2018 IMPERIAL SPRINGS INTERNATIONAL FORUM

ADVANCING REFORM and OPENING UP, PROMOTING WIN-WIN COOPERATION

Final Report













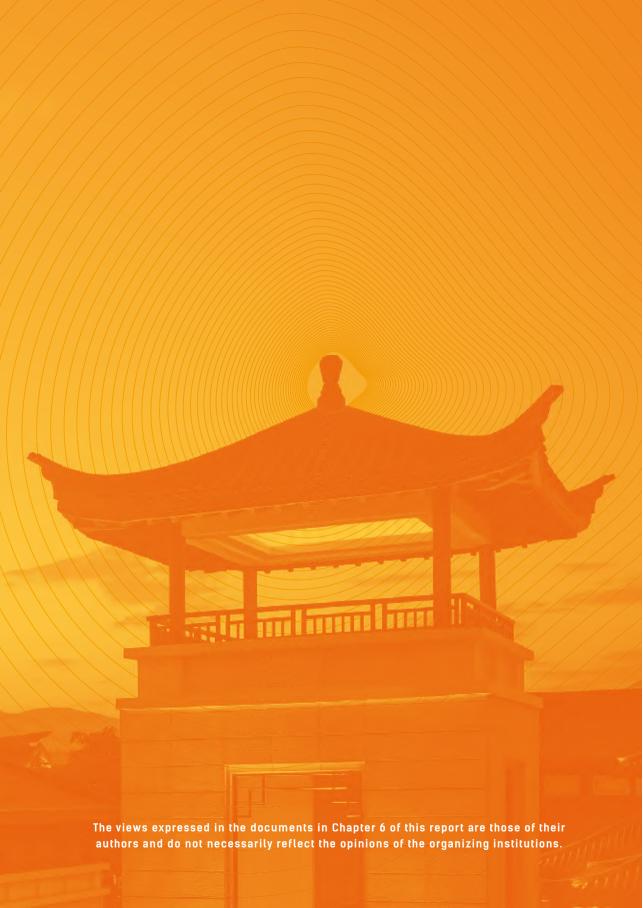


TABLE OF CONTENTS

IMPERIAL SPRINGS INTERNATIONAL FORUM ADVANCING REFORM AND OPENING UR, PROMOTING WIN-WIN COOPERATION

WELCOME REMARKS

DR VAIRA VĪKE-FREIBERGA

President of World Leadership Alliance - Club de Madrid and former President of Latvia (1999 - 2007)

MADAM LI XIAOLIN

President of Chinese People's Association for Friendship with Foreign Countries (CPAFFC)

וא וו

Secretary of The CPC Provincial Committee of Guangdong

CHAU CHAK WING

President of Australia China Friendship and Exchange Association. Chair of Asia-Pacific Region of the World Leadership Alliance-Club de Madrid President's Circle. Founder and Chairman of the Kingold Group

N2

FOREWORD

MEETING WITH
PRESIDENT XI JINPING

FINAL STATEMENT

07 N5

KEYNOTE SPEECH OF VICE-PRESIDENT, WANG QISHAN

BACKGROUND DOCUMENTS

DAL XIANGLONG - Brief Review of China's Four-Decade Reform and Opening Up.

HE YAFEL - China's Diplomacy: Making New Ground in Pursuing Opening-up on All Fronts.

JIEMIAN YANG - 40 Years of China's Foreign Relations: Changes, Challenges and Direction. **ZHU FENG** - 40 Years of Reform and Opening-up: China's Contribution to Evolution of World Order

ZHANG WEIWEI - The China Model of Development and its Implications.

YAO YAO - Traditional Civilization and Major-Country Diplomacy with Chinese Characteristics in the New Fra

ZHENG YU - China's Development Experience and International Cooperation.

DANILO TÜRK - China and Global Trade.

HAN SEUNG-SOO - Fintech: the 'First Financial Revolution'.

GEORGINA HIGUERAS - Trade, 'Economic Cold War' and the Future.

MANUEL MUÑIZ - Technology, China's Rise & the Future of the International Order

SEÁN CLEARY - Global Economic and Trade Governance in a Multi-polar World.

07

PROGRAM

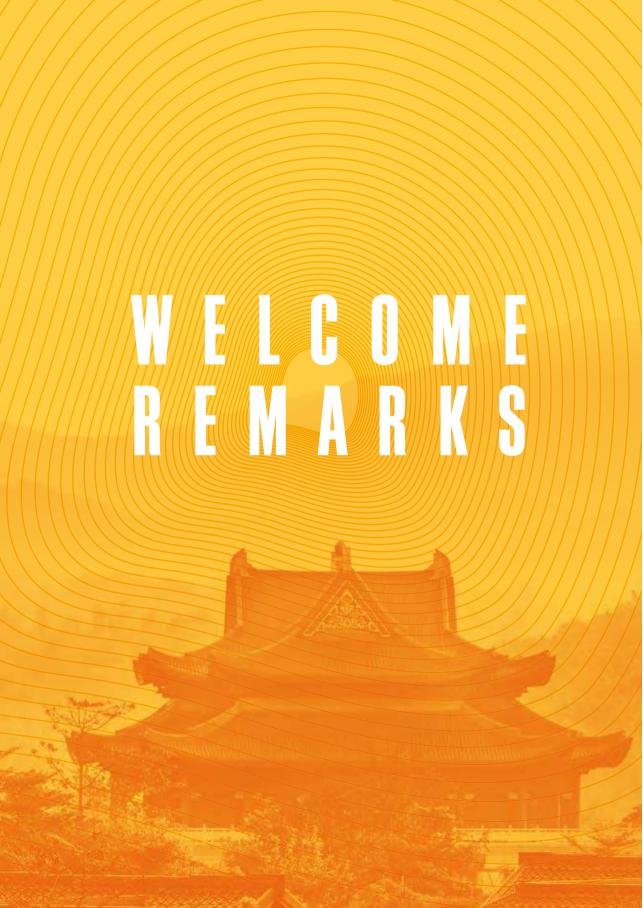
PARTICIPANTS

09

BACKGROUND ON IMPERIAL SPRINGS INTERNATIONAL FORUM

10

ORGANIZERS





PRESIDENT OF WORLD LEADERSHIP ALLIANCE
CLUB DE MADRID AND FORMER PRESIDENT OF LATVIA

(1999 - 2007)

MADAM LI XIAOLIN

PRESIDENT OF CHINESE PEOPLE'S ASSOCIATION FOR FRIENDSHIP WITH FOREIGN COUNTRIES (CPAFFC)

LI XI

SECRETARY OF THE CPC PROVINCIAL COMMITTEE OF GUANGDONG

CHAU CHAK WING

PRESIDENT OF AUSTRALIA CHINA FRIENDSHIP AND EXCHANGE ASSOCIATION. CHAIR OF ASIA-PACIFIC REGION OF THE WORLD LEADERSHIP ALLIANCE-CLUB DE MADRID PRESIDENT'S CIRCLE. FOUNDER AND CHAIRMAN OF THE KINGOLD GROUP

DR VAIRA VĪĶE-FREIBERGA

PRESIDENT OF WORLD LEADERSHIP ALLIANCE - CLUB DE MADRID AND FORMER PRESIDENT OF LATVIA (1999 - 2007)



he 2018 edition of the Imperial Springs International Forum (ISIF) celebrated the 40th anniversary of China's remarkable reform and opening up process against the backdrop of a global order at a patent inflection point. The objective was to take stock of the country's experience in these forty years and the disquieting trends weakening our ability to make the current global governance system fit for purpose in the

21st century. The results of these discussions were then shared in a concluding exchange between President Xi Jinping and the Forum's international leaders, evidence of ISIF's growing relevance as a platform for reflection, dialogue and understanding between China and the rest of the world.

Nearly 40 foreign leaders and a similar number of Chinese and international experts, scholars and representatives of international organizations and the private sector, gathered at Imperial Springs to analyze recent developments in trade, technology and innovation and increasing inequalities, all in the context of China's relations with neighboring and developing countries, as well as its position in the international order. The need to pursue a more comprehensive, rules-based, multilateral, global governance system to ensure a more inclusive and sustainable development around the globe was identified as essential and highlighted throughout.

Trade, innovation and technology today stand at the core of social and economic development and, in this sense, we need to adopt new policies that reflect the growing interconnectedness among states, contribute to the eradication of poverty and the invigoration of a path to sustainable development that leaves no one behind. Technology and innovation have transformed the global economy and, consequently, the labor market. They are today's engines of creativity, development and growth. Cooperation between countries that have already achieved significant technological capabilities and those lagging behind is central to inclusive growth.

The future is digital and will require education systems that will adequately prepare citizens to participate and benefit from it. The knowledge and skills needed to embrace a digital economy, artificial intelligence, biotechnology, not to mention technologies aimed at emission reduction, are fundamental components of the biggest transformation the world has experienced during the last 100 years.

To reinvigorate international free trade there is an urgent need to reform the World Trade Organization (WTO) and the Bretton Woods Institutions. China's Belt and Road Initiative (BRI), launched five years ago by President Xi Jinping to further global interconnectivity and contribute to trade, investment and more inclusive economic development has, meanwhile, become an interesting alternative for many.

The international community and all of its members must actively engage in reducing tensions and developing a shared agenda for a strengthened, more inclusive and effective international system that embodies the values and norms shared by all and lie at the core of UN Agenda 2030 to leave no one behind.

The two days of profound reflection at Imperial Springs helped identify new ways of building win-win cooperation that China - enriched with the 40 year 'journey of rejuvenation' that Vice President Wang so clearly described in his opening keynote - is committed to pursue.

This fifth edition of the Imperial Springs International Forum counted on the unwavering support of Dr Chau Chak Wing, Chair of the Asia-Pacific Region President Circle of the World Leadership Alliance-Club de Madrid, whose vision has made this platform for open dialogue possible. I also wish to reiterate our thanks to Mr Li Xi for the warm hospitality of Guangdong province, to Madame Li Xiaolin and the Chinese People's Association for Friendship with Foreign Countries, for their efforts in promoting collaboration between China and our organization, to the Chinese Ministry of Foreign Affairs for its support in bringing together foreign and Chinese participants, and to the dozens of expert that contributed to this year's discussions.

Finally, our special thanks to Vice President of the People's Republic of China, Mr. Wang Qishan, for honoring us with his Keynote address at Imperial Springs and, of course, to H.E. President Xi Jinping for receiving us in Beijing. Their engagement underscores the recognition attained by ISIF as a valued platform for prominent political leaders, expert practitioners and scholars from China and the rest of the world to undertake a constructive exchange of views on the pursuit of shared prosperity and a global order that will allow for the development of a shared destiny.

MADAM LI XIAOLIN

PRESIDENT OF CHINESE PEOPLE'S ASSOCIATION FOR FRIENDSHIP WITH FOREIGN COUNTRIES (CPAFFC)



ith joint efforts from Australia-China Friendship and Exchange Association, World Leadership Alliance-Club de Madrid, Guangdong Provincial People's Government and the Chinese People's Association for Friendship with Foreign Countries, the 2018 Imperial Springs International Forum proved itself another complete success, following the previous ones, attracting nearly 40 former heads of state,

government and international organizations. The 2018 ISIF was graced by a productive and insightful meeting hosted by H.E. President Xi Jinping in Beijing.

President Xi Jinping noted this year's Imperial Springs International Forum coincides with the 40th anniversary of China's reform and openingup. The past 40 years have witnessed tremendous

achievements in China's development remarkable improvement of people's livelihood, from shortage to abundance, from poverty to moderate prosperity. Vice President Wang Qishan pointed out in his speech that, along 40 years of history, China became the second largest economy, contributing over 30% to world economy on a consecutive basis. As the largest developing country, China has become booster and stabilizer of the world economy with its interactions with the outside world. Therefore, China's continued determination to expand Reform and Opening up will never change, which is also China's strategic choice regarding its phase of development. The foreign delegates discussed the Belt and Road Initiative, proposed by the Chinese government 5 vears ago. President Xi stressed that the Belt and Road Initiative, which originates from China and belongs to the world, is aimed at building a new platform for win-win cooperation for the international community. He reiterated the principles of extensive consultation, joint contribution and shared benefits in promoting cooperation under the Belt and Road Initiative. Shining with the brilliance of collective wisdom, the Belt and Road Initiative, from its very beginning, carries the Chinese philosophy of "Harmony in diversity" and thus, countries of varied social systems, beliefs and sizes can accommodate their visions of development with the Initiative

The year 2018 marked major reform and adjustments on the world stage as well. The international order is deeply threatened by challenges and uncertainties such as unilateralism, protectionism, isolationism, etc and concrete problems like immigration, climate change, trade frictions, etc. However, as some may not have realized, the world economy is nothing but a vast connected ocean and no country can isolate itself from others. All countries shall respect each other's core interests and critical concerns, deepen understanding and mutual trust, for they are bonded with far more interests than disputes.

President Xi said China's efforts to promote and build a new type of international relations and a community with a shared future for humanity are also aimed at achieving win-win cooperation among all countries.

THIS YEAR'S IMPERIAL SPRINGS INTERNATIONAL FORUM COINCIDES WITH THE 40TH ANNIVERSARY OF CHINA'S REFORM AND OPENING-UP"

On this occasion, as remarked and voiced by many representatives, all countries are expected to join hands to safeguard economic globalization with a rules-based multilateral trading system. Former United Nations Secretary General Ban Ki-Moon called for all to be united in a shared global village, discarding nationalism, populism and extremism to tackle problems faced by global governance.

The future of the world and global governance will never be plain sailing. In time of difficulty and adjustment, he encouraged us to build up confidence and seize the trends of times with philosophical and historical analysis. Peace and development still remain important issues of our times. In this sense, the aspiration of all hosting organizations is that the Imperial Springs International Forum can not only serve as platform of conversations, ideas and initiatives, but one reflecting our constructive attitude and confidence. With the collaboration of all sectors of international society, we are blessed with the confidence to welcome a shared future for mankind.

Lastly, I wish to again extend our appreciation to the former heads of state, government and international organizations for your participation, contributions and commitment to ISIF and especially, your sincere advice for China's development. I look forward to welcoming and greeting you in China in 2019.

LI XI



SECRETARY OF THE CPC PROVINCIAL COMMITTEE OF GUANGDONG



uangdong is the pioneer, the leader and the pilot-test area of reform and opening-up. Last year, Guangdong's economy reached 8.99 trillion yuan, ranking it first in China for 29 consecutive years. Its total foreign trade volume, fiscal revenue, and regional innovative capacity also came first in the nation and helped to create remarkable economic growth.

Guangdong will continue opening its doors. It will not only continue to develop by deepening reform and opening-up, but will also create new opportunities for cooperation, exchanges, and mutual development for friends all over the world.

Since its establishment in 2014, the Imperial Springs International Forum has evolved to

become a platform that connects Guangdong, China and the world and provides a window for the world to learn more about Guangdong and China. The theme of this year's Forum is "Advancing Reform and Opening-up, Promoting Win-Win Cooperation," which is in line with the overall direction of development and the spirit of the times.

I invite our distinguished guests to go out and look around Guangdong and offer suggestions for Guangdong's reform and opening-up. I hope that more friends will come to the Guangdong-Hong Kong-Macao Greater Bay Area to seek areas for cooperation and investment. We will continue to provide a first-class environment and quality services in order to create a brighter future together.

CHAU CHAK WING



PRESIDENT OF AUSTRALIA CHINA FRIENDSHIP AND EXCHANGE ASSOCIATION. CHAIR OF ASIA-PACIFIC REGION OF THE WORLD LEADERSHIP ALLIANCE-CLUB DE MADRID PRESIDENT'S CIRCLE. FOUNDER AND CHAIRMAN OF THE KINGOLD GROUP.

distinguished guests ... good morning.

Today, the Imperial Springs Convention
Centre is filled with friends from around the world.
On behalf of the organizers, welcome to you all. I
would especially like to welcome Wang Qishan,
who has travelled all the way from Beijing to deliver
his inspiring keynote speech.

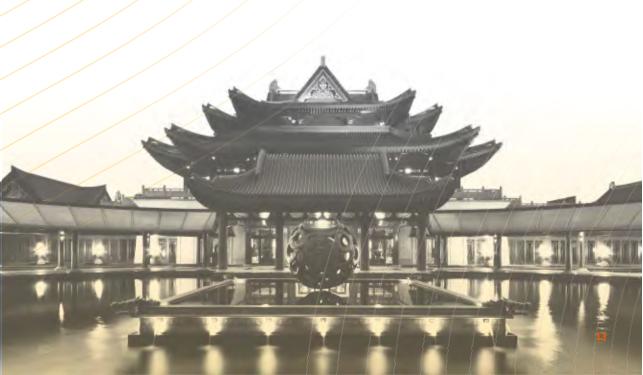
our Excellency, Vice President Wang Qishan,

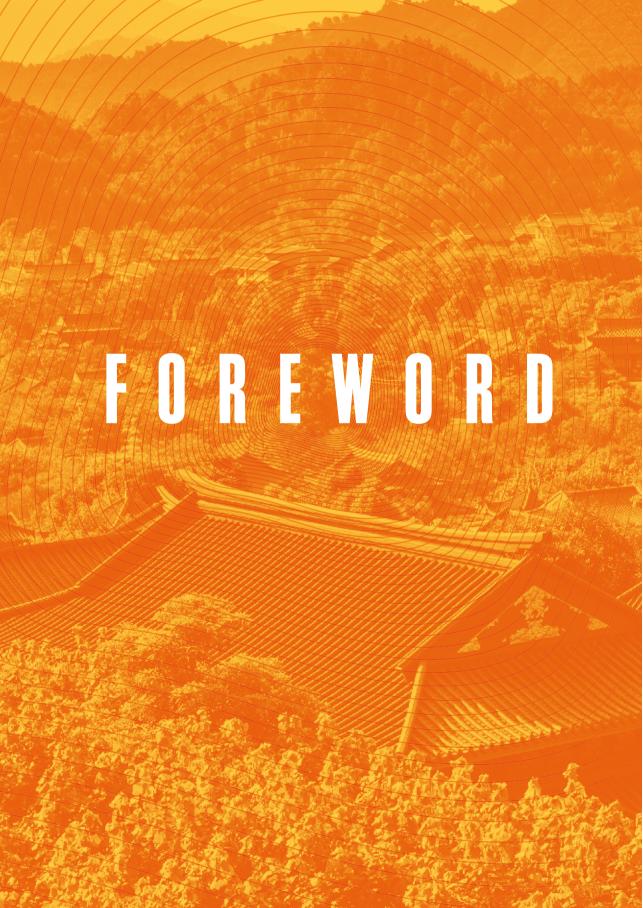
China's Reform and Opening Up has now been in progress for 40 years. The theme of this year's event —Advancing Reform and Opening Up, Promoting Win-Win Cooperation— is timely and very significant. Knowing history helps us to know

the future. Today's world is filled with uncertainty. The international political system is changing and providing new opportunities. If we adhere to the path of reform and opening up, we can harness these opportunities. If we shut ourselves off, we will miss them.

Guests here today are esteemed world leaders and distinguished experts, whom I encourage to speak freely and share their valuable ideas. I hope that our forum will be fruitful, and sincerely invite Vice President Wang Qishan to return to our Imperial Springs International Forum in the future.

I now declare this Forum officially open.





THE 2018 EDITION OF THE IMPERIAL SPRINGS INTERNATIONAL FORUM WAS HONORED WITH THE PRESENCE OF THE PEOPLE'S REPUBLIC OF CHINA VICE-PRESIDENT WANG QISHAN

nder the theme of "Advancing Reform and Opening Up, Promoting Win-Win Cooperation", the 2018 edition of the Imperial Springs International Forum was honored with the presence of the Vice-President of the People's Republic of China, Wang Qishan, who highlighted that "Openness bring progress and closure causes people to fall behind", reaffirming the country's commitment "to build[ing] an innovative and inclusive open world economy".

For two days on December 10-11th, 40 political leaders, of which 34 Members of the World Leadership Alliance – Club de Madrid, and 40 Chinese and international business and political leaders gathered in the beautiful surroundings of Imperial Springs in Conghua, Guangdong to analyze the relationship between China's evolution in its 40 years of opening up and reform and some of the fundamental changes evidenced in the world today. The essence of these discussions was reflected in the Forum's final statement presented by the participating foreign political leaders to President Xi Jinping the following day in Beijing.

In these 40 years, China's levels of growth and development have greatly influenced the world's economic, social and political development and it is essential for today's leaders to jointly reflect on the country's role in addressing current global challenges and those of the next 40 years. Globalization, technology, and the objective of economic growth and development have all generated enormous opportunities but also growing inequality, leading to mounting tensions within and across countries worldwide.

By 1978 China understood that it could only survive and grow if it could adapt to global trends and proactively engage in global collaboration. Today, every nation and human being has to embrace the reality of a globalized economy. We cannot go backwards. While businesses have become increasingly interconnected across borders, growing socioeconomic inequalities within and between nations have led to mounting protectionist and isolationist sentiments which are, in turn, at the core of rising wariness and even outright opposition to globalization as well as to intensified doubts on the value and benefits of multilateralism. Rapid technological transformation is further

GLOBALIZATION,
TECHNOLOGY, AND
THE OBJECTIVE OF
ECONOMIC GROWTH AND
DEVELOPMENT HAVE ALL
GENERATED ENORMOUS
OPPORTUNITIES BUT ALSO
GROWING INEQUALITY"

exacerbating these disquieting trends. While society initially envisaged technology as a valuable tool for advancement, development and growth, governments have not been able to consistently and evenly deploy and employ it.

Here too, a technological has developed gap that is relegating and marginalizing people from birth. curbing their opportunities and curtailing their future. The complexity, and speed of change in technology is making it ever more difficult

GLOBALIZATION, THE TECHNOLOGICAL GAP AND SOCIOECONOMIC INEQUALITIES HAVE THUS BECOME A RISING SOURCE OF FRUSTRATION

for governments to adopt much needed policy changes, even in the relatively linear objective of adapting educational systems to this new reality. Globalization, the technological gap and socioeconomic inequalities have thus become a rising source of frustration. Politically, the crisis of trust in the West is only intensifying the negative effects of these trends, as drivers of political and social change.

Exchanges during the Forum broadly recognized the urgency of finding a solution to the China-U.S. trade war and to the need to the reform of the WTO and the Bretton Woods institutions. Several participants emphasized that countries looking for peace, development, and stability should not be forced to choose between China and the U.S., as both countries played a key role in their future. They also underlined existing anxiety over the consequences of a potential trade war for all such nations, and inversely that the relaxation of trade tensions between China and the U.S. will positively impact global multilateral trade and overseas investment.

Aside from two plenary sessions, the Forum comprised three breakout sessions, each focused on a different source of global tensions and its particular connection to China's growth, presence,

projection, and relations with the world. Each of these breakout sessions had two parts, one exposing the challenge and the other considering proposals on possible solutions or ways to reduce the tensions unleashing changes derived from an international order in transition.

Session A focused on the social and economic changes experienced during China's 40 years of opening up and reform and to the technological innovations that conform the fourth industrial revolution, from Big Data, Artificial Intelligence to quantum computing, genetic editing, facial recognition and even self-driving cars. In the push for innovation, China has become a global leader in Fintech having brought together an amalgam of IT and financial industries that has revolutionized the country's banking sector. According to a recent KPMG report, in 2017 three out of five global Fintech entities originated in China.

Information and digital technologies have actually accelerated and intensified yet another disparity and its ensuing tensions – the technology gap – and this between developed and developing countries but also within countries. But the digital economy is here to stay. If China and other technologically advanced economies want to promote a win-win global economy, they must do so responsibly,

helping developing countries build their future by sharing and giving them access to new technologies. China has significantly benefitted from technology transfers and should now share its experience to ensure that developing countries can do the same.

Education and international exchange programs will be key in bridging this gap. Over the past four decades, 5.2 million Chinese have studied abroad and approximately three million of them wish to return to China to engage in the active promotion of China's innovation and development in the global economy and technological changes.

It is crucial to foster greater access to quality education and lifelong learning in developing countries by designing education systems that empower people with productive and employable skills both at school and at the workplace. Integrating technology skills in the education system is the best way to ensure access to the opportunities offered by technological transformation and to minimize its threats.

The Forum's Session B centered on trade, the Belt and Road Initiative (BRI) and win-win cooperation. Participants highlighted the importance of the

BRI in terms of infrastructure development and connectivity, both physical and digital, and these, not only for trade and growth but to better address other major global challenges such as climate change. The BRI was, in general, seen as a unique opportunity for win-win cooperation. Skepticism and reservations around Chinese cross-border infrastructure investments in the BRI context have been growing across political circles in the U.S. and Europe. The BRI is presented as an opportunity to foster development and reduce poverty in a very broad geographical area, a strategy founded on China's recognition that its own prosperity is heavily dependent on that of the international community as a whole. Economic, financial and environmental sustainability of BRI projects, however, must remain paramount to achieve true win-win cooperation.

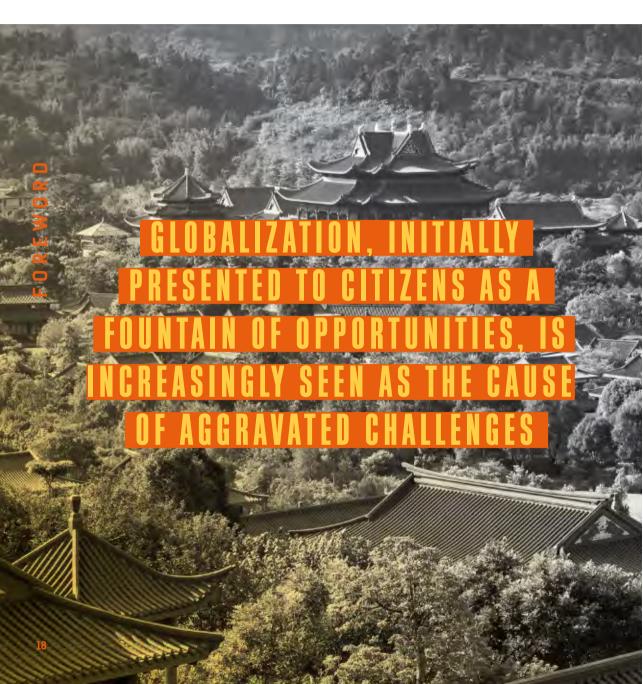
Since 2017, the guidelines for Belt and Road projects require that they promote green and low carbon infrastructure, ecological conservation and the protection of biodiversity. This must be enforced for, while in many countries the lack of infrastructure remains a major hurdle for growth and for the interconnectivity essential to inter and intraregional trade, all infrastructure investment must be respectful of the environment, climate and sustainable development. The discussion



around BRI infrastructure investments also led to a discussion of debt, corruption and integrity, with numerous references to the 2018 OECD roundtable on this topic in China.

Technology, e-commerce and data flows are rapidly changing the structures of the world

economy, making reform of the WTO ever more urgent. The proposal on this topic reached last autumn by China and the European Union, to which India and other countries adhered shortly after, was thoroughly discussed, particularly in light of the growing frustration with the lack of methodology for reaching agreements within the WTO, the lack



of transparency with a broad range of subsidies, the management of intellectual property and of dispute resolution.

There is continued interest in the survival of the multilateral trading system, so it is important to separate political, philosophical ideas from trade. During the severe economic crisis of 2008-2012, China's contribution to global growth was of 30%. Today, with China's leadership positioning itself as champions of globalization, multilateralism, and free trade, the country must lead by example and make its public projects more transparent. Winwin cooperation requires transparency and rules-based trade governance.

