to CPC members include, inter alia:

1. the Constitution of the CPC, which is the overriding statute that all members of the Party must observe;
2. Party discipline, which is mandatory and binding, requiring all members of the Party to strictly abide by the guidelines and principles of the Party when making speeches or taking actions of a political nature;
3. state laws, which exempt no CPC member or official;
4. the great traditions and working practices developed by the Party over the years, which must be maintained.

### Multiparty cooperation and political consultation under the leadership of the CPC

China's political party system is different from two-party or multiparty systems of Western countries or one-party systems in some other countries. It is based on multiparty cooperation and political consultation under the leadership of the CPC. There are at present nine political parties in China. They are, in addition to the CPC, the Revolutionary Committee of the Chinese Kuomintang, established in 1948; the Chinese Democratic League, founded in 1941; the China National Democratic Construction Association, founded in 1945; the China Association for Promoting Democracy, established in 1945; the Chinese Peasants' and Workers' Democratic Party, established in 1930; the China Zhi Gong Party, founded in 1925; the Jiu San Society, established in 1945; and the Taiwan Democratic Self-Government League, established in 1947.

China's political party system is prominently characterized by the CPC's leadership role in governing the country with cooperation from and participation of all the other parties. Rather than being opposition parties or parties not in power, the other parties work closely with the CPC as partners and participate in government. They are involved in decision-making at all levels, consultations on national priorities and guidelines and the selection of candidates for state leadership positions, the management of state affairs, and the formulation and implementation of state policies, laws and regulations. The CPC always cherishes its long-time partnership with the other parties, a partnership reinforced by mutual oversight and mutual trust and inspired by a shared desire to forge ahead together through thick and thin.

Held under the banner of the Forum on China-Africa Cooperation, the China Africa Industrial Forum (CAIF) is committed to promoting development and cooperation between China and African countries. It aims to encourage rapid and sound economic development in China as well as African countries and boost exchanges and cooperation in politics, the economy, culture, science and technology, and tourism.



CAIF—The Bridge of  
China-Africa Cooperation

Launched in 2009, the biennial forum has been held four times, witnessing the signing of agreements on more than 300 investment and procurement projects. It has helped a large number of Chinese enterprises start business in Africa and African countries learn more about China.

## The Authority Brand Forum Think Tank of China-Africa Cooperation



The First CAIF kicked off in Beijing in 2009.



CAIF and Beijing Review signed a strategic cooperation agreement.



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Seminar on Legal Risk of Africa Investment & Establishment Ceremony of Africa Legal Affairs Center



Seminar on Africa Energy and Mineral Resources



Cheng Zhigang, Secretary General of CAIF, was interviewed by Xinhua News Agency.



# Will Relaxed Funding Controls Promote Research?

**T**he Central Government has recently announced a series of new measures to relax its stringent control over funding for scientific research.

For decades, government funds for science in China have been allocated on the basis of administrative regulations. Researchers have had to spend huge amounts of energy and time, either annually or monthly, filling in various expense claim forms in great detail to ensure they receive reimbursement of the costs associated with their research. The rigid reins on scientific funding have even affected normal research activities. Worse still, given the strict control, scientists sometimes resort to claiming funds deceitfully in order to be able to conduct research as they wish.

On the whole, the way science funding is

managed in China has undermined scientists' motivation to engage in research. Up to now, equipment and materials have soaked up the lion's share of funding. The reform aims to increase the proportion of funds allocated to researchers and to give them more freedom in how they use the money.

While this round of reform is generally welcomed, doubts also exist about whether relaxing control too much will simply fuel corruption.

## More discretion for scientists

**Yue Qian (news.sina.com.cn):** In China, the management of scientific research is conducted according to a planned model. The applicant must detail every plan and arrangement for how funding will be spent. Having been granted the money, users can spend it only within the framework imposed by the provider.

These detailed plans are necessary in some sense. It makes administrative management easier, while effectively preventing abuse of the funds and scientific research-related corruption. All modern scientific research requires planned management.

