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Focus on Asia–Pacific Region: Analysis of US–China Strategic Rivalry

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I. Background

1. “Big-country Diplomacy with Chinese Characteristics” in China

“Big-country diplomacy” was initially put forward by President Xi Jinping at the Central Conference on Work Relating to Foreign Affairs last November. Since the new leaders came into power in 2013, they have been endeavoring to promote “big-country diplomacy” in practice. From China’s perspective, more attention has been paid to the maintenance and promotion of China’s sovereignty, security and development. In the past 30 years, especially over the past decade, as China’s interests have been gradually globalized, the country has to defend and develop its domestic and overseas interests more firmly and resolutely under the “big-country diplomacy”. And the US-China wrestling these years is a situation quite relevant to the promotion of “big-country diplomacy”.

2. Obama’s “Asia Rebalance” from 2011

The rising powers in Asia-Pacific region are leading to a rapid change in the balance of powers, and challenging the US on its role as the dominant power in this region. As a consequence, the Obama administration has decided to shift the US resources and strategy to the Asia-Pacific so as to maintain the US dominance, which in turn to constraint, balance, or even contain China’s growing power and influence in this region.

II. Current Situation

1. Economic Strategies

On the one hand, US took the first step of the Asian rebalance policy, which is partial economy.

Obama took the lead in hammering out the Trans-Pacific Partnership Agreement (TPP), promoting economic cooperation with Asia-Pacific countries excluding China in trade, investment and other fields.

Over the past 10 years, China has become the economic center of the Asia-Pacific region. The United States used to be the largest trading partner of Japan, South Korea and other Asia-Pacific countries. From the later period of past 10 years, however, China has gradually become the largest trading partner of these countries, replacing the United States as the dominant economy. Therefore, the United States hopes to suppress

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China by TPP in terms of trade and investment, resuming the position as the most important trade partner of Asia-Pacific countries.

On the other hand, China carried out the “belt and road” initiative.

In the economic perspective, the “belt and road” initiative, relying on China's geopolitical advantages, is conducive to the implementation and promotion of China's economic strategy in various European and Asian countries. To a large extent, it can offset China's loss in trade and investment caused by the emergence of TPP.

2. Diplomatic Strategies

For the US government, the focus of its “Asia rebalance” policy is on Southeast Asia and South Asia.

The United States used to have its focus on Northeast Asia. But now it shifts its priority towards Southeast Asia, including South Asia.

a. Vietnam. The United States is trying to win over Vietnam for the following reasons: the historical grievance between Vietnam and China resulted in Vietnam's vigilance against China. And the South China Sea disputes nowadays, as well as the pro-American and pro-Muslim factions within the Vietnamese leadership, also explain the possibility that the United States could build up strategic partnership with Vietnam. For the US, it is necessary to obtain such an ally as Vietnam has very great geopolitical significance as a continent country boasting a long coastline of the South China Sea.

b. Burma. There used to be a period which is over 20 years long, when the western countries sanction against Burma, and China was the only military diplomatic partner that Burma could rely on. But in recent years the United States has successfully penetrated into Burma. After the new leaders came to power, Burma government immediately steered the country away from China, and made great efforts to improve relationship with the West, resulting in a frosty relationship between China and Burma. The United States also sees Burma as an important piece on its strategic chessboard in Indian Ocean.

However, for China and its Indian Ocean strategy at present stage, the situation could be quite complicated. India, as the largest country of the Indian Ocean region, is the dominant power of South Asia. China's India Ocean strategy will encounter great difficulty if India and the United State cooperate to contain China.

Moreover, China has made its responses to the US “Asia Rebalance” policy.

a. China-ROK Relationship. The relationship between China and South

Korea develops rapidly. South Korea's president and President Xi Jinping have been well acquainted with each other for a long time, and the relationship between the two countries has improved rapidly after the two leaders came into power. Trades between China and South Korea have also been boosted. As a result, the United States is worried that the rise of China may lead to the disintegration of its alliance system. Nevertheless, China and South Korea has further entrenched mutual consensus on many issues, especially issues concerning Japan.

b. Dispute over the South China Sea. Four countries, including Vietnam, Malaysia, Brunei and the Philippines, got involved in the dispute with China over the South China Sea. The Philippines has adopted an attitude of open hostility, while Vietnam has been offering support both overtly and covertly. In recent years, China has strengthened the relationship with Malaysia. The dispute between the two countries over the South China Sea has not cast a shadow on their relationship. Indonesia is the leading country in Southeast Asia and an important neighbor to China on South China Sea. Thus, a friendly relationship with Indonesia could help ensuring the stability of Southeast Asia. Thailand is an ally of the United States. However, during the domestic political unrest when the military launched a coup, China offered support for the stability of the country and therefore received understanding and appreciation from the Thai military. That led to a good neighborly and friendly relationship between China and Thailand, and put China in a very advantageous position in the US-Thailand-China trilateral relations.

c. Mongolia. The United States has been speeding up its pace in drawing Mongolia over to its side since the Bush administration. For example, the United States has set up electronic transformer substation in Mongolia, and conducted experiments on missiles and other weapons aiming at Northeast and Northern China, as well as satellite launch. The United States claimed to be Mongolia's "third neighbor", which is obviously part of its rebalance strategy to contain China and Russia. However, in the last two years, the situation changed. President Xi Jinping paid a special visit to Mongolia last year and then Mongolia decided to build railways with Chinese standards in order to facilitate economic exchanges between the two countries. The trilateral summit among the president of China, Russia and Mongolia has impelled Mongolia to reposition itself. This is also one of the pieces of US-China wrestling in Asia-Pacific region.

3. Security Strategies.

Firstly, the United States has increased military deployment in the Asia-Pacific region.

The United States plans to deploy 60% of its naval and air forces in the

Pacific region by 2020, which is the inverse of the situation during the Cold War when it deployed 60% in the Atlantic and 40% in the Pacific. The most advanced weapons will also be deployed in the Pacific region.

Secondly, the United States has formally established the new Air-Sea Battle strategy.

The U.S. military believes that in the first decade of the 21st Century, China has focused on developing its modern navy combat capability and offshore maritime defense strategy in order to solve the Taiwan Issue. China's navy-air forces cooperation could implement devastating attack to any targets within a distance from 300 to 500 miles offshore. That means US intervention will have to stay 500 miles away if there is any conflict in the Taiwan Strait, which pushes it into an operational area with limited freedom of action. Under the threat of China's military and anti-ship missiles, a new strategy-- the Air-Sea Battle was proposed by American Navy and Air force. This strategy refers to a military tactic that the air force assaults and destructs targets including linchpin, missile base and airport before navy attacks in a direct way.

After working out the new strategy, it is necessary for the US to deploy troops, and carry out training and military exercises. The US organized the first Air-Sea Battle drill last year, which marked that after several years of preparation, Air-Sea Strategy will be used in practice and will be exercised and improved to counter China.

Thirdly, the United States has made great efforts to consolidate alliance and partnership.

After World War II, the United States has formed an alliance with five countries including South Korea, Japan, Thailand, the Philippines and Australia in the Asia Pacific region. Apart from these, strictly speaking, New Zealand is not a formal member of the US alliance system. So is Taiwan area after the United States and Mainland China established diplomatic relations. The US doesn't find it difficult to restraint China with the five allies it has in the area. Therefore, it managed to build up new partnership with countries like Singapore, which could provide the most reliable sea base with its strategic significance and geographical importance. The United States also hopes to re-rent Cam Ranh Bay, an important Vietnam naval base, to contain China. At the same time, India and the United States are getting close as India is always wary of China over marine issues. Although these countries are not publicly aligned with the United States out of political reasons or domestic opposition, the increasing on security coordination toward China.

Fourth, the United States provokes dispute over the East China Sea and

the South China Sea.

a. Diaoyu Island issue. For a long time, the United States has stated that it does not take an official position on the sovereignty of the Diaoyu Island, hoping that the problem could be resolved peacefully. However, since the beginning of the Bush administration, the United States has declared in 2004, 2010 and 2012, that the Diaoyu Island dispute falls under the US-Japan Security Treaty, it would protect the interests of Japan if any conflict breaks out. The Bush administration was aiming at an agreement with Japan on a new missile defense system in the Asia Pacific region. And the Obama administration offered support to Japan in exchange for an ally of its Asia rebalance.

b. South China Sea Dispute. In recent years, the United States has become increasingly concerned over the South China Sea issue. Within the first week of 2014, three officials of the Obama administration publicly criticized and challenged China's establishment of "Air Defense Identification Zone" in the South China Sea at the end of 2013. In 2015, the US renewed its attack more vigorously when the president, Defense Minister, Secretary of State and congressmen denounced Chinese behavior in the South China Sea Island issue in public. It was also in this year, that the United States and the Philippines carried out the largest joint military exercise over the last ten years. The location was very close to the disputed islands between China and Vietnam. The Littoral Combat Ship, deployed by US in Singapore, firstly appeared in international waters near the Nansha Islands (Spratly Islands). Recently, the P-8A reconnaissance aircraft is deployed to the Philippines for the first time, and it's allowed to fly at a low altitude over the reefs. The US surveillance drone flight was found spying over the South China Sea. One US defense official claimed a deployment of the first bombing plane in Australia, and threatened that military aircraft and Navy ships will go within 12 nautical miles of China's artificial islands in the next step.

III. Prospects of the US-China Contention in the Asia Pacific Region

1. The United States will continue to focus on the Asia Pacific region.

Despite the European crisis, the US still has to handle opponents like Russia, the Middle East countries and other Islamic countries. Many unstable internal situations remain to be tackled by the government. As the most available place of great strategic importance fattiest meat in the continent, the Asia Pacific region will continue to be the focus of the Obama administration, and even the next US president. In history, National interests drove the United States into two world wars in Europe and the Pacific Area. In this regard, we need to prepare ourselves for another potential war that the US might launch for its interests.

2. China's military strategy in Southeast Asia.

Firstly, the nuclear submarine base construction is of great importance.

With a great geographical significance, the Southeast Asia and its maritime trade routes are important strategic passages for the United States. The rapid development of Chinese Navy is another reason that the US focuses on the return to Asia. ***It is imperative for the Chinese Navy to be armed with nuclear submarines, and to obtain a reliable nuclear-strike capability.*** China's first nuclear submarine base is located in Shandong Province. But the base has two drawbacks. Firstly, the depth of water is too shallow for concealment. Secondly, nuclear submarines could be easily tracked as when they have to pass through the first island chain before entering the West Pacific. Along the way, there are countries and areas including South Korea, Japan, Taiwan and Southeast Asia, which all have shown a pro-American tendency. Over the past 10 years, China has opened up a base with a water depth of 200 meters in Sanya. The key advantage of the base is that it is not surrounded by any other major powers. If our nuclear submarines can successfully get access to strategic seas from here, then they can ride the waves of the Pacific, and even the Indian Ocean, the Atlantic and the Caribbean.