Session C addressed global governance from the perspective of a new international order based on shared prosperity and stability. Participants agreed that the existing liberal order is fighting for its survival. External factors such as the emergence of countries that are liberal in some sense and 'illiberal' in others were viewed as drivers for a new, more inclusive and constructive alobal order. Its objectives are inextricably linked to the implementation of United Nations Agenda 2030 and the Paris Climate Agreement, thus based on a genuine and proactive commitment to multilateralism. But there are also internal factors effecting the implosion of the liberal order from within, amongst them, the crisis of trust in political and social institutions and the increase in economic inequality in the Western world.

Technology is an important factor in both of these two dimensions. Technological transformation is one of the most powerful forces eroding the traditional and established economic and political order. The impact of this technological dimension on policy-making is becoming increasingly complex, accelerating the breakdown of the liberal order and the urgency to redefine global governance rules. The Western world is perplexed by the perception that countries, like China, are not transitioning to traditional, liberal democracy

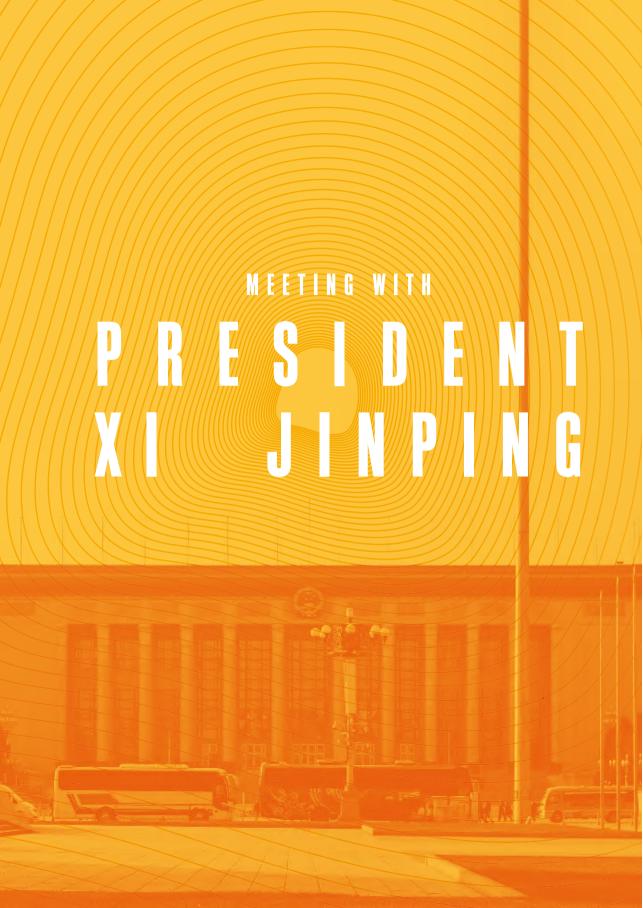
in spite of their economic growth and by the fact that AI and Big Data – rather than ballots – appear to be giving autocratic regimes greater capacity to respond to the expectations and grievances of its citizens.

Participants reflected on how to make technological transformation and the challenge of productivity growth positive and sustainable, without increasing inequality, and there appeared to be consensus that the best 'transfer' that the developed countries can offer developing countries is technology, not money.

The debate around the effects of globalization on inequality has gained momentum in recent years. Globalization, initially presented to citizens as a fountain of opportunities, is increasingly seen as the cause of aggravated challenges. If global challenges like climate change, growing inequality, migration and population ageing are ignored or misunderstood, sensible policies to address these threats would be delayed or not implemented at all and this can lead to a very negative impact for future generations.

Session C concluded with a call for moderation accompanied by mitigation of social injustice and eradication of marginalization by encouraging political participation and widening social safety nets to bring prosperity and stability for all. Social cohesion is a fundamental building block for any development strategy and crafting a new social contract for the digital era was viewed as a first step in building a "community of shared destiny".

This report includes the Background Documents that served to guide discussions during the 2018 Imperial Springs International Forum. Together with the thoughts and ideas highlighted in this Foreword, we hope they will meaningfully contribute to ongoing conversations on global governance challenges and the profound changes that our international order will inevitably be facing.





n the occasion of the 40th anniversary of China's opening up and reform process, 40 international leaders from across the globe were honored to meet with President Xi Jinping following the 2018 Imperial Springs International Forum and share the conclusions of their deliberations.

President Xi first briefed participants on the country's achievements throughout a historic process that has turned the Asian giant into the second economic powerhouse of the world.

Important measures of what will constitute even broader opening-up were also highlighted by President Xi who reiterated China's commitment to connectivity, multilateralism and a shared future, opening its doors ever more widely to the world.

"THE PAST 40 YEARS HAVE WITNESSED TREMENDOUS ACHIEVEMENTS IN CHINA'S DEVELOPMENT AND REMARKABLE IMPROVEMENT OF PEOPLE'S LIVELIHOOD, FROM SHORTAGE TO ABUNDANCE, FROM POVERTY TO MODERATE PROSPERITY".

FOR MORE BALANCED AND FULL DEVELOPMENT, WE MUST FURTHER DEEPEN REFORM AND EXPAND OPENING-UP"

President Xi stressed that China's reform and opening-up drive is people-centered and that a distinctive feature of the country's economy in the upcoming years will be the shift from rapid growth to high-quality development, from quantitative expansion to quality growth.

Some of the measures that will be adopted to broaden the country's opening-up and move towards quality growth, include substantially easing market access, creating a more attractive investment environment, strengthening intellectual property protection and actively expanding imports.



While China's economy has maintained overall stability and made steady progress, President Xi noted that the goal of "making people well-off" demands further growth. With increasing income, aspirations for improved quality of life will generate greater consumer demand. China's development must, therefore, also be seen as an opportunity for the rest of the world.

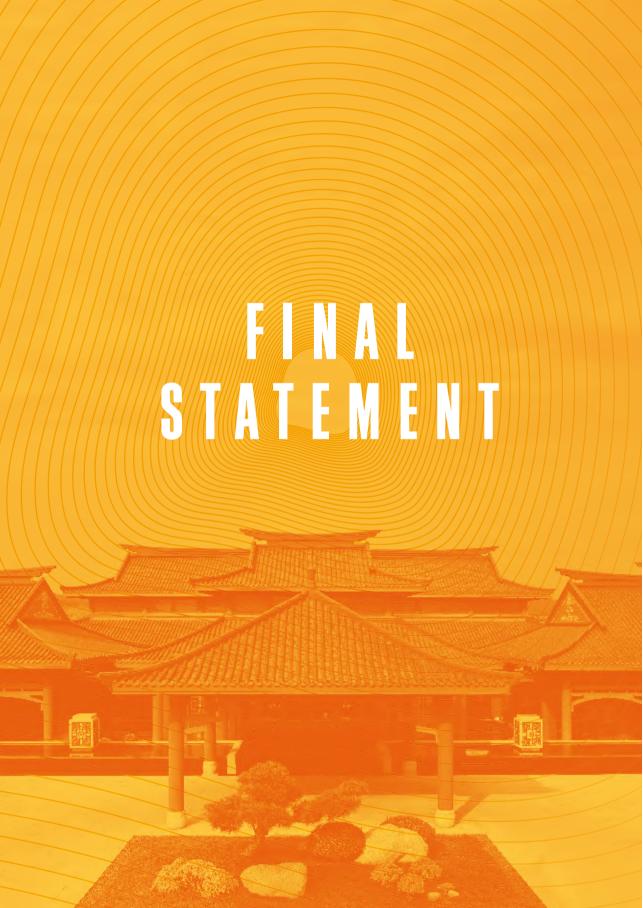
China's experience of reform and opening-up clearly evidences the fact that only through win-win cooperation can a country achieve long-term

development. In this sense, President Xi noted that the Belt and Road Initiative, which originated in China, belongs to the world. It is precisely built on the country's firm and strategic determination to reform and open up and aims to build a new platform for win-win cooperation amongst the international community. As such, it is part of China's efforts to promote and build a shared future for humanity, based on win-win cooperation among all countries, the principle of extensive consultation, joint contribution and shared benefits.

"China's overseas investment and cooperation in capacity building and infrastructure construction have driven industrialization of the countries concerned and promoted local people's livelihood and economic and social development," – said Xi.

International leaders present acknowledged China's impressive achievements these last 40 years and its growing influence on the world stage. China's further development during the next 40 years will be particularly important and relevant to the international system. In this regard, international leaders shared the conclusions of the Imperial Springs International Forum, particularly the need to advocate for the development of interconnectivity and stronger, inter-state ties on the basis of enhanced, mutual trust and win-win cooperation, whilst urging all sides to maintain world peace, promote growth and oppose unilateralism, isolationism and protectionism.





IMPERIAL SPRINGS INTERNATIONAL FORUM



11 December 2018

Advancing Reform and Opening Up, Promoting Win-Win Cooperation

n the occasion of the watershed 40th anniversary of China's opening up and reform process, around 40 prominent leaders from across the globe and a similar number of distinguished experts gathered in Guangdong to lead the 2018 Imperial Springs International Forum (ISIF), held on December 10-11th. The forum was greatly honored with the participation of Vice-President of the People's Republic of China, Wang Qishan, and his inaugural keynote speech.

The forum was jointly organized by the Chinese People's Association for Friendship with Foreign Countries (CPAFFC), the People's Government of Guangdong Province, the Australia and China Friendship Association (ACFEA) and the World Leadership Alliance – Club de Madrid.

Since 2014, ISIF has become an important platform for dialogue between China and the rest of the world,

where leaders and experts constructively exchange views, contributing to improved global governance.

Under the theme of "Advancing Reform and Opening-Up, Promoting Win-Win Cooperation", the 2018 forum focused on a number of interconnected topics, including an overview of China's opening-up, reform and development; and the building of a community of shared societies, based on shared interests and shared responsibility to craft a shared future for humankind

The forum recognized the intrinsic value of the Belt and Road Initiative (BRI), launched five years ago by President Xi, that aims to enhance global interconnectivity by contributing to trade, investment, and economic development. 'Early Harvest' of the BRI has already benefitted many.

The forum forcefully underlined the importance of multilateralism and rules-based governance.

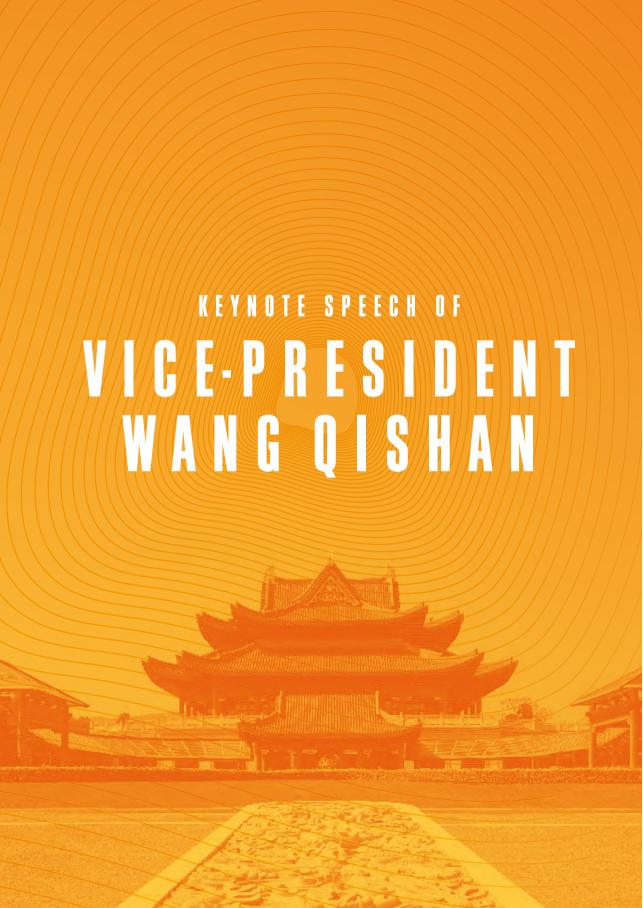


Globalization and multilateral cooperation have enabled undeniable progress for humanity. We must make sure that they continue to do so, rejecting protectionism and isolationist tendencies.

As we look to the future, with the world order at an inflection point, the forum reflected on disquieting trends that are weakening our ability to make the system of global governance fit for purpose in the 21st century. The forum stressed the need to strengthen inclusive, rules-based global governance, and specifically, to:

Intensify efforts to implement the United Nation's Agenda 2030 and 'leave no one behind'. Uphold and improve an inclusive, rules-based global governance architecture. Safeguard and promote global free trade and facilitate investment. Foster innovation and technological development for the benefit of all. Recognize China's determined efforts to contribute to world peace and global economic growth in these 40 years of opening up and reform and welcome her express aspirations to continue that process.





HISTORY IS CONSTANTLY ABREAST WITH THE TIMES



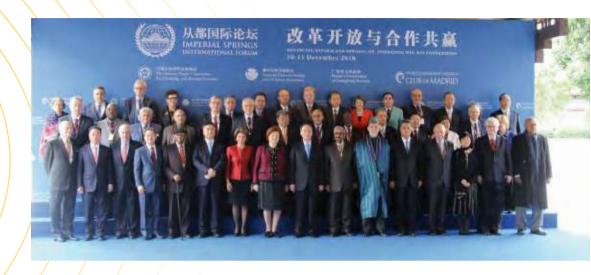
THIS YEAR MARKS THE 40TH ANNIVERSARY OF CHINA'S REFORM AND OPENING UP. TODAY WE GATHER IN GUANGZHOU UNDER THE THEME OF "ADVANCING REFORM AND OPENING UP, PROMOTING WIN-WIN COOPERATION." IT IS OF GREAT SIGNIFICANCE TO REVIEW HISTORY AND TURN OUR SIGHTS TO THE FUTURE.

O years of reform and opening up has been a journey of rejuvenation for the Chinese nation. The people of China have struggled arduously, to liberate and develop socialist productive forces, to achieve development that has been the envy of the world.

As the Chinese people push forward, forging ahead day by day, we have opened up the road to "socialism with Chinese characteristics." The Chinese people seek the truth from facts, and seek self-innovation to perfect the system of socialism with Chinese characteristics. The Chinese people

have wholeheartedly embraced the world, and have made significant contributions to the peace and development of humanity.

History is constantly abreast with the times. The great practice of China's revolutionary construction and reform and opening up is rooted in the profound history and culture of the Chinese nation. It is a complete undertaking to save the country, bring prosperity to the people, strengthen the country and realise the great rejuvenation of the Chinese nation.



PAINFUL LESSONS HAVE GIVEN BIRTH TO THE PREMISE OF EMANCIPATING THE MIND, LEADING TO REFORM AND

Recalling the process of reform and opening up, you must consider the link to the socialist exploration and practice in the 30 years before the reform and opening up. You must link it to the history of the Chinese people's struggle for the great rejuvenation of the nation in 1840 and you must look back on the 5,000 years of history of suffering and glory.

During the long age of agricultural civilisation, the Chinese people have always been at the forefront of human civilisation. Generations of Chinese

sons and daughters have been striving for selfimprovement, have struggled arduously to bring about the brilliant Chinese civilisation. They have also experienced profound suffering and have moulded a national character that includes hard work and wisdom, frugal economics, courage and tenaciousness, and have brought about incredible changes which has generated a culture of openness and inclusivity.

With the rise of industrialisation in the west, China was left behind by world trends. After countless number of people with lofty ideas advanced dauntlessly, wave upon wave, with various proposals in attempts to save the nation and to realise the dream of rejuvenating the Chinese nation, under the guidance of the CCP, with Marxism-Leninism fundamental principles combined with the realities of China, China has constructed a new socialist China, to come back from the hundred years of national humiliation.

At this point, the development of the Chinese nation has entered a new era. Through struggles by two to three generations of Chinese people, from a foundation of impoverished circumstances, a complete, independent industrial system has been established, the socialist political system has also been established, as well as an economic

foundation, realising profound achievements. China has also paid a high price. Painful lessons have given birth to the premise of emancipating the mind, leading to reform and opening up.

The 30 years preceding reform and opening up were the starting point for 40 years of reform and opening up. The glory of history has been the source of reality. Only by creating a glorious nation can we understand the meaning of revival; and only those who have experienced suffering have a deep desire for revival

Looking back on the road that has been taken is to awaken and strengthen the cultural confidence of the nation. At present, "socialism with Chinese characteristics" has entered a new era. We have embarked on a promising road that is closer to the goal of the great rejuvenation of the Chinese nation, more than any other time in history. We must continue on, one step at a time, and continue to move forward

Distinguished guests, reform and opening up has not only profoundly changed China, it has also changed the world. China has become the world's second largest economy, the largest industrial nation and the largest trader of goods. China has now contributed more than 30% of the worlds growth for many years. It is the main source of power and stabilisation for the world's economy. China is still a large developing country. China's development is closely linked to world development. The achievements of reform and opening up have been achieved through open cooperation. In the future, China's economy will achieve high-quality development and the contradiction between the people's growing needs for a better life and uneven development will also be address under

SOCIALISM WITH CHINESE CHARACTERISTICS HAS ENTERED A NEW ERA. WE HAVE EMBARKED ON A PROMISING ROAD THAT IS CLOSER TO THE GOAL OF THE GREAT REJUVENATION OF THE CHINESE NATION, MORE THAN ANY OTHER TIME IN HISTORY. WE MUST CONTINUE ON, ONE STEP AT A TIME, AND CONTINUE TO MOVE FORWARD.

more open conditions. "The door to China's reform and opening up will not be closed, it will only open wider and wider." This is China's strategic choice based on its own development needs.

The trend of economic globalisation cannot be changed and opportunities and challenges coexist. Unilateralism and protectionism cannot solve the problems that the world faces, and instead

only exacerbate the uncertainty of the world. We must conform to historical trends, maintain strategic strength and adapt to and guide economic globalisation.

We will dispel its negative effects, maintain the multilateral trading system, strengthen equal consultation and cooperation and build an innovative and inclusive open world economy. The deep



development are the themes of the wo<mark>rld.</mark>

development and has advocated building a new type of cooperative relationship based on mutual respect, fairness and justice, along with cooperation and win-win outcomes, building a community of peace and shared destinies.

China advocates the joint construction of the "Belt and Road", has held the first Import Expo and has independently adopted a series of major measures to expand and open up. China will use practical actions to promote a new round of high-level opening up and share the fruits and opportunities of China's development with the world.

Distinguished guests, the world is in the midst of great development, great changes and major adjustments. The road ahead will not be smooth. It is necessary to grasp the general trend through historical perspectives and philosophical thinking to strengthen confidence. China will unswervingly follow its own path and continue forward a down-to-earth manner. We will

ACHIEVE COMMON

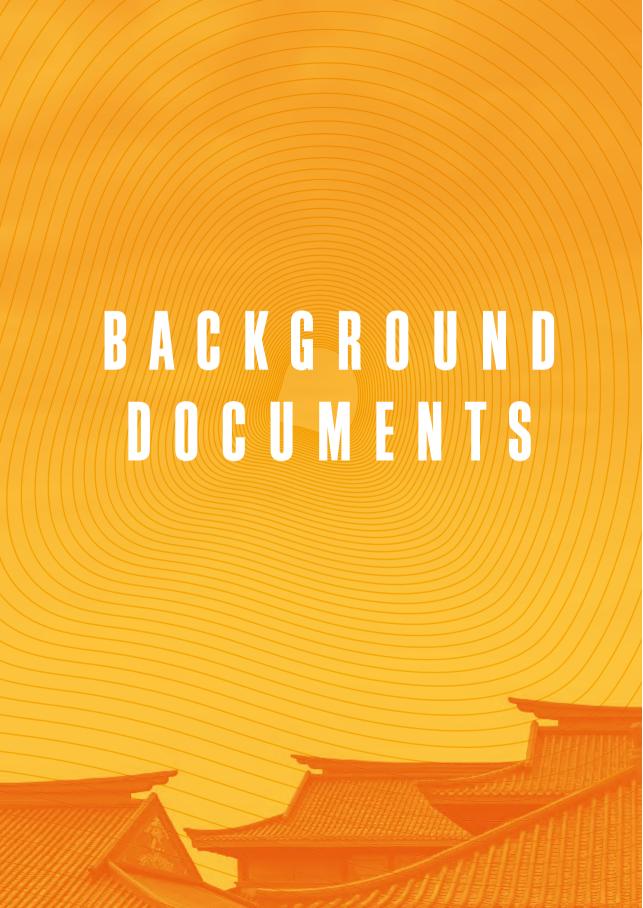
PROSPERITY"



continue to learn from each other with a sincere attitude and open mind, deepen cooperation and always be a builder of world peace, a contributor to global development and a defender of international order. We must uphold mutual respect and treat each other as equals. Different countries have different development paths, development stages and development appeal, but the common interests outnumber the differences. Powerful, domineering and bullying games are not the answer. Only by respecting each other's core interests can we deepen mutual understanding, enhance trust, and deepen inclusive participation to achieve common prosperity.

We must adhere to openness and cooperation and win-win beneficial cooperation. The world economy is a sea of interconnected oceans. Openness brings progress and closure causes people to fall behind. China will carry out reform and opening up to the end, continuously open up the market of 1.4 billion people and promote global mutual benefit and win-win cooperation with common openness and opportunity sharing. We must persist in advancing with the times, pioneering and innovating, developing new technologies, new markets and new economies which will promote the unprecedented development of humanity and at the same time bring about common challenges. We should grasp onto the direction of the times and continuously promote technological innovation, concept innovation and institutional innovation and finally achieve balanced development and common development.

Finally, I would like to wish success to the 2018 Imperial Springs Forum. Thank you all.



DAI XIANGLONG

FORMER GOVERNOR OF THE PEOPLE'S BANK OF CHINA. FORMER MAYOR OF TIANJIN.

HE YAFEL

FORMER DEPUTY FOREIGN MINISTER OF THE PEOPLE'S REPUBLIC OF CHINA

JIEMIAN YANG

DIRECTOR OF ACADEMIC COMMITTEE.
SHANGHAI INSTITUTES FOR INTERNATIONAL
STUDIES

ZHU FENG

DIRECTOR OF INSTITUTE OF INTERNATIONAL RELATIONS, NANJING UNIVERSITY

ZHANG WEIWEI

DIRECTOR OF THE CHINA INSTITUTE AT FUDAN UNIVERSITY

YAO YAO

DIRECTOR OF THE CENTER FOR NATIONAL

ZHENG YU

PROFESSOR AT THE SCHOOL OF INTERNATIONAL RELATIONS AND PUBLIC AFFAIRS, FUDAN UNIVERSITY

DANILO TÜRK

FORMER PRESIDENT OF THE REPUBLIC OF SLOVENIA MEMBER OF THE CLUB DE MADRID

HAN SEUNG-SOO

FORMER PRIME MINISTER OF THE REPUBLIC OF KOREA MEMBER OF WORLD LEADERSHIP ALLIANCE - CLUB DE MADRID

GEORGINA HIGUERAS

VICE PRESIDENT OF CATEDRA CHINA AND ASSISTANT PROFESSOR ON ASIA'S INTERNATIONAL RELATIONS

MANUEL MUÑIZ

DEAN OF IE SCHOOL OF GLOBAL AND
PUBLIC AFFAIRS AT IE UNIVERSITY. RAFAEL
DEL PINO PROFESSOR OF PRACTICE OF
GLOBAL TRANSFORMATION

SEÁN CLEARY

EXECUTIVE CHAIR, FUTUREWORLD

DALWINGLONG

FORMER GOVERNOR OF THE PEOPLE'S BANK OF CHINA.

FORMER MAYOR OF TIANJIN.



DAL XIANGLONG, GRADUATED FROM CENTRAL UNIVERSITY OF FINANCE AND ECONOMICS, RESEARCHERAND DOCTORAL SUPERVISOR.1995-2002, GOVERNOR AND SECRETARY OF THE PARTY COMMITTEE OF THE PEOPLE'S BANK OF CHINA. 2002-2007: DEPUTY PARTY SECRETARY AND MAYOR OF TIANJIN CITY.

BRIEF REVIEW OF CHINA'S FOUR-DECADE REFORM AND OPENING UP

DECEMBER 10, 2018: CDM MEMBERS, EXPERTS AND ENTREPRENEURS: GOOD MORNING! THIS YEAR MARKS THE 40TH ANNIVERSARY OF CHINA'S REFORMAND OPENING UP AND I WOULD LIKE TO INTRODUCE TO YOU SOME BASIC INFORMATION ABOUT CHINA'S OPENING UP POLICY IN THE PAST FOUR DECADES.

1. HISTORICAL COURSE OF CHINA'S REFORM AND OPENING UP

n November, 1978, Mr. Deng Xiaoping proposed to fulfill the central task of economic development and embark on the road of reform and opening up, thus reform and opening up has undergone three important phases in China.

From December, 1978 to October, 1992, 18 farmers took great risks of putting their fingerprints on the land contract. Since then, the collective production and management system of farmers has been broken down and household contract responsibility system has become a natural choice made by farmers, which has greatly promoted their production initiative. Subsequently, township enterprises have emerged and developed rapidly. As the reform started from rural areas to cities private enterprises have mushroomed and thrived in an effort to promote the reform of state-owned enterprises. Four newly-established special economic zones have helped 14 coastal cities open wider to the outside world. State-owned enterprises have been given more autonomy in their management. During this period, reform and opening up has broken away from the highly centralized planned economic system.

From 1992 to 2012, China has made great headway in reform and opening up. In order to achieve the goals of building a socialist market economy. institutional reform has been carried out in an allround way. Accordingly, China has promoted reform in pricing, circulation, finance, taxation, finance, foreign exchange, investment and financing systems. Most of the state-owned enterprises have been transformed into joint-stock enterprises. The tax distribution system among central and local governments has been implemented, and the state-owned professional banks have been transformed into state-controlled commercial banks and went public gradually. China has established financial markets for stocks, bonds, foreign exchange and gold. China has transformed the functions of the government and established a macro-control system with indirect means as a main part. A distribution system according to one's performance has been established as the main body and multiple modes of distribution existing side by side. China acceded to the World Trade Organization(WTO) in 2001, which improved trade liberalization and investment facilitation, and strengthened economic cooperation with



THOSE WHO GET RICH FIRST SHOULD HELP OTHERS GET RICH"

other countries. After that, China has successfully transformed itself from a highly centralized planned economy to a dynamic socialist market economy and strode to the world stage.

Since October, 2012, China has entered a new stage of deepening reform and opening up in an all-round way in a new era. The CPC Central Committee, with comrade Xi Jinping at its core, has led people of all ethnic groups in realizing the "Two Centenary Goals" and the great rejuvenation of the Chinese nation, pushing for a new upsurge in reform and opening up and ushering in a new era of socialism with Chinese characteristics. At the same time, China has exercised strict party discipline, cracked down on corruption, and advanced

comprehensive administrative, economic, social, people's livelihood and ecological reforms. In the matter of economy, it has transitioned from a phase of rapid growth to a stage of high-quality development. China has promoted the "separation of the three powers" of contracted land in rural areas, pushed forward mixed ownership by stateowned enterprises, and allowed the market to determine RMB interest rates and exchange rates. It has advanced the Belt and Road Initiative, set up Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund and hosted China International Import Expo (CIIE) as a way to open wider to the world. China has moved forward the construction of Free Trade Zones, explored free ports and built a new system of open economy.