The problem is that if the rules are too harsh, they might restrict scientists' creativity, which in turn goes against the inherent nature of scientific research.

Scientific research does have rules to follow, but in essence, it is a creative activity. It needs to break through current scientific frameworks and modes to achieve new outcomes. It should be carried out in an independent and free atmosphere.

Overly strict control affects the kind of independence and freedom that are key to scientific creativity. In particular, in many cases, research plans are put together by administrative authorities according to their own priorities and preferences.

Properly relaxing funding control necessitates accepting the reality that some factors in scientific research are uncontrollable and

unpredictable and that respecting the will of researchers is crucial to the development of scientific research and innovation.

**Zhang Tianwei (Beijing Youth Daily):** The current management of scientific research funding is quite ineffective, as demonstrated by two aspects. First, scientific funds are disproportionately allocated in favor of equipment and materials, while researchers receive only a minor share. Second, scientific funds are managed and operated in the same way as government administrative funds. Under the rigid rules, researchers have to spend quite a lot of time getting all kinds of expenses reimbursed.

Leaving insufficient discretion to researchers over how to use funding has dampened their enthusiasm, and sometimes hinders normal scientific research. As a result, some have tried to acquire more funds by falsely claiming that they have conferences to attend and important trips to take. Perhaps, only two people will attend a certain activity, but have asked for four places. Actually, this has already become an open secret. Such behavior not only damages researchers' initiative for, and belief in, their work, but also exposes them to risks.

In 2012, for example, a professor from the Renmin University of China was investigated and accused of using funds under false pretenses. The professor claimed that as part of his research, he needed to survey sex workers in south China's Guangdong Province. To gain the cooperation of those involved in prostitution, which is illegal in China, he had to pay them some money, for which, naturally, he was unable to get invoices. Following the investigation, the professor was demoted.

To some extent, the proper management of scientific research funds may be an international headache. Scientific programs, particularly highly sophisticated ones, are not easily understood by non-specialists. How much money does a program really need? Where should the money go?

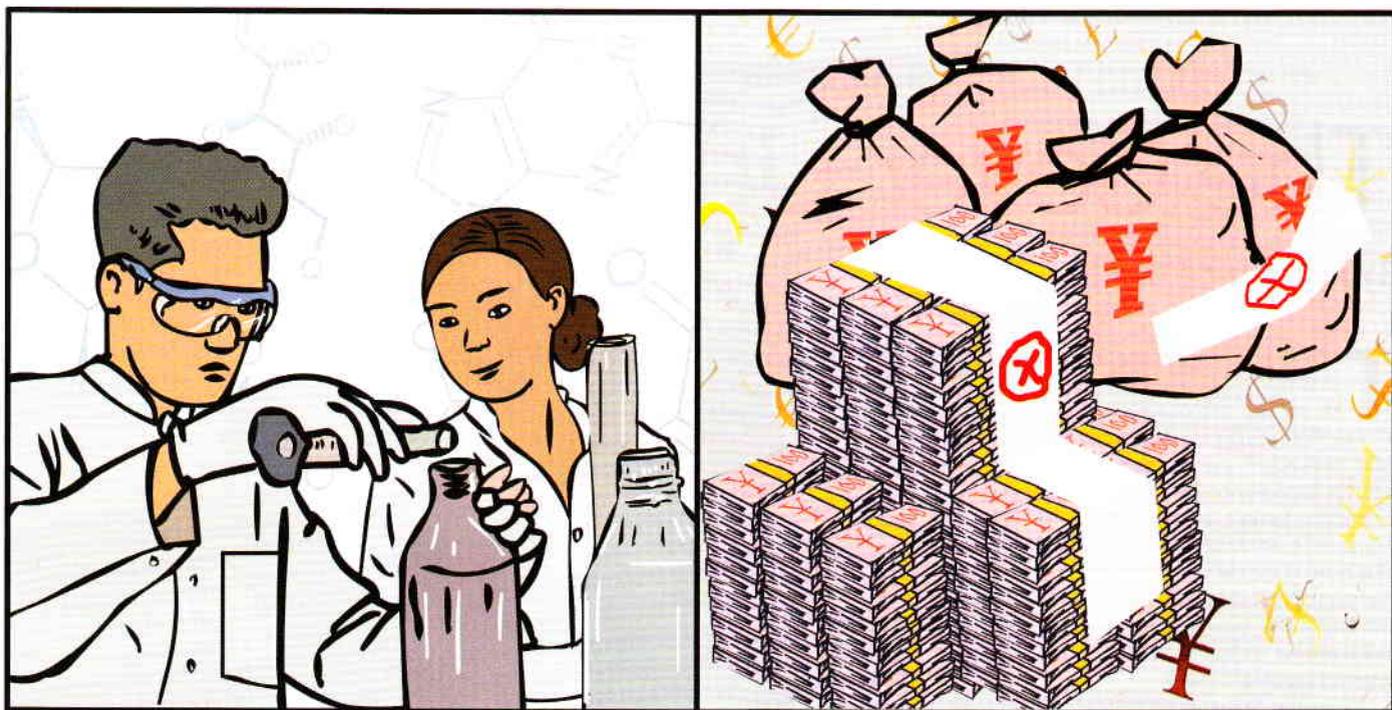
Under China's current scientific research system, most programs are financed by the