Secondly, military facilities, especially a military airport is in construction on Yongshu Reef. In addition to the nuclear submarine base, considering that there are military airports in Vietnam, Malaysia, the Philippines and Nansha, ***China's next key step must be a construction of a military airport after building up the Yongshu Reef.*** The combat radius of a military airport can cover surrounding areas and we don't exclude the possibility of deploying missiles, anti-ship missiles and anti-aircraft missiles in order to make sure China's navigation freedom. ***Accordingly, the United States is likely to put further pressure on China in Southeast Asia.*** For example, their military aircraft and warships may go within 10 nautical miles of the Yongshu Reefs, to show that they do not recognizing the sovereignty of China. Or they might carry out non-war confrontation and harassment.

Thirdly, China has planned to deploy missiles and establish air defense identification zone. After the construction of the airport, it is necessary for China to carry out missile defense. The strategies of missile deployment, especially the setting of the air defense identification zone, should be carefully considered. The design of the Air Defense Identification Zone in Yongshu Reefu, should be in accordance with the nine-dash line, which officially set up a defined claim of the territory of the South China Sea. Currently, the situation in the area is quite turbulent. The Philippines drew a line on the sea, declaring that the eastern part of the line and Nansha Islands belong to the Philippines. Vietnam also insists that western areas

belong to them. These countries are worried that the South China Sea will become China's inland sea according to the nine-dash line. This problem has a great influence on all aspects, including the relationship between China and the South China Sea claimants, Southeast Asian countries, as well as China's maritime silk road construction and so on.

Translator/ Wang Hui

Introduction:

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As one of the first ten university think tanks in Shanghai, Center for Asia-Pacific Cooperation and Governance is led by Professor Wu Xinbo, Executive Vice Dean of the Institute of International Relations, Fudan University. Targeted on the research of international relations and regional cooperation in Asian-Pacific region, the Asian-Pacific Institute focuses on interactions between China and other major countries as well as regional organizations in Asian-pacific region (such as the United States, Japan, Russia, South Korea and ASEAN etc.), analyzes these interactions and thus proposes counterstrategies; researches the channels and models of cooperation in Asian-pacific region, discusses about the establishment of governance mechanism in Asia-pacific region and summarizes feasible models of cooperation which are suitable for Asian-Pacific region; advocates a regional model of international relations with Asian-Pacific characteristics based on the history, culture, social and political status in Asian-pacific region.

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Deepen BRICs Cooperation and Promote Global Governance

Fan Yongming, *Director of Center for BRICS Studies, Fudan Development Institute*

BRICS plays an exceptional role in global governance, whose impact and status is constantly on the rise in the ever-changing international relationship. However, it seems profound knowledge, deep exploration and further research need keeping on regarding to what BRICS stands for, how its member nations ought to carry out cooperation, what part it should play to promote the reform and remaking of international order.

I. The Proposal and Role of BRICs

The BRICs is an investment concept originated from Goldman Sachs to create a buzz. In 2001, the global stock market ushered in a powerful boom. To direct its investment, this company introduced the word BRIC, the acronym of Brazil, Russia, India and China (South Africa joined in 2010 so that it became BRICs). 15 years passing by, BRICs has evolved into a significant strategic platform for its member nations to participate in global governance. Ever since the 17th CPC National Congress, China weighed the BRICS as important as the United Nations, G20 and Shanghai Cooperation Organization.

II. The Dialogue Mechanism, Objective of Cooperation and Appealing Demands of BRICs

1. The dialogue mechanism. So far, the cooperation of BRICs has extended to all levels. 28 ministerial coordination mechanisms including the annual BRICs Summit, the Meeting of BRICs Senior Representatives on Security Issues, the Meeting of the BRICs Trade Ministers and the Meeting of BRICs Education Minister, together constitute the basic dialogue system among BRICs nations.

2. The objective of cooperation. More than collaborating to survive the abrupt financial crisis in 2008, BRICs aim at exerting more influence upon the international political arena. In fact, the world cannot afford overlooking BRICs by now, whose political strength fully displayed after Crimea declared independence from Ukraine. Russia was kicked out of G8 then. While the heads of other 7 nations met, declaring that the west values freedom, the foreign minister of BRICs also convened a meeting, claiming that BRICs value the balance of international relationship. It is evident that the confrontation of the two blocs marked the rise of BRICs, a power that could contend with G7. After that, the establishment of The New Development Bank of BRICs was proposed at the 6th BRICs Summit

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in Fortaleza, Brazil and the agreement to form a Contingency Reserve Arrangement was reached. Each stride BRICs took as aforementioned improved its own strength and laid solid foundation to stand firmly on the international stage.

3. *The appealing demands of BRICs members.* BRICs nations enjoy numerous common interests, which is the base of their cooperation. Nonetheless, their physical truth varies. Brazil enjoys a vast territory of over 8 million square kilometers, a population of 200 million and population density of 26 per square kilometer. Most of its landscape is covered by Amazon rainforest, which contributes abundant forest and mineral resources. Its iron ore accounts for 10% of the world totality. The trade volume in 2014 between China and Brazil amounts to 950 billion dollar, the majority of which is contributed by bulk commodities such as iron ore and wood. Moreover, as it is the only one of five BRICs nations that has no so-called “foreign enemy”, Brazil’s major concern is to sustain its international status and economic development.

As for South Africa, its major concern is to seek a voice in African affairs. The 7th BRICs summit was held in Moscow, Russia in July this year, during which every member nations implied their own pursuit. Take the preparation of The New Development Bank of BRICs for example. While bank presidents respectively assigned by India, China, Brazil and Russia have assumed their post at the end of May, South Africa hasn’t even brought out the name list, for its attention is mainly directed to African affairs. It hopes to obtain more assistance from The New Development Bank of BRICs so as to increase its influence in the regional affairs. In 2013, the 5th BRICs summit kicked off in Durban, South Africa. Jacob Zuma, the president of Africa National Congress (ANC) invited many state leaders of other African nations, implying for more assistance from BRICs New Development Bank. During the preparation, although the statement has made clear for each position which country should send their official, there is game playing in practice out of national interests, which will not be discussed here.

Faced with enormous economic pressure though, Russia was seemingly indifferent towards The New Development Bank of BRICs at first. However, with the vicissitude of international situation, Vladimir Putin, President of Russia hopes taking advantage of it right now. He deliberately held the 7th BRICs Summit and the 14th SOC Summit at the same time, during which over 20 state leaders arrived in Moscow. The number is the equivalent of that on 9th May when Russia has held a huge parade to mark 69 years since the Soviets defeated the Nazis. Such spectacular scenery was created to kick the butt of the west. Moreover, Putin intended to further expand its influence. During the summit, he proposed to draw

up road-map for BRICs economic cooperation with the intention to declare Russia would lead the BRICs cooperation in the coming 5 to 10 years. As such, ***Russia seeks the increase of its international status and national influence through BRICS cooperation.***

India pursues the development of economy. Narendra Modi, its current Prime Minister advocates the establishment of platform to enclose more lands for industrial areas. Therefore, he mainly concerns about how much India could loan for BRICs New Development Bank, how small and medium-sized enterprises could enter the foreign market and how to yield economic returns from other nations.

III. Accomplishment of BRICs Cooperation and Its Conditional Analysis

On the whole, the cooperation of BRICs nations has witnessed remarkable achievement, especially the establishment of BRICs New Development Banks and Contingency Reserve Arrangement, as the counterpart of the World Bank and IMF. The duty of The New Development Bank of BRICs is to provide economic assistance to BRICS nations and other states which Contingency Reserve Arrangement is set to deal with payment crisis. In spite, a commission akin to Basel Committee on Banking Supervision and the Financial Stability Board (FSB) may be established to supervise domestic banks of BRICS nations, exchange and share the supervision information and set standard for banking and other financial sectors. The three arrangements mentioned above is the core of the BRICS cooperation in financial sectors. Tracking the history of the Bretton Woods System, the cradle of the IMF, we can find at first the UK and US had huge divergence. Although the agreement finally came to terms in the mid-1940s, it took another 10 years to have internal and external conflicts settled. Hence, the IMF and WB began to run in the mid-1950s. Similarly, different appeals of each member country result in many disputes during the preparation of The New Development Bank of BRICs and Contingency Reserve Arrangement. However, it ends up that both systems worked well, which fully demonstrates the capability of BRICS to carry out cordial cooperation in financial sectors.

It is clear that BRICs cooperation in financial sectors has reached great success, which can be attributed to three reasons as follows:

First, BRICs nations have common international strategic needs. The IMF, WB, Basel Accord and Basel Committee on Banking Supervision are established and led by western nations. During the financial crisis in 2008, none of these institutions and agreements decidedly turned the tide. Although the WB claims to provide equal development assistance to every country in the process of lending, the truth is that nations coming

closer to the US could obtain more assistance. Besides, recipient nations at times have to accept additional conditions. For instance, in recent years, the WB offered assistance with double standards to developing nations such as Korea, Malaysia and Indonesia and developed nations under the wing of the US such as Greece and Spain. To the former, it either turn its back or adds conditional conditions; the latter, it shows great generosity, which leads to the grievance from emerging and developing nations. Ever since, they had common strategic needs, that is, to change the current international financial system based on the Bretton Woods System and strive for fair treatment.

Second, BRICs nations have to balance the internal and regional interests. During the preparation of BRICS New Development Bank, each country funded equally to balance the internal interests. As for the Contingency Reserve Arrangement, China funded over 50% while others funded depending on their conditions. In the end, each country got what they've wanted and the system was balanced. In spite of the internal one, its member country also directs attention to the regional balance. For instance, ever since BRICs Summit in Durban, heads of the host country also invited state leaders from other nations in its region. Hence, a new structure combining BRICs and the region was nucleated, which is led by BRICs nations to realize regional stability and balance. The three balances serve as the prerequisite of substantial accomplishments through BRICs cooperation.

Third, developed nations in the west don't perform well enough. The first two conditions pull the cooperation forward while this one pushes it from behind. During the financial crisis in 2008, western nations couldn't turn the tide. Later on, though these nations agreed to reform like adjusting the position of IMF, no visible endeavor was made. In addition, western nations didn't try their best to reform some crucial financial institutions regarding to the world and people's well being. In stark contrast to them, BRICs nations harbored their duty in mind, actively advocate reform and promote development so that remarkable achievements have been reached. Besides, the western nations nudged many nations to the BRICs side, creating a favorable climate for cooperation.

Tracking back the history of the development of BRICs cooperation, ***every step is extremely difficult. In fact, BRICs cooperation is not only influenced by international politics but also by their domestic politics***, which won't be discussed here. Generally speaking, ***new progress in BRICs cooperation is made every 5 years***. The frame of BRICs cooperation shapes not a regular pentagon. Instead, ***every country strains inward to meet their national interests***. But in terms of global governance, ***BRICs nations enjoy common demands and interests***, which

serve as the guarantee of cooperation and further development. Despite petty niggling, under tension and the three conditions aforementioned, BRICS cooperation will carry on.