2. ACHIEVEMENTS IN THE PAST FOUR DECADES OF REFORM AND OPENING UP

With the continued reform and opening up over the past four decades, China has come a long way in economy, politics, culture, social ecology and other fields, which has been made remarkable and universally acknowledged.

Firstly, China's economic strength has gained paces significantly. China's GDP rose rapidly from 0.22 trillion USD in 1979 to 12.24 trillion USD in 2017, an increase of 33.5 times of that and an average annual growth rate of 9.5% in terms of comparable prices of RMB, and much higher than the world average annual growth rate of 2.78% in the same period. China has become the second largest economy in the world, accounting for 67% of that of the United States. From 2013 to 2017. China's annual contribution to world economic growth reached 30.2%, more than that of the Dollar Bloc. Eurozone and Japan together. Since 2010, China's manufacturing industry has contributed 19.8% to the world total, science and technology developing rapidly. According to International Monetary Fund (IMF). China ranked 130th out of 148 countries with GDP per capita in 1980, while in 2017, China ranked 70th out of 232 countries with per capita GDP of 94.81 billion dollars, leaping from the rank of low-income countries to middle and high-income countries. The development of transportation industry has gained great momentum. By June 2018, the total length of high-speed railways in operation has exceeded 22,000 km, accounting for 60% of the global total. China's financial strength has grown, with its foreign exchange reserves have exceeded 3 trillion dollars. RMB has made solid progress in its internationalization.

Secondly, a closed and semi-closed China has successfully integrated itself into globalization and emerged as an important force in promoting globalization. From 1979 to 2017, China's foreign trade volume has increased from 10.9 billion USD

to 4.11 trillion USD, with an average annual growth rate of 9.2%. Since 2013, China has been the world's largest trader for many years. In 2017, China's total imports and exports have accounted for 11.5% of the global total. From 2013 to 2017, the total amount of foreign direct investment was about 700 billion USD,72.4 billion more than the actual foreign capital utilized in the same period. China has transformed itself from a net importer of capital to a net exporter of capital. By the end of 2017, China has signed 16 free trade agreements involving 24 countries and regions. The Belt and Road Initiative put forward by China in 2013 has gained more response and support from other countries. China has signed the Belt and Road cooperation agreement with 80 countries and organizations.

Thirdly, people's living standards across the country have greatly improved. More than 700 million people in China have been lifted out of poverty. The Engel's coefficient for urban and rural residents fell from 57.5% in 1978 to 29.3 % in 2017. At the end of 1978, permanent urban residents accounted for 17.9% of the total population, which increased to 58.52% in 2017. The per capita income of urban and rural residents was 36,400 yuan and 13,400 yuan respectively, an increase of 106 times and 39 times respectively at comparable prices. Life expectancy rose from 67.8 years in 1981 to 76.7 years in 2017. At the beginning of the reform and opening up, only 20% of the employees in China had access to social security. By 2017, basic retirement insurances, basic medical care system and the minimum standard of living security system have been fully covered. China's urban and rural savings reached 62 trillion yuan. Urban residents per capita housing scored 36 square meters. There were 1.43 billion mobile phones in use in China.



3. PRECIOUS EXPERIENCE IN FOUR-DECADE REFORM AND OPENING UP

Over the past four-decade of reform and opening up, China has accumulated a rich experience. I think, the valuable experience exists in the following six aspects.

China remains committed to emancipating the mind, seeking truth from facts and moving with the times and applying a realistic and pragmatic approach. This has helped to advance theoretical and practical innovation, and constantly break down old ideas and old systems. China pooled the wisdom of all people as a way to constantly solve the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life.

Secondly, we have upheld the unity of Party leadership, exercised overall leadership and steer the course. Decision of the CPC Central Committee on Some Issues Concerning the Establishment of a

Socialist Market Economic Structure formulated in 1993 and Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform formulated in 2012 have chartered the course of reform and opening up. With a task to build a socialist market economy, the State Council has launched plans of reform and opening up in economic, social, political, cultural and ecological areas. In 1993, Decision of the State Council on Reform of the Financial System has written down the objectives and steps for the reform. China's finance has developed from planned finance to market finance, and moved towards rising finance. In accordance with the changes in the domestic and foreign macro-economic, China's reform and opening up sometimes gained pace and sometimes slowed down. It would never stop but proceed, so that the path has avoided repetition and became timesaving and more efficient.



Fourthly, China has carried out gradual reform. In this way, its impacts on resource allocation by market has stepped up. In 2002, it proposed to play a "basic role"; in 2012, it proposed to play a "decisive role", while paying attention to give a role to the government. Before 1985, China implemented a banking system unified by the central bank. After 1985, The People's Bank of China functions exclusively as a central bank and has established four state specialized banks. In 1994, three policy-related banks has been set up to separate policy-related businesses, and the former specialized banks has been transformed into statecontrolled commercial banks. Since 2003, it has attracted domestic and foreign strategic investors. and has turned the four exclusively state-owned commercial banks from technically bankrupt banks to state-controlled commercial banks and gradually made them go public. By 2016, China's four major commercial banks have ranked among the top four in the world banking rankings. This gradual reform has reduced the cost of reform and financial shocks.

Thirdly, China has adhered to the people-oriented principle and relied on its people to push forward reform and opening up. In the past four-decade reform and opening up, almost every major reform decision has been made by the grass-roots. The household contract responsibility system in rural areas was developed from the successful story of "fix farm output quotas for each household" of more than a dozen of households. The rise of township enterprises was also driven by thousands of farmers and entrepreneurs. Many major economic and social reforms have been turned into national reforming measures by summing up the initiative of individuals, grass-roots units and enterprises. Keeping with the people's aspiration for a better life and collecting people's wisdom, reform and opening up will be further boosted by these inexhaustible driving forces. Population mobility has been greatly increased and education quality has been improved. In the past two decades, nearly 200 million farmers in rural areas have made their livings in cities, and 2,914 universities have been established. Now, 8 million students graduate from colleges each year.

"China has always stroke
a balance among reform,
development and stability so
that the three are coordinated
and mutually promoted"

which has met its expectations.

Fifthly, China has always struck a balance among reform, development and stability so that the three are coordinated and mutually promoted. Development is the goal, reform is the vitality while stability is the prerequisite of all. China has continued to combine the strength of reform, the speed of development with the level of social sustainability with the improvement of people's living standards serving as a joint point in handling the relations among the three. The central government has appropriately delegated more power to local governments, which has greatly initiated local governments to embrace reform and opening up. At present, the total economic volume of Guangdong, Jiangsu, Shandong and Zhejiang provinces has

"CHINA WILL CONTINUE TO PURSUE REFORM AND OPENING UP, PROMOTE ECONOMIC GLOBALIZATION AND TAKE AN ACTIVE PART IN GLOBAL ECONOMIC GOVERNANCE"

exceeded 2 trillion yuan. China has formulated the proven development strategies for the Eastern, Central and Western regions in China, carried out the larger-scale development of Western regions and promoted the coordinated development among Eastern, Central and Western parts of China. China has advocated that some people get rich first. At the same time, it emphasized that those who get rich first should help others to get rich. The establishment of a minimum income security system has greatly aroused the enthusiasm of the people throughout the country to reform, open up and achieve common prosperity.

In December 2017, President Xi Jinping has laid out a plan for China's development over the next 30 years. 2035 will see that socialist modernization is basically realized and China will be built into a great modern socialist country with a further 15-years of hard work. To this end, China will continue to pursue reform and opening up, promote economic globalization, take an active part in global economic governance as an effort to achieve the great rejuvenation of the Chinese nation, and make the greatest contribution to the shared development and prosperity of all.



FORMER DEPUTY FOREIGN MINISTER OF THE PEOPLE'S REPUBLIC OF CHINA



HE YAFEI, FORMER DEPUTY FOREIGN MINISTER OF THE PEOPLE'S REPUBLIC OF CHINA AND FORMER DEPUTY DIRECTOR OF THE OVERSEAS CHINESE AFFAIRS OFFICE OF THE STATE COUNCIL OF THE PEOPLE'S REPUBLIC OF CHINA. HIS NEW BOOK, CHINA'S HISTORICAL CHOICE IN GLOBAL GOVERNANCE WAS PUBLISHED IN APRIL 2015, IT DISCUSSES HEATED ISSUES INCLUDING THE "CHINESE DREAM" AND GLOBAL GOVERNANCE, AND "THE BELT AND ROAD INITIATIVE" AND REGIONAL GOVERNANCE.

BRIEF REVIEW OF CHINA'S FOUR-DECADE REFORM AND OPENING UP

hina's 40 years of reform and opening up witnessed an era of rapid economic globalization and world multi-polarization as well as an era of great turmoil, changes and development of the world. China's opening-up has not only changed itself, but more importantly influenced the world to promote its adjustment and reshaping of the international order into a new track.

opening up and economic development, to serve China's core interests and to increase China's voice in international affairs. To this end, China's multifaceted diplomacy has identified four key sectors: great power, neighboring countries, developing countries, international organization and global governance. These key sectors are relatively independent and crossed with each other.

The four-decade China's diplomacy, especially since the 18th CPC National Congress and under the strong leadership of the CPC Central Committee with Comrade Xi Jinping as the core, has shared the same destiny with the country and made great contributions to safeguarding China's overall external security environment, sovereignty and benefits and to China's actively participating in and championing global governance. China has already prospered under a peaceful development environment for 40 years and laid the foundation for its marching towards a world power, which is an unprecedented historical opportunity for realizing China's dream of great rejuvenation. Despite the obstacles or challenges it faces, China still holds a bright future and unstoppable momentum for development. Nothing could stop China's progress as long as it maintains its "strategic focus" and persists in opening-up policy.

Since China's reform and opening up and active participation in globalization and global governance, there have been fewer and fewer problems occurring in its bilateral diplomacy. This identifies an increasing interdependence among countries in the era of globalization. What China faces more is complicated global and regional issues featuring trans-boundary and transdomains like trade, climate change, nuclear nonproliferation and infectious disease prevention. With four-decade reform and opening up coincided with the accelerated development of globalization and powerful "spill-over effect" of relationship among major powers, China's diplomacy is asked to strengthen the overall and strategic thinking and to obtain the ability of comprehensive trial and response.

CHINA'S DIPLOMACY ENHANCES ITS ABILITY OF "COMPREHENSIVE RESPONSE"

The development of socialism with Chinese characteristics and China's contribution to global governance and globalization has made Marx's Capital a book of overwhelming popularity and western thinking of "end of history" nearly vanished. China's wisdom contributing to global governance, represented by the "Community of A Shared Future" and the "Belt and Road Initiative", not only reflects the significance of Chinese civilization but enriches thoughts of global governance through cultural exchanges and integration Also it gives humanity more confidence in world's future when faced with historic challenges.

For 40 years, the main objectives of China's diplomacy has been to serve China's reform and

NEW THINKING IN CHINA'S DIPLOMACY PROMOTE ITS OPENING-UP POLICY

China's 40 years of reform and opening up has not only changed China but also the world. In the past, westerners considered China nothing but a poor and backward country, especially including aspects like object, system and thinking. Today, China has stepped out of poverty and weakness through opening-up policy and contributed an average of 30% to the world economic growth, surpassing the sum of the United States, Europe and Japan. These achievements are made on the advanced development thinking and path.

Xi Jinping's thought on diplomacy in the new era is in line with the combination of reality and history, inheritance and innovation which is crucial for promoting China's 40 years of reform and opening up. In recent years, China has followed globalization and actively participated in and championed global governance through the platform like UN, G20, Davos, APEC and SCO. China also proposed the "Belt and Road Initiative", fostered global partnerships and built a community of a shared future which offered answers with Chinese characteristics to handling some global challenges.

Among all answers, the first is that China adheres to the path of peaceful development, global free trade and globalization. The path fully reflects China's new thinking on great powers and governance and indicates that China's road to a strong country will not engage in aggression or seek hegemony and plunder. China will unswervingly support multilateralism with UN as the core and advocate the establishment of a global partnership to seek world peace and development.



Secondly, China advocates building a community of human destiny and promoting the "Belt and Road Initiative" in the spirit of "Consultation Contribution and Shared Benefits" in order to establish a global partnership under global governance. These initiatives are based on Xi Jinping's thoughts on diplomacy in the new era, rooted in the core values of Chinese culture such as "harmony in diversity", "great harmony" and "harmony between man and nature". In a global village where interdependence is becoming increasingly close, building a community of shared future featuring "great harmony" is an inevitable choice for history's development.



Thirdly, China adheres to the democratization of international relations and hopes to establish a new type of international relations featured by equal treatment and win-win cooperation in which China prefers partnerships with non-alliance, cooperation with non-confrontation and rejects jungle rules. That means all issues should be equally treated among every nations, not by one or two countries.

Fourthly, China is willing to share the fruits of reform and opening up with all countries, especially the developing countries. China would like to strengthen South-South cooperation, promote North-South cooperation and achieve common

development among all countries to jointly address global challenges. As a global power, whether it is to deal with climate change or reduce poverty, China has begun to provide "global public goods" as much as possible. China will continue to promote its opening-up policy and is working hard to promote a new pattern of comprehensive openness to developed countries, developing countries and emerging markets. This will bring new opportunities for the international community to deepen mutually-beneficial cooperation with China.

TRANSFORMING TO "COMMON GOVERNANCE OF THE EAST AND THE WEST"

The achievements made from China's 40 years of reform and opening up are almost parallel with the 40 years of China-US diplomatic relations. The great China-US cooperation provides an important foundation for the external environment needed for China's reform and opening up.

In early 1979, China and the United States formally established diplomatic relations. The development of Sino-US relations has promoted relations among China and other Western countries, creating a favorable external environment for China's reform and opening up, integration into globalization and accession to the WTO. China stood with the American people after the "Sep.11" terrorist attacks in 2001. In 2008. China worked together with United States and other G20 members to cope with the world financial crisis. The relationship between the two countries has been steadily moving forward for 40 years. However, the United States has recently identified China as a major strategic competitor to challenge its global interests. The coexistence of Sino-US cooperation and competition has become a new feature of their relations. This is also a test for the future development of bilateral relations. We can learn a lesson from the ups and downs of the 40-year relationship between the two countries, as long as the two countries seek common interests and move towards the same direction. China-US cooperation would be the mainstream. otherwise the two would be stuck in suspicion and contradiction

Four-decade opening-up policy has enabled China to develop into a global power and step closer to its dream of great rejuvenation. China's rising momentum and its "spill-over effect" would be entangled with American's desire for maintaining the prevailing international system and order.

America has shifted its global strategic focus to Asia-Pacific region. As major powers influencing Asia-Pacific region, China and the United States have entered a stalemate of "strategic clarity" from "strategic ambiguity" regarding whether the two are competitors or partners, which means China-US relations have shifted into more cooperative competitors than opponents. In the meantime. China and US still coexist with cooperation and competition as well as opportunities and challenges they face, but in which competition would be superior and more distinctive. We must have a clear awareness of that and continue to promote cooperation between China and the United States in various fields out of an active response. It is not surprising that China suffered from pressure and resistance during its upswing. On the trade war that is currently imposed on China, this country is reluctant but forced to engage. China has to prepare for the worst and strive for the best. History is a mirror. The history of the 2008 world financial crisis and the G20 summit mechanism reflects the important roles China and US play in the fundamental interests of the two countries and global governance. This unprecedented financial crisis stems from the slackness of capital controls in the United States and the frenzied profit of capital in the world.

The G7, a group of Western developed countries that have been ravaging the world's economic affairs, is at a loss to the global financial crisis and has to resort to emerging powers such as China to jointly act to the crisis. The G20, a ministerial forum born after the Asian financial crisis of 1998–1999, was born and promoted to the head of the global economic governance consultation mechanism to cope with the financial crisis. The reason why G20 is accepted by both developed and developing

CHINA'S ROAD TO A STRONG COUNTRY WILL NOT ENGAGE IN AGGRESSION OR SEEK HEGEMONY AND PLUNDER"

countries is that it covers major developed and developing countries, with strong representation, balanced composition, and relatively small scale, which is easy to reach consensus.

China has played an important role in the G20 since 2008. It is one of the turning points for China to participate in and lead global governance. It is a new starting point for the international community to re-recognize China. The role and depth of China's participation in and leading global governance is evident in the G20's response to the financial crisis. China has thus entered the core circle of global economic governance and initially formed the core position of G20 to lead global governance and coordinate world economic affairs. In 2016, President Xi Jinping, the chairman of the G20, hosted the Hangzhou G20 Summit which was the most glorious page in the history of G20.

Major-country diplomacy with Chinese characteristics clearly support a more equitable, just and reasonable international order, support



the role of the G20 in playing a major economic governance platform, support the increase of the voice of developing countries in the international system and support the shift of global governance from "Western governance" to "Common governance of the East and the West". There are many countries in the world that are "like-minded" with China. In the future, the road to international cooperation in the field of global governance will become broader, which will certainly benefit the smooth operation and orderly adjustment of the international system.

MOVING TOWARDS A FUTURE INTERNATIONAL ORDER

In the past 40 years of reform and opening up, China's national interests have been highly consistent with the interests of all countries in the world. Globalization has strengthened close link and deepened interdependence among countries. Chinese diplomacy has always carried a historical mission and worked hard to safeguard the common interests of the international community as well as to safeguard the existing international system and shape the future international order.

As globalization enters a new stage, the relatively balanced international trade, security, economic, and financial systems are diverging. Thus the world is now facing both opportunities for new integration, coordination, and promotion as well as the impact of populism and anti- globalization forces. While

maintaining the existing international system, it is imperative to adjust or reformulate some new international rules. In these years, China has proceeded from the overall interests of the international community to deal with major issues involving system unity and adjustment. China's firm support for the global free trade system with WTO as its core is an example. The "new security concept" for the shortcomings of global security governance is another example.

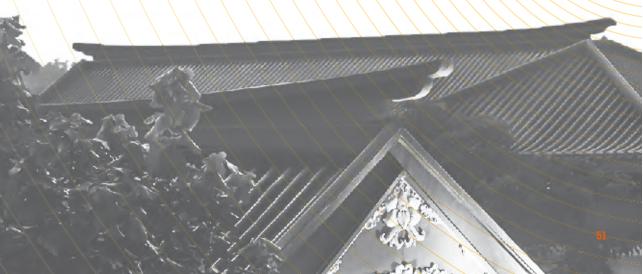
The human rights concept of many Western countries has not given the right attention to subsistence and development, especially to eradicate poverty, and instead highlights political citizenship. At least their attitude towards human rights in developing countries is one example. In the case that the minimum right to life cannot be



guaranteed, it is neither realistic nor hypocritical to deliberately highlight political citizenship.

In short, when we review and analyze the practice of China's diplomacy in the 40 years of reform and opening up, we need to sort out the spiraling thoughts and paths from practice to theory and theory to practice from the strategic level and historic level. St. Augustine said that what we face was always the entangled reality of the past, the present and the future. The "past, present and future" of the formation of the new world order and the transformation of the international pattern shows itself clearly in the next four-decade or even longer.

The transformation of world pattern will inevitably bring about many uncertainties and risks. The more risky and "unknown", the larger the space for vacillation, which is the reality of coexistence between opportunities and challenges. As a global power, China has the responsibility to go forward, the dare to explore, think and practice. China will make every effort from the great goal of building a community of shared future and shared interests. This is a two- day selection between China and the great era and the choices we made is our indispensable responsibility.



JIENJAN YANG

DIRECTOR OF ACADEMIC COMMITTEE.
SHANGHAI INSTITUTES FOR INTERNATIONAL STUDIES.



DR. YANG JIEMIAN WAS THE PRESIDENT OF THE SHANGHAI INSTITUTES FOR INTERNATIONAL STUDIES (SIJS) (2007-2013) AND NOW IS THE CHAIRMAN OF THE SIIS COUNCIL OF ACADEMIC AFFAIRS AND THE COUNCILOR OF THE SHANGHAI PEOPLE'S MUNICIPAL GOVERNMENT. DR. YANG HAS (CO-)AUTHORED ABOUT TWO DOZEN OF BOOKS AND MANY PAPERS WELL OVER ONE MILLION WORDS ON INTERNATIONAL RELATIONS AND CHINA FOREIGN POLICIES.

40 YEARS OF CHINA'S FOREIGN RELATIONS: CHANGES, CHALLENGES AND DIRECTION

oreign relations have been an important component of China's Reform and Opening-up in the past four decades. Great changes have taken place in the practices, strategies and concepts in China's foreign affairs. Moreover, these changes have exerted great impacts on the course of the developments both internally and externally for the benefit of the world's peace, development and win-win cooperation.

Changes in the practices of China's foreign relations. Foreign relations, first and foremost, are constant and on-going processes of interactions between and among nations. The most prominent feature of China's practice of foreign relations is the transition from revolutionary diplomacy to major-country diplomacy.

FIRSTLY, China has become a full-fledged member of the international community, 40 vears of continuing Reform and Opening-up has not only took China out of the outsideand self-imposed isolation, but China has now become an important member of most international organizations and mechanisms and has been conducting an all-round foreign relationship including political, economic, security, cultural and people-to-people one. China has been the largest goods trading nation in the world for many consecutive years. Its trade volume for 2017 surpassed 4 trillion US dollars. By the end of 2017 China's total foreign direct investment was as high as 1.81 trillion US dollars. Moreover, China's contribution rate to the world's economy growth equals 30% and 70% to the Asian Pacific region.

SECONDLY, China has been carrying out foreign relations as a major country in a responsible and matured way. China has worked with the international community to meet the challenges from the end of the Cold War, the color revolution, international terrorism, massive epidemics, Asian and global financial

crises, climate change, world development and the like. China is the first among the five permanent members of the UN Security Council for peace keeping forces. China is also a standard-bearer of the South-South cooperation and North-South dialogue with its virtual and concrete supports. China has also met the challenges from its relations with the United States, Japan, India as well as the South China Sea issues.

THIRDLY, China has made great contribution to regional and global governance. China now is an active and important member of almost all major international organizations and events in the world as well as in the regions concerned. China has firmly advocated and supported the irreplaceable role of the United Nations on international security and political affairs. It has also worked closely with the International Monetary Fund, the World Bank and the World Trade Organization on economic and financial matters. In addition, China has established inter-regional mechanisms throughout the developing regions such as China-Africa, China-Arabic, China-Southeast Asia and China-Latin America and the Caribbean cooperative mechanisms. Besides. China has initiated such financial institutions as the Asian Infrastructure Investment Bank, New Development Bank and Silk Road Fund. Presently China is promoting the Belt & Road Initiative as a main platform to promote cooperation with the relevant countries and regions.

Changes in China's diplomatic strategies.
In the past four decades, China's diplomatic strategies have undergone a transition from reactive strategy to proactive one along with the constantly enhancing of its comprehensive national strength.

FIRSTLY, China has turned the war-preventing strategy into the cooperation-promoting strategy. In the 30 years between 1949 and 1978, China's strategy focused on to preventing and countering the outside-imposed wars. thus ensuring the People's Republic of China survived the hostile forces' encirclement and containment. The year of 1978 was a landmark when China decided to change its strategy of struggle into strategy of cooperation. Consequently, China's diplomatic strategy stressed cooperation rather than confrontation. Since then China has gradually moved into cooperation with both developing and developed countries. With this strategic shift. China has since been able to concentrate on economic and social development under more favorable conditions in the world in general and in the Asian Pacific Region in particular. In the course of development. China has established strategic partnership for further cooperation with its major and important counterparts. China and Brazil agreed on building a longterm, stable and mutually beneficial strategic partnership in 1993 and now the number of China's strategic partnership is in the neighborhood of 80, thus making an important network of China's foreign relations.

SECONDLY, China has expanded from bilateral diplomacy into multilateral one. For many years, China's diplomacy focused on bilateral ones which China deemed more real, direct and controllable. This approach saw a turning point in the 1990s when China joined the Asia-Pacific Economic Cooperation (APEC) and became a dialogue partner with the Association of Southeast Asian Nations (ASEAN). China gained a prominent role in its relations with



the ASEAN after the Asian Financial Crisis in 1997. President Clinton's absence at the APEC Kuala Lumpur Summit in 1998 also created an opportunity for China to play a greater role at the APEC. Since 2001 China has hosted APEC Shanghai and Beijing Summit, SCO Shanghai and Beijing Summits, BRICS Beijing and Qingdao Summits, CICA Shanghai Summit, G-20 Hangzhou Summit as well as Beijing Olympic in 2008 and Shanghai World Expo in 2010. Nowadays, host diplomacy has become an important feature of China's multilateral diplomacy.

THIRDLY, China turned a reactive strategy into a proactive one. In the first decade of Reform and Opening-up China was an eager learner for strategic, political and economic interaction with the outside world. To start with, China learned from the then socialist countries of Hungary and



Yugoslavia and tried to find the way of carrying economic reform within the existent political framework. Furthermore. China learned from Germany and Japan how to realize economic take-off and become leading world economies. Most of all. China learned from the United States for its advanced science and technologies. The second decade was full of difficulties of world political environments resulting from the drastic changes in Eastern Europe and the Soviet Union. Understandably, China was on the defensive and adopted a reactive strategy. China firmly believes that so long as it managed well its domestic affairs it can not only survive these grave challenges but also can make great contribution to the global peace and development. The third and fourth decades saw a process of China's gaining strength and confidence based on the continuous successes of its social and economic paths, thus leading to the present proactive strategy. With increasingly closer towards the center of the world arena, China is working hard to improve the international system and set up more guiding principles commensurate with the present and future realities of the world

Changes in China's diplomatic concepts.

China's foreign affairs have close interaction with its relevant conceptualization in both ways. The rich practices have nurtured right concepts of diplomacy, which in turn to lead the Chinese foreign relations to more successes.

FIRSTLY, China has revised many pre-existing concepts. While preserving the main thrusts of China's foreign relations such as independent and peaceful foreign policies and defending sovereignty and core interests, the most important conceptual change was from the Era of War and Revolution to Era of Peace and Development. This conceptual change went along with the overarching conceptual changes of China's mainstream theories on domestic and foreign affairs. A new term thus came into being, i.e., Socialism with Chinese Characteristics, which has named again at the CPC 19th National Congress: Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. The sinification and contemporary adaptation of its leading ideology of Marxism has enabled China to achieve progresses while maintaining stability and continuity in both domestic and foreign affairs.

SECONDLY, China has updated many new concepts. China has advocated keeping pace with the times since the beginning of Reform and Opening-up. China emphasizes that new reality needs and brews new concepts. Therefore, in its foreign relations, China has been focusing on peace and development, multilateralism, global and regional cooperation, environmental protection, party-to-party relations, and public diplomacy. With the accelerated speed of changes both at home and abroad, China has put forward



the Community of Shared Future for Mankind, New Type of International Relations, New Concept of Security, New Concept of Development, and Concept of Interests and Virtues. These new concepts enriched the conceptual reservoir of present international relations.

THIRDLY, China has absorbed many good ideas from other countries and adapted them into its work on foreign affairs. China's changing attitude toward globalization and free trade is a good case in point. President Xi Jinping spoke on this at Davos in early 2017: "There was a time when China also had doubts about economic globalization, and was not sure whether it should join the World Trade Organization." Another good case in point is China's changed attitude toward global climate change. President Xi Jinping delivered at Paris Climate Change Conference in November, 2015 and appealed to the world to work together to build a win-win, equitable and balanced governance mechanism on climate change. Obviously, the hybrid of new concepts embraces China's and world's wisdom to produces more positive and constructive consensus.