## Dear Readers,

**Forum** is a column that provides a space for varying perspectives on contemporary Chinese society. We invite you to submit personal viewpoints on past and current topics (in either English or Chinese).

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government. Preventing deception, embezzlement and corruption is crucial to the success of a program. It's also important because the government is responsible for taxpayers' money. Therefore, reining in funding seems to be the only choice.

Nevertheless, scientific research is, after all, based on researchers' belief in science and their free will. Excessively strict control over scientific funds places additional burdens on researchers, and constant supervision sometimes forces them to conduct actions under the table. Consequently, the whole of China's scientific circle is infused with a utilitarian atmosphere.

The negative consequences have actually already begun to unfold. Hopefully, this new reform will be able to reverse the trend, help improve the environment for scientific research, and rebuild respect for science in the nation. We need to drag the scientific cause back to the normal path and encourage those engaged in science to renew their passion and belief in the endeavor.

**Ke Ji (*Economic Daily*):** In recent years, we have often heard complaints from the frontlines of scientific research. Some scientists say they spend a third of their time filling in all kinds of application and reimbursement forms. Others say the complicated reimbursement procedures and long drawn-out process have distracted scientists from their research. The list of complaints goes on.

China's science funding is managed in a traditional administrative style, with rigid rules to

follow, which is not conducive to facilitating scientific research. Sufficient financial input should be a strong driver of innovation and creativity, but flaws in the management system block scientific progress. Targeting these problems, the current reform stipulates detailed and pragmatic measures.

Its most significant feature is the delegating of power to universities and scientific research institutions to manage funds for conferences, travel, scientific equipment purchases and infrastructure construction.

Conferences highlight the issue. Under the current system, if a foreign scientist is invited to attend a conference in China, daily expenses that can be reimbursed may not exceed 800 yuan (\$120), which may be insufficient to cover the cost of a standard hotel room in a large city. Such embarrassing situations, caused by the rigid travel expense regulations, often arise in the course of academic activities.

The purpose of this round of reform is to stimulate scientific researchers' creativity. It recognizes and respects their hard work by making it easier for them to use science funding.

## Hard nut to crack

**Zhang Songchao (*China Youth Daily*):** For years, government-allocated scientific research funds have been under such strict control that it's said that researchers have to turn themselves into accountants. Expenses often cannot be reimbursed smoothly. In order to get expenses reimbursed, scientists have to go

through many time-consuming procedures.

This round of reform of science budget management aims to stimulate scientists' enthusiasm to undertake research by relaxing control on funding to some extent. The funds can be used across a more extensive range of areas and in a more flexible way.