IV. The Ideology of Sustainable Cooperation

G20, an international forum for the governments and central bank governors from 20 major economies currently determines the fate of the world. However, there are actually 2 big camps in its framework, one is G7 lead by the US, Germany and Japan, the other is BRICS-led developing nations such as Indonesia and Turkey. The two camps have to compete with each other to win more support from nations outside G20 with ideology and proposal. Center for BRICs Studies of Fudan Development Institute and other relevant institutions in China have carried out discussion to put forward ideology and slogans, which BRICS nations could merrily accept and other nations dare not to oppose openly. By this measure, BRICS nations could further build consensus and be aware of the development direction.

1. Inclusive competition. The ideology of inclusive competition could serve as the guideline for BRICs cooperation. G20, in its essence is an arena. Although China insists on diplomatic occasions that our country only complements rather than competes with developed nations. Facts are that competition is inevitable when we carry out researches and formulate relevant policies. For instance, the foundation of The New Development Bank of BRICs has already taken a share of the spoils and Asian Infrastructure Investment Bank took another later. Hence, ***we must realize and admit such competitions.***

Moreover, we must recognize ***the essence of competition lies in the development pattern and the supply of global public goods.*** A competitive development pattern refers to sustain a fast and sound development. After 300-year evolution, the western development pattern has formed its own system with distinctive features. For instance, the US is able to adjust its economic and political structure in time according to the current situation. No matter how abrupt the change is, it could quickly follow suit. But, it is certain that the western development pattern is not flawless in the light of chronic financial crisis and other evidence.

Compared with western nations, BRICS nations have also achieved huge success in terms of the speed and effect of development, making them great emerging powers in the world. Admittedly, there are numerous loopholes in the development pattern of China and India such as corruption, economic inequity, and insufficient institutional arrangement. However, there are pros and cons in each development pattern. Hence, in the competition, nations should learn from each other and independently

choose their development paths, patterns and orders.

As for the competition of international public goods, quality is the top priority. The service provided by the IMF and WB was once counted as the international public goods of high quality, because of which the hegemony of the US was established in the early postwar period. Now, Asian Infrastructure Investment Bank and BRICs New Development contend with the IMF and WB by means of providing new public goods and other alternative to some nations and regions. The quality is the key to win such competition.

If we can confine competition to two types mentioned above, then there will be no zero-sum game. That is to say, nations don't need to develop at others' expense. Instead, they could learn from each other and engage themselves to make more contributions to the world. By this measure, theoretically speaking, the relation between the developing nations and developed ones would become a win-win situation rather than a zero-sum game, where there is inclusive competition instead of confrontation.

The former part focused on the competition between BRICs nations and other nations. Facts are that inclusive competition is indispensable to BRICs. In practice, conflicts emerged one after another. For instance, the trade between China the other four nations accounts for 90% of the total volume of trades among BRICS nations. More often than not, other four nations are unable to reverse the trade deficit. The pentagon BRICs formed is irregular, for each country has its own appeal and competition methods, which is the so-called inclusive competition. On one hand, effective communications and negotiations are required to make clear that in view of labor force and technology, China would inevitably take the most advantages. On the other hand, BRICs have to seek change. A dole ought to be co-funded to solve the trade clashes and secure the trade order. Although such means could not radically solve the problem, it may create a fair and equitable climate. ***BRICs nations should also actively participate in the formulation of new international trade rules. With solidarity, BRICs nations could compete with the west and fight for its own interests. Meanwhile, the pro-free trade policy should be ushered in to facilitate trade between BRICS nations and realize win-win situations.***

2. Equity, autonomy and green. The ideology of equity, autonomy and green serves as the guideline to instruct BRICS cooperation. Equity is raised on account of international development assistance. Difference shall not be made between donor nations and recipient nations. Nations should seek self-development when offering assistance to others and create favorable development conditions for others when receiving

assistance. As for autonomy and green, the priority is to pay off stale debts. China is often subject to blames from western nations when dealing energy and climate change issues. For instance, western nations levy carbon tax on Chinese airlines, which fully demonstrates that the west is unaware of and unwilling to pay off stale debts. In this case, we have to clarify the historical responsibility first and then rebuild the development order.

V. Breakthroughs need in BRICs Cooperation

BRICs nations have proposed two methods to make new breakthroughs in its cooperation. The first is to establish BRICs Energy Association. Russia and Brazil enjoy rich gas and oil resources; Brazil also has the first-class aircraft industry and development technology of renewable resources in the world. However, led by new applications of hydraulic fracturing technology and horizontal drilling, development of new sources of shale gas has offset declines in production from conventional gas reservoirs, and has led to major increases in reserves of US natural gas, which means these two BRICs nations is faced with a export smaller market. To deal with it, Russia suggested establish a BRICs Energy Club, gathering the biggest gas and oil supplier as well as its consumer, that is, the BRICs nations and developing a stable supply-demand relationship so as to realize a sustainable development.

Second is to establish BRICs Crop Association. While China is struggling for its limited arable lands, 1.8 trillion though, Brazil, Russia and South Africa have abundant land resources. However, these nations are worried about how to make use of such land resources. BRICs Crop Association aims at establishing a land borrowing-and-returning method so as to meet the needs of both sides. Still, to turn this idea into reality requires many researches and practice.

VI. The New Development Bank of BRICs provides new opportunity to China, especially Shanghai.

The New Development Bank of BRICs benefits China mainly from these two aspects:

Firstly, The New Development Bank of BRICs could help Renminbi (RMB), China's currency go global. Like trade that strengthens the cohesion of BRICs nations as mentioned, BRICs New Development Banks help establish a new platform for Renminbi going global. In practice, there are two means to realize this. One is the strategy of the Belt and Road initiative (the Silk Road Economic Belt and the 21st-Century Maritime Silk Road) which mainly focus on China's cooperation with underdeveloped or small nations. The other is the cooperation of BRICs

nations which is more practicable.

Secondly, The New Development Bank of BRICs is an indispensable instrument for China to have a greater say in the international financial sectors. Through the bank, the interests and concerns of China could be conveying to the globe. In most cases, we judge the current economic situation by the reports of the World Bank, IMF or OECD. These reports have long been stuffed with the voice of the west but rarely mentioned the economic development of developing nations. The New Development Bank of BRICs is expected to be a media for the China-led developing nations, adding weight to China's voice.

The New Development Bank of BRICs benefits China in three dimensions:

The first dimension is to promote government reform. In practice, the Chinese government has too much power, sometimes hampering the development of foreign banks. However, as for BRICS New Development Bank, the local government has to solve problems through communication and cooperation rather than manage it from the top down. To realize this, the government has to carry out take internal reform and adhere to market rules. For instance, Shanghai Free Trade Zone has already release such signal by merging work of Shanghai Free Trade Zone Administrative Committee and Pudong New District Government into one office. By this measure, the external pressure pushes government to carry out internal reform.

The second is to provide market and resources. Shanghai lacks market and resources which BRICs nations could just provide. For instance, increasing tourists from these nations come to Shanghai; economic and technological cooperation and exchange events happen more frequently and trade volume is expanding. It is also vividly illustrated by the transformation of Tilanqiao Prison into a diamond trade fair.

The last is to boost the construction of the international financial headquarter in Shanghai. The New Development Bank of BRICs will enter the Shanghai World Expo Park, which is conducive to the construction of Shanghai international financial headquarter, the functional maturation and business expansion of financial sectors and the gathering of financial talents.

Translator/ Hua Zhiyun

Introduction:

Center for BRICS Studies of FDDI, Fudan University (University Think-tank of Shanghai)

Center for BRICS Studies of FDDI was established in 2012, the first interdisciplinary center for BRICS studies and talent development in China. It is in the meantime an academic institution for students and faculty in Fudan University to carry out BRICS researches and a think-tank to provide strategy consultancy for BRICS nations in global governance.

Please go to official site for more information: <http://BRICs.fudan.edu.cn/>

China's Maritime Strategy: Three Levels of Legal Issues

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China is a great maritime country based on its long coastline, which is more than 14000 kilometers, and over 32000 kilometers in total in addition with the approximately 18000-kilometer-long island coastline. The population of Germany is one-seventeenth that of China and the coastline one-eighteenth, but the per capita length is twenty-five times than that of China. China is now implementing the strategy of maritime power building, yet cannot get rid of inhibitions and limitations. They keep saying that China hasn't abiding by the Law of the Sea Treaty when we exploit the East and the South China Seas, and complaining that the historical right we claim is without merit. I've heard these criticisms for almost a hundred of times when I attended international or national conferences on the affair of the South China Sea. There are some misunderstandings among many countries, even some domestic scholars and media, on the issue of the South China Sea.

Hence, three levels need to be taken into consideration fundamentally when it comes to the South China Sea issue.

1. China is a geographically disadvantaged state in a comparative view.

According to the United Nations Convention on the Law of the Sea (UNCLOS), there are two kinds of geographically special states: geographically disadvantaged states and land-locked states. However, among coastal states in the world, there is no certain legal standard to judge which one is geographically disadvantaged state and which one is not. Some states, which embrace the ocean with quite long coastlines though, cannot properly enjoy their maritime rights in proportion. China, for instance, is not generally considered as a geographically disadvantaged state. But compared with Germany, a geographically disadvantaged state recognized by the whole world, China's per capita coastline length is only one-twenty fifth that of Germany's. However, Germany can enjoy all sorts of preferential treatment for the above mentioned geographically disadvantaged state while China enjoys nothing. Worse still, China is often asked to control its activity and legal practice of interest on the sea. This is not reasonable at all.

2. When it comes to the South China Sea issue, three levels of legal concepts need to be concerned.

This paper was written according to shorthand draft of the Think-tank Month speech delivered on May 7, 2015, Fudan University's 110th anniversary, by Professor Fu Kuncheng who is the director of Center for BRICS Studies, Fudan Development Institute. It has not been reviewed by the author.

Firstly, the South China Sea is a semi-enclosed sea. According to UNCLOS, coastal states have rights and obligations to coordinate and cooperate with each other on the issues of marine scientific research, marine environmental protection and living resources exploitation and management in the semi-enclosed sea, and to invite, when necessary, other outside states or international organizations to cooperate with them. As a coastal country who has the largest population in this area, China has the rights and obligations to coordinate and cooperate with the neighboring countries, and exclude those outside countries such as the U.S., Japan and India.