Impacts on regional and global developments.

China's Reform and Opening-up and its ensuing changes and readjustments in its foreign affairs have resulted in profound impacts on the course of regional and global developments.

China's new foreign policies along with the Reform and Opening-up enhanced peace, stability and prosperity in the Asian Pacific region. On the whole China's normalized relations with the United States, Japan and the Soviet Union/Russia have greatly facilitated the regional transition from the Cold War to Post-Cold War period, improved the regional order, thus ensuring the continuous economic growth and social progress in the Asia-Pacific Region. Deepening Reform and Opening-up have enabled China's participation and promotion in regional economic and security cooperation. Furthermore, China has expanded regional cooperation into inter-regional cooperation that climaxed in the Belt & Road Initiative.

China's new foreign policies also contribute to the improvement of international system and global

THOSE WHO GET RICH FIRST SHOULD HELP OTHERS TO GET RICH"

governance. China used to call for the establishment of a new international political and economic order, which stressed the overhaul of the existing system. However, this revolutionary approach started to have a substantial change in the late 1990s when China appealed to promote the existent international system in a fairer and more justified direction. Now China claims to be a participant, beneficiary, defender and reformer of the international system as a result of the Anti-Fascist War. Since 2008 China has become more evolved in global governance by working with globalization, dealing with global climate change and advocating multilateralism. Furthermore, China now calls for building a new type of international relations featuring win- win cooperation and jointly fostering a community of shared future for mankind.

At the same time, China's changes also present great challenges to the world. On the one hand, China needs to redefine its role in the international relations and global affairs. It also needs to pay particular attention to how the outsiders' definition and expectation on a ever–growing China. On the other hand, the outsiders have to readjust their relations with new guiding principles, mentalities and policies. Both China and the others need to work together for a new set of norms and rules that they could interact with each other in a more constructive way.

Conclusions. China has garnered great achievements in the practices, strategies and concepts of its foreign relations and set on a new course of global roles. Yet, China should be fully aware that the way ahead is full of challenges. The biggest challenge still comes from within. China has now entered into a deep-water era and area of Reform and Opening-up with compound contradictions and difficulties. The problems occurred in the course of Reform and Opening-up must be solved by furthering and deepening the course itself. Only by so doing can China succeed in dealing with more difficult and tougher issues. At the same time, China needs to fully understand its real conditions. Both the developing and developed countries now look at and define China in a way very different from 40 years ago. To a certain extent, China's external conditions are developing in a way full of more and greater challenges. Therefore, China must handle its foreign relations in a more prudent and effective way and make redoubled efforts in order to realize its goals of national rejuvenation under favorable international conditions.

ZHJFENG

DIRECTOR OF INSTITUTE OF INTERNATIONAL RELATIONS,
NANJING UNIVERSITY



DR. ZHU FENG, DIRECTOR OF THE INSTITUTE FOR INTERNATIONAL STUDIES OF NANJING UNIVERSITY. HE IS A DISTINGUISHED PROFESSOR AT NANJING UNIVERSITY AND THE EXECUTIVE DIRECTOR OF THE CHINA CENTER FOR COLLABORATIVE STUDIES OF THE SOUTH CHINA SEA, NANJING UNIVERSITY. HIS STUDY MAINLY FOCUSES ON EAST ASIAN SECURITY, CHINA-U.S. RELATIONS, CHINA'S DIPLOMACY AND INTERNATIONAL STRATEGIC SECURITY, MARITIME SECURITY, SOUTH CHINA SEA ISSUES, AND BIG POWER RELATIONS.

40 YEARS OF REFORM AND OPENING-UP: CHINA'S CONTRIBUTION TO EVOLUTION OF WORLD ORDER

oday, the world is experiencing a momentous redistribution of power in the international system. With the dramatic growth of its national strength and its increasing participation in international affairs, China has become a new focus of global attention. Policymakers, scholars, and media are engaged in heated debates over the questions of China's rise. In particular, what effects will China's rise have on the world order? Will these effects be positive or negative? Will China challenge the current system or promote a more reasonable world order? These questions are being raised in the context of the US-led coalition's increasing skepticism about China's intentions.

The current changes in the international order are not simply part of the general state of flux, but indicative of a changing global power structure. To understand the pattern of changing relationships among states, it is necessary to introduce applicable theories. Scholars are inclined to explain the evolution of the world order with the power transition theory, which was first proposed by A.F.K. Organski in 1958. Differing from the realist school, the power transition theory does not see the world as anarchical but as hierarchal. The system is based on the power distribution among nations and each actor has its own position in the international order. In this hierarchal structure. the dominant state, which is the most powerful country in the international order, is at the top of the pyramid. In the existing world order today, that country is the United States. Below the dominant power are several great powers, including the European Union, China, Russia, etc. The dominant power, with the support of some great powers that are satisfied with the established rules, values, and norms of the system, determine how the system runs. This alliance is considered a stable, reliable, and relatively solid element supporting the international order. Today, Western countries, including most developed countries, are part of this alliance led by the United States.

However, not all actors are satisfied with the status oup and the current allocation of benefits. The growth of some nations has given them increased ambition accompanied by powers that rival the dominant nation. Thus, they possess the potential to catch up with the dominant state and its coalition. If these dissatisfied nations are great powers, they are considered latent "challengers" to the existing order.² Nowadays, the United States and its allies regard China as a "revisionist power" attempting to destroy the status quo. They believe that China is challenging U.S. leadership, threatening its dominant position in the current international system, and undermining its entrenched privileges by revising the long-standing arrangements or pursing alternative principles according to its own preferences. The result of such an evolution will be, according to some Western realists, "tension, distrust, and conflict, the typical features of a power transition."3

These thinkers are too focused on the divergences caused by different development stages, political

¹ Jacek Kugler and A.F.K. Organski, "The Power Transition: A Retrospective and Prospective Evaluation," in Manus

I. Midlarsky ed., Handbook of War Studies, Volume II, (Ann Arbor: University of Michigan Press, 2000), 172

system, values etc., while neglecting how China's growth and participation can stabilize and promote the functions of the international order. Although China has conflicts with the current U.S.-led world order, it is not going to undermine the system. Forty years of reform and opening-up as well as increasing globalization have facilitated China's integration into the world order. As the global community expects, China has been making efforts to be a "responsible" great power. China's positive impact on the world order can be understood from three major aspects. First, from a grand structural perspective, a stronger China is conducive to the international balance of power, especially when the American egoism is growing. Second, China's domestic development benefits world development. Third, China has positive influences on regional peace, economic development, and global governance, which help improve the international system. Instead of concentrating on potential Sino-Western conflicts, analyses of China's rise should focus on China's growing contributions to the international order.

After the Cold War, the U.S.-led alliance dominated the world order, and effectively established international institutions and its preferred norms, rules, and values. The U.S. leadership, since then, has consolidated. According to the Chinese perspective, the U.S. hegemon does not want to see China as an emerging power that can wield comparable influence, so the U.S. attempts to restrain China's rise, such as pressing China on issues like human rights. In recent years, as domestic political forces and the international environment moves toward conservatism. the United States has revealed egoism that is unprecedented in the post-WWII era. Since the election of president Trump. Washington has turned away from the liberal political and economic global ON CERTAIN ECONOMIC
AND SECURITY ISSUES,
CHINA CAN BE A
FORCE TO RESTRAIN
US UNILATERALISM
BY REJECTING ANY
UNREASONABLE
RESOLUTIONS OR ACTIONS"

order that it created. The White House's current policies, especially on economics and trade, show an alarming embrace of anti-globalization and protectionism. American unilateralism damages the development of global markets and causes economic instability in developing countries.

In the security perspective, the U.S. unilateral military interventions have caused regional turbulence. Its military supremacy and dominance of international discourse has allowed the US to disregard international opposition and domestic dissent. Its interference under the banners of freedom and democracy has not only failed to bring lasting peace to war-torn regions, but has actually complicated and intensified regional conflicts.

The U.S. abuse of power is the byproduct of its long-term leadership. Although current the current international order and its institutions are based on liberalism, justice, legality and other modern democratic Western concepts for advancing the development of human society, the US'

² Kugler and Organski, 173-174

³ G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" Foreign Affairs, January/February 2008.

Accessed on November 06,2018.https://www.foreignaffairs.com/articles/asia/2008-01-01/rise-china-and-future-west

unchallenged supremacy means that often acts according to own self-interests. Such unilateral and hegemonic behavior harm the international order and development. Its trade war with Chinaand with its own allies, protectionist tariffs, frequent deterrent and interventionist military actions, and self-interested use of diplomatic pressure all damage the global political, economic, and security order. Therefore, a rising China acts as a counterbalance to the United States. The world needs a power to react to the growing U.S. unilateralism and protectionism. China's increasing national power and international influence makes it more confident in voicing its opinions and views. On certain economic and security issues, China can be a force to restrain U.S. unilateralism by rejecting any unreasonable resolutions or actions. China is not a threat to the world order; instead, China is going to balance increasing U.S. unilateralism and protectionism and promote justice and equality within the international system.

China's development is in itself a positive factor for the global development and world order construction. After enjoying high growth in the post-Cold War era, the world is now experiencing the negative consequences of globalization. The West is seeing the rise of populism, nationalism, conservatism and trade protectionism. Globalization's most enthusiastic cheerleaders are now rejecting political and economic liberalization in favor of isolationism and protectionism. Meanwhile, China is determinately pursing its "reform and opening-up" policy, making more efforts to improve people's livelihoods as well as national power. The changes and progresses of China's 40-year reform and opening-up are evident. Its external engagement in the all terms is also internalized to become a driving force of its domestic transformation. For example, the effect of ongoing trade war is not fully negative. At least, the trade war is turning into a new driver for China to refit its domestic regulations better to international standard

Thus, one of the most monumental achievements of the reform and opening-up policy is China's integration into the global community and embrace of universally accepted norms and values. Before this policy was implemented, China was an isolated state for nearly three decades. Such self-isolation led to severe tensions and conflicts with other countries. After opening up to the world China has become a more open, tolerant, and modern country that can accept and adopt advanced knowledge, technology, ideology from the outside world. China's increasing multiculturalism is matched by its commitment to the world community.

Today, China is an active supporter of globalization, the liberal market order, and international organizations, ready to make more contributions to the world development and undertake more responsibilities as a capable great power. Meanwhile, China encourages and supports more developing countries to join international organizations, learn norms, and obey regulations. China participates in—and even initiates—negotiations on the most dangerous and urgent international issues, such as the North Korean nuclear issue, the Iranian nuclear issue, and climate change. In these discussions China consistently supports conflict resolution based on international law. China is integrating into the world order, not undermining it.

China's economic growth is also positive for global development. As the world's most populous country, China has long struggled with uneven regional development and income inequality. However, the reform and opening-up policy, as well

⁴ Weiping Tan, China's Approach to Reduce Poverty: Taking Targeted Measures to Lift People out of Poverty, International Poverty Reduction Center in China(IPRCC), April 18, 2018.

⁵ Elizabeth Stuart, "China has almost wiped out urban poverty. Now it must tackle inequality," The Guardian, August 19, 2015. Accessed on November 07, 2018. https://www.theguardian.com/business/economics-blog/2015/aug/19/china-poverty-inequality-development-goals



as the government's determination to eradicate poverty and reduce inequality, has allowed China to achieve an unprecedented reduction in poverty. Using the 1.9 dollars poverty line as the standard, from 1981 to 2013, China "lifted 850 million people out of poverty, with the percentage of people living in extreme poverty falling from 88% to 1.85%."4 Between 2000 and 2010, per capita income rose from \$1,000 to \$5,000, lifting China to the ranks of middle-income countries. Between 1990 and 2005. China's poverty reduction accounted for more than three-quarters of global amount.⁵ The rapid economic growth also brings China many challenges, including growing income disparities, education inequality, environment pollution etc., but the Chinese government has been adjusting policies to promote sustainable and balanced development.6

In addition to addressing domestic problems, China also contributes to regional prosperity and development. In 2013, President Xi Jinping proposed the Belt and Road Initiative, aiming at building an economic belt through strengthening infrastructure connections between China and its neighborhoods. The idea is to "take China's development beyond its borders, establishing a more close-knit political, economic, social and cultural 'development circle." This program is predicted to generate more employment and

business opportunities and increase trade flows in Asia, benefiting countries along the Belt and Road and promoting coordinated regional development. Moreover, China's massive market and prosperous foreign trade and commerce has also become an important engine of global economic growth. From this perspective, China's rise injects dynamism into the global market and stimulates e international economic development.

China's positive contributions to the world order today can be examined from multiple aspects. primarily security, economics. global governance. First, a rising China helps stabilize regional security and order, sustaining regional peace. Before reform and opening-up, China was involved in military conflicts including the Korean War, border clashes with India, and the Sino-Vietnamese War; but after adopting the reform and opening-up policy, China focused all its energies on national construction. To realize its goals of industrialization and modernization, China needs a peaceful international environment, especially in its neighboring areas. China will not engage in any conflicts with other countries; indeed, China is committed to maintaining regional stability and contributing to global peace. As a great power with impressive economic and military powers, a peaceful China plays a stable role in the world order.

CHINA NEEDS A PEACEFUL INTERNATIONAL ENVIRONMENT, ESPECIALLY IN ITS NEIGHBORING AREAS"

Furthermore, China's economic aspiration benefits the entire world. China is the second largest economy in the world, with a massive market and labor force, and it provides abundant trading and commercial opportunities for states and individuals. China's economic expansion will also drive regional economic development, especially for developing countries. A continuously growing China will be a powerful engine for world economic prosperity.

With increased integration into the international society, China has become an energetic actor in global governance. The operation of international institutions requires multilateralism and relevant rules that can be accepted and followed by all involved parties. Multi-polarization and multilateralism, as the inevitable results of globalization, represent an irreversible tendency of world development. On many global issues, such as anti-terrorism, environmental improvement, global market management etc., China can be a firm supporter of international institutions and an active promoter of rule-based order. As the

US shrinks away from international engagement, China will take on more responsibilities in relevant fields.

China has benefited from globalization-now it will pay it forward for a better world. Although China still faces domestic hurdles and international challenges, its international track record reflects its determination to be a defender of a more just and reasonable world order rather than a revolutionary power that tries to overturn the existing order. While the current international system is founded on democratic and liberal ideals, the US-led alliance has failed to realize these principles. The rise of unilateralism and protectionism offer sufficient proof. In this context, a strong China will play an essential role in promoting a more balanced world order. The Western community should overcome its parochialism and narrow self-interest and recognize China's positive contributions to world development.

⁶ See The World Bank in China. http://www.worldbank.org/en/country/china/overview#1

⁷ Feng Zhu, "China's Belt and Road Initiative is rooted in the desire to extend the benefits of its great development story," South China Morning Post, October 10, 2018. Accessed on November 08, 2018. https://www.scmp.com/comment/insight-opinion/united-states/article/2167637/chinas-belt-and-road-initiative-rooted-desire

ZHANGWEIWEI

DIRECTOR OF THE CHINA INSTITUTE AT FUDAN UNIVERSITY



ZHANG WEIWEI IS A DISTINGUISHED PROFESSOR OF INTERNATIONAL RELATIONS AND DIRECTOR OF THE CHINA INSTITUTE, FUDAN UNIVERSITY, AND HE IS CONCURRENTLY A BOARD MEMBER OF CHINA'S NATIONAL THINK TANKS COUNCIL AND A SENIOR FELLOW AT THE CHUNQIU INSTITUTE. HE HOLDS A PH. D-IN INTERNATIONAL RELATIONS FROM GENEVA UNIVERSITY.

THE CHINA MODEL OF DEVELOPMENT AND ITS IMPLICATIONS

1. CHINA'S DRAMATIC RISE

hina's dramatic rise has taken many Western observers by surprise, as the country has long been viewed as a dichotomy of a repressive regime clinging to power and a society full of crises, led by pro-democracy dissidents bordering on rebellion. This perception has led many Chinawatchers to confidently crystal-ball a pessimistic future for China: the regime would collapse after the Tiananmen event in 1989: China would follow in the footsteps of the USSR in its disintegration; chaos would engulf China after Deng Xiaoping's death; the prosperity of Hong Kong would fade with its return to China; the explosion of SARS would be China's Chernobyl; China would fall apart after its WTO entry; and chaos would ensue following the 2008 global financial tsunami. Even by 2017, many in the West still predicted the inevitable hard landing of the Chinese economy with all possible negative consequences for the world.

Yet all these forecasts turned out to be wrong. China now is the world's largest economy in terms of purchasing power parity, with the world's largest middle class, foreign exchange reserves, propertied class and number of world-travelling tourists. China is also the world's leader in renewable energies in both investment and output, and a vigorous champion for multilateralism and globalization.

The miserable track record of crystal-balling China's future highlights the need to understand this huge and complex country objectively, and perhaps with an approach adopted by the great German philosopher G. W. Leibniz (1646–1716) to focus on what he called China's "natural religion" or the secular application of ethics and political

philosophy to social, economic and political governance. If freed from ideological hangups, one may see what has happened over the past four decades in China is perhaps the greatest economic and social revolution in human history, with 740 million people lifted out of poverty, with all the implications of this success for China and the rest of the world.

China has in fact performed better than all other developing countries combined over the past 4 decades, as over 70% of world's poverty eradication has taken place in China. China has performed better than all transition economies combined, as, for instance, China's foreign exchange reserves today alone are larger than the combined GDPs of Eastern Europe and Russia, given the fact that Russia's economy used to be larger than China's at the time of the Soviet breakup. China has also performed better than many Western countries, and its developed regions with a population of over 300 million, the size of the US population, today in many ways match the West in overall prosperity, if not more, and China's first-tier cities like Shanghai may aready surpass New York in many ways, in terms of 'hardware' such as airports, subways, bullet trains, shopping facilities and city skylines, and in terms of 'software' such as life expectancy, child mortality rate, home ownership and street safety.

China has its share of problems, some of which are serious and require earnest solution, but China's overall success is beyond doubt. How to explain this success? Some claim that this is due to foreign direct investment, but Eastern Europe has received far more FDI in per capita terms; some claim that

it's due to China's cheap labour, but India and Africa offer much cheaper labour; some claim that it's due to an authoritarian government, but there are authoriatian governments, as defined by the West, everywhere in Asia, Africa and Latin America, and in the Arab world, but none of them have accomplished what China has achieved.

If none of these explanations can explain China's success, one should be encouraged to think outside the box. To this author, essentially it has to do with the nature of China as a state and the China model of development.

2. CHINA AS A CIVILIZATIONAL STATE

China is not an enlarged East Germany, nor is it another ordinary state. China is a civilizational state, arguably the world's only one, as China is the only country in the world with a history of unified state for over 2000 years, and it is the world's only continuous civilization lasting over 5000 years amalgated with a huge modern state.

An inaccurate analagy would be something like the ancient Roman Empire continuing to this day as a unified modern state with a centralized government, modern economy, all its diverse traditions and cultures and a huge population speaking the same language called Latin.

This kind of country is bound to be unique: China is an amalgamation of four factors, namely, a superlarge population, a super-sized territory, superlong traditions and a super-rich culture. China has a population larger than the total populations of the Europe Union of 27, the USA, Russia and Japan combined. China's annual Spring Festival witnesses over 3 billion visits via China's vast transportation networks, something equivelant to moving the whole populations of North and South America, Europe, Russia, Japan and Africa from one place to another in less than a month. This is the scale of the country as well as the challenges and opportunities it faces.

China has a super-sized landscape, a continent by itself, with unimaginable regional diversity. China has super-entrenched historical traditions on everything one could think of, often traditions of thousands of years, ranging from political governance to statecraft to economics to philosophy to medicine and military strategy to way of life. China has a super-rich culture, including one of the world's most sophisticated literatures and architectures. There is perhaps no better example to illustrate its cultural richness than the Chinese cuisine: China boasts eight main schools of cuisine, each of them being arguably richer than the French cuisine in terms of contents and varieties. If the French cuisine is the cultural product of France as a nation-state, then the Chinese cuisine is the amalgamation of the cultural traditions of "hundreds of states in one", and its richness and diversity is unrivalled elsewhere. In fact, such richness and diversity are indeed ubiquitous in China, which constitute both enormous challenges for governance and fascinating prospects for this great nation.



THERE IS NO NEED AT ALL FOR THE WEST TO BE SCARED OF THE CHINA MODEL"

3. THE CHINESE SENSE OF LEGITIMACY

The "four supers" of China as a civilizational state have largely shaped the China's sense of regime legitimacy, which is strikingly different from that of the West. For instance, it is widely assumed in the West that legitimacy of a government comes from universal suffrage and multi- party competitive elections. In fact, this assumption inevitably raises two questions: first, historically it is not true, as universal suffrage is a recent development, for instance, one cannot claim the American administrations had been illegitimate until 1965 when the black people were allowed to vote, and second, this practice is confined only to nation-states, and it is difficult to imagine, say the European Union, to establish its legitimacy on universal suffrage and play its unifying role. The two questions help us understand better why the Chinese sense of legitimacy is vastly different from the Western one, for China is not a typical nation-state, rather it is deeply historical and civilizational. This kind of state would become indeed ungovernable when the adversarial political model were applied, as in the case of China's 1911 Republican Revolution when the country copied the American model and degenerated into warlords fighting each other with tens of millions of lives lost in the decades to come.

As a civilizational state, its legitimacy is deeply rooted in its own historical tradition shaped over its long past since the country was first unified under the Emperor Qin in 221 BC. China's one-party

governance today may look strikingly illegitimate in the eyes of many Westerners, yet it is to most Chinese nothing extraordinary, as in most of the past two millennia, China practiced a kind of one-party rule, or rule by a unified Confucian ruling elite selected through public exams (the Keju) claiming to represent --- or genuinely representing --- most if not all under heaven. Furthermore, during much of the one-party-rule era, China had been on the whole a better governed, more peaceful and prosperous state than the European states of the same epoch. China began to lag behind Europe when it closed its door to the outside world at around the 18th century and missed the Industrial Revolution, but the country is now catching up fast.

THREE KEY CONCEPTS HAVE UNDERPINNED THE CHINESE SENSE OF LEGITIMACY:

FIRST, the Mandate of Heaven (tianmin) or performance legitimacy. To govern such a large, populous and diverse country, a Confucian doctrine of the "mandate of heaven" came to prevail since the Han Dynasty (201BC to 220 AD). Confucius admonished the Chinese rulers that "water can carry a boat but also overturn it", which meant that unless the rulers worked with diligence to ensure good governance (liangzheng shanzhi), especially the country's unity and people's livelihood, ordinary people could rise up and rebel in the name of "heaven". In other words, the Chinese mandate of heaven was not a God-given right, but

people's acceptance of the rulers' legitimacy upon the condition that the rulers had to perform. This Chinese idea of "social contract" preceded Jean Jacques Rousseau's by over two millennia. The Chinese leaders today have adapted this idea into a sense of mission to realize the Chinese dream of restoring the country's premier world-class status and creating a more just and prosperous society for all.

Despite its various weaknesses, the Chinese state has presided over the world's fastest economic growth and improvement of living standards in human history over the past four decades, and key independent surveys, including those by the PEW and Ipsos, show a consistent pattern in which the Chinese central authorities command a high degree of respect and support within the country. The Ipsos survey (2016) showed that 90% Chinese were satisfied with the track the country takes while only 37% Americans and 11% French for their respective countries. Depicting China's polity as lacking legitimacy or even on the verge of collapse, as appears so often in the Western media, is hopelessly ignorant and way out of touch with China's reality.

SECOND, relating to the mandate of heaven is the idea and practice of meritocracy (xuanxian renneng or selecting and appointing the virtuous and competent). As Francis Fukuyama has observed in his book the Origins of Political Order that "it is safe to say that China invented modern bureaucracy, that is, a permanent administrative cadre selected on the basis of ability rather than kinship or patrimonial connection", which was essentially the Keju system or civil service exams to select the talents into the leading positions of government. The CPC has adapted this tradition to China's new reality and built an impressive system of selecting its leaders based on merit and performance. For example, China's top decisionmakers (members of the Standing Committee of the CPC Political Bureau, including President Xi Jinping) have in most cases served at least twice as party secretaries or governors of a province,

which means, given the size of China's population, they have administered at least a population of over 100 million and performed well, before being promoted to their top-echelon positions.

THIRD, buttressing the above is the Chinese philosophy of political governance, including, inter alia, the two distinctive concepts: minyi and minxin, the former referring to "public opinion", and the latter to "the hearts and minds of the people" (approximate English translation), which was first put forward by Mencius (372 - 289 BC). Minyi or public opinion can be fleeting and change overnight (especially in today's internet age) while minxin or "hearts and minds of the people" tends to be stable and lasting, reflecting the whole and long-term interest of a nation. Over the past four decades, the Chinese state has generally practiced "rule by minxin". This allows China to plan for medium to long terms and even for the next generation, rather than for next 100 days or next election as the case with many Western countries.

4. THE CHINA MODEL

FURTHERMORE, THE "FOUR SUPERS" OF CHINA HAVE LARGELY SHAPED CHINA'S PATH DEPENDENCY AND CHINA'S UNIQUE DEVELOPMENT MODEL, OF WHICH 8 FEATURES CAN BE DISTILLED:

FIRST, it's guiding philosophy is called 'seeking truth from facts'. This is an ancient Chinese concept revived by Deng Xiaoping, the architect of China's reform programme, after the failure of the utopian Cultural Revolution. Deng believed that facts rather than ideological dogmas - whether from East or West - should serve as the ultimate criterion for establishing truth. Beijing concluded from examining facts that neither the Soviet Communist model nor the Western liberal democracy model really worked for a developing country in terms of achieving modernization. Hence China decided in 1978 to explore its own path of development and to adopt a pragmatic, trial-and-error approach for its massive modernization program. This is the philosophical underpining of the China model.

SECOND, putting people's livelihood first. This is a very traditional concept of political governance in China. In this context, Deng Xiaoping prioritized poverty eradication as China's No.1 task and pursued a down-to-earth strategy to wipe out poverty. China's reform started first in the countryside, as most Chinese then lived in the countryside. The success of the rural reform set the Chinese economy moving and created a positive chain reaction leading to the rise of millions of small and medium-sized enterprises, which soon accounted for more than half of China's industrial output, thus paving the way for the rapid expansion of China's manufacturing industries and foreign trade.

China is in many ways correcting a neglect in the range of human rights advocated by the West, which tend to focus exclusively on civil and political rights. This feature of 'putting people's livelihood first' may have long-term positive implications for expanding and improving human rights as defined by the United Nations, notably economic, social and cultural rights.

THIRD, stability as a pre-condition for development. As a civilizational state, its ethnic, religious, linguistic and regional diversity is among the highest in the world, and hence this condition has shaped what may be called 'the collective psychi' of the Chinese, i.e. most people revere stability and fear 'luan', the Chinese word for chaos, and the Chinese political culture is deeply rooted in the concept of 'taipingshengshi': prosperity in peace. or peace with prosperity. Deng Xiaoping's penchant for stability derives in part from his understanding of Chinese modern history: in a span of nearly one century and a half from 1840 when the British launched the Opium War on China to the beginning of the reform in late 1978, China's longest continuous period of peace and stability lasted no more than 8 to 9 years, and the country was in constant turmoil and suffered from repeated foreign aggressions, civil wars, peasant uprisings and self-inflicted ideological franzy. By now China has for the first time in its modern history enjoyed a sustained stability for four decades, and the world has witnessed China's dramatic rise.