Meanwhile, it must be pointed out that although stringently controlling funding is not good, loosening the reins too much is not good either. We should always be alert to corruption stemming from scientific research. Statistics from the Ministry of Education show that scientific research-related malpractices are a significant part of corruption in colleges and universities. Without effective restrictions, abuse of funds occurs easily. While relaxing the rules on scientific research funding, a blind eye should not be turned to corruption.

The new measures have increased payments to, and rewards for, researchers, but if their accounts are not reviewed or checked carefully, the funds could easily be embezzled for purposes other than scientific research. We know that this happens often nowadays, so more attention should be paid to this issue.

The authorities concerned have a hard nut to crack in deciding how to boost scientific researchers' creativity and morale while making sure that funds are properly and fully used. ■

## The Cover Up

By Francisco Little

**T**hey rose from the sea like a group of extraterrestrials on a secret mission to invade the planet—or the shores of Shandong Province in east China at least. Fear pervaded the air as the mysterious agents broke into high-pitched laughter. Distinctive female laughter. Wait a minute—if this isn't an invasion, could it be the set of a horror movie or a maritime version of Halloween? Suddenly, the creatures were swarming the beach in dozens, as I beat a hasty retreat to the sanctity of an umbrella-covered icecream stand.

Welcome to just another day on Number 1 Beach Qingdao, the coastal city renowned as the home of the Tsingtao beer brand, China's favorite brew, and the yachting venue for the 2008 Olympics. The city now adds the invention of the face-kini into its repertoire of bragging rights.

What these sartorially challenged items do is ostensibly cover the entire head and neck of the wearer like a ski mask, leaving holes only for the eyes, nose and mouth. It's like the balaclava masks used in bank robbery movies or by some wrestlers in the ring—but designed to protect the head and face from direct sunlight.

The face-kini, as it is known, is made of nylon and comes in a range of bright colors that makes them easy to spot as they float about in the sea. This is one giant leap up from sun-screen. It's a well-known fact that the vast majority of Chinese women favor pale skin as a sign of beauty, not to mention economic and social status. In China, rather than being a symbol of the time spent relaxing on a beach or at an outdoor spa, as in many Western countries, tanned skin is often associated with working long hours in the sun doing hard manual labor and is way down on the list of what is desirable or feminine.

It's that very fact that led the owner of a local swimwear business, Zhang Shifan, to try her hand at the fashion design industry—that, together with the protection it could offer against jelly fish stings and algae. The face-kini inventor and designer told *Shanghai Daily* that back in 2004, her first roughly stitched designs didn't go down too well with children. To put it simply, the face-



Saving face—from sunburn; Qingdao's face-kini fashion accessory

kini wearers terrorized young beach visitors. "In the past, I really wanted to do everything I could to avoid scaring people. If I were to make a face-kini, I wouldn't make a black one, a white one, or use any dark colors. That still didn't stop it from scaring people," she said. I can definitely attest to that!

Zhang's designs have gradually evolved and her latest offerings are based on the more child-friendly designs of Peking opera masks—something which Chinese have grown up with and which gives beachgoers no incentive to go rushing to a safe place to cower in terror. Or so we are led to believe—I saw little evidence of such intention.

The face-kini has also gone international after receiving exposure in a swimwear photo-shoot wherein models wore the item for a 2014 edition of biannual magazine *CR Fashion Book*, a publication founded by *Vogue Paris'* Editor in Chief Carine Roitfel.

The face-kini is cheap to buy, at around \$3, and appears to be favored more by older women. Perhaps younger women feel it gets in the way of the endless number of pouting

summer selfie opportunities that venues such as an attractive stretch of beach have to offer. Somehow, posting selfies of yourself encased in a scary face-kini on social media seems to be the perfect way to lose followers by the dozen. And there's more. For those who want a total shut out of the vitamin D that the sun can help stimulate, the face-kini can be worn with a complete rubber bodysuit and gloves—hardcore body protection indeed.