Secondly, legal characterization and name rectification of "U-shaped line" in the South China Sea need to be faced squarely. Mr. Fu pointed out that he had already suggested using the term of "U-shaped line" as much as possible in his book *On the Legal Status of the South China Sea* which was published in Taiwan in 20 years ago. This line marks the outer limits of the historical waters of the South China Sea. For over 2000 years, Chinese people keep fishing, working and recuperating in that sea; and the government dispatching naval to patrol, conducting astronomical measurements, punishing pirates, strengthening coastal defense, rescuing ships in distress and so on. Based on these historical activities and the historical interests that China has long enjoyed, China enjoys abundant historical rights in the historical waters. Meanwhile, the U-shaped line [-(.)-(.)-(.)-(.)-(.)-(.)] shared the same painting with the "undecided national boundary" on land when first released in 1947. The waters within this undecided national maritime boundary line do not belong to the internal waters, or the territorial seas, or the exclusive economic zone, or the high seas. Indeed it is the historical waters which is agreed and respected by UNCLOS. Historical rights are highly supported time and time again by many articles in UNCLOS, which can serve as an adequate proof that these rights are compatible with the convention without any contradiction.

Thirdly, China can legally claim sovereignty to its preoccupied islands as well as the 12 sea miles territorial seas in the South China Sea, based on the long shared historical rights. Historical proofs support the historical rights. China's preoccupation of these uninhabited small islands according to the international law is not the result of deliberate attempts by our ancestors. In fact, it results from the effects of the East-Asian monsoon (blowing from the northeast to southwest in winter; in summer it reverses) for hundred thousands of years. Needless to date back to the Han and the Tang Dynasties (202 B.C.--907 A.D.), it is just quite enough to talk about the Ming and the Qing Dynasties (1368 A.D.--1912 A.D.). During that period of some 600 years, the population in the coastal region

of southeastern China multiplied. A lot of people travelled around the Southeast Asia to do business, and more people set sail for the South China Sea to make a living by fishing. Due to the several bans on the sea carried out by the government, sailing on the South China Sea became illegal. As a result, a large number of migrants from Southeast Asia settled down in China and lots of pirates emerged--many of them were part-timer whose main characters were ordinary maritime businessmen and fishermen. These natural conditions and historical facts are colorful, clear and indelible.

Only when we fully understand these three levels of legal concepts, can we figure out what activities are allowed to be conducted in what area. Fishing, for example, is our right in the historical waters of the South China Sea according to our historical rights in this area. And as for the origin of right to develop oil and gas in the South China Sea, which can't be claimed according to the historical rights because such technology was not developed until modern times, we can still do that based on our sovereignty to the islands and reefs, its 12 sea miles territorial waters and 200 sea miles exclusive economic zone, according to "land controls the sea"—a basic principle in the International Law of the Sea.

3. The marine system shall be ordered by law.

I am fully aware of the greatest fear of the ASEAN countries--the emphasis of China on the historic rights, after my double check in the national archives, the national library and the national university library of the surrounding countries surrounding the South China Sea. Because China does have abundant clear historical evidences in this area from the Han Dynasty while other countries do not. According to my investigation, the U-shaped line was agreed by the surrounding countries before the 1970s. It was even recognized in geography textbooks of Indonesia's middle school in the 1960s. Until 1965, an American investigation ship called Hunter claimed a great discovery of a large number of oil and natural gas resources in the South China Sea, which has caused a commotion among the surrounding countries. And until the end of the 1960s, Captain Thomas Cloma of Philippines set out to explore no man's land, which turned to be today's so-called Kalayaan Island and West Philippine Sea in the recent two years.

There are always evidences to proof that China has the right to preoccupy the islands and reefs in the South China Sea according to the international law. Original records are found on the Xisha, Nansha and Dongsha islands that China has discovered, exploited and managed these areas in history. Even 600 years ago, during Zheng He's Seafaring period, there were detail records. Zheng led over 100 ships to the southern end of Indian Peninsula,

who anticipated Columbus for decades.

It is worth emphasizing that "prescription acquisition" territorial sovereignty has never existed. Though it is written in the textbook of international law, it never works. We should encourage and support fishermen to do fishing in the South China Sea, the traditional fisheries and waters of China, though it is getting more and more difficult due to the obstacles set by countries like Philippines and Vietnam who has taken some islands by force in the South China Sea from China. We cannot give up these historical rights through hundreds and thousands of years.

4. An equitable delimitation plan is under seeking.

Maritime delimitation in the South China Sea is the ultimate solution to this problem. Yet, how to conduct the final delimitation in such a complex area? An equitable delimitation plan is needed. The word equitable has been translated as "gongping"(fair) for many years in China, which is actually a misunderstanding. In the English context, "fair and equitable" is usually used as a phrase. "Fair" means "公平", and if "equitable" is translated as "公平", the above-mentioned phrase "fair and equitable" would mean "公平且公平"(fair and fair). This is obviously wrong. Simply put, "equity" is a gerund, while "fair" is a pure adjective. The so-called principle of equity means to take all relevant situations and conditions into consideration before we draw a conclusion. This is the meaning of "equitable solution".

Which relevant conditions need to be considered when we conduct maritime delimitation? For example, the natural extension of territory, the length of coastline, the general coastal appearance, geology, landscape, historical interests, social and economical elements and so on. Only with agreed delimitation, can these countries settle on their own positions and carry out management. Thus, it becomes easier to determine the range of co-developing waters and make it works.

5. It is necessary to resume the national self-confidence.

Last but not least, Chinese scholars should have full confidence in China's position, viewpoint and argument, without a blind faith in things that are written in English. Many materials of developed Western countries contradict that of China, do not tell the truth of China, and even demonize China's national image and position. To conclude, we must have national confidence.

Translator/ Li Tianqi

Introduction:

Research Base for National Ocean and Strategic Interests, Shanghai

Jiao Tong University (University Think-tank of Shanghai)

The organizational foundation of the Research Base for National Ocean and Strategic Interests is the Center for Polar and Deep Ocean Development of Shanghai Jiao Tong University. The think tank and the center are the extension of the SJTU-Center for Oceans Law and Policy, which was established in 2009. The Research Base has been designated as a social science key base of SJTU. Together with the Center for Oceans Law and Policy, the research base is one of the first batch of university think tanks officially approved and supported by the Shanghai Municipal Education Commission (SMEC). Through the integration of scholarship, the think tank takes the study of marine challenge and solution as its task, targets to build a research team on marine rights and interests and development issues which China badly needs, and provides advice for the government. The think tank is led by Prof. Kuen-chen Fu, professor of the Koguan Law School, vice dean of the Institute of Oceanology, and founding chief editor of China Oceans Law Review. The think tank has its own annual budget and staff, and also has one independent library and two databases.

Please visit the official website for more information: <http://colp.sjtu.edu.cn>

The Middle East Issue and China's Middle East Diplomacy

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I. The Middle East issues

From the historical angle, the Middle East issue is the Eastern Question in the 20th century. The Eastern Question emerged when Germany, Britain, France and Imperial Russia all engaged in a power struggle in the 19th century. It was about how to divide and take the countries and regions under the control of the huge Ottoman Empire. The Eastern Question was put to rest after World War I, the outcome of which was the collapse and the division of the Ottoman Empire. After that, the territory in West Asia and North Africa controlled by the Ottoman Empire became the British and French colonies, which further strengthened the colonial system. That was when the Eastern Question became the Middle East issue. It includes territorial questions, ethnic and religious problems in West Asia and North Africa, as well as the struggle for independence of many countries and regions.

From the angle of region, the department of West Asia and North Africa in our national ministries administrative division is in charge of the Middle East including 19 Arab countries, Israel, Iraq, Turkey and South Sudan which declared its independence in 9th July, 2011, with all together 23 countries.

1. The religious background of the Middle East issue

The Middle East is the birthplace of Judaism, Christianity and Islam, the world's three major religions. Judaism and Christianity originated from Jerusalem, while Islam the holy cities of Mecca and Medina in today's Saudi Arabia. The Qur'an, the finest literary work of Islam, is divided into two parts. The chronologically early suras are Mecca, and the latter are Medina suras.

According to American scholar Huntington, there are 11 civilization systems in the world, 8 of which are prominent. Actually, in my opinion, only 3 of them have global impact. The first one is the Western European and North American civilization with Christianity at the core and about 2.3 billion Christians. The second one is the Islamic civilization with its core countries in West Asia and North Africa. There is an international organization called Organization of the Islamic Cooperation (former Organization of the Islamic Conference) including 57 member states and

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headquartered in Jeddah. The organization reported the total number of Muslims all over the world was 1.6 billion in January, 2014. The third one is the East Asian civilization represented by Chinese Confucianism, Buddhism and Taoism. The three major civilization systems still have tremendous international influence nowadays. Although Hinduism deserves attention, it has limited international influence.

Islam is the most dramatic religion in the world, from which originated the religious extremism which is the ideological root of international terrorism. As for China, Islamic issue not only involves geopolitics and international politics, but also Chinese politics. China's Xinjiang issue is mainly about fighting against three forces, of which are religious extremism and national secessionism. Both are related to the Middle East in terms of spreading and infiltrating channel and are involved distorting and mutilating Islam in terms of contents and essence.

Islam is divided between Sunni and Shia. The dispute between the two denominations began soon after the death of the Prophet Muhammad (570-632) and lasted for about 1400 years. The substantive differences between them lie in the legitimacy of religious politics and the basic principle whether a Caliph should be elected or be chosen from successors. The two major denominations develop their own systematic doctrines, jurisprudence and etiquette, which leads endless and long-lasting expanding sectarian struggle.

Iran is the biggest Shia country, believing in the Twelvers and having the biggest Shia population, where Shia makes majority. The Huthis in Yemen is Zaidism, a sect of Shia Islam. The Alawis in Syria is also a branch of Shia Islam. However, according to strict doctrine, the Alawis was considered as "heterodoxy" and was excluded by the Shia Iran for a long time. The Alawis hasn't been recognized by Iran until the Iran-Iraq war in the 1980s that brought Iran and Syria closer to each other.

2. The key points in every stage of the Middle East issue

After World War I, the Middle East in British and French colonial system mainly searched for the national independence and national liberation. There are four ethnic groups in the Middle East: Arabs, Persians (today's Iran), Turks (today's Turkey) and Jews (today's Israel). Some other ethnic groups don't constitute countries, for example, the Kurdish Question appeared during WWI. Since IS emerged, the Kurdish Question re-arose the international attention. The Kurds are estimated to number around 30 million. The Kurds are a cross-border ethnic group, mostly inhabiting Iran, Iraq, Syria and Turkey in the Middle East. The others are the Copts in Egypt believing in Christianity, which are 8 million people, accounting for an estimated 10% of the Egyptian population. Currently, the Kurdish

Question is very serious and has become one of the real geopolitical issues in the Middle East.

Since the mid-50s after World War II, the world has entered the period of the Cold War when the United States and the Soviet Union established their own allies systems: the NATO allies of the U.S and Warsaw Pact of the Soviet Union. The focus of their race was in the Europe, but they actually competed for the influence in the Middle East. Europe was not at war during the Cold War. In the late 90s after the Cold War, the Kosovo War broke out, making the Sothern Europe the battlefield. The wars during the period of the Cold War happened in the Middle East countries like Egypt, Iraq, Syria, Palestine, Algeria, Yemen, etc. They were backed by the Soviet Union, while the gulf countries like Israel and Saudi Arabia were member states in the American allies system.