FOURTH, gradual reform. Given the size and complexity of the country, Deng Xiaoping set out a strategy that is often described as 'crossing river by feeling for stepping stones', and he encouraged experiments for all major reform initiatives, as examplified by China's special economic zones where new ideas were tested such as land sale, high-tech joint ventures and an export-oriented economy. Only when new initiatives are shown to work they are extended nationwide. China has rejected 'shock therapy' and worked through the existing, imperfect institutions while gradually reforming them to serve China's development and modernization. This cautious approach has

enabled China to maintain much needed political stablity and avoided paralysing failures as the case with the former Soviet Union and ex-Yugoslavia.

F/FTH, correct priorities and sequence. In line with the gradual approach, China's reform has demonstrated a clear pattern of change: rural reforms first, urban ones second; changes in coastal areas first, inland second; economic reforms first, political ones second. In a nutshell, easy reforms before more difficult ones, and the advantage of this approach is that the experiences and lessons gained in the first stage of reform create conditions for the next stage of change. Underpining this approach is China's philosophical tradition of holistic thinking. Deng Xiaoping mapped out a 70-year strategy for modernizing China by the middle of the 21st century, and China is still pursuing this strategy today, and this strategy has been further adapted at the 19 th CPC Congress held in late 2017 into an important two-phased plan for 2035 ("basically realizing socialist modernization") and 2050 (full-fledged socialist developed country) respectively. This feature contrasts sharply with the populist, short-term politics so prevalent in much of the world today.

SIXTH, a mixed economy. China has tried to combine the strength of the invisible hand of the market force with the visible hand of the state intervention, in part to correct market failures. China's economic system is thus called 'socialist market economy'. When the market force is released by China's gigantic economic change, the Chinese state has done its upmost to ensure a macro political and economic stability, and the state has steered the country out of harm's way in both the 1997 Asian financial tsunami and the 2008 financial crisis and now is pursuing a strategy to vigorously promote the renewable energies and embrace the new industrial and scientific revolution.

China's mixed economy has evolved many tools for macro regulation, way beyond the Keynesian fiscal and monetary policies, and the state has at its disposal such instruments as public ownership

CHINA HAS TRIED TO COMBINE THE STRENGTH OF THE INVISIBLE HAND OF MARKET FORCES WITH THE VISIBLE HAND OF THE STATE INTERVENTION"

of land and strategic resources as well as a largely performing state sector. These give the Chinese state greater leveraging power than many other countries.

The mixed economy model is not perfect, but since its inception in 1992, China is the only major economy in the world that did not experience financial crisis or economic crisis, people's living standards are rising the fastest in the world and China's contributions to the growth of the world economy is now larger than the combined contributions of the US, Europe and Japan. So the model is by no means perfect, but it's doing better than other models, including the Western one.

Seventh, opening up to the outside world. With no messianic tradition of converting others, China represents a secular culture where learning from others is highly virtuous. China has retained its long tradition of "selective cultural borrowing" from outside world, including drawing on useful elements from the neo-liberal Washington consensus such as its emphasis on entrepreneurship and international trade. But Beijing safeguards its independent policy space. Opening up to international competition



has allowed China to become one of the most competitive economies in the world.

LAST BUT NOT LEAST, a relatively disinterested and enlightened strong state. China's change has been led by an enlightened developmental state. The Chinese state is capable of shaping national consensus on the need for reform and modernization and ensuring overall political and macroeconomic stability and pursuing hard strategic objectives, such as enforcing state-owned enterprise reforms and financial sector reform to ward off possible crisis, and stimulating the economy against the global downturn. This feature originates from China's Confucian tradition of a benevolent strong state established on the basis of meritocracy at all levels.

China's meritocracy-based system or "selection plus election" is apparently more effective than the Western model of relying simply on elections in producing competent and trust-worthy leaders. With this system of meritocracy and performance legitimacy in place, whatever defects it may still have, there is no chance for such people as George W. Bush or Donald Trump to rise to the top echelon of power.

Winston Churchill's famous dictum "democracy is the worst form of government, except for all those other forms that have been tried" may be true in the Western political context. And many Chinese even paraphrase Churchill's remark into what Sun Tze, China's military strategist of the 6 century BC, called xiaxiace, or the least bad option, which allows for the exit of bad leaders.

But in China's Confucian tradition of meritocracy, a state should always strive for what's called shangshangce, or the best of the best options by choosing leaders of the highest calibre. This is by no means easy, but efforts to this end should be ceaseless. China's political and institutional innovations so far have produced a system which has in many ways combined the best option of selecting well-tested competent leaders and the least bad option of ensuring the exit of those leaders who should exit for all kinds of reasons, through a retirement system.



5. IMPLICATIONS: A PARADIGM SHIFT

The relative success of China since 1978 shows that whatever the political system, it must all boil down to good governance. In other words, the ultimate test of a good political system is to what extent it can ensure good governance. The stereotyped dichotomy of democracy vs. autocracy sounds increasingly hollow in today's complex world, given the large numbers of poorly governed "democracies". China's idea may eventually shape a paradigm shift from the dichotomy of democracy vs. autocracy to that of good governance vs. bad governance. Good governance may take the form of the Western political system and it can also take the form of non-Western political system as is the case with China. In the same vein, bad governance can take the form of the Western political model as in the case of Haiti, Iraq and many others or take the form of the non-Western model.

In fact, the bankruptcy of Greece, the Brexit and the rise of Trump in the United States all speak volumes for the fact that the Western economic and political models are in trouble. Joseph Stiglitz, the Nobel laureate in economics, is right in rephrasing Abraham Lincoln's famous line "of the people, by the people, for the people" into "of the 1%, by the 1%, for the 1%", stressing that American democracy has been decaying. Over the past decade, almost all respectable international polls point to a plummeted rate of public approval of Western governments in contrast to the much higher approval rate for the Chinese one. The West indeed has a long way to go in reforming its own political governance and economic structure, including better protection of human rights, given the rising trends of zenophobia and simple–minded populism in much of the Western world.

Furthermore, the China model is likely to inspire more countries to explore their own way forward and their understanding of what constitutes good governance. China is indeed rising fast and many economists today tend to believe that it will overtake the United States to become the world's largest



economy (GDP calculated by official exchange rate) in less than a decade. By my estimate, ten years from now, the number of China's middle-class may be twice the population of the United States.

Despite some of its weaknesses, the China model is born out of fierce international competition and it is thus robust and competitive. It can compete with the American one or the Western model in general. But there is no need at all for the West to be scared of the China model. Just as economic growth is not a zero-sum game and the Western countries have gained a lot from China's fast expanding economy. Competition in models of development and governance is not a zero-sum game either. China has learnt so much from the West and will continue to do so for its own benefit. It may be time now for the West, to borrow Deng Xiaoping's famous phrase to "emancipate the mind" and to learn a bit more about or even from the China model and the Chinese ideas. This will help ward off more wrong predictions about China and enrich our common wisdom to deal with the multiplying global challenges such as poverty eradication, job creation, fighting terrorism, prevention of financial crises and clash of civilizations.

Back in 2011, I had a debate on the China model with Francis Fukuyama, author of The End of History and the Last Man. I told him that frankly it's not the end of history but the end of the end of history. This is not only good for China, but also good for the West and for the whole humanity, as we could jointly explore better ways and means for better political governance and development in the interest of our common humanity.

YAUYAO

DIRECTOR OF THE CENTER FOR NATIONAL SOFT

POWER RESEARCH



DR. YAO YAO IS THE DIRECTOR OF THE CENTER FOR NATIONAL SOFT POWER RESEARCH AT CHINA FOREIGN AFFAIRS UNIVERSITY, A NATIONAL-LEVEL INSTITUTE AFFLIATED TO THE MINISTRY OF FOREIGN AFFAIRS, P.R.C.

TRADITIONAL CIVILIZATION AND MAJOR-COUNTRY DIPLOMACY WITH CHINESE CHARACTERISTICS IN THE NEW ERA

n November 6, 2018, Chinese Vice President Wang Qishan delivered a speech entitled "Keeping Abreast of the Trend of the Times to Reform and Innovation for Common Development" at the New Economy Forum held in Singapore, guiding international public opinion to observe China from the perspective of Chinese history and traditions. He pointed out that only by "understanding China's history and culture can we understand the road, theory, system and cultural support of China's choice":

"The great achievements of China's 40 years of reform and opening up cannot be separated from the arduous struggle of nearly 70 years since the founding of PRC in 1949. To understand the sevendecade history, we must trace back to year 1840. From the moment of being invaded by the Western powers, the unyielding Chinese people have been searching hard to stand up again and strive for

development. Hardworking, wisdom, frugality, courage, tolerance and openness are the genes of the Chinese nation. These cultural features have created a coherent Chinese civilization of more than 5,000 years. The unique historical culture has determined that China can only take its path with Chinese characteristics."

As Vice President Wang Qishan said, history, reality and the future are closely linked. In the historical node of the 40th anniversary of China's reform and opening up, by observing China combining its different historic phases can we find a strong civilized driving force for the reform, development, and innovation of China in the new era and can we promote China's wisdom in promoting a new type of international relations and a community of shared future that build mutual respect, fairness, justice, cooperation and win-win.

1. CHINESE CIVILIZATION: SOURCE OF MAJOR-COUNTRY DIPLOMACY WITH CHINESE CHARACTERISTICS IN THE NEW ERA

In 1840, when Chinese nation struggled with Western invasion, its traditional civilization was facing unprecedented "modernization challenges" as well. Since then, in the historical process of pursuing modernization, some Chinese people have deeply doubted, despised and even hated the cultural traditions of their own nation. However, no. one can erase the Chinese tradition that remains in the cultural genes. More than a century of practice has shown that the Chinese are going all the way, not only to pursue modernization, but also to firmly hold their own traditions. In 2006, when Xi Jinping, then Secretary of the CPC Zhejiang Party Committee, met with American writer Robert Kuhn. he pointed out that "Chinese people's pride in the long- standing cultural traditions of the motherland is an important factor driving the development of its modernization":

To understand why Chinese are so persistent in their efforts to rejuvenate the nation, we must understand the Chinese people's sense of pride in their ancient civilizations for which is the historical impetus to inspire

Chinese people to revitalize the nation.... We have gone through thousands of years to make what China is now. But no matter how we view this transformation speed, China's development and changes, at least to a certain extent, are driven by Chinese patriotic enthusiasm and national pride".

Since the 18th CPC National Congress, the Party Central Committee with Comrade Xi Jinping as the core has coordinated the two major domestic and international situations, and proposed an important topic of major-country diplomacy with Chinese characteristics. The party emphasized that China's ideas dealing with foreign affairs must have distinctive Chinese characteristics. Chinese style and Chinese manner. Together, this congress has comprehensively and thoroughly elaborated several issues like objectives, paths, principles, and means of China's diplomacy, forming the basic structure of major-country diplomacy with Chinese characteristics and providing a top-level design and a right direction of China's diplomacy.

What are the main features of major-country diplomacy with Chinese characteristics? In August 2013, Chinese Foreign Minister Wang Yi published a long article entitled "Exploring the Path of Major-Country Diplomacy with Chinese Characteristics" and elaborated on the background, performance and roots of this diplomacy. In view of the Chinese characteristics of the diplomacy, Mr. Wang has proposed five points:

THE CHINESE CHARACTERISTICS ARE:

- 1. BASED ON CHINA'S BASIC NATIONAL CONDITIONS AS A DEVELOPING COUNTRY
- 2. ROOTED IN THE SOCIALIST IDEAS THAT CHINA FOLLOWS
- 3. ORIGINATED FROM PROFOUND CHINESE CIVILIZATION
- 4. DERIVED FROM SOUND TRADITION OF CHINA'S DIPLOMACY IN THE NEW ERA
- 5. IN ACCORD WITH THE CONTEMPORARY TREND OF THE TIME AND WORLD.

When discussing "China's diplomatic characteristics originated profound Chinese civilization," Wang Yi proposed that "the long history of 5,000 years witnessed the formation of Chinese humanistic spirit of the people and the benevolence, the political ideology in the dual use, the peaceful ambition of love, non-attack, good neighbors, the concept of harmony in diversity and the consideration of others. These unique traditional values with Chinese characteristics have continuously provided valuable ideas for Chinese diplomacy.

The ancient Chinese civilization not only has farreaching influence on China's diplomacy, but also has practical significance that cannot be ignored in the current international system. As Foreign Minister Wang Yi said, the world today faces not only the dilemma of development, but also the deep ideological and cultural crisis of modern civilization. "China's diplomacy is to vigorously promote Chinese culture, provide China's wisdom in dealing with contemporary international relations, introduce China's experience in governance and offer China's proposals to improve global governance, thereby providing more opportunities for human society to cope with the new challenges of the 21st century."

2. COEXISTENCE OF THE STRONG AND THE WEAK: THE KEYTO CHINA'S ADHERENCE TO COOPERATION AND WIN-WIN

For today's world, especially the vast number of developing countries, China's new international relations of cooperation and win-win are attractive, not only reflecting the Chinese tradition and the China's wisdom, but also becoming the biggest soft power of China's diplomacy.

The Chinese civilization tradition with Confucian culture as the main representative attached importance to the core issues of "internal and external relations" and "transformation of the strong and the weak". It is completely different from the inequality system in the international order since modern times and the hegemonic path of the great powers. Since the 16th century, Western countries have embarked on the road of external expansion, and the world has increasingly formed a pattern of "strong and weak differentiation". Some big countries rely on military power and first-mover advantage to pursue hegemony that harms others and achieve their own development at the expense of other countries' interests. The ancient Chinese nation also tasted the suffering of the "weak" in the Western-led international system. However, with its strong civilized heritage and unremitting collective struggle, the Chinese nation has continued to grow and develop in the cracks between powers and hegemony and walked on the road of national rejuvenation to strive for becoming a "strong" power on the world stage.

Yao Ru, an ancestor of my family and a scholar of the Ming Dynasty, once wrote a parental instruction called "Jiao'Xue'Yao'Nue (The Key Points of Parental Guide)". One sentence quoted from the book is enoughto reflect the Chinese philosophical principle of how to deal with "strong and weak relations", that is, "The rich must lead their descendants

to learn the principles of Confucianism and the poor to learn to be decent". In the view of Chinese traditional civilization, "the nature of objects in this world is diversity", which means the difference between people and countries is objective and inevitable including the strong and weak, rich and poor. However, in Chinese philosophical thinking, both sides of the contradiction must follow the corresponding ethics and norms – the strong can not be bullying and the weak can not be degraded. Only by following the principle of "the strong by Confucianism and the weak by being decent" can we build a harmonious society and world.

Since the founding of PRC in 1949. China has followed a development pattern of "the strong by Confucianism and the weak by being decent". In the early days of its founding and even its national strength was weak, China would always refused to rely on hegemony in the international pattern of the US-Soviet hegemony. China held the spirit of "weak by being decent" and refused to barter away its sovereignty, instead, to adhere to independence and use diplomatic soft power to find its development under the competitions among big countries. In the end, China succeeded in getting rid of the control of the United States and the Soviet Union and built a completely independent industrialization system. Since the end of the Cold War in 1980s, China's national strength has become stronger with unremitting efforts and its international identity has begun to change. As an emerging and developing country, China has refused the hegemonic path and firmly held the spirit of "the strong by Confucianism" to strengthen its development and explore the road of majorcountry diplomacy with Chinese characteristics featuring win-win cooperation.

TRADITIONAL
INDUSTRIAL POWERS
ARE RELUCTANT
TO CARE FOR THE
WHOLE WORLD, BUT
THE CHINESE NATION,
WITH PROFOUND
CULTURAL HERITAGE,
SHOULD HAVE THIS
RESPONSIBILITY"

In the view of Chinese traditional culture, the strong always helps the weak which will not only help the weak to enhance their viability, but also the long-term stability of the strong. Today, as an "emerging power", China rejects the Western logic of "a strong country is bound to seek hegemony" and actively promotes the common development of China and the rest of the world, especially the developing countries. In the past, traditional foreign powers such as the United States, Europe and Japan have never been active in helpin the Asian, African and Latin American countries achieve independent industrialization. Today, for China, this is a new opportunity. After nearly 70 years of development

and exploration, China has accumulated a certain amount of development experiences and foreign exchange reserves and is facing the historic mission of industrial transformation and upgrading. The way to promote the development of the country while bringing opportunities to the vast Asian, African and Latin American nation conforms to the meaning of the great rejuvenation of the Chinese nation

A Chinese ancient saying goes: "Give a man a fish and you feed him for a day, but teach a man to fish and you feed him for a lifetime". If the economic model of China in the past four decade is mainly "exporting industrial products", then in the next stage, China's economic model should be transformed toward "exporting industrialization". As usual, traditional industrial powers are reluctant to care for the whole world, but we Chinese nation, with profound cultural heritage, should have this responsibility – this will benefit not only others but also ourselves and this is not only an opportunity for China's transformation but for China to establish its own international image.

3. CULTURAL RENAISSANCE: IMPETUS FOR CHINA'S REFORM AND OPENING UP

How does Chinese traditional civilization affect China's reform and opening up and major-country diplomacy? What its influence on the transformation of the contemporary international system and the international order? On September 24, 2014, President Xi Jinping delivered a keynote speech at the International Conference on the 2565th Anniversary of Confucius. He stressed that only by learning from the past and especially the traditional civilization can we pursue today's cause of development:

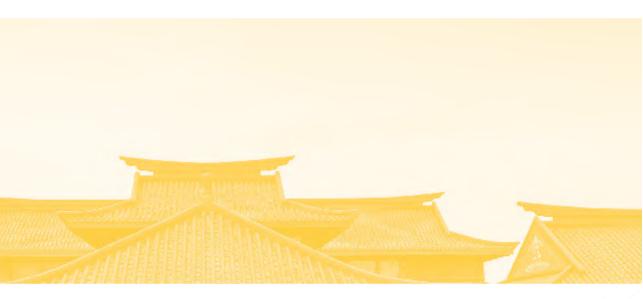
China's excellent traditional thinking and culture reflect Chinese views on world, life, values and aesthetics, etc, among which the most significant contents have shaped into the most fundamental cultural genes of Chinese nation. Chinese culture has gradually obtained its unique cultural logos through China's development. China's dream and Chinese shared value are rooted in the excellent traditional culture and at the same time advance themselves with the times.

Promoting opening-up policy with an inexhaustible impetus can only be done by sticking to China's dream of national rejuvenation. And only by persisting in its cultural renaissance featuring benevolence and harmony can China gain more support for external world. The great philosopher Confucius said more than two millennia ago "the virtue of the sage will last long and the cause of the sage will thrive". China active promotion of reform and opening up and exploration of the majorcountry diplomacy are the great cause of pursing a harmonious world. China will eventually provide the world with China's wisdom and efforts to shape a future of lasting peace and common prosperity. Benn Gru, German scholar on international relations, suggested that the increasing share of emerging economies like Brazil, Turkey and China in global income will naturally encourage



themselves to regain their respective cultural bases and to pursue interests with essence to its dregs. It should be acknowledged that traditional culture is also a double-edged sword for Chinese diplomacy. In Chinese history, although there is no political colonization or economic exploitation between China and neighboring countries, cultural inequality are undoubtedly incompatible with modern diplomatic principle which necessarily means that major-country diplomacy with Chinese characteristics should take seriously about both its traditional culture and diplomatic heritage. Despite this, the excellent part of traditional culture, especially the "Wangdao (benevolent government)", can still benefit the new international order and a community of shared future.

One of the important goals of the major-country diplomacy with Chinese characteristics in the new era is to create a new discourse system with the rest of the world as well as to find a new perspective that transcends the traditional hegemonic path and discourse model, embodying a kind of ability



CHINESE CULTURE HAS GRADUALLY OBTAINED ITS UNIQUE CULTURAL LOGOS THROUGH CHINA'S DEVELOPMENT"

to reconcile the interests of the world. We believe that a world where more countries are getting rid of poverty and getting rich and where few countries monopolizing the fruits of development, is a beautiful and promising future for mankind. Therefore, China's national rejuvenation must be fundamentally different from the traditional Western powers' path of domination, different from

the traditional major powers that rely on military expansion and currency hegemony. Instead of sticking to hegemony to suppress the independent industry of other countries, forcing other countries to be their own economic vassals, China must promote common development in a sincere manner

We would never forget that China is the People's Republic of China, which requires us to always put people in the first place and seek harmonious and people-oriented development. We would never forget China is still one of developing countries which enables us to actively offering our support for countries in need and world's peace. Only in this way can we consider China's reform and opening up achievements made from win-win cooperation with other countries and gather more countries to share the fruits of China's development. And only by sticking to major- country diplomacy with Chinese characteristics can China get more support from home and abroad.

ZHENGYU

PROFESSOR AT THE SCHOOL OF INTERNATIONAL RELATIONS AND PUBLIC AFFAIRS, FUDAN UNIVERSITY



ZHENG YU IS A PROFESSOR AT THE SCHOOL OF INTERNATIONAL RELATIONS AND PUBLIC AFFAIRS (SIRPA), FUDAN UNIVERSITY. HE IS THE AUTHOR OF GOVERNANCE AND FOREIGN INVESTMENT IN CHINA, INDIA, AND TAIWAN: CREDIBILITY, FLEXIBILITY, AND INTERNATIONAL BUSINESS (UNIVERSITY OF MICHIGAN PRESS).

CHINA'S DEVELOPMENT EXPERIENCE AND INTERNATIONAL COOPERATION

ustainable economy has long been a desirable goal for all countries, but few of them can turn it into reality. With the launch of The 2030 Agenda for Sustainable Development, international communities has reached a consensus on sustainable development, inclusive development and balanced development. But views on "How to develop" differ. Much has been written about the successful development practices of developed countries. The remedies prescribed by economists are systemic and complete. But there is no one-size-fits-all development paradigm in light of their national realities of developing

countries and there are a few of them to succeed by coping their developing path. The past four decades has witnessed tremendous changes in Chinese economy with the reform and opening up emerging as the most important driver. Per capita income in China has increased from less than 300 USD to 9000 USD, which has scored medium and high income level from backward one. China has made great achievement while pursuing a different path, offering an important experience different from traditional developing paths for many other developing countries.

CHINA'S DEVELOPMENT EXPERIENCE

What is Chinese developing experience? How to share it to all? For many backward developing countries, industrialization has been their ultimate goal. The four important developing experience in the course of China's development has strong significance as a reference.

FIRSTLY, maintaining the stability and continuity of the open polices is the prerequisite to attract foreign investment. Special economic zones and development zones have contributed a lot to attracting foreign investment not only because of their preferential policies but also the reliable policy climate and institutional innovation. China's opening to the outside world started with the establishment of the four special economic zones in1980. Preferential policies, simplified procedures, financial autonomy and high level administrative policies are all important institutional innovation

along with special economic zones. The success of special economic zones not only relies on the incentive measures. With the open policies stabilized, then international investment began to grow rapidly. Only by institutional reform can we maintain the reliability and continuity of opening. In addition, the investors will become less concerned about the risk of their investment. In this way, institutional reform will serve as a great driving force for economic growth.

Secondly, extensive adaptation of pilot policies has smoothened significant economic reform.

Chinese government has adopted a set of innovative policies and systems to encounter the complex challenges along with large-scale economic changes, which has warded off systemic crises. This unusual resilience was partly attributed to the pilot policies widely adopted by local governments. Within the institutional framework of decentralization, the municipal and county-level local governments were fully responsible for the business activities of their administrative regions. By means of appointment and promotion, the central government encourages local governments to conform to the policies and quidelines of the central government and maintain an enabling policy environment for investment. Innovations in local areas, such as pilot regulations, special economic zones and policy practices, are first implemented as pilot projects in a few places. Only when the practices have been proved successful can it be adopted to more regions and eventually made it into a national policy. The experimental approach is not about finding "best policy practices", but about helping avoid policy gridlock central government while giving full play of local advantages and motivating local officials.

Thirdly, the establishment of industrial production chains and integration into global value chains has promoted export growth and industrial upgrading. Attracting foreign investment was the primary goal of all special economic zones in the early stage. Meanwhile, establishing production network and integrating into global value chain constitutes an important strategy to achieve sustainable development. China has established special economic zones and development zones all over the country, but not all of them have been successful. In some cases of development zones that have been proved successful, they have put their focus on promoting the development of industrial clusters and giving play to the local competitive advantages irrespective of their differences in scale, industrial structure and economic benefits, so as to integrate into the global value chain more effectively.

At last, flexible land management systems has created favorable environment for industrialization and urbanization. China's rapid industrialization can be attributed to two major advantages in large-scale manufacturing production and a large number of cheap labor force. However, without a flexible land management system, neither of these advantages will be realized. Flexible land management system is conducive to the conversion of farming land to industrial land for mass production. Its outcomes has served as a source of revenue for local governments, relieved financial pressure and offered funds for local infrastructure construction. In addition, we should also look squarely into the fact that the institutional arrangement has brought about many negative effects, such as conflicts in land acquisition and the government's land finance.

44

ATTRACTING FOREIGN INVESTMENT WAS THE PRIMARY GOAL OF ALL SPECIAL ECONOMIC ZONES IN THE EARLY STAGE"

China's development experience has been demonstrated as a model for many developing countries. Many countries have acted as active learners in China's experience in various fields, such as increasing infrastructure investment, building industrial parks and promoting manufacturing exports. But no developing country that has learned from China has achieved the sustained and significant success (Ethiopia's development over the past decade can partly be considered a success). This myth can come from two sources.

On the one hand, developing countries must realize their differences in national conditions and cannot rely solely on copying China's experience in an attempt to create another miracle. In the aspects of institutions and policies in particular, China's development experience of "powerful government" often encounters the dilemma of "weak government" in recipient countries. In governments that are lack of strong development aspirations, clear development strategies and capabilities in efficient implementation, many well-functioning Chinese policies may tend to be

unadaptable in other countries. In other words, it is easy to share the "Art" of Chinese experience, but it is more vital to understand the "Tao" of Chinese experience. On the other hand, China should avoid to universalize its own characteristics and exchanges its experience with a sense of superiority, and adhere to an equal partnership rather than an unequal relationship of giving and receiving. The latter has served as an extremely important and timely wake-up call to curb its overconfidence that may emerge in China's rapid rise.

INTERNATIONAL COOPERATION IN DEVELOPMENT

In the second half of the 20th century, the development aid system, established by developed countries, has dominated the norms of international development. It emphasized the standard model and single path of economic development theoretically, but suffered setbacks in practice, with few cases proved to be successful in developing, relying on assistance. The diversification of the development models is more obvious. In fact, the failure to take effect of the aid system has been a crux for its research for a long time. In the more than a-half-century in which Western countries have offered development assistance for other countries, much evidence has proved that the aid did not account much in the economic development of recipient countries. The result somehow came down to the shortage of resources and the assistance mechanism. Whether China can bail itself out of the dilemma is crucial for the success of the Sustainable Development Goals.