Watching from my lookout post and in icecream heaven, I thought that despite fashion trends being fickle, it seems the face-kini has found a long-term market and is here to stay. It also makes sense in a global climate where the detrimental damage of the sun's ultraviolet rays has pushed skin cancer levels to record highs. Now, if only the masks could be less frightening, a trip to the beach wouldn't feel as if you'd be held up at gun point at any moment. ■

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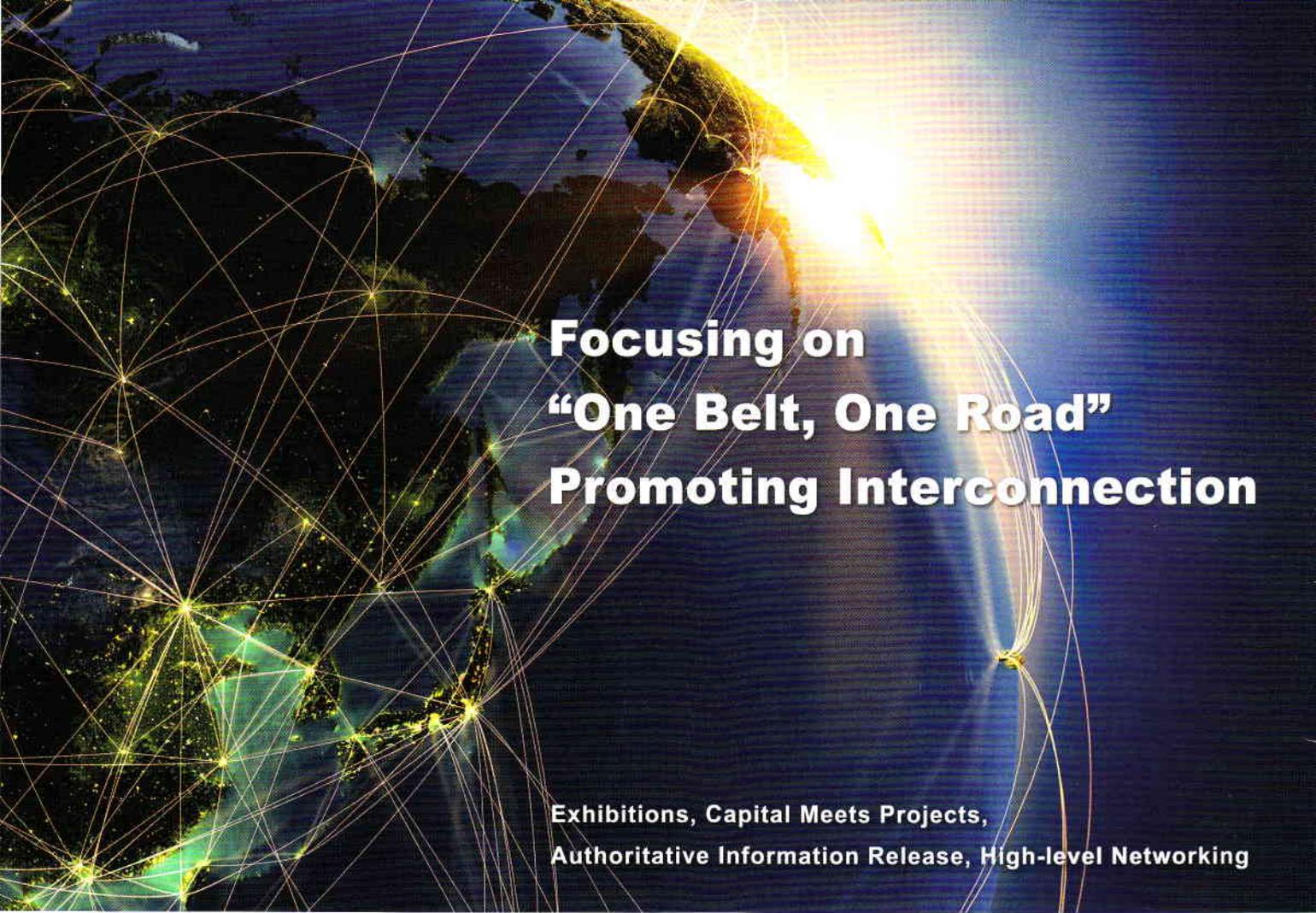


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