The dissolution of the Soviet Union marked the end of the Cold War. First were the fall of Berlin Wall in 1989 and German unification. Then came the outbreak of the Gulf Crisis and the Gulf War in August, 1990. Coalition forces from 34 countries led by the U.S. against Iraq led by Saddam led Iraq withdrawal from Kuwait. Last were the dissolution of the Soviet Union in 1991 and the successive independence of the Soviet republics. The Cold War between the U.S. and the Soviet Union ended with the victory of the U.S.

For 25 years, from the end of the Cold War until now, through the 1990s and 15 years in the new century, the themes of peace and development in the Middle East still remain. In the 1990s, the Question of Palestine, the biggest problem in the Middle East had some good news. President Clinton's Middle East policies were dual containment policy aimed at containing Iran and Iraq in the east of the Middle East the Arabic-Israeli progress to advance peace negotiation with Israel, Palestine, Jordan, Syria, Lebanon and other Arabic countries and to obtain phased breakthroughs. However, the double standards of the Israel-Palestine policy cannot negotiate a final resolution of the Palestinian fight for an independent state, the core of the Israel-Palestine conflict.

The September 11 attacks happened in the new century. It was the great event directly threatening the American homeland security in the first year when President George W. Bush held his office. He focused the global strategic security on the Middle East. His Middle East policies full of rich neo-conservatism were anti-terrorism, counter-proliferation of weapons of mass destruction and against rogue states. Soon he declared war in Iran and Afghanistan in succession. In 2004, he adjusted his Middle East policies into "anti-terrorism, counter-proliferation of weapons of mass destruction and democratization transformation of Islamic countries".

Compared with the Middle East policies of every president after WWII, Bush's policies were unimaginable and had serious consequences. After the official establishment of Israel in 1948, although the U.S. treated the security of Israel as core interests and promised to offer any possible support to Israel, the U.S. never sent troops to every Arab-Israeli Wars and regional conflicts, only offering information, intelligence, weapons and economic aid to Israel and other Mideast allies. In 1948 when the first Arab-Israeli War broke out, American troops were Jewish volunteer forces, not including active-duty forces. The Gulf War in 1991 where President Bush led multi-national forces got Security Council authorization. The Iraq War President George W. Bush started in 2003 was without evidence or legal justification abnormal manifestation of American hegemonism and power politics to an extreme.

The Iraq War is an important point to the U.S. It cost great in treasure and military power and stirred domestic public opposition. The financial deficits that were tackled by former President Clinton occurred again. Later on in 2008, financial crisis broke out, leading American comprehensive national strength to decline from the high point to relatively weak. To the Middle East, the U.S. directed to rebuild the countries after the Iraq war, adopting the system which distributed power based on denominations and ethnic groups. It opened the Pandora's Box, which directly led to sectarian and ethnic conflicts and tension regional rooted in Iraq. Al Qaeda and other religious extremism and terrorist organizations didn't disappear, but resurged and spread everywhere more rampantly. Since President Obama took office in 2009, American Middle East policies changed greatly from direct arm interventions to withdrawal from Kuwait and reduction of strategic input in the Middle East step from step. America takes the control and dominance of regional order and push Europe and allies in the Middle East to the first line. The dramatic change immediately caused the imbalance of power among the Middle East countries and rapidly exposed the livelihood problems of corruption and wide wealth gap, and institutional problems accumulated for a long time and difficult to solve because of the ignorance of reforms for ten years in the Middle East. Tunisia's Jasmine Revolution was sparked by self-immolation of a Tunisian street vendor in December, 2010, and then the revolution quickly spread across the neighboring countries in the Middle East and turned out to be an unrest in Arab countries that has no end until today.

3. The root causes of the Middle East issue

A. The external reasons

For external reasons, American Middle East policies are to blame. Then,

what is the core content in American Middle East policies?

The first one is to ensure the absolute security and advantage of Israel. It is decided by the domestic politics in the U.S. American Jews make up the minority of American population, but they have voice and influence in American economic, media, film and television field and academic circles. Their strong awareness to get involved in politics has great impact on American domestic politics and public opinions, especially the Congress. Among all the lobbies in American Congress, the most prominent is AIPAC (American Israel Public Affairs Committee). There is no doubt about the significance of Israel to the U.S.

The second one is the Middle East oil export areas. The Middle East is rich in oil production, with more than 60% of oil reserves in the world and supplying 40% of world production. Russia has the world's largest natural gas reserves. The second one is Iraq, followed Qatar. The Middle East has about 1/3 world's natural gas reserves.

From the end of WWII until now, the global industrialization and modernization cannot be achieved without energy, especially oil and gas. The U.S. has always been the largest oil import country until recently succeeding in produce shale gas. The U.S. mainly import oil from Mexico, Venezuela and North Sea. Sometimes America imports oil from Saudi Arabia and other gulf countries with low proportion of about 1/4 total imports which increase to about 16% in the new century. The purpose of American control of export and import of Middle East energy is to control the economic lifeline of different countries and out of the need of the hegemony and power politics.

The third one is the dominance and control in the Middle East affairs that is to maintain the regional order. America as the only superpower of the world in pursuit of dominating global affairs must establish and maintain its own international and regional order. The Middle East and America have a stake in politics, economy, security and other strategic interests. Therefore, America has invested lots of resources in the Middle East, have worked for it for decades, and will never give up the dominance of regional affairs and hotspot issues. Although America shift its strategic focus to east, it still has the strongest voice for many hotspot issues like the Israeli-Palestinian negotiations, Iranian nuclear issue, Syria issues and anti-terrorism represented by IS, as well as manipulates the resolutions.

B. Internal reasons

From the internal reasons in the Middle East, the core is how to peace and development problems? There are many Arab countries in the Middle East with great influence. From the end of WWII until now, they

develop the core values and traditional thought inertia according to their history, mainly depending on the belief in Arab nationalism and Islam. It has always been their ideal to pursue Pan-Arabism, Arab Ba'ath and Islam Resurrection. Egyptian revolution of 1952 after WWII led by Nasser was a national democratic revolution encouraging and inspiring numerous other nationalist movements to establish republic regime in many other Arab countries in East Asia and North Africa, such as Syria, Iraq, Yemen, Sudan, Algeria, and Libya. Arab nationalism became the most influential regional major ideological trend in the 1950s and 60s. However, in the third Arab-Israeli War in June, 1967, Egypt, Syria and Palestine met their Waterloo and had large amount of territory occupied by Israel. Arab nationalism by Nasser wound down with the emergence of various Islamist groups. Though in the case of Shia, as far as Sunni Muslims are concerned, the victory of the Iranian Revolution in 1979 was that Islam defeated corrupt and intolerant regimes of Palaiologos. Since the following 1980s, the Iran-Iraq war, Iraq invading Kuwait, the Gulf War, the Lebanese Civil War, the Oslo Accords between Israel and Palestine, Palestinian stone-throwing, 911 attacks, Afghan War, the Iraq War...successively broke out in the Middle East. The reforms and development always failed to be put on the agenda in Arab countries themselves. Compared with other regions in the world, Arab countries' modernization lagged far behind, where domestic economic and social conflicts became more serious and intensified. After Obama's adaptation of the Middle East polices, obvious reduction of strategic space and resource input in the Middle East, the political, economical and social conflicts in Arab countries were finally exposed and led a lasting upheaval in Arab countries. During the period, Tunisia, Egypt, Libya, Yemen and other Arab countries changed regime. Jordan, Morocco and other Arab countries experience government reshuffle. Civil strife in Libya and Syria resulted in the crisis of outsider military forces intervention. Islamic extremism seeks opportunity to surge and even came upon the political stage. Religious extremism and terrorist groups spread everywhere and create havoc, especially since June, 2014, IS blatantly captured territory, killed innocents and became serious public hazard in the Middle East and the international community. The Middle East is still the most unstable hot spot in the world.

II. Chinese diplomacy in the Middle East

1. The history of Chinese diplomacy in the Middle East

Let us start with the 1950s. Premier Zhou Enlai referred the Middle East that "the Islam countries was related less to China and had little impact on our nation. The work in the Middle East can proceed step by step". That is to say that China began to put the diplomacy in the Middle East on the

agenda and has entered the knowing, contacting and researching phrases. In the Bandung Conference in 1955, the speech of Premier Zhou was kept postponing because of the oppositions of anti-China and anti-communist from countries including Arab countries. Premier Zhou therefore demanded to make an adding speech where he emphasized that “China was not here for seeking difference, but for seeking common ground”. That is also known as the famous “spirit of seeking common ground while shelving differences”, complementing to the Five Principles of Peaceful Coexistence in Bandung Conference, laying the solid foundation for Chinese diplomacy in the Middle East. The spirit also gained wide popularity and praise from Arab countries in the Middle East and started the establishment of diplomatic ties between China and Israel. For half a century, Premier Zhou said to Chinese diplomatic staff that “To earn a position in the world, the most important is to respect others. Sincere attitude helps you gain others’ trust. Mutual respect is necessary. As a great nation, China should take the initiative”. The directive the criterion of Chinese diplomacy in the Middle East, has been remembered and faithfully practiced by Chinese diplomatic personnel and endures today.

Since China established diplomatic relations with Saudi Arab in 1990 and Israel in 199, China has established diplomatic relations with all countries in the Middle East. After the tumultuous Cultural Revolution, China began the reform and opening-up, the country need be rebuilt. China adopted a long-term policy towards the complicated conflicts and the turbulent situation in the Middle East, which was “overall detachment and appropriate involvement”. In 1993, the marking point, China changed from the exporter of oil to the importer of oil. The CPC and Chinese leaders emphasized on the full use of recourses and markets home and abroad and then “good use of petrodollars” was proposed, which obviously improved the status of the Middle East in Chinese diplomacy. The Department of Asian and African Affairs considered the Middle East as “extension of China’s neighboring strategy” in strategic level. In the new century, the 16th CPC National Congress political report concludes Chinese diplomacy in four aspects, which is the great powers as keys, neighboring countries coming first, developing countries as basis and multilateral cooperation as platforms. The Middle East countries are not only “foundations”, but also “stages”. China’s diplomatic and academic circles refers the Middle East as “primary” neighboring countries and regions and also the “one part of China’s neighboring strategy”, which aims to underscore the significance of the Middle East. It is quite reasonable based on the fact that the oil imports from the Middle East for many years account for more than half of total imports. The volume of bilateral trade has increased from billions of U.S. dollars to hundreds of

billions of dollars. The Middle East accounts for the most overseas labor service projects and contracts with China. It is proved that the Middle East has become the important platform in managing relations with great powers and in the diplomacy of hotspots, and involves more and more national sovereignty, security and core interests.