As one of the important participant and pushers of the South-South Cooperation, great changes have taken place in its concept of development, concept of interests, and the cooperation relations. Along the way side, its foreign trade policies have also changed to adapt its economic developments and current status. Since the commencement of the 21st Century in particular, China has strengthened economic and trade exchanges with other developing countries, and bound the three drivers of assistance, investment and trade closer, bringing notable benefits to the economic development of developing countries especially those in Africa. Those remarkable positive effects have demonstrated that China upheld the principle of justice in diplomatic activities and pursued a more diversified path in South-South Cooperation in a new era. These changes have contributed a lot to formation of new development

WITH THE CONTINUOUS EXPANSION OF THE GLOBAL VALUE CHAIN, DEVELOPING COUNTRIES ARE LIKELY TO DEVELOP AN EXPORT-ORIENTED ECONOMY"

cooperation. Firstly, as the emerging economies and low-income countries boast little differences among themselves. There are much complementarity in their economic structure. it is easier to form a progressive relationship in global value chains. Meanwhile, the ever-growing demands for resources and primary products in emerging economies and the sustained rise of world market price of primary products are conducive to maintain trade balance, rather than attachment of trade imbalances. Secondly, the emerging markets have attached great importance to the infrastructure construction in their development and cooperation, which contributes to breaking down major obstacles for developing countries and embarking on the road of sustainable development. Thirdly, emerging economies work with other developing countries as equal partners. There cooperation featured equality and mutual benefit rather than political correctness. Most importantly, it can fully mobilize the enthusiasm of all parties, and achieve common development while taking into account both the interests of its own and other partners. If the emerging economies can play a more active role in integrating development assistance and the two modes of South-South cooperation, and motivate low-income countries to integrate in globalization, thus benefit from it, the rules of the game will become more inclusive and sustainable.

Sustainable economic developmental entails reform in global trade rules. After the global financial crisis, globalization has once lost its momentum and direction due to the rising protectionism in developed countries. Emerging countries, with China as the representative, are the world economy. With the continuous expansion of the global value chain, developing countries are likely to develop an export-oriented economy and play a more active role in global value chains. however, the inequality of income distribution may expand. Although low-income developing countries can share the dividends of globalization relying on export processing, it may be locked at the low end of global value chains. In particular, small and medium-sized countries at middleincome levels, despite their active participation in global value chains, are much restricted by international economic and trade rules, making it difficult for them to utilize industrial policies for industrial upgrading and get of the Middle-Income Trap. In this context, for many developing countries, sustained economic growth also entails three drivers: internal governance reform, international development cooperation, and global economic and reform in global trade rules. With the three prerequisites existing, developing countries are more likely to overcome the poverty trap and the Middle-Income Trap.



DR. DANIB TÜRK

FORMER PRESIDENT OF THE REPUBLIC OF SLOVENIA MEMBER OF THE WORLD LEADERSHIP ALLIANCE - CLUB DE MADRID



DR. DANILO TÜRK IS THE CURRENT CHAIRMAN GLOBAL HIGH-LEVEL PANEL ON WATER AND PEACE, AND THE FORMER PRESIDENT OF SLOVENIA FROM 2007 TO 2012, TÜRK IS A HUMAN RIGHTS EXPERT AND INTERNATIONAL LAW PROFESSOR, AND WAS THE UN ASSISTANT SECRETARY GENERAL FOR POLITICAL AFFAIRS FROM 2000 TO 2005,

CHINA AND GLOBAL TRADE

MESSAGES OF THE FIRST CHINA INTERNATIONAL IMPORT EXPO

n 5 November 2018 President Xi Jinping opened the first China International Import Expo (CIIE) in Shanghai. The message coming from the CIIE is that China is the world's most promising market for goods and services in the decades to come. This ought to be seen as good news for the world. For China this represents a new phase of opening up and engagement with the world.

This orientation does not come as a surprise. Observers will agree that China has already developed from an export dependent, largely manufacturing economy to a modernized economy with a growing domestic demand and a fastgrowing importance of services. A single statistical indicator tells a story of global significance: In 2006 the gross exports from China to all countries of the world equaled 35 per cent of China's GDP, while in 2017 the figure was only 18 percent. And this change happened at the time of high growth rates that for the most part revolved around 8 per cent annually. The magnitude of this transformation is not difficult to imagine: The economy of China was simultaneously growing and becoming increasingly based on domestic demand. It is not too farfetched to visualize the future of China as the largest import market in the world.

In his key-note speech at the opening of the CIIE President Xi Jinping offered an ambitious vision of the future economic engagement of China with the World. Quite necessarily – and realistically – that vision proceeded from the offer to provide some of the basic conditions such as lowering of Chinese customs tariffs, simpler customs clearance and other administrative procedures and expanding the market access for imported goods more broadly.

But much more was offered for the coming years: Liberalisation and improved investment climate for foreign investors and, importantly, opening of services sector, including in such areas as telecommunications, education and medical services. In this context President Xi recognised the opportunity arising from the combination of the proven interest of foreign investors and the existing shortages in the domestic, Chinese supply. These shortages, according to President Xi, can be reduced through international investment and other forms of international cooperation.

Activities in the services sector should help developing "world class business environment" in China. Furthermore, new synergies should be developed, including in the field of intellectual property. Innovation should be stimulated through cooperation in science and technology which will strengthen the mutual understanding between foreign and Chinese partners. In order to strengthen further opening up President Xi announced creation of "pilot free trade zones" that would provide conditions for developing new models of international economic and technological cooperation.

The vision expressed at CIIE is welcome notwithstanding the doubts voiced by some western commentators. It is in a way ironic that the Chinese offers for further opening up – such as the one proposed by President Xi at the Boao Forum in April or at CIIE in Shanghai in November – are met with scepticism. Ironic, yes, but not entirely surprising. The western mind is mainly focused on the immediate – the existing tariffs, the existing practices in protection of intellectual property and, above all, on the immediate likelihood of

making profit. This logic is understandable but no longer sufficient. A medium- and long-term vision is needed as well. Otherwise the world will become victim of short-term measures and countermeasures and the resulting tensions, a pattern in which everybody will lose. What is needed is a vision of medium to long term development in which everybody will win.

Admittedly, such a vision requires a great amount of work and removal of obstacles that impede further widening of international economic cooperation today. In addition, it needs an adequate multilateral

framework. It should not be assumed that the way forward will be easy. The diversity of real and perceived interests, the fears and geopolitical calculations and many other factors are likely to complicate further development. Therefore, it is necessary to understand and discuss the obstacles and find ways of their removal. In addition, it is necessary to develop adequate models of reform of the multilateral system.

The subsequent paragraphs of this paper offer some thoughts for further discussion.

INTELLECTUAL PROPERTY AND TRANSFER OF TECHNOLOGY

On 1 June this year the EU issued a formal communication under the dispute settlement procedure of the World Trade Organization. The EU requested consultations with China relating to Article 64 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The key allegation of the EU is that certain Chinese measures pertaining to the transfer of technology into China adversely affect the protection of the intellectual property rights of foreign companies transferring technology to China (see doc. WT/DS549/1; G/L/1244; IP/D/39 of 6 June 2018).

The EU alleges that China imposes restrictions on the foreign intellectual property rights holders, who, because of restrictions, cannot freely negotiate market-based contractual terms of licensing and other technology related contracts. The EU communication includes the critique of alleged discrimination affecting foreign intellectual rights holders doing business in China. In the context of joint ventures, emphasized the EU, China imposes

mandatory contract terms that are discriminatory to foreign enterprises and restrict the ability of foreign companies to protect their intellectual property rights in China.

These allegations will be subject of "consultations" between the EU in China within the framework of the WTO's dispute settlement system.

Even without entering the legal details it is possible to identify the key legal and policy questions. Historically, every catch-up nation seized the ideas of those who were technologically more advanced and built on them – often at displeasure of the latter, as Martin Wolf, a prominent columnist of the Financial Times recently pointed out. He then emphasized: "The idea that intellectual property is sacrosanct is wrong. It is innovation that is sacrosanct. Intellectual property rights both help and hurt the effort. A balance has to be struck between rights that are too tight and too loose." (FT, 11 April 2018)

Balance in technology transfers is not a new aspiration but it is of particular significance now, at the time of the fourth technological revolution. The US and the EU are insisting on stricter protection of the intellectual property rights. China, in its legitimate pursuit of technological advancement, is trying to limit what it perceives as the adverse effects of strict intellectual property protection.

The resulting tensions reach beyond the relations among states, or, as is the case with the mentioned communication, beyond relations between the EU and the Government of China. The European and American companies have an important role as stabilisers of relations with China. Their legitimate interests have to be taken into account and appropriate balance has to be found. This is increasingly understood in China. Typically, the Prime Minister Li Keqiang emphasized (at the press conference following the EU China Summit on 16 July 2018) that "...Those who maliciously violate intellectual property rights will be fined to the point of bankruptcy...." (italics added)

President Xi used a slightly milder but nevertheless clear language in his opening speech in Shanghai CIIE when he made the following commitment:

"We protect the lawful rights and interests of foreign companies, and we are resolute in meting out, in a law-abiding manner, punishment for violations of the lawful rights and interests of foreign investors, particularly intellectual property rights infringements."

This language suggests that China understands well the need find a balance between legitimate interests of the foreign investors and its own development needs. The question is what kind of policy instruments will have to be used. Will the existing forms of protection of intellectual property suffice? Are they at all adequate to deal with challenges with the world of the digital revolution and artificial intelligence?

The technological change of our era has been remarkably global. Its effects have reached every

corner of the world and have gradually helped practically all parts of the world to participate in the furthering of change. In this process China has become a player of the first order. The question for the future is whether this process of globalization will continue along the existing patterns or will it change. And change can either mean a new level of globalization or a path of "indiginisation" of technological standards and the consequent fragmentation of the future technological development. The perspective is further complicated by the security aspect technological development. Technology contributes to the military and other elements of the "hard power" of the state. The question of dual use of technology is always a difficult one.

In such circumstances the way forward requires political wisdom and innovation.

It would be important to agree that China's development is part of the global transformation in knowledge, science and technology. While China clearly stands to benefit from international transfers of technology, which will help it to realize its plan of "made in China by 2025", other countries should benefit too. The challenge is to devise a system that will enable all sides to take advantage of the future technological development. At the opening of the CIIE in Shanghai in November, President Xi announced launching of "a science and technology innovation board at the Shanghai stock exchange and experimenting with the registration system for listed companies". This could be a promising opening for a new type of technological cooperation for the future.

The objective should be to build "win-win outcomes". For this to happen, all the relevant participants have to take an open-minded approach and work to better understand China's innovation system and development plans. The WTO consultations initiated by the EU should not be oblivious of this.

Another interesting question is how to take advantage of China's ability to provide knowledge opportunities through mutually beneficial exchange and cooperation in research and education. Let us recall, innovation is more important than protection of intellectual property. And innovation is closely related to education and culture. So, it would be important to include the development of higher education and research cooperation into the equation, while keeping in mind the centrality of the trading system itself and the WTO.

wto and the WTO. TRADING SYSTEM

Let us look at the international trade more broadly, i.e. beyond the trade related intellectual property issues. How realistic is the thinking of building bridges at a time of rising barriers to trade? What should be done to enable building bridges through trade and international cooperation in the future?

These questions sound familiar in the light of the current sliding into a global trade war – but also paradoxical in light of the fairly consistent and positive development in global trade over the past decades.

Let us recall, in 1948 the US rejected the Havana Charter for the establishment of the World Trade Organization with the argument that such an organization would impede free trade. Instead, the General Agreement on Tariffs and Trade (GATT) was established as a negotiating mechanism that allowed a gradual reduction and removal of barriers to trade. Over decades, tariffs on trade in goods were reduced dramatically and quantitative restrictions were largely removed. Non-tariff barriers were addressed through a number of agreements adopted in the Tokyo round of trade negotiations in the 1970s. Subsequently, a certain level of liberalization of trade in services was achieved during the Uruguay Round of trade negotiations in the 1980s. And finally, in 1994

the World Trade Organization was established. It included mechanisms for both permanent negotiations and an effective dispute settlement process. While the stalling of the Doha Round trade negotiations a decade ago cast some doubt on the WTO, the system is still a remarkable global success.

CLUB DE MADRID

In light of this historic and fairly consistent progression, the introduction of high tariffs on certain goods and the talk of a global trade war sounds both anachronistic and frightening. Isn't the existing set of agreed instruments sufficient to address the allegedly unfair trade practices? State subsidies, where they exist in contravention of the agreed trade rules, can be dealt with under the Tokyo round's Code on Subsidies and Countervailing Duties. Other non-tariff barriers to trade can be addressed by the relevant instruments that already exist.

However, it is not hard to discover that the real threat comes – not from the trade itself – but from a combination of geopolitical tensions and restrictive measures in trade. Deficit in the trade in goods of the USA cannot be a sufficient reason for a trade war: the balance of trade in goods is part of the larger picture of economic cooperation that is heavily influenced by trade in services and by the





continued domination of the US dollar as the global reserve currency. And there also seems to be some scope for future adjustments in trading in services to include licensing fees for the use of intellectual property. Expansion of trade, including trade in services, is a better option than restrictions to the trade in goods, to say nothing about trade wars.

What else should be discussed in order to adjust the global trading system for the benefit of all? A special attention has to be paid to the dispute settlement procedures. Despite the allegations to the contrary, the US and the EU have been quite successful in the disputes settlement processes they had initiated before the WTO. Dispute settlement cannot always satisfy everybody. Nevertheless, it is necessary in real life and it would still be reasonable to reform the system where reform is needed to make international trade freer and fairer. Settlement of disputes based on the agreed and time-tested techniques is a powerful instrument of fairness. It would irresponsible to sacrifice such an instrument at the altar of the rhetoric of fairness.

There are good reasons to do "whatever it takes" - to borrow a famous phrase used by Mario Draghi, President of the European Central Bank in 2012 in a different context - for the preservation and further evolution of the WTO. If WTO is considered too rigid for

SOCIAL SAFETY NETS
AND A SENSE OF
SHARED BENEFITS
ARE AMONG TODAY'S
ECONOMY MOST
URGENT NEEDS"

effective management of the global trading system, then it should be improved. Given the entire history of WTO, this would be the most natural thing to do and negotiations are the best way forward.

There are some signs of hope. On 25 June this year China and the EU reached an agreement to launch a group that will work to update global trade rules to address technology policy, subsidies and other issues characterizing the current debate on global trade. Subsequently, in the joint statement of the 20 th EU-China Summit of 16 July, a joint working group on WTO reform, "chaired at Vice-Ministerial level" was

established. It seems that China and the EU take the WTO reform as the way forward.

The interests of China and EU overlap as far as they both oppose the tariff hikes of the United States. At the same time, the interests of the US and EU overlap with regard to the questions of transfer of technology and protection of intellectual property. The picture looks like a typical multipolar situation with competition at its core.

This suggests that the best approach will require an appropriate choice of multilateral means.

It is important to involve all the relevant players: Japan that has just concluded a free trade agreement with the EU, the fast-growing India with the diversity of her needs, an array of developing countries... A new initiative for improvement and reform of the WTO would have to provide space for the legitimate interests of all.

A WAY FORWARD

Globalisation of the past decades has brought immense benefits to the world. However, it has also contributed to serious problems that need to be addressed. Income inequality, both among states and within states, and environmental degradation are the most visible ones. Many of the fundamental problems today are not only economic, but largely or even primarily social and political. Income inequality and growing inequality of wealth, the staggering unemployment in some parts of the world and the adverse effects of climate change are among the most obvious examples. Destructive demagoguery and chauvinism are among the most serious political problems today. And they are all, one way or the other, related to globalization.

Naturally, not all problems can be addressed through international economic cooperation and trade. However, in a globalized world the international trading system has a big impact on societies and has to help in the search for solutions.

This realization is not entirely new. The ideas to include "social clauses" into the global trade agreements were discussed in the past, including at the time of the creation of the WTO. Social safety nets and a sense of shared benefits are among today's economy most urgent needs. Shared benefits strengthen the sense of living in a shared

society. The unwelcome alternative is an ever more toxic concentration of wealth and the resulting divided societies threatened by violent upheavals. Shared societies are societies open to reform. Reforms in education systems, labour policies, pension systems and health systems are among the most important priorities of governments. Governments need space for such policies and the international system, including the international trading system, should allow them to formulate and pursue such policies. Reducing international trade to the issues of competitiveness would be too simplistic and inadequate to help resolving the most urgent problems of our era.

Is the international system capable of devising a framework that would allow these social and political issues to be effectively addressed? Can a new round of international trade negotiations and reforms help? And, more fundamentally: can such negotiations be conducted in a public and transparent manner, so that the general public would see the benefits as well as the difficulties?

There are no clear answers to such questions yet. But a discussion is necessary and the Imperial

Springs International Forum could be one of the places where such a discussion will take place.



HAN SEUNG-SOO

FORMER PRIME MINISTER OF THE REPUBLIC OF KOREA MEMBER
OF WORLD LEADERSHIP ALLIANCE - CLUB DE MADRID



HAN SEUNG-SOO WAS PRIME MINISTER OF THE REPUBLIC OF KOREAFROM 2008 TO 2009. HE IS CURRENTLY THE UN SECRETARY-GENERAL'S SPECIAL ENVOY FOR DISASTER RISK REDUCTION AND WATER (2013-), SPECIAL ADVISER OF THE HIGH-LEVEL PANEL ON WATER (2016-), AND FOUNDING CHAIR OF HIGH-LEVEL EXPERTS AND LEADERS PANEL FOR WATER AND DISASTERS (2007-). DR. HAN WAS A MEMBER OF THE UN SECRETARY-GENERAL'S ADVISORY BOARD FOR WATER AND SANITATION (2007-2015).

FINTECH: THE 'FIRST FINANCIAL REVOLUTION'

uring the last two month, two important and interesting reports were published on the topic of fintech. One is the Global Fintech Hub Index 2018 by the Academy of Internet Finance of Zhejiang University and the other is 2018 Fintech 100; Leading Global Fintech Innovators by KPMG

KPMG Report showed that three of the five top global fintechs originated in China with Ant Financial in first, JD Finance in second and Baidu in fourth.

Zhejiang University Academy of Internet Finance showed that Yangtze River Delta composed of Shanghai, Hangzhou, and Nanjing is the global No.1 fintech hub followed by Silicon Valley in the United States. With 9 Chinese cities, Beijing, Shanghai, Hangzhou, Shenzhen, Guangzhou, Wuhan, Nanjing, Chengdu and Xian dominating the global fintech ranking, it is Hangzhou that ranks the global first in consumer experience.

Over the past several decades, there were successive innovations in the financial sector including the introduction of credit cards in the 1960s, cash dispensing terminals such as ATMs in the 1970s and 1980s, and the new financial products in the wake of deregulation of bond and capital markets in the 1990s. At the turn of the century, internet banking introduced branchless banking and has enabled remote banking activities.

However, with the advent of Apple's iPhone in 2007, smartphones began to influence the way people bank shifting towards more direct finance from the conventional way of indirect finance which often involves various intermediaries adding up to costs and inefficiencies.

The international financial crisis caused by the sub-prime mortgage meltdown in the United States in 2007 and the collapse of Lehman

Brothers in September 2008 resulted in devastating repercussions in the world economy together with the popular mistrust of the traditional banking sector.

In January 2009 in the midst of the international financial crisis, Satoshi Nakamoto released the bitcoin software through blockchain, the distributed ledger technology. Embedded permanently in Nakamoto's data was a brief line of text, "The Times 03/Jan/2009 Chancellor on brink of second bailout for banks." It referred to the London Times headline article about the British Government's attempt to prop up its economy to deal with the global financial crisis.

BILL GATES, THE
FOUNDER OF MICROSOFT
PREDICTED THE FATE OF
BANKS IN 1994 BY SAYING,
"BANKING IS NECESSARY.
BANKS ARE NOT"

We are currently at a stage where the development of fintech industry is inevitable. With ever rising discredits on traditional banking sector in the aftermath of the 2008 global financial crisis as well as the acceleration of internet penetration, it has now come to a critical stage where fintech could not but grow to become threatening competitors to the banks. Bill Gates, the founder of Microsoft predicted the fate of banks in 1994 by saying, "Banking is necessary. Banks are not."

Indeed within 10 years of smartphones on the market, the banks are being threatened as never

before since its inception of Banca Monte dei Paschi di Siena in the Northern Italy in the late 15th century. We would have to call this phenomenon as nothing but the "First Financial Revolution." As the blockchain, the distributed ledger technology, further develops, the second financial revolution may follow.

Fundamentally, fintech is a phenomenon characterized by IT-based startups infiltrating into the financial industry. Therefore, the fintech ecosystem is similar to the startup ecosystem in terms of actors.

As stated earlier, fintech is an amalgam of IT and financial industries. It means that were there no IT, there would be no fintech. Therefore, the development and sophistication of IT industry is one of the most essential requirements for the emergence of fintech industry.

In that respect, the smartphone penetration and fintech adoption are very important factors in fintech ecosystem.

According to the Pew Research Center in the United States, the total number of internet users in 2016 was 3.4 billion people worldwide. The global internet penetration rate in that year was 46 percent, showing that the penetration rate increased by more than 10% within a year. The internet penetration rate in 2017 was high in North America, Europe and parts of the Asia Pacific. Korea topped with 96% of penetration followed by the United States with 89%, the United Kingdom with 88%, Japan with 76%, China with 71% and India with 25%.

The smartphone penetration rate was the highest in Korea with 94%, followed by 82% in Australia, 77% in the United States, 72% in the United Kingdom, 68% in China, 59% in Japan and 22% in India. According to EY's Fintech Adoption Index 2017, the fintech adoption rate defined as the fintech users as a percentage of the digitally active population was the highest in China with 69% followed by India with

52%. The third was the United Kingdom with 42% followed by the United States with 33%, Korea with 32%, and Japan with 14%.

By combining the smartphone penetration and the fintech adoption rates, we can estimate the percentage of the population who has close proximity with fintech in major countries. It shows that China was the highest with 47% of total population utilizing fintech in 2016 followed by the United Kingdom, Korea and Australia each with 30%. It also shows that 25% of the American people and 11% of the Indians and 8% of the Japanese utilized fintech in 2016.

It is also interesting to note that the use of fintech products was the highest among young adults. The highest users of fintech was among age group 25–34 with 48% followed by the age group of 35–44 with 41%. Consumers above 45 years of age were seen to prefer the traditional financial services. Only 9% of 75 and above age group utilized fintech. This implies that the countries with younger population has a greater potential for fintech ecosystem to grow.

With almost the half of its population utilizing fintech, China is emerging as a global leader in fintech. The massive scale of China's market and a 'light touch' from regulators and supervisors in the early years supported China's fintech development. Leveraging existing social-media China's fintech services include several key areas: third-party payments by non-bank digital providers, peer-to-peer lending, internet credit including internet-based micro-lendina. banking and insurance, digital wealth management and creditratings. Notably, large and dominant fintech players in China have reached beyond their traditional niche to other areas of finance supply chain, building an integrated ecosystem of financial services that link customers with businesses.

Until the early 2000s, China had a poor financial infrastructure and low-trust culture. The credit card penetration rate was low at below 10% in the

early 2000s. China accounted for less than 1% of global e-commerce retail transaction value about a decade ago but today, that share has grown to more than 40%. The penetration of e-commerce, as a percentage of total retail sales, now stands at 15% in China compared with 10% in the United States.

E-commerce giant Alibaba absorbed financial customers by launching Alipay in 2004, a safe and reliable electronic payment service to relieve consumers' financial distrust. Alibaba won the trust of consumers by using escrow services that served as e-commerce credit guarantees by making settlement deposits. Thus, smartphones emerged, drastically changing the paradigm of the China's financial market

As the money market rate exceeded the deposit rate which was controlled by the central bank, Alibaba promoted competition in the financial market by launching Yue Bao, similar to the money market fund in 2013. The e-commerce company was able to gain an advantage in the market based on the vast amount of customer data it has accumulated over the long period of time. Since the success of Yue Bao, the business scope of IT companies has expanded to various field of finance.

THE MASSIVE SCALE
OF CHINA'S MARKET
AND A 'LIGHT TOUCH'
FROM REGULATORS
SUPPORTED
CHINA'S FINTECH
DEVELOPMENT"

Chinese government has recognized fintech as an opportunity to develop the financial industry and initially adopted a posteriori regulatory system for the financial industry, actively promoting startups and encouraging self-sustained growth of fintech. The People's Bank of China considered the fintech development as part of the financial reform and also decided to adopt a posteriori regulation policy to promote the fintech industry.

In conjunction with the support of the central government, the local governments are also providing comprehensive support to fintech development. China's cities are doing their best to transform into innovation-motivated entrepreneurial cities. For example, Hangzhou has differentiated itself as an e-business-oriented enterprise complex led by Alibaba

In response to the rapid growth of fintech industry, 5 state-owned banks of China insisted initially that online financial products were disrupting the financial order and therefore demanded the government to strengthen financial regulations. However, as time passes, the major banks began to actively respond to the competition based on its huge growth potential by entering offshore markets and diversifying their businesses. They slowly began to accept the new financial paradigm to cooperate with fintech companies.

In the case of the United States, there are two subecosystems, the tech-based Silicon Valley and the global financial center, New York. Silicon Valley is at the early startup state while New York is at the late stage of fintech expansion. The US Federal government legislated the development of the startup ecosystem. However, in the case of Silicon Valley, neither the state nor the city government played any significant role.

Financial institutions promoted cooperative relationship with promising fintech startups in Silicon Valley through M&As. They also supported alternative technologies developed for existing financial services such as security, big data

analysis, wiring service technology by Silicon Valley and cooperated with fintech startups. Global IT players such as Apple, Google, Amazon, Paypal have formed FIN (Financial Innovation Now), a fintech association and are demanding deregulations to encourage more IT players to enter the fintech market

The traditional financial industry is thus experiencing an unprecedented change as well as challenge with the fintech industry which has been rapidly disrupting the existing banking practices. The banks are challenged by innovative fintech and blockchain technology, which began to revolutionalize traditional banking services through faster exchanges of money at lower costs domestically and globally.

Fintech has potential benefits to market efficiency, inclusion, quality of services, supervision and regulation. Fintech creates opportunities to spur efficiency gains such as by lowering transaction costs. It also facilitates access to financial services; enhances the effectiveness of supervision, and regulation; encourages entrants into the financial industry with potentially new business models and favor most user-friendly and cheaper financial services.

Fintech can also support potential growth and poverty reduction by strengthening financial development and inclusion. Fintech can help millions of individuals and SMEs leapfrog access to financial services at an affordable cost.

However, the rapid development also entrails risks to financial markets. In China, online payment service providers operate in the shadow banking system; they pool cash from banks, invest in interbank CDs or micro loans, resulting in credit and maturity transformation. Actual fund flows are difficult to monitor as these payments providers operate outside of the purview of regulatory supervision.



THE BANKS ARE CHALLENGED BY INNOVATIVE FINTECH AND BLOCKCHAIN TECHNOLOGY"

Financial markets are at crossroad; maintaining stability against potential external shocks in the near term while providing new source of growth over the medium term. In this context, policy responses should strike the right balance between enabling digital innovation and addressing risks in the financial sector.



In order to maximize the full potential of fintech, regulation needs to adapt to a changing landscape. The regulatory framework will need to adapt to the changing financial landscape so that trust in the financial system is maintained. Regulations should ensure that the potential risks associated with fintech are effectively monitored and addressed in a manner that does not unduly stifle innovation. Regulatory responses to fintech will need to be proportional to potential risks. Also, regulatory perimeters may have to be reconsidered. Legal framework will need to adapt to keep pace with innovation and ensure proper calibration of new risks, legal certainty, predictability, and the balance between transparency and privacy.