In recent years when dramatic changes happened in Arab countries, China has laid out foreign policies at the beginning “observing the situation coolly, seeking profit or avoiding loss, going with the flow and acting appropriately”, which insist on the respect for their sovereignty and territorial integrity and non-interference in internal affairs. China has actively send envoys, promoted contacts with different denominations and provided humanitarian assistance to promote peace and talks, and to work on the political solution of related crisis. It is known that in the United Nations Security Council vote on the Syrian crisis, China upheld the principled stand of non military interference and imposed vetoes for three times, which provoked outrage and condemnation by some Arab countries. As time goes on, China actively conducts public diplomacy targeting confidence building and misgivings removing. Facing the fact, the political and academic circles in Arab countries agree and praise adherence to principles of Chinese diplomacy. Therefore, the friendship between China and Arab stands the test of time and Arab countries deeply feel the role and influence of China, the responsible great power.

2. The Belt and Road Initiative

The Belt and Road Initiative proposed by President Xi Jinping has been vigorously prompted through “the initiative of jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road” issued by the National Development and Reform Commission the Ministry of Foreign Affairs and the Ministry of Commerce in March, 5th, 2015. Before, I have attended several related conferences and international seminars. The most impressive understanding was that “the Belt and Road Initiative” was a complete new international cooperation mechanism that China suggested to the international community. The mechanism aims at jointly building an opening, tolerant, balanced and regional economic cooperation framework that benefits all the countries and regions, and dedicated to constructing communities of interests and destiny. It is completely different from the colonial systems after WWI and ally systems built by the Soviet Union and the U.S. after WWII. Therefore, it is considered as new Chinese contribution to the world, characterizing by sharing and non-exclusiveness. Meanwhile, it is an active exploration on a new global governance pattern based on peace, development, cooperation and win-win to alleviate and resolve the conflicts, which is quite different from the traditional Western pattern with indulgence in military interventions, regime change, color revolutions, sanctions and

containment.

The Middle East, located in the intersection among Asia, Africa and Europe is a vital part of the ancient Silk Road and the necessary passage in Chinese One Belt and One Road at present. On June 5th, 2014, President Xi Jinping delivered a keynote speech entitled “promoting the Silk Road spirit and deepening China-Arab States cooperation” in the sixth ministerial meeting of China-Arab States Cooperation Forum where he gave a clear interpretation of the Silk Road spirit and proposed “1+2+3” cooperation pattern where energy cooperation in the center, infrastructure construction and trade investment facilitation as two wings, mutual beneficial cooperation in hard power the breakthrough of three high-tech filed: nuclear power, aeronautical satellite and new energy. In addition, China proposed to organize more activities of friendly exchanges, expand the scale of art festivals held in cooperation, encourage young students to exchange and study abroad, deepen cooperation in tourism, aviation, press, publication and other fields and cooperate in series of soft power programs to train diverse talents for Arab countries. Chinese proposals are not only far-sighted, but also down-to-earth, warmly welcomed and widespread praised by Israel.

Currently, China also faces many practical problems when promoting “One Belt, One Road” strategy in the Middle East. First, there are plenty of regions and countries with significantly different national situation and various needs. Some countries with unstable situations are still under the harassment of civil strife, wars or terrorism. Some countries don’t know much about “One Belt, One Road”, consider it as the Chinese version of “Marshall Plan” or even misunderstand that China is going to shift their eliminated production facilities. Second, city and provincial governments and enterprises in China mostly have great passion, but they haven’t carry out basic research work carefully and deeply, have not actively communicated with target countries to get the knowledge of real situations or completed the docking mission with the development need and plan of target countries based on “One Belt, One Road” principle of discussing, building and sharing. Third, “One Belt, One Road” is not only national strategy, but also cultivate generations of professional talents that can shoulder the responsibilities. At the beginning of establishment of new China, China learned from the Soviet Union, quickly set up colleges specialized in Russian and successively sent large number students and trainees to the Soviet Union to acquire all kinds of knowledge and skills. In the early years of reform and opening-up, Deng Xiaoping paid high attention to talent cultivation, made instructions like resuming the college entrance examinations, sending students abroad and education as fundamental to a country's establishment and prosperity. The promotion

of “One Belt, One Road” strategic project demands higher for talents’ international, educated and professional levels and comprehensive abilities, which needs the attention and guidance of government departments and the involvement of highly institutions pushing forward the reform of majors and disciplines construction to meet the need of new era and new tasks.

At last, as an old teacher long-term engaged in the Middle East, I still emphasize the significance of the Middle East and Middle East study. No super powers emerge in the Middle East. The important geographical location, abundant oil-gas resources, the center of and influence in Islamic civilization make the Middle East a “strategic module” as always in fact. The rise, development and exerting influence of any great powers cannot be separated from the Middle East. Too few researchers, too few institutes for Middle East study in China and low level of research do not match the status as new global power and cannot meet the national demand. I hope that there will be more and more people become interested in the Middle East issue, take part in the research and together make contributions to the Chinese characteristic Middle East study.

Translator/Shi Ying

Introduction:

Institute for Middle East Study, Shanghai International Studies University (University Think-tank of Shanghai)

Followed long-term development trend in the Middle East region, focusing on major realistic demand of China and provinces such as Shanghai and Ningxia, the Institute for Middle East Study actively provides policy consultation service for national ministries and local governments. In the past five years, experts and scholars from the institute have held over 200 academic lectures inside and outside the campus, published more than 400 commentaries on mass media, and played an important role in policy-making consulting, public opinion guiding, talent training and academic research. The institute now has 13 professional researches, including 7 professors and 3 associate professors. 11 of them have Ph.D. degrees. The institute hosts one Chinese academic periodical Journal of Arab World and one quarterly publication Journal of Middle Eastern and Islamic Studies (registered and published in the U.S.). The institute is approved one first-level discipline, political science, and two second-level disciplines, Arabic languages and literature and Middle East study, to award the doctoral degree, and also three second-level disciplines, including international relations, international politics and diplomacy, to award master degree. The institute also cooperates to build post-doctoral research center for political science and foreign language and literate study.

Defending Chinese External Security with Religion

Xu Yihua, *Director of the Center for Religion and National Security, University Think-tank of Shanghai, School of International Relations and Public Affairs, Fudan University*

I. The Significance of Religious Sovereignty in Foreign Relations

1. Religious remains and activities is to a certain extent an indication of national sovereignty.

Fishermen on many islands of the South China Sea must go to temples to pray for a safe sailing journey before going to sea. There are many historical remains on these islands which can strongly prove that these islands have been a part of the territory of China since ancient times, including Tin Hau Temple, The Eighteen Arhats Temple and Brother Temple etc, but many of them have been demolished. And the policy on religious liberty can hardly be put into practice before these remains are rebuilt. Meanwhile, another way to display our sovereignty is restoring traditional practices in the South China Sea such as sacrificial ceremonies. For example, in Defending Diaoyu Islands Movement, a Mazu statue was shipped from Taiwan to Diaoyu Islands because Mazu statue is the indication and symbol of territorial sovereignty of China. Vietnam has occupied several islands on the Nansha Islands and sent six monks to take care the temples on islands, which is also a way to show its territorial sovereignty and an indication of cultural sovereignty.

The government of Hainan province is restoring local temples step by step and has put forward a series of events which will be held in the South China Sea Museum of Religion to elevate the level of this museum to that of The Yellow Emperor Mausoleum or even national level so as to show our religious sovereignty to the world, these events include all kinds of religious gatherings, worship ceremonies for Mazu, and public memorial ceremonies.

2. The prevalence of religion plays a key role in the making of national foreign strategy

Islam is being marginalized in China in terms of their social influence and religious norms etc. and it is not a mainstream religion worldwide, so potential influence of Islam is very limited. Therefore, Islam in China needs to make itself a predominant religion in the society so as to gain its global position in Muslim world and strengthen its soft power.

II. Two Key Points Relative to Religion in National Construction and Development

This paper was written according to shorthand draft of the Think-tank Month speech delivered on May 26, 2015, Fudan University's 110th anniversary, by Professor Xu Yihua who is the director of Center for Religion and National Security, University Think-tank of Shanghai. It has not been reviewed by the author.

The religious preparation implies:

Firstly, whether religion has made its contribution to the national construction and the development of national military spirit.

Religious preparation involves ideology, organization and people. The rise of any big country is accompanied by the rise of a religion and this is the reason why we say “One nation prospers, One religion prospers”. For instance, Christianity has pushed forward the rise of United States by playing such an important role in the external expansion of the States such as “The Holy War”. As a part of religious events, religious war plays a big part in national construction. Some people in Japan made visits to Yasukuni Shrine due to their military spirit worshipped by Shinto and this spirit plays a big part in the external expansion of Japan. Although German is not such a typical case as Japan, Nazi in this country is just like a religion which supported racism theoretically. As the birthplace of missionary work, the overseas expansion of Britain was also greatly promoted by Christianity. Many explorations and expeditions were driven by religious powers. The growth of a big power is usually accompanied by the prosperity of a religion and the religion called the mental world or the spiritual shield is helpful for the development of the country.

Secondly, whether religions of other countries can be correctly treated under China’s Going Global Strategy.

A country where this issue cannot be solved will not become a big country or a long-lasting big power. America, for example, has suffered much loss because of this problem. On the one hand, Christianity contributes a lot to the development of America; on the other hand, America knew little about other religions and failed to develop a good relationship with these religions since too much attention had been paid to Christianity. Therefore, when it came to the changes in Eastern Europe in 1989, America was totally unprepared while ignoring the power of other religions.

III. The Challenges of China’s Religious Security

The religious in China includes Buddhism, Taoism, Islam, Catholicism, Christianity, The Baha'i Faith, The Mormons and Orthodox Church. Religious variety brings about following challenges to our religious security:

1. The illegality of the Mormons in China

Many Mormons are politicians with excellent capability to participate in deliberating and administration of state affairs such as the two candidates of the last American Presidential Election——Romney who almost beat Obama and became the American president and Hong Guopei. However,

since the Mormons is still an illegal religion in China, many issues will come up if Romney, as the president of America, pays his visit to China. Besides, the growing number of international religions brings difficulties to Chinese policies on religious security.

2. The certain degree of illicitness of Orthodox Church in China

Orthodox Churches are called events rather than organizations in China. When Chinese president Xi visited Russia, Putin, the biggest contributor to Orthodox Church, arranged a meeting with the patriarch for Xi which caused much uneasiness for both parties.

3. The overthrown of traditional missionary work by The Baha'i Faith

The traditional thinking holds that missionary work which involves imperialism is relative to colonialism and neocolonialism. However, as many Baha'i were persecuted in Iran, The Baha'i Faith has shifted to Israel and it brought challenges to our religious security. With the rapid development of The Baha'i Faith among white-collar class in China, it is said that almost 50 thousand white-collars in Beijing are followers of the religion, of which a representative is the famous entrepreneur called Pan Shiyi.

4 The unfriendly relationship between Judaism and China.

Recently, the Jewish Memorial Park in Shanghai has caused a sensation, which brings another challenge to our religious security.

IV. Perspectives of Chinese Religion Strategy

1. Theories promoted by Chinese Buddhism must consist of "Theory on War" and "Theory on Peace".

None of the theories of Chinese Buddhism is related to war. As a country where Confucianism and Buddhism are dominant, China need to bring the theories on war into religious theories to show what we favor or against, at least the definition of a righteous war should be included. For instance, one of the two viewpoints held by American Christianity is Principle of Reconciliation, which is followed by Fellowship of Reconciliation (a school of Christianity). Under the influence of America, Many leaders of Christianity in China joined Fellowship of Reconciliation and they further encouraged more people to be their members. But Principle of Reconciliation finally broke down due to Japanese Invasion to China at the beginning of the War of Resistance against Japanese Invasion.

Therefore, Chinese Buddhism on the one hand should promote world peace and the elimination of war, making "the way of harmony" a worldwide idea, on the other hand it should make preparations for wars.

2. Religious collaboration can be promoted between China and foreign

countries through religious affairs concerning nationals living abroad and make it beneficial to China.

China is a country with the biggest number (somewhere between 550,000,000 and 60,000,000) of overseas Chinese around the world and the figure will amount to 60,000,000 if the number of Chinese stowaways is counted. However, such a great size of human resources had a bad effect on China rather than being a positive power. Many overseas Chinese still cannot make contributions to China, especially to Chinese religion.

There are five kinds of relationships between China and overseas Chinese, including blood relationship, geographic relationship, material relationship (foods like Lao Gan Ma sauce and meat floss), business relationship (overseas Chinese have their own product lines and business ties) and religious relationship. Religious affairs concerning overseas Chinese should be utilized to promote a worldwide religious collaboration between Chinese people so as to strengthen religious relationship as mentioned before and to weaken the religious influence of America and other western countries on China.

Overseas Chinese are able to make their contributions to Chinese religion in ways as follows: Chinese emigrants who have a weak connection with their hometowns can bring Chinese religion abroad and make it popular and local in foreign countries. Therefore, Chinese religion as a part of religious beliefs in China can also become a part of local beliefs in foreign countries. For example, overseas Chinese has made a big contribution to the spread of religious like Mazu and Taoism which are followed by many foreigners. Moreover, religious remains of China in South-East Asia and other places around the world should be brought back to China, which is a challenging work. However, we also boast many advantages such as abundant religious remains like Triratna and Taoism sanctums etc. It is necessary for us to depend on religious organizations to develop religious affairs involving overseas Chinese since these people cannot be regarded as religious ties between Chinese religion and foreigners for security concerns.

3. A development mode of religion featuring nongovernmental powers as the manager while the government supports behind the scenes.

As a good example of this mode, the events of Mazu Worship is apparently managed by a civil committee but in fact supported by the government. The direct confrontation between religions in two countries will results in many problems. For instance, many nongovernmental organizations from United States entered South-east Asia to promote their religious beliefs especially those of Christianity and they even smeared

local religions. And our effort to suppress the development of Christianity in China exactly offers a good excuse for them.

4. It is acceptable to fill the gaps in Chinese geopolitics with geo-religion.

For Islamic countries, China is not an enemy. With Buddhism being a golden bond between China and these countries as well as many overseas Chinese living in South-east Asia who are followers of Buddhism, China enjoys a relatively good geo-religion which can be employed to make up for the weakness of Chinese geopolitics. One important idea is to follow Chinese religion, which unlike Chinese politics, Chinese economy or Chinese culture has been accepted by many people. Meanwhile, China has put forward an idea of Post-missionary Era. Although missionary work is forbidden nowadays, religious interactions between China and other countries are more frequent and diverse than ever.

Translator/Li Ziyang

Introduction:

Center for Religion and National Security, Fudan University (University Think-tank of Shanghai)

The Center for Religion and National Security at Fudan University is aimed at becoming a Shanghai-based, nation-faced and world-radiated think tank, which is substantive, interdisciplinary, fluid, professional and international, with the capacity to provide countermeasures study, academic research and talent training. The center is mainly committed to the research in four fields: (1) religion and China's national security; (2) religion and current Sino-foreign relations and China's foreign strategy; (3) religion and Chinese social security and state building; (4) religious movements and phenomenon in the world. The center has four research centers (projects), including: Center for Religion and International Relations, Center for Religion in the United States, Center for Chinese Society and State Building, and Center for Vatican and Sino-Vatican Relations.

Please visit the official website for more information: <http://www.rans.fudan.edu.cn>

Lessons for China from Success of Poland's "Transition"

Huang Hao, *Fudan Development Institute*

In September, the writer visited Warsaw, Poland in group mission trip and communicated with the think-tank of Poland International Institute for Strategic Studies. During the visit, the writer is deeply impressed by the overall development level of Poland, the public security and hygiene conditions of Warsaw, and its citizen's culture and morality, which leaves the author an intuitive impression that today's Poland has reached the standard of moderately developed countries in terms of the economy (ranking 18th in the world on economic aggregate). However, the atmosphere in the street is more like that of China in its 90s when China was at its early stage of economic boom: passionate, high-spirited and enterprising (which is rare in Western Europe). The increasing curiosity motivates the author to refer to some materials at hand, in combination with the experience of this visit, to look into the reasons for Poland's steady economy, enterprising citizens and gradually improving society.

I. The fundamental realities of Poland

To my surprise, the first valuable article I found was published by Matthew Lynn, a columnist of Market Watch, in August, 2014, with the title "You Will Never Guess the Biggest Success of the Past 25 Years". In the article, the author innovatively pointed out that the most remarkable economic success story of the last quarter of the 20th century was not China, India or Brazil but Poland. "Of all the big European nations, it is the only one to equal Germany for consistency of economic performances in the past decade."

Poland is one of the first cards of the "dominos" of Radical Social Changes in Soviet and East Europe—it happened to be on August 19th, 1989, a date destined to be remembered by many historic events, when the anti-communist "Solidarność" came to power, marking the opening of Radical Social Changes in Soviet and East Europe. While from 1989 to 2007, Poland's economy had grown by 177%. Since its joining the European Union in 2004, Poland's economy has been growing steadily by an average of 4% a year, which made it one of the fastest growing nations in Europe. In 2006, the GDP growth rate once reached 6.4%. Now, its per capital GDP has surpassed 10,000 US dollars, "It sailed through the crash with just a single year of recession. This year it forecasts to grow at 3%, despite the tough conditions in Western Europe, the major market

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for its exports”. Back to 1989, no one could have imagined that a country, struggling under the Soviet Union system and being about to take “shock therapy”, can make such a success today.

II. The process of realizing the transition from planned economy to marketization

Objectively speaking, Poland’s experience is a good lesson for those Eastern European countries and countries of the former Soviet Unions that are still suffering from the transition, and can enlighten China’s institutional transformation. Then the writer read the second valuable article, named “the process of Poland’s transformation and its inspiration”, from the summary record of the speech “the process of Poland’s fifteen-year marketization and democratization—its inspiration for China” addressed by the former Polish Deputy Premier and Minister of Finance, Grzegorz W. Kolodko, in Peking University’s China Center for Economic Studies, March, 2004. As to the process of Poland’s transition, based on the comparison with China’s transformation, Pro. Kolodko summarized three major differences:

Firstly, year 1989 was the clear cut-off point of Poland’s transformation, with the most revolutionary change of the political system reform. The initial difference between Poland and China is that Poland started many of its economic reform since 60s and 70s, and after 1989, the political transformation began as well. The same time when Kolodko emphasized that “if the transformation methods can be reasonably designed, democratic transformation can inter-coordinate with marketization transformation”, he confessed, the process of Poland’s transformation suggested that in the short term, democracy might cause many difficulties for the economic transformation, including the economic policy making.

Secondly, after 1989, Western countries’ attitude toward Poland had changed fundamentally. In the 70s and 80s, Poland had started to accept some direct foreign investment, initiating the marketization transformation. In the late 80s, the appeal to furthering the transformation toward market economy became louder and louder under the huge pressure of foreign debts. At last, in the negotiation on debt restructuring, the Western countries raised a pre-condition that Poland should deepen its transformation toward marketization and liberalization.

Thirdly, after 1989, Poland started its system transition, which might be the biggest difference from China. Kolodko thought transition meant that knowing “from where” and “where to go”, while transformation meant knowing “from where”, but not knowing “where to go”. Generally, the orientation of Poland’s system transition was similar to the economic systems of the EU countries.

Kolodko didn't avoid the problems occurred during the “transition” process, including the three-year “shock without treatment period”. The radical transformation short of relevant steady policy had caused much unnecessary loss. He pointed out that the most impressive lesson of Poland’s transition had been that it counted on the self-regulation of the market by the “Invisible Hand” rather than promoting the economic policy. The matter was that the self-regulation of the market was not sufficient. Meanwhile, he emphasized that democracy and market economy were mutually promotive. In the long term, democracy could stop and correct the wrong policies. Sooner or later, marketization transformation would lead to democratization that was a “learn by doing” process.

III. The reasons and experience of Poland’s successful transition

At present, in the general concept of Europeans, Poland’s economic and political transition is considered to be the most successful one among the former Eastern European socialist countries. It is still fresh to read Kolodko’s speech 11 years later. Plus the perception gained the world and China’s development practice, the writer thinks, we should have a more profound understanding of Poland’s transition.

Firstly, in the planned economy times, Poland had been searching for a development road that accorded its national conditions. After 1947, with the support of the Soviet Union, Poland set up the socialist system, and accepted the Soviet model of socialism as a whole at the beginning stage. According to the Soviet model, Poland put the development of heavy industry in the first place, with industrialization policy following the “heavy industry—light industry—agriculture” sequence, leading to the result that the portion of the national economy was seriously unbalanced. The heavy industry developed one-sidedly; agriculture fell behind over a long time; the price was soaring; the currency devalued and its people’s living standard came down. Due to Poland’s social structure, policy, culture and the development of capitalist economy, especially its inborn severe hatred toward the Soviet Union, Poland got rid of the “Soviet Model” very soon. Taking advantage of the “Poznan 1956 protests”, Poland proposed the “Poland Road” and transformed its political and economic system, which tethered the carriage of planned economy at an early stage. On the other hand, of the former Eastern European socialist countries, only Poland kept sizable private economy all along. In the 50s, Poland carried out a collective movement for a short time and soon failed. After that, private economy always took the dominant position in agriculture; The Polish has been famous for small business in Eastern Europe, before 1989, they had been travelling around and trading on their own between the West and the East , making profits by selling goods.

These historical background of market economy provided Poland with social experience and management foundation to transit successfully.