Fintech can benefit supervisors and regulators also. Fintech can support and facilitate regulatory compliance (regtech). For example, artificial intelligence and machines learning can help financial institutions identify suspicious activity

more quickly, and biometrics and metadata can help verify the identity of customers and/or beneficial owners

The distributed ledger technology that underlies crypto-assets can be leveraged to improve information-sharing between market participants and regulators. Similarly, regulators can use fintech to enhance efficiency and effectiveness of supervision (suptech).

Policy priorities may differ as the initial conditions of the each national economy varies. But considering the inherent global reach of these technologies, regional and international cooperation will be a key to developing effective policy response.

GEORGINA HIGUERAS

VICE PRESIDENT OF CATEDRA CHINA AND ASSISTANT PROFESSOR ON ASIA'S INTERNATIONAL RELATIONS



GEORGINA HIGUERAS IS VICE PRESIDENT OF CATEDRA CHINA AND ASSISTANT PROFESSOR ON ASIA'S INTERNATIONAL RELATIONS IN DIFFERENT UNIVERSITIES. HIGUERAS HOLDS A MASTER DEGREE IN HISTORY OF CHINA'S INTERNATIONAL RELATIONS FROM BEIJING UNIVERSITY (1981) AND SHE IS AUTHOR OF SEVERAL BOOKS ON CHINA AND ANALYST FOR EURASIAN AFFAIRS.

TRADE, 'ECONOMIC COLD WAR' AND THE FUTURE

TRADE

rade has become the scapegoat for the anger and frustration of the millions of employees that have lost their job or are afraid of losing it in the coming future. The vast increase of under- employment that punishes the middle classes since the 1980s feeds the lingering populism- nationalism of the backward policies that the West currently suffers. Anti-globalization movements, in the face of the broader trends of rising inequality, have put their focus on the pervasive consequences of trade. The reality is that most jobs have been lost through the mechanization of manufacturing and technology.

The existing policies to ensure that temporary setbacks on trade do not turn into lifelong disadvantages have failed to meet the challenge. They have been overwhelmed by the speed and depth of the structural changes in the economy and the labor market, brought about by the confluence of globalization, rapid technological change and populations ageing.¹

Since the end of World War II, the volume of world trade has grown between 1.5 and twice faster than global GDP. However, since 2012, trade has only grown at a similar or lower rate than GDP, with the exception of year 2018, due in part to the approach of the trade war. We should assume that this will be the long-term growth trend.

Technological and political factors will create a world very different to the one we know. Technological development is bringing production and manufacturing closer to the final destination of goods and services: the end user. The most obvious example is energy. Given their growing energy independence, the US may reduce its onerous role as the guarantor of maritime security: as a result of decreasing international trade and maritime security, the price of maritime transport can spiral upwards.²

Technology and trade are intimately linked. Digitalisation and e-commerce are very important drivers of the transformation that the world is experiencing. As we look at the Agenda 2030, international trade by itself is not one of the Sustainable Development Goals (SDGs), but it is considered a mean of supporting its implementation. The treatment of trade across the 2030

Agenda reflects the view that trade can, when well-regulated, contribute to growth and sustainable development. Trade plays a significant role in achieving food security and sustainable agriculture and fisheries. As well as the diffusion of technology. Trade competition can boost innovation and promote the integration of developing countries into global value chains to support sustainable development.

¹ OECD (May 2017). Making Trade Work for All. http://www.oecd.org/tad/making-trade-work-for-all.pdf

² Malet, J. (November 17, 2017). International trade is slowing. What does this mean for globalization? World Economic Forum. https://www.weforum.org/agenda/2017/11/international-trade-is-slowing-what-does-this-mean-for-globalization/

³ Bellmann C., Tipping, A.V. (2015). The Role of Trade and Trade Policy in Advancing the 2030 Development Agenda. Graduate Institute of International and Development Studies. https://journals.openedition.org/poldev/2149

In this turbulent period of globalization, trade more than ever needs a coordinated response to its new challenges. While there is a widespread consensus that the World Trade Organisation (WTO) needs reforms, Europeans defend a high-level engagement to spur the changes and complain that the US only criticizes and, beyond its strong opposition to the mandatory decisions of the panel that decides on disputes between WTO members, has not offered any specific solution. According to

the European Commissioner Cecilia Malmström, the US stance risks "killing the WTO from inside".

However, Alan Wolff, Deputy Director-General of the WTO, maintains that the three major agreements reached two years ago about Information Technology, Trade Facilitation and to ban the agricultural export subsidies, besides the progress in electronic commerce, show that "it is far too early to make arrangements for the WTO's funeral".

'ECONOMIC COLD WAR'

In forty years of reform and openness China has changed beyond recognition. Domestically, it has been lifting hundreds of millions of people out of poverty, and internationally, it has supported the most important multilateral institutions and it has created new ones as the AIIB and the NDB to promote trade and development. In line with the policies of Deng Xiaoping to modernize the country, president Xi Jinping launched the Belt and Road Initiative (BRI) to bring trade, technology and transformation to large regions of the world. The BRI has been complemented with Made in China 2025 to support innovative, green and advanced technology.

In front of Trump's unilateralism and protectionism, Chinese leadership is positioning itself as the defender of multilateralism, free trade and world trade order. China recognizes that it is one of the countries that has benefited the most from the existing economic order and it wants to maintain and reinforce this. On the contrary, Washington considers that China has distorted this order with bad practices in order to harm US trade.

Indeed, the Office of the U.S. Trade Representative affirms in its findings that "While China's unfair trade policies and practices to acquire foreign technology have been a persistent problem for U.S. businesses for more than a decade, China's technology ambitions are now combined with its immense, government-directed investment and regulatory policies and a well-financed strategy to displace U.S. and foreign companies in global markets, undermining the global trading system"⁵.

The US consider foreign ownership restrictions and foreign equity limitations the cornerstone of China's technology transfer regime. They insist that the imposition of these requirements precludes US companies from entering the market on their own terms, and lays the foundation for the Chinese government to require or compel technology transfer.

Long before reaching the White House, Trump was enraged with the large trade deficits that the US ran against China. However, he did not take into account

⁴ Wolff, A. Wm. (March 12, 2018). The Promising Future of WTO: A Response from the Deputy Director–General. Council on Foreign Relations. https://www.cfr.org/blog/promising-future-wto-response-deputy-director–general

⁵ Office of the United States Trade Representative, Executive Office of the President (March 22, 2018): Findings of the Investigation into China's Acts, Policies, and Practices related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974. Executive Summary. http://www.iberchina.org/files/2018/ustr_china_summary.pdf

THE ROLE OF A HEGEMON SOMETIMES REQUIRES SACRIFICING PART OF THE IMMEDIATE NATIONAL INTERESTS FOR THE SAKE OF THE WHOLE SYSTEM"

that the central position of the dollar in the international monetary order accorded to the US more leverage and flexibility than to other countries for running long term budget and trade deficits⁶. Neither did he think of the benefits to consumers, who pay lower prices – the IMF brings to 80% the average fall in prices in electronic products in the last 30 years–, and have access to a greater variety of goods and services.

Christine Lagarde downplayed the current clash because the actors did not take into account that we are entering in a new era of trade in which the data flows are becoming much more important than physical trade. Data from engineering, to communication, to transportation is making services

more tradable and much more efficient. Half of the global trade in services is already driven by digital technology. "In many ways, the future of trade is the future of data", she said last May in Portland.

The advances in e-commerce are also changing the structures of the world economy. According to the report released by the China Electronic Commerce Research Center, China's e-commerce transactions amounted to 10.5 trillion Yuan in the first half of 2016, representing about 30% of GDP. Currently, China's e-commerce industry provides more than 2.85 million jobs, making e- commerce a new engine of growth in the "new normal" economy, the new normal being a "relatively stable state of low growth that is different from the past business cycle due to a fundamental restructuring of the economic order.".8

PROPOSALS FOR THE FUTURE

Days after Trump started to impose tariffs, president Xi gathered in Beijing with governors, country's ministers and generals. After he said that the world undergoes a metamorphosis that has not been seen for the last 100 years, he emphasized them to "be clear about China's role and position in a changing world" 9

Most analysts believe that to keep running the liberal trade order it is crucial to have a free trading hegemon leading. But the role of a hegemon sometimes requires

⁶ Oztrak, F. (February 2018). The International Trading System at Risk and the Need to Return to First Principles. NATO Parliamentary Assembly, Economics and Security Committee (2018). https://www.nato-pa.int/download-file?filename=sites/default/files/2018-03/2018%20-%20%20INTERNATIONAL%20TRADE%20AT%20RISK%20-%200ZTRAK%20DRAFT%20REPORT%20-%20069%20 ESCTER%2018%20E_0.pdf

⁷ Lagarde, C. (May 14, 2018). Creating a better global trade system. International Monetary Fund (2018). https://www.imf.org/en/News/Articles/2018/05/14/sp-lagarde-creating-a-better-global-trade-system

⁸ Ruiz, M. (June 2018). Chinese Customs Regulations on Cross-Border E-Commerce: A Growth Opportunity for Foreign Enterprises and Chinese Commercial Platforms. Sinología Hispánica, China Studies Review, 6, 1 (2018), pp. 133-156. http://revpubli.unileon.es/index.php/sinologia/article/view/5492/4226

sacrificing part of the immediate national interests for the sake of the whole system. The experience of the 30s shows us the dramatic consequences of the crisis unleashed when the old power, Great Britain, was unable to manage the broader trading order, and the emerging power, the United States, was not politically prepared to take the burden of playing the role of a hegemon. China should study the lesson and be ready to fulfill the mission that it has to exercise.

After the collapse of Lehman Brothers, Chinese leaders came to the conviction that the Western model contained deep, possibly unfixable flaws. But to promote its own economic model and exercise the leadership, China must address the so-called great evils of the system, against which the middle classes of advanced economies rise -perhaps its own citizens will very soon too-.

- > INEQUALITY. The gap between the average income of the richest 10% of the population and the rest has widened to unbearable levels in the last three decades. The top 1% is getting most of the benefits from the increase in productivity, while the welfare that the poorest 40% of the population gained from economic growth was minor. Inequality affects childhood with fewer opportunities in education, rousing whole regions to getting behind and small and medium enterprises unable to get credits and extensively underrepresented in international trade.
- > CLIMATE CHANGE. There is a strong linkage between trade and climate change. The impact of trade on greenhouse emissions could get better if trade opening facilitated the adoption of technologies that reduce the emission-intensity of goods and their production process. Maritime transport is the most energy-efficient form of transport in terms of green-house gas emissions.

> TAXES FOR BETTER DISTRIBUTION OF WEALTH, Estimates by OECD suggest that between 4% and 10% of global corporate income tax revenues - USD 100 to 240 billion annually-, are lost as a result of base erosion and profit-shifting measures by companies. "Four groups of agents bear responsibility for the human rights deficit that results from poor countries' inability to fully collect reasonable taxes. First, the secrecy jurisdictions and tax haven countries (including Switzerland, Ireland, the UK and the US), which structure their tax and legal systems so as to encourage tax abuse, and also typically protect bank secrecy against the tax authorities of less developed countries. Second, the individuals and corporations that erode the tax base of poor countries by using tax havens to hide their wealth and profits. Third, the bankers, lawvers, accountants and lobbvists who devise, implement and 'legalize' these schemes. And fourth, powerful richcountry governments that facilitate the tax dodging of their Multinational Corporations (MNCs) abroad (for example, by granting 'tax holidays' on repatriated profits), and get tax havens to cooperate with their own tax enforcement efforts without ensuring that poor-country governments receive similar cooperation"¹⁰. At domestic level, expansions in the amount of tax revenue have been financed predominantly through taxes on labour and higher rates of VAT, affecting relatively more the middle class and low-income households respectively.

To lead the world economic order demands a high degree of governance to drive an **inclusive economy and trade** that wins back the appreciation of large parts of population. Those demands include:

⁹ Wang, O., Xin, Z. (July 11, 2018). How China plans to push back against Donald Trump in 'economic cold war'. South China Morning Post. https://www.scmp.com/news/china/economy/article/2154699/how-china-plans-push-back-against-donald-trump-economic-cold-war

- > **REFORMS OF THE MARKETS**, so as to make sure that the benefits are widely spread.
- > REDUCING COSTS of Small and Medium Enterprises (SMEs) and young firms to participate in international trade and helping them create iobs.
- > RULE OF LAW, with transparent and efficient regulation that allows for competition and provides confidence to investors, firms and citizens (the secrecy that dominates most of the trade agreement is one of the main reasons for citizens attacking trade).
- > INVESTMENT IN PHYSICAL AND DIGITAL INFRASTRUCTURES, from roads and ports to accessible broadband communication networks, data, software, hardware and services. SMEs in developing countries need accessible fees to get access to platforms such as Alibaba in order to enter the Chinese market.
- > A NEW SOCIAL CONTRACT, with a safety net that includes re-skilling throughout the working live, housing, access to credit and social services that facilitate mobility and support people in change.
- > IMPLEMENTING, MONITORING AND ENFORCING what has been agreed in legally binding multilateral or plurilateral rules for combatting bribery, corruption, money-laundering and fiscal paradises and promoting financial regulation, workers' rights and environmental protection.
- > FIXING THE RULES WHERE THERE ARE LOOPHOLES that allow subsidies, preferential domestic treatment, tax evasion, cheap finance and other benefits enjoyed by State Owned Enterprises (SOEs) or private enterprises with state connections.

China has to help poor countries to harmonize their national trade system with the international one in order to promote trade facilitation, safety and security, social protection, and accurate and efficient collection of duties and taxes.

> BETTER DISTRIBUTION OF TAXES At a multilateral level Chinese Government should defend and boost the OECD and G20 works on consolidating internationally the Base Erosion and Profit Shifting (BEPS) and the Automatic Exchange of Financial Account Information for Tax Purposes (AEOI). Both agreements support global trade and equity by helping to ensure that companies and individuals operating in a global economy pay their fair share of tax to national authorities. At domestic level a new Chinese tax code that will enter into effect on January 1, 2019, represents a less lenient approach to upper-income earners and their cross-border deals. Under this new tax code, burdens face by lower-income earners will drop, but remunerations and royalties will be combined with salary under the progressive tax brackets, up to a maximum of 45 per cent. For the first time, it introduces into the individual tax system rules designed to discourage tax evasion. These include a measure that some believe is targeted towards wealthy individuals who are in a better position to take advantage of loopholes.

Today more than ever, the world needs strong international institutions, capable of curbing the growing hostility between Washington and Beijing and of bringing order among the many emerging powers that want to make their voice heard in the chaotic world scene. China has before it a unique opportunity to create a more inclusive economic model that satisfies the aspirations of the majority of the global population. But China cannot do that alone. It should open itself further, build trust and demonstrate with its actions that it truthfully defends a "community with a common destiny", as president Xi said.

Pogge, T. (June 17, 2014). Human rights and just taxation. Open Democracy https://www.opendemocracy.net/openglobalrights-blog/thomas-pogge/human-rights-and-just-taxation

MANUEL WUÑIZ

DEAN OF IE SCHOOL OF GLOBAL AND PUBLIC AFFAIRS AT IE UNIVERSITY. RAFAEL DEL PINO PROFESSOR OF PRACTICE OF GLOBAL TRANSFORMATION



MANUEL HOLDS A JD (LAW) DEGREE FROM THE COMPLUTENSE UNIVERSITY
IN MADRID, AN M.SC. IN FINANCE FROM THE IEB, A MASTER'S IN PUBLIC
ADMINISTRATION FROM THEKENNEDY SCHOOL OF GOVERNMENT, AND
A DPHIL (PHD) IN INTERNATIONAL RELATIONSFROM THE UNIVERSITY
OF OXFORD.HE IS THE FOUNDING DIRECTOR OF IE'S CENTER FOR THE
GOVERNANCE OF CHANGE.

TECHNOLOGY, CHINA'S RISE & THE FUTURE OF THE INTERNATIONAL ORDER

hina's rise over the last four decades has been the most significant case of human development in history. According to the World Bank, since Deng Xiaoping's economic reform program began in 1978 China's Gross Domestic Product (GDP) increased from around 150 Billion USD to 12.24 Trillion USD (in 2017). The Chinese economy represented around 2.19% of world GDP on purchasing power parity (PPP) in 1980. By 2016 that figure had jumped to over 18%. This process of accelerated growth was accompanied by a sharp reduction in extreme poverty in the country. Since 1981 over 500 million people have been lifted out of poverty in China. The number of Chinese citizens living on 1.90 USD (in PPP) or less a day fell in the last thirty years from 88% to less than 5%. These are just staggering figures of economic success.

One of the central features of this story of economic growth has been China's ability to develop at first a rudimentary but then growingly sophisticated industrial sector. Faced with the growing evidence that economic growth will accrue to frontier sectors of the economy and, in particular, to those that make heavy use of technology, the Chinese leadership is now very much focused on the development of advanced industries. This approach has crystallised in the Made in China 2025 Strategy, which seeks to turn China into an advanced manufacturing superpower in the next decade. According to a report by the Mercator Institute: "The strategy targets virtually all high- tech industries....automotive, aviation, machinery, robotics, high-tech maritime and railway equipment, energysaving vehicles, medical devices and information technology to name only a few". Whether China is capable of maintaining its economic development path will indeed be highly dependent on its ability to move to the frontier of the knowledge economy and to leverage the competitive of advantage of technological innovation.

The geopolitics of the processes described above is growingly complex. In general terms China's rise to economic prominence has led many to predict a direct clash with the United States. This geopolitical tragedy has been termed by some "Thucydides Trap", in a reference to the supposedly-neverending phenomenon of emerging powers colliding with established powers. This Trap would display itself on many fronts and take different shapes. It might well be that at first it leads to economic and trade war, with China and the US attempting to prevent the other from developing an economic advantage, particularly one built on technological prowess, over the other. It might, eventually, lead to all out conflict be it over territory or the protection of allies.

China's rise, and its newfound reliance on technology, also marks the beginning, however, of a different and yet equally important debate: what does the rise of a non-democratic power of the scale of China mean for the liberal order? And most importantly, how does Chinese technological advancement impact the pro-democratic case that Western countries have promoted over the years? Is technological progress a tool for the forwarding of individual liberties or is it an enabler of autocratic and centralised governance? This brief paper will attempt to address some of the questions above and use the lens of technology to shine light on some of the great issues raised by China's rise over the last four decades.

TECHNOLOGICAL TRANSFORMATION AND ITS IMPACT ON THE ECONOMY

Technology has impacted developed economies in multiple ways. In so many, in fact, that it is almost impossible to write about it with a singular lens. However, there are some trends that bring order to this enormous field. There are particularly three insights from research in this space of the last few years that are of relevance for the topic of this paper.

First, we know that technological advancement produced in the past some very dramatic changes to the productive landscape and to the jobs market. The primary sector in the United States, for example, all but disappeared as a significant generator of employment from the middle of the 19th century to the middle of 20th century. In just over 100 years the percentage of the US labour force working in agriculture collapsed from over 60% to single digits. This was a direct consequence of the generalised use of technology in the primary sector. A similar process has been affecting the secondary sector in the US for some decades now. Since the 1980s industrial employment in the US has halved while productivity more than doubled. Again, these trends are a direct consequence of the use of technology in that sector of the economy.

Many believe that we are undergoing a similar process of transformation but this time it is affecting the services sector. Numerous reports have been produced on the impact of automation, or computerisation as some refer to this, on the current jobs landscape. The figures are alarming, with high percentages of jobs in high risk of automation in the next two decades. Whether new job categories will emerge and whether there will be sufficient jobs within these categories to absorb the excess labour in other areas of the economy is still an open question. Also, whether we will be able to retrain and re skill the people being left without a job is, again, an open question. The evidence seems to suggest that we are struggling on this front with millions of jobs that are left unfilled because firms

cannot find candidates with the right skills.

Interestingly enough we do have evidence of the sorts of jobs that are in fact being demanded and the skills that these jobs require. Jobs that required high social and quantitative skills have grown in number in the past three decades, for example. The expectation is that humans will continue to do very well in jobs that require empathy, or that have at their core the management of other people's feelings. Some have even spoken of the emergence of the "empathy economy" or an entire sector of employment that would be tightly linked to the management of other people's feelings and emotions. Another area where employment growth has been evident is in job categories that require high digital skills, defined here as the ability to interact productively with technology. In the US,

FIRMS THAT GENERATE AND PROCESS DATA WILL BE THE WINNERS OF TOMORROW'S ECONOMY"

for example, the percentage of jobs that required low or no digital skills collapsed from close to 60% of the total in 2002 to less than 30% in 2016. This means that those individuals who lack digital skills will almost certainly struggle in the jobs market moving forward. An additional challenge that should be pointed out when describing the

need for a new approach to education is that of the increase in the speed of knowledge obsolescence. According to many studies the average lifespan of the knowledge and skills acquired through formal education has collapsed from over twenty years some decades ago to less than five years today. What this means is that irrespective of someone's formal training we are going to have to prolong education throughout our lives and come to understand it as a life-long effort.

The challenge described above is significant not only for the US, Europe and Japan but also for countries like China where the disappearance of the industrial sector due to automation and the erosion of the competitive advantage brought about by low labour unit costs will be accompanied by the erosion of the services sector as a more resilient alternative. Many countries will have to leapfrog and move from a primary sector-based economy to one that has gone beyond the tertiary sector. Given the uncertainty of how those jobs will look like and the almost certainty that they will require heavy investments in human capital the development path of economies like that of China looks as challenging as ever.

Meeting these new demands will prove challenging for traditional educational institutions. It will be hard for them to keep up to date and to shape their governance structures and faculty in a way that manages this accelerated change. The education landscape is, therefore, bound to change in the coming decades, with a great deal of experimentation and new providers entering the market

Second, we also know, that productivity growth is accruing to companies that make heavy use of technology. These firms, which the OECD terms "frontier companies", saw very rapid increases in productivity over the last decade, some say as high as 30% in that period; while the rest of the economy saw no productivity growth. These are firms like Google, Amazon, Alibaba and others that profit extensively from scale and network effects.

This process of productivity growth concentration is bound to deepen given the oligopolistic tendencies unleashed by machine learning and its dependence on the availability of data. Firms that generate and process data will be the winners of tomorrow's economy. The rest will lag behind. The economic prosperity of countries will almost solely rest on their ability to foster frontier firms. Some have referred to these trends as a winner-takes all economy.

The third very significant fact that we are starting to grapple with is that knowledge is also clustering ever more tightly. This is a counterintuitive fact and one that will have severe consequences. For a long time, the intuition was that the digital economy would spread talent around the world. People would be able to connect to projects and processes from anywhere in the world, adding value with a large degree of freedom. Evidence from work done by Harvard and MIT scholars points, however, in the opposite direction. There seems to be a type of knowledge that does not travel through the digital space: tacit knowledge. This is mostly a combination of knowledge about industry practices, team dynamics and matters that are so specific and granular that are only shared in recurrent and almost haphazard ways. The end result of all of this is that knowledge clusters are emerging in places like Silicon Valley, Boston or Hong Kong. These clusters, in turn, enable and deepen the concentration of innovation in certain geographic areas. The rest of the world, or the hinterland, is left deprived of talent, void of frontier firms and with a serious challenge when it comes to configuring a sustainable economic development policy.

What seem clear from the above is that we are moving towards a highly segregated jobs market; with some on the higher end of the spectrum, reaping the benefits of the right skillset and abilities and the rest struggling to transition to the new economy. It also seems to point towards a reduced number of firms concentrating most of the productivity growth and hence of competitiveness. Lastly, it seems that some tight clusters of knowledge and of innovation transfer will emerge in very particular places around

the world. These will be the engines of growth for advanced economies.

Given the above it is therefore natural and wise for China to focus its economic policy on the development of advanced industries and to foster technological innovation. It would also be wise to accompany this strategy with a plan to promote talent development and concentration in China. However, it also seems evident that we are moving towards a world where economic success will be growingly zero-sum. Those who develop the right clusters and the right industries will capture markets and concentrate most of the economic growth. As the economy moves towards winner takes all markets, the geopolitics of economic growth become ever more perverse. The US' reaction to China's desire to move into the hightech space is therefore natural given what is at stake.

What is still unclear is how all of this will play out at the global level. Almost certainly we will see the weakening of the global market place, with regulatory and fiscal measures used to protect and foster local champions. China's 2025 Strategy is itself plagued with references to the development of indigenous technological capabilities, in a sign that priority will be given to the development of local clusters of innovation. These dynamics will also weaken the willingness of states to act against trusts and competition-hindering behaviors given that strengthening national competition in certain sectors might well mean weakening the ability of your firms to perform well at a global level. What seems clear, however, is that technological change makes a Thucydides-Trap-like dynamic far more likely in the economic and trade arena.

TECHNOLOGY AND DEMOCRACY

Beyond transforming the economy technology has the capacity to alter the way humans interact with one another and how societies are governed. Much has been written about how the invention of the printing press changed European politics or how the radio enabled mass political movements in the early 20th century. The jury is still out about the impact that technologies such as social media or artificial intelligence will have on the political arrangements that govern societies around the world. There is, however, deep concern in the West that they will in fact foster tyranny.

The debate around the impact of social media on political processes has focused on its effects on communication and the structuring of public debate. Many have indicated that by producing a Balkanization of public opinion, or by breaking traditional sources of opinion and enabling every

individual to become an information source. social media renders national debates incoherent and almost impossible to construc. Additionally, social media opens the door to those that seek to undermine social trust through the spreading of fake news, and hence for the further collapse of the prestige of intermediation institutions such as the media or political parties. In the end the birth of a tool that sought to democratise access to information could lead to fall in the number. of people that access reliable information and to the generalised questioning of the news and information architecture. This narrative further strengthens the case of those that seek to control the media and that have criticised the West for its defence of a free press and an open information landscape.

Significant as the issue above may seem it pales in comparison to depth and implications of the rise of artificial intelligence for the future of democracy. The argument has now been raised that artificial intelligence will solve one of the fundamental challenges that autocratic and centralised regimes have faced: that of collecting and responding to numerous and decentralised pieces of information. One of the most significant pro-democratic arguments over the decades was that democracies function as a well-polished nervous system that would detect pain points in the political body and fairly swiftly transfer that pain to the core of the political process. This would be done through elections or through other open processes that democracies possess and protect. Autocratic regimes had to invent different channels for those social impulses to travel and to reach key decision makers that could then react and construct policy based on the real needs of people. This fundamental difference in the functioning of democratic vs. authoritarian polities is what led Amartya Sen to posit that it was extremely unlikely for democracies to suffer a famine; the political class would react before such high levels of economic and social pain where suffered by certain parts of the population.

With big data and artificial intelligence, however, an autocratic regime could not only know of the worries and concerns of its citizens in real time but it might even be able to anticipate them. Or to put it differently AI could well be anticipatory by extrapolating potential behaviour from current data and past experience. A well functioning AI with abundant access to data, in part collected through invasive techniques that democratic countries would frown upon, could enable authoritarian regimes to posses more intelligence about their citizens and their concerns than their democratic counterparts. China's enormous investment in Aland in information gathering technologies seems to point in this direction and signals to the rest of the world that it believes that dominance in AI will be a key factor in the country's success moving forward. The fact that China has such a large population and

TECHNOLOGICAL CHANGE WILL ENCOURAGE COMPETITION BETWEEN CHINA AND THE WEST IN THE FIELD OF GOVERNANCE"

that it already possesses some major actors in the AI space suggest that the government will have the right levers to move forward on a governance strategy based on big data insights.