Secondly, during the “shock therapy”, Poland had closely connected “privatization of the whole nation” with attracting foreign investment to minimize the pain caused by the “shock”. On one hand, when Poland was carrying out its overall privatization plan, it set up 15 National Investment Funds, which allowed about 1,660,000 people to invest on these funds in the form of purchasing private bonds. Most of the state-owned enterprises had realized privatization and the state property were distributed to its people in a fair way. So that the process of privatization could be carried out successfully and at the same time, get-rich-overnight and corruption could be prevented. On the other hand, in order to utilize the great amount of money badly needed for privatization and infrastructures from the foreign banks, Poland had invented a new method to “match” the domestic banks with foreign strategic investors. In other words, Poland “matched” a domestic bank with a foreign financial institution as a strategic investor, and let the latter supplement money for the former (actually the latter held controlling interest). It also meant to conduct a reform of inside governance and risk management, re-regulate that bank’s credit behavior. In the end, foreign banks became the leading power in Poland’s bank system and the efficiency of the banking industry was improved, which helped to build a modern management system for its domestic banks. The supervision of the banks from the Polish banking supervision department was more strict than the rules signed by the Euro zone last year, which at last ensured the validity of foreign banks.

Thirdly, Poland’s political transformation was carried out synchronically and strictly, ensuring that Poland could walk out of the shadow of “shock” as soon as possible. The Geography professor Joanna Regulska from Rutgers University pointed out that, “the most unique part that other countries didn’t achieve was the reform of its local governments and the removal of centralization”, “it released the social energy such as responsibility, entrepreneurialization and social funds”.

Fourthly, Poland had high-quality and cheap labor resources. The Financial Times says that there are three features of Polish workers: diligence, low salary (compared with other European countries), and high technical level. The French economic study institution Coe-Rexecode found that, the average working hours for the Polish is 1975 hours, much longer than that of French which is 1679 hours, while the salary of the Polish is only one fifth of the German, and the efficiency of the Polish is half of the German. Gareth Richardson, the responsible person for global delivery of the Polish enterprise consulting and IT service company Rule

Financial, said that he thought the Polish employees are more adept than the Asian employees in skills, while the cost of Polish labor is less than half of that the UK's.

The methods and effects of the transformation played a huge role when Poland was faced with crisis. Since the 2008 international financial crisis, especially the European debt crisis, Poland's performance has still been firm. Andrzej Raczko, the former Polish financial minister, thought that the excellent performance of Poland came from four aspects: the robust domestic demand—the Polish consumers didn't give up spending and turned to deposit due to the European debt crisis; the flexible exchange rate—this helped to relieve the exporters from the impact of the crisis; a balance was kept between reducing the deficit and growth due to the financial policies; foreign investment was attracted successfully, with 67 billion euro flowing into Poland from the European Union and spent on the infrastructure and healthily-growing banking industry.

All the above benefited from the successful transition of Poland then.

In addition, Poland has a special, firm and staunch Catholic ideology and liberal tradition. Stalin once said, "Introducing communism to the Polish is more difficult than harnessing an ox". The influence of religion and the loyalty toward Catholic ideology was common during the writer's visit. For instance, the solemn and ancient Catholic churches could be seen everywhere (not tourist attractions but serious and neat religious sites). According to the research, during the time when the communist party was in power, communist ideology didn't root in the heart of the Polish while Catholic churches kept its huge influence. Compared with other Eastern European Communist countries, the Polish Communist government was the most lenient and its control over the ideology was the loosest. The government allowed its scholars to go to the west for travelling and communication. It seldom interfered with the social science. That is why the Poland's political and economic transition could be carried out successfully. Poland is known to have a democratic tradition in the history and its people's democratic consciousness is relatively high. After the re-establishment of democratic system, the Polish adjusted to it very soon and is willing to abide by the democratic system and regulations. After the WWII, a large group of Polish emigrants returning to Poland and the German nationals leaving, there were no minorities any more. The consistent national identity, the stable political situation and the harmonious society made a fundamental condition for the development of economy.

On the whole, during this visit, Poland left a deep and good impression on the writer and the visiting group. When its neighbor Ukraine is still

struggling between “west” and “east”, and other Eastern European countries are competing to “catch up”, Poland, used to be the “European stepping cloth”, now might have finally found its position and direction and is playing a more and more important role in the European Union—with an eternal vigilance against Russia.

IV. Enlightenment from Poland’s experience

China can learn from Poland in the following aspects:

Firstly, the orientation of economic system reform should be marketization, while government’s effective “visible hand” should play an important role. Three aspects have been carried out simultaneously during Polish social transition: liberalization and stabilization policy, reconstruction of micro-mechanism and system construction. Transition includes not only liberalization and capitalization, but also system construction, which means new rules must be set up and followed by both the government and the market based on sound systems.

Marketization reform is by no means only about deregulation. It is more about the reconstruction of regulation, some outdated systems to be abolished and new replacement to be established—including property system innovation, economic opening up, allowing free capital flow and free trade, in order to promote entrepreneurship. It should be noted that the introduction of new regulation could be overdone, which might restrain entrepreneurship, and people’s will and confidence on investment and saving. The essence of institutional transition lies in the balance of “reforming regulation pattern” and “avoiding over-regulation”.

Secondly, the government plays a leading role in solving unemployment and creating jobs. We can learn from Poland’s transition that, in most cases, massive unemployment would arise after the introduction of liberalization and stabilization policy, reconstruction of micro-mechanism and system construction. Some of the business needs to be shut down during transition, workers shifting to new industries. Besides, enterprises may need fewer and fewer workers with the improvement of technology, management and worker’s labor productivity.

By experience, if Poland’s GDP growth rate is below 4 percent, its unemployment rate will increase. Unemployment is not only an economic problem, but also a social one. Poland’s strategy is to make use of policy rather than the market to tackle with employment and unemployment. On this issue, the government’s leading role should not be questioned but strengthened.

Thirdly, reform of the political system is the optimal and fundamental guarantee for the reform of economic system. Unlike Poland, China has

carried out its economic reform ahead of political reform, and such in-depth, large-scale and productive economic reform is rarely seen in the world. But somehow the political reform has been lagging behind, the result of which is that some stakeholders have secured a lot of personal gain in the name of “reform”, while the mass was deprived of part of the bonus of economic system reform. In that sense, the political system reform is urgent and necessary. China’s political transformation is a complicated and systematic reform with multiple risks and challenges. The success and effectiveness of political transformation largely rely on the proper resolution of economic issues, change and balance of interests of all classes, ethnic and religious problems and diplomatic issues. The ideal is to achieve benign interaction of all aspects.

For China, the key to realize political transformation lies in the proper handling of the relations between the central and the local, the city and township, the government and the intellectual. Of course, the performance of economic governance ultimately decides the result of the political transformation.

Fourthly, the influence of the mainstream ideology must be upheld and spread, while Chinese nation’s overall sense of identity must be enhanced. On one hand, the destruction of the Communist Party of Poland is, to some extent, caused by the long-standing collapse of communist and socialist ideology. It is Polish Communist Party’s long-term tolerance that leads to the rampant spread of bourgeois liberalization, which we should reflect on and take as a grave warning. But unlike Poland, China does not have an ideology comparable to the Catholic Church in Poland. Therefore, the socialist culture with Chinese characteristics boasts vast survival soil and development space, a fact that requires a unified understanding and great attention from the whole Party. On the other hand, Poland and Ukraine have showed from opposite direction that national identity is one of the prerequisites for the development of a country. In present times, culturally we must respect and protect the uniqueness of all ethnic minorities, but politically we must uphold the integral view of the Chinese nation as a whole. We must unite 1,400 million Chinese people with the hope of China’s great development and prosperity and make joint contribution for it.

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Translator/ Ji Yingyun

Inviting Contributions to China Watch 2015

To construct new-type think tanks, promote the conversion between research and policy-making advice, and provide more high-quality reports and advices, Fudan Development Institute and Centre for Think-tanks Research and Management in Shanghai decide to solicit contributions from Chinese and overseas scholars to *China Watch*. *China Watch* focuses on hot issues in various fields of China. In the first semimonthly, it selects the latest achievements of top foreign think tanks, themed by ‘International Perspectives and Forefront Issues’; in the second one, it collects the policy analysis of Chinese experts, themed by ‘Chinese Think Tanks and Contributions to Development’.

Requirements

1. This contribution should be policy analysis or advice, reflecting author’s deep thinking of forward-looking and comprehensive issues. Topics include but are not limited to Chinese domestic affairs, foreign policies, economy, society, education and other issues involving China’s development.
2. The English edition could be articles published by foreign think tanks or major media in English (if the article is in other foreign language, please attach a 200-word abstract), or English research achievements of yourself. If the contribution is accepted by editorial department, it will be translated by the referrer or editorial department.
3. The Chinese edition is open to all the institutions and individuals. The topic is decided by yourself and the language should be succinct and not academic. 3000 words are proper, and there should be an introduction of the author within 100 words in the end. If the contribution is involved in sensitive issues, please burn it onto disc and post it to the editorial department with paper edition instead of sending it by email.

Notices

1. Email address: centrems@fudan.edu.cn. Please fill the title of your contribution in the email subject and attach the following information (very important): Article, Author, Referrer, Address, Email, and Telephone Number.
2. One contribution at a time. Please not deliver more than one contribution at a time, or deliver repeatedly.
3. The contribution could be delivered to other publications and we’ll reply in one month. If the contribution is accepted, the editorial department will reward it.

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Fudan Development Institute

Fudan Development Institute (FDDI), founded on February 12th, 1993, is determined to build a first-class think-tank. Our research is directed towards issues of national development, striving to make contributions to the development of society by through the integration of research resources and human talents of various disciplines. There are 7 domestic research institutes which Fudan Development Institute is incubating, including Financial Research Centre, Centre for BRICS Studies, Shanghai-Hong Kong Development Institute, Centre for Communication and State Governance Research, Contemporary China Social Life Data and Research Centre, Institute of Social Research, China Insurance and Social Security Research Centre; 3 overseas research institutes, including Fudan-UC Centre on Contemporary China (University of California), Fudan-European Centre for China Studies (University of Copenhagen), Fudan-Tec Monterrey Research Centre for Studies on China-Latin America (Monterrey Institute of Technology and Higher Education); China Financiers Club; 2 secretariats of major forum, including secretariat of China University Think Tank Forum and secretariat of Shanghai Forum.



Centre for Think-tanks Research and Management in Shanghai

Centre for Think-tanks Research and Management in Shanghai, led by Shanghai municipal Party committee and relying on Fudan University, commits itself to incubating and promoting the capacity of Shanghai university think tanks, constructing a domestic and international known Shanghai university think tank system. It provides management through serving, seeks integration through internal communication, gathers impact through international talks, guards the quality through assessment, achieves status through contributions, and sets up a communicating, marketing and international talking platform founded in Shanghai, serving the whole nation and taking the whole world in view. The Centre aims to integrate the resources of Shanghai universities and think tanks, transfer the research into results, offer suggestions to the government, spread the ideas of think tanks to the mass, realize the social value of academic achievements, incubate composite scholars with consulting capacity, push forward the discipline construction of universities, and promote the development of new-type university think tanks.

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