Again, what seems clear is that technological change will encourage competition between China and the West in the field of governance. Competing views about how technology should be used by governments will only grow in intensity in the coming decades. Unfortunately, and given the strong linkage between technological progress and economic development, these trends will only make competition in other fronts more severe. These tensions will play out globally with many countries around the world attempting to figure out the best governance mechanism for them.

CONCLUSIONS

The 40th anniversary of the opening of China's economy happens to coincide with a moment of inflexion in the development of the global governance architecture. The architecture that saw China's rise is now more contested than ever. One of the drivers of this process has been China's rise itself but more broadly the impact of rapid technological and societal transformation on key market and geopolitical dynamics.

The impact of technology on both the economy and the domestic governance system of countries around the world has unleashed unforeseen political trends at the national and international levels. Beyond the uncertainty that this process has generated we know that it is leading to a major transformation of the jobs market and the way in which talent is constructed and clustered. It is also producing major changes to how businesses around the world operate and compete; and leading to concentration of both productivity growth and prosperity in very specific sectors of the economy and particular geographic areas within countries. Technology is therefore producing an economic landscape that looks ever more zero-sum and hence ripe for a geopolitical contest.

Secondly, technological change, and in particular the rise of advanced AI and big data, is opening up a deep and contentious debate about the future of domestic governance. By producing insights into complex, and until now hard-to-detect, social dynamics AI will empower policymakers around the world. Whether this empowerment will lead to more resilient democratic systems or to more effective and legitimate authoritarian governance models is an open question. That fact that it is indeed an open debate will inevitably lead to an international contest regarding its answer. Here, again, China and the West will find themselves on opposing ends of the spectrum.

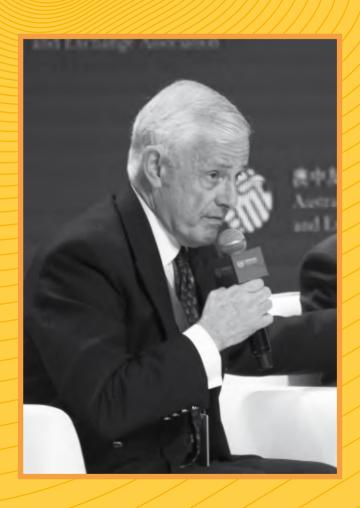
The next 40 years of Chinese history will have to navigate the debates and challenges described above. How China decides to go about that process will determine the shape, form and content of international politics in the next half century.





SEAN CLEARY

EXECUTIVE CHAIR, FUTUREWORLD FOUNDATION



SEÁN CLEARY IS CHAIRMAN OF STRATEGIC CONCEPTS (PTY) LTD, EXECUTIVE VICE CHAIR OF THE FUTUREWORLD FOUNDATION AND A DIRECTOR OF COMPANIES. HE IS ON THE FACULTY OF THE PARMENIDES FOUNDATION, AND LECTURES ON GLOBAL CORPORATE STRATEGY, CONFLICT RESOLUTION AND DEVELOPMENT ECONOMICS IN SOUTH AFRICA, THE US AND EUROPE.

GLOBAL ECONOMIC AND TRADE GOVERNANCE IN A MULTI-POLAR WORLD

INTRODUCTION

he need to manage systemic global risksⁱ and to protect the global commons, points to the need for a better system of global governance. Recent events, from the financial crisis and Great Recessionⁱⁱ, to the risk of inflection points if we cross planetary boundaries involving climate, fresh water usage, biogeochemical loading, the destruction of biodiversity, and ocean acidificationⁱⁱⁱ, reinforce the urgency.

In the aftermath of great crises, conferences of the Powers like those at Bretton Woods and San Francisco (1944-45) established shared normative frameworks that reflected the values of the dominant powers, and ordered the structure and systems defining (a large part of) the international order for many decades. The challenges facing us today, and the risk of a looming tragedy of the commons^{iv}, cry out for a similar effort.

Efforts to strengthen the structure and workings of global governance since the turn of the 21st century, have erred in assuming either the universal appeal of Western values, or a greater degree of normative coherence between state actors than actually exists. Efforts to make explicit, or secure agreement on, the norms on which new governance proposals have been premised, have been rare.

The naïve assumption that benefits for all would flow inevitably from wider and deeper economic and financial integration, based on extensive liberalization of trade and investment flows, has been disproven. This has led to a revival of protectionist policies, putting international trade agreements^{vi}, military alliances, and the "rules-based international order" at risk

Global institutions like the United Nations, International Monetary Fund, World Bank Group and World Trade Organization have come under stress; as have regional organizations like the European Union^{vii}, and military alliances like the North Atlantic Treaty Organization^{viii}. National governance is also under pressure with populist, nationalistic, and nativist candidates emerging in many countries to disrupt established political orders.^{ix}

If we are to address these challenges, we must create systems and institutions that are both effective and seen as legitimate. The normative anchors of the international system must be able to meet the needs of transnational governance, while respecting the diversity of cultures and related values of the powers competing for influence. This is unusually challenging in an era of geo-economic transition and geopolitical uncertainty, where the factual basis of reporting and information exchange is also under threat.^X

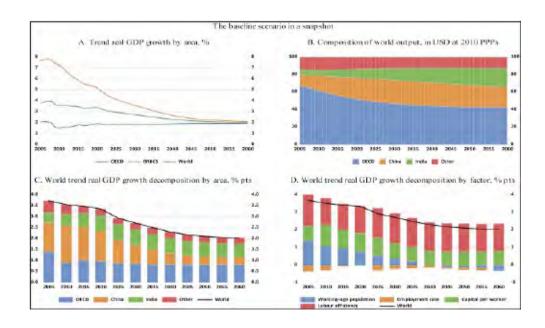
OECD FORESIGHT: THE WORLD IN 2060

In a long-range foresight exercise^{xi}, the Organization for Economic Cooperation and Development (OECD) has offered a baseline scenario for 2060 premised on no institutional or policy changes. This posits:

- > WORLD TREND REAL GDP GROWTH FALLING from over 3.5 per cent now to 2 per cent in 2060, due to deceleration of growth in large emerging economies. India and China still account for a rising share of world output as the economic centre of gravity continues to shift toward Asia.
- > LIVING STANDARDS (real GDP per capita) ADVANCING in all countries through 2060 to converge toward those of the most advanced countries to varying degrees. Living standards in high-growth emerging market and Eastern European economies converge most, due to growth in trend labour efficiency, but GDP per capita in the BRIICS and some low-income OECD countries is still below half that of the United States in 2060. Demographic change constrains growth in OECD living standards.
- > THE MEDIAN OECD GOVERNMENT MUST RAISE PRIMARY REVENUE BY 6.5 PER CENT OF GDP by 2060 to stabilise public debt ratios at current levels in the face of higher health spending due to demographic change.
- > THE GLOBAL SAVINGS GLUT that has held down real interest rates in recent years may continue.

Key elements of the baseline scenario are illustrated graphically below:

Figure 1: Global growth: Baseline scenario



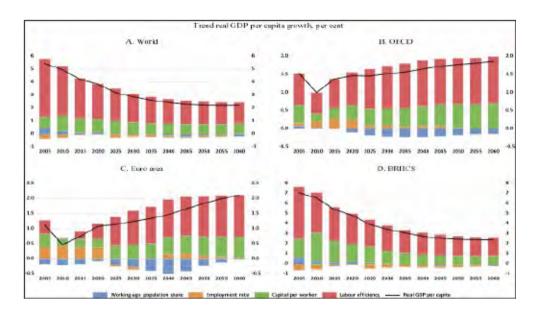


Figure 2: Growth disaggregated by region:

The OECD team explored means of raising living standards above the baseline scenario and concluded:

- > If the BRIICS countries (Brazil, Russia, India, Indonesia, China and South Africa) raise educational attainment and improve the quality of governance to average OECD levels by 2060, living standards in the BRIICS will be 30–50 per cent higher.
- Competition policy reforms through 2030 to make product market regulation in OECD countries as competitive as the five leading countries, would raise living standards by over 8 per cent overall and between 15-20 percent in certain countries.
- > Reforms to labour market policies in OECD countries bringing all to leading country levels, will raise the employment rate by 6.5 per cent. by 2040, through higher youth and female employment, and raise living standards by 10 per cent by 2060.
- > Raising pensionable ages in line with life expectancy will raise the employment rate of older people in the OECD by more than 5 per cent and living standards by 25 per cent by 2060. Countries with no plans at present to a change the pensionable age, could improve living standards by as much as much as 5-7 per cent.
- > Boosting R&D intensity in all OECD countries to the level of the five leading countries will raise living standards by 6 per cent by 2060, and by 10–18 per cent in countries under-investing in R&D.

- Raising public investment in OECD countries to 6 per cent of GDP will raises living standards by over 4 per cent by 2060 (and by 6-9 per cent in serious under-investors). Fiscal burdens will be less than the cost of the investments and investment is self- financing in some countries.
- > Reversing trade liberalisation to average tariff rates in 1990 will depress long-run living standards by 14 per cent globally and 15–25 per cent in certain countries.

Key policy impacts are rendered graphically as follows:

Figure 3: Improvement in real GDP p.c. due to governance reform, enhanced educational attainment and tariff reductions

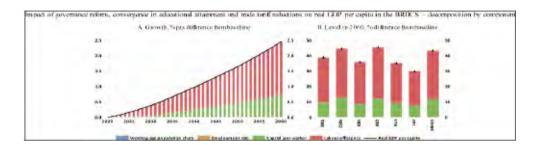
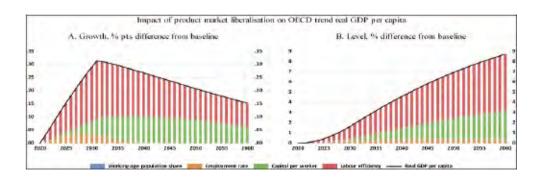


Figure 4: Impact of product market liberalization on OECD trend real GDP p.c.:



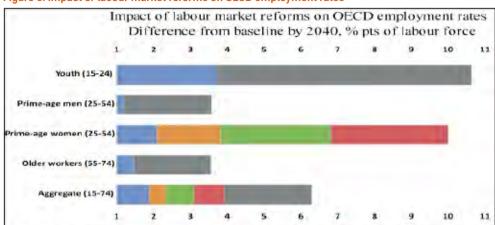


Figure 5: Impact of labour market reforms on OECD employment rates



Active labour market policies 📋 Union bargaining 📗 Family benefits 🧱 Maternity leave

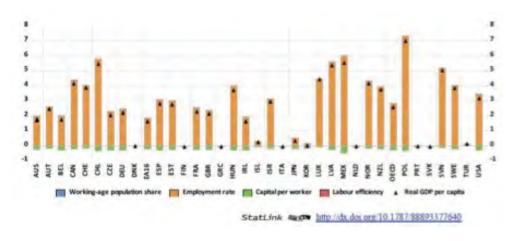
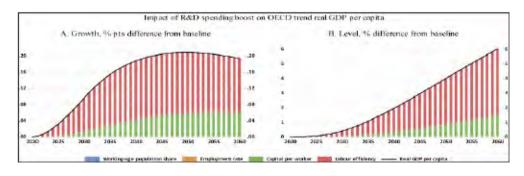


Figure 7: Impact of R&D spending boost on OECD trend real GDP pc



Tax wedges

Figure 8: Impact of public investment boost on OECD trend real GDP pc

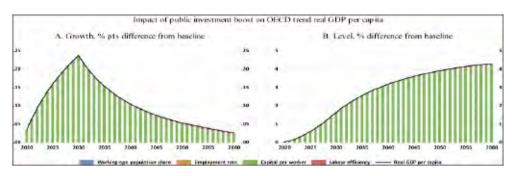


Figure 9: Impact of higher public investment on the fiscal burden in OECD countries

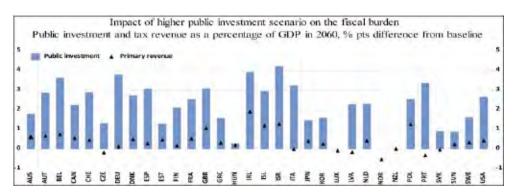
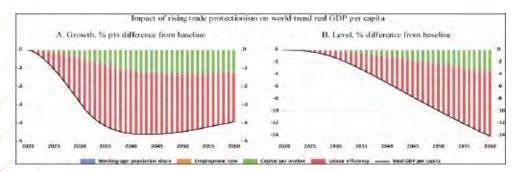


Figure 10: Impact of rising trade protectionism on world trend real GDP per capita



To enhance employment opportunities and raise living standards, both in OECD member states and in emerging and developing countries, we thus need to raise educational attainment, enhance governance, increase public investment, strengthen competition policy, reform labour market policies, stimulate research and development and maintain a liberal trade regime. While the OECD's study does not address security considerations, it is clear that we also need to avoid significant military confrontations of the sort associated with the Thucydides Trap^{XII}, revanchism^{XIII}, or irredentism.^{XIV}

So how might we devise a system fit for transnational economic governance that meets the need for effectiveness, and enjoys sufficient legitimacy in an era of geo-economic transition and geopolitical uncertainty?

THE INTERNATIONAL SYSTEM IS UNDER STRESS

The past three decades, encompassing the early knowledge (or digital) era, have brought global challenges of a scale similar to those wrought in Europe in the 18th and 19th centuries when the Industrial Revolution replaced kinship with class as the primary social building block, and industry supplanted agriculture and maritime trade as the most effective means of adding economic value. Despite metaphorical reference to a "global village" and a "flat world", the creation of a global economy in recent decades has not been balanced by a global polity able to address market failure and deliver the public goods that markets cannot provide. The asymmetry between an integrated global economy, a fractured global society, and an inadequate policy, has engendered economic volatility, normative clashes and bouts of destructive turbulence.

THE CREATION OF A GLOBAL ECONOMY
IN RECENT DECADES HAS NOT BEEN
BALANCED BY A GLOBAL POLITY ABLE
TO ADDRESS MARKET FAILURE AND
DELIVER THE PUBLIC GOODS THAT
MARKETS CANNOT PROVIDE

Today's global economy has its tap root in Western history, but owes its accidents to the emergence of multinational corporations over the past fifty years; the ready availability of information on global demographics and market conditions around the world; the opening up of markets in China and Eurasia after Deng Xiaoping's opening of China in 1979, and the collapse of the Soviet Union in 1991; the commercialisation of the information technologies and systems developed in the defence industries in the 1980s, which accelerated the confluence of communications, computing and entertainment, and the adoption of digital technologies by financial institutions in the 1990s to create integrated, global financial markets.

Its definitive characteristics are the universal availability of information through the internet; the internationalisation of production, which has shifted the balance of power between corporations and all but the most powerful governments, in favour of companies; the scale and speed of global financial flows; the emergence of global broadcasting, branding and advertising; and the exponential rise of social media The principles of market economics are its leitmotiv, though more atavistic tendencies have prevailed in trade.

The unqualified commitment to markets, triggered in part by the Washington Consensus $^{\rm XV}$, and the

brand of neo-liberalism^{xvi} that emerged in its wake. has exacted costs: Liberalisation of capital account transactions caused exceptional currency volatility after the Asian financial crisis in 1997/98, after 9/11 in 2001, and, most notably, in the global financial crisis from 2008-2014. The emerging economies were badly hurt in 1998xvii, and the prescriptions imposed on them were ill-considered. The collapse of the Argentinean economy was precipitated by the flight of global investors from emerging markets in the last quarter of 2001. States with weak institutions and poor internal cohesion are particularly vulnerable. Capital flows in and out of emerging economies after 2010, triggered by unconventional monetary policies, including quantitative easing, destabilised national foreign exchange and capital markets across much of the developing world. Even the European Union has come under stressxviii, with Brexit, challenges to representative democracy and the strengthening of populism^{xix} on the left and the right of the political spectrum. Meanwhile, unconventional monetary policies have pushed debt to unsustainable levels around the world^{XX}, presaging a new crisis.^{XXi}

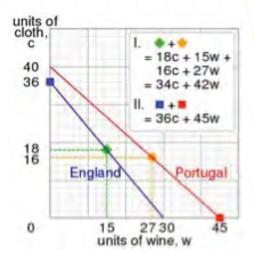
The global architecture and the institutional practices underpinning it are failing. The UN and its agencies were designed to address the needs of the post-WWII era and are largely unable to meet the demands of the present. Institutional crisis occurs when structures and systems cannot adapt to changes in the environments around them. This is all too evident today, not least in the US Administration's preference for unilateral action^{XXIII}, and reversion to mercantilist trade policies^{XXIII}.

U.S. President Donald Trump's election in November 2016 was described in a New York Times article as a "stunning repudiation of the Establishment"XXIV... a decisive demonstration of power by a largely overlooked coalition of mostly blue-collar white and working-class voters who felt that the promise of the United States had slipped their grasp amid decades of globalization and multiculturalism." During the Republican party primaries, arguing that he would always put "America First", Mr Trump claimed. "I'm going to bring jobs back from China, Mexico Japan,

Vietnam. They are taking our jobs. They are taking our wealth. We have \$2.5 trillion offshore. We're going to bring that money back. You take a look at what happened just this week, China bought the Chicago Stock Exchange. Nabisco and Ford, they're all moving out. We have an economy that last quarter didn't grow. We have to make our economy grow again."XXX

Mr Trump has sought to do this, both by stimulating the economy with a new tax Act^{xxvi} and by repudiating multilateral trade agreements xxvii that he believes are weighted against the United States. XXVIII He has articulated a form of nationalist mercantilism xxix reminiscent of the dominant doctrine of international exchange until Adam Smith introduced the radical concept of absolute advantage in 1776xxx: Under mercantilism, each nation sought to manufacture what it required for its welfare and to strengthen its state capacity.XXXI Smith, however, argued: "If a foreign country can supply us with a commodity cheaper than we ourselves can make it. better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished ... but ...left to find out the way in which it can be employed with the greatest advantage."

In 1808. Robert Torrens explored the concept of comparative advantage for the first time^{XXXII}, but it was David Ricardo who, in 1817, developed the theory comprehensively, demonstrating that trade between two countries - using England and Portugal as examples - with each focusing on production of the good in which it enjoys a comparative advantage, and importing the other, leads to higher output and aggregate welfare for both. XXXIII This leads to the familiar concept of terms of trade which underpins much of the theory of international trade^{XXXIV} and has led to the plethora of trade agreements in force today, as well as the creation of the General Agreement on Tariffs and Trade in 1948, which was transformed into the World Trade Organization on 1 January 1995, by signature of the Uruguay Round agreement in 1994. XXXV



Many Emerging Market economies have followed his advice.

Although Gregory Mankiw has noted that: "[f] ew propositions command as much consensus among professional economists as that open world trade increases economic growth and raises living standards", James K. Galbraith saliently observed that "free trade has attained the status of a god" and "...none of the world's most successful trading regions, including Japan, Korea, Taiwan, and now mainland China, reached their current status by adopting neoliberal trading rules." He argued that, because of the experience curve, competitor nations must "...protect their own industries if they wish them to survive long enough to achieve competitive scale." *xxxviii*

THE IMPLICATIONS OF "AMERICA FIRST" IN THE TRUMP ADMINISTRATION

In his approach to both trade and defence relationships with U.S. allies, Mr Trump goes far further than Mr Galbraith, however. Thomas Wright wrote in January 2016XXXXVIII. "Trump has long believed the United States is being taken advantage of by its allies. He would prefer that the United States not have to defend other nations, but, if it does, he wants to get paid as much as possible for it.Trump said in an open letter to the American people in 1987. "Our world protection is worth hundreds of billions of dollars to these countries and their stake in their protection is far greater than ours."

Mr Wright was explicit: "In sum, Trump believes that America gets a raw deal from the liberal international order it helped to create and has led since World War II. He has three key arguments that he returns to time and again over the past 30 years. He is deeply unhappy with America's military alliances and feels the United States is overcommitted around the world. He feels that America is disadvantaged by the global economy. And he is sympathetic to authoritarian

strongmen. Trump seeks nothing less than ending the U.S.-led liberal order and freeing America from its international commitments."

In this spirit, having concluded, perhaps naively, that he does not need Beijing's support to address the threat that the DPRK government may pose on the Korean peninsula, Mr Trump has adopted a mercantilist stance towards the PRC. On July 9, Washington implemented a 25 percent tax on Chinese imports. Bejiing retaliated with a 25 percent tax on U.S. automobiles and agricultural products. The new U.S. tariffs accompanied prior tariffs on imports of steel. aluminium, washing machines, and solar panels. leading to what some have called a trade war.xxxix On September 24, the U.S. administration imposed new tariffs of 10 percent on \$200 billion of Chinese goods, spanning thousands of products. China retaliated with new taxes of between 5-10 percent on \$60 billion of US goods. ^{xl}

On October 4, Vice President Pence delivered a hard-hitting speech at the Hudson Institute in Washington DC on the Administration's policy towards China. xli He accused Beijing of "...employing a whole-of-government approach, using political, economic, and military tools, as well as propaganda, to advance its influence and benefit its interests in the United States ... [and] to interfere in the domestic policy and politics of this country." The U.S. National Security Strategy has identified a new era of "great power competition", in which "...foreign nations have begun to 'reassert their influence regionally and globally ...contesting [the U.S.] geopolitical advantages and trying to change the international order in their favor."

The U.S. had therefore adopted a new approach to China, in search of ... a relationship grounded in fairness, reciprocity, and respect for sovereignty, and we have taken strong and swift action to achieve that goat."

Mr Pence said: "The dream of freedom remains distant for the Chinese people. And while Beijing still pays lip service to 'reform and opening', Deng Xiaoping's famous policy now rings hollow." Saying that much of China's growth had been driven by American investment, he regretted that "...the Chinese Communist Party has also used an arsenal of policies inconsistent with free and fair trade, including tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft, and industrial subsidies ...[to build] Beijing's manufacturing base, at the expense of its competitors – especially the United States of America...contribut[ing] to a trade deficit with the United States ...[of] \$375 billion in 2017."

The U.S. Vice President said that "...through the "Made in China 2025" plan, the Communist Party has set its sights on controlling 90 percent of the world's most advanced industries, including robotics, biotechnology, and artificial intelligence. To win the commanding heights of the 21st century economy, Beijing has directed its bureaucrats and businesses to obtain American intellectual property — the foundation of our economic leadership — by any means necessary."

He accused Chinese security agencies of "wholesale theft of American technology — including cutting-

THE U.S. ADOPTED A NEW

APPROACH TO CHINA, IN SEARCH

OF "...A RELATIONSHIP GROUNDED

IN FAIRNESS, RECIPROCITY, AND

RESPECT FOR SOVEREIGNTY, AND

WE HAVE TAKEN STRONG AND SWIFT

ACTION TO ACHIEVE THAT GOAL"

edge military blueprints", and of using that technology, to build military capabilities "...to erode America's military advantages on land, at sea, in the air, and in space...[so as]. to push the United States of America from the Western Pacific and attempt to prevent us from coming to the aid of our allies." He referred to Beijing's deployment of "...advanced anti-ship and anti-air missiles atop an archipelago of military bases constructed on artificial islands..." in the South China Sea. He said that "...the United States Navy will continue to fly, sail, and operate wherever international law allows and our national interests demand. We will not be intimidated, and we will not stand down."

Referencing the PRC's Social Credit Score, Mr Pence said that China was moving toward "...control and oppression of its own people ...[through] an unparalleled surveillance state – often with the help of U.S. technology...drastically restricting the free flow of information to the Chinese people...[and by 2010] 'allow[ing] the trustworthy to roam everywhere under heaven, while making it hard for the discredited to take a single step.'

He also accused Beijing of "...a new wave of persecution [against] Chinese Christians, Buddhists, and Muslims.", using "debt diplomacy" to expand its influence; extending "...a lifeline to the corrupt and incompetent Maduro regime in Venezuela"; and has convincing three Latin American nations to sever ties with Taipei and recognize Beijing. Mr Pence said: "These actions threaten the stability of the Taiwan Strait, and the United States of America condemns these actions. And while our administration will

continue to respect our One China Policy, as reflected in the three joint communiqués and the Taiwan Relations Act, America will always believe that Taiwan's embrace of democracy shows a better path for all the Chinese people."

The Vice President referred to the Administration's response:

"We've been making the strongest military in the history of the world stronger still. Earlier this year, President Trump signed into law the largest increase in our national defense since the days of Ronald Reagan -- \$716 billion to extend the strength of the American military to every domain.

"We're modernizing our nuclear arsenal. We're fielding and developing new cutting- edge fighters and bombers. We're building a new generation of aircraft carriers and warships. We're investing as never before in our armed forces. And this includes initiating the process to establish the United States Space Force to ensure our continued dominance in space, and we've taken action to authorize increased capability in the cyber world to build deterrence against our adversaries.

"At President Trump's direction, we're also implementing tariffs on \$250 billion in Chinese goods, with the highest tariffs specifically targeting the advanced industries that Beijing is trying to capture and control. And as the President has also made clear, we will levy even more tariffs, with the possibility of substantially more than doubling that number, unless a fair and reciprocal deal is made.

"These actions — exercises in American strength — have had a major impact. China's largest stock exchange fell by 25 percent in the first nine months of this year, in large part because our administration has been standing strong against Beijing's trade practices. "As President Trump has made clear, we don't want China's markets to suffer. In fact, we want them to thrive. But the United States wants Beijing to pursue trade policies that are free, fair, and reciprocal. And we will continue to stand and demand that they do."

Mr Pence also accused Beijing of "...meddling

in America's democracy... [and] attempting to interfere in our upcoming [midterm] election[s]." Referencing "...a sensitive Chinese document, entitled "Propaganda and Censorship Notice."... [stating]... that China must 'strike accurately and carefully, splitting apart different domestic groups' in the U.S., Mr Pence said "...Beijing has mobilized covert actors, front groups, and propaganda outlets to shift Americans' perception of Chinese policy." More broadly, the Vice President accused Beijing of economic blackmail, influence peddling, and propaganda to advance its interests in the U.S.

In response, the Administration will "... act decisively to protect America's interests, American jobs, and American security....across the Indo-Pacific; demand an economic relationship with China that is free, fair, and reciprocal...take action against Beijing until the theft of American intellectual property ends ... [and]... stand strong until Beijing stops the predatory practice of forced technology transfer;... [give] foreign nations a just and transparent alternative to China's debt-trap diplomacy...; heighten... scrutiny of Chinese investment [in the U.S.] ... to protect our national security from Beijing's predatory actions...; and [expose]...Beijing's malign influence and interference in American politics and policy".

Citing the U.S. National Security Strategy, Mr Pence observed that "Competition does not always mean hostility". Referencing Mr Trump, he said:

"...we want a constructive relationship with Beijing where our prosperity and security grow together, not apart. While Beijing has been moving further away from this vision, China's rulers can still change course and return to the spirit of reform and opening that characterized the beginning of this relationship decades ago. The American people want nothing more; and the Chinese people deserve nothing less.... "Today, America is reaching out our hand to China. And we hope that soon, Beijing will reach back with deeds, not words, and with renewed respect for America. But be assured: we will not relent until our relationship with China is grounded in fairness, reciprocity, and respect for our sovereignty."

BEIJING'S APPROACH TO GLOBAL [ECONOMIC] GOVERNANCE

Even before Mr Trump's election^{xlii}, the Peoples Republic of China had determined to "...lead the reform of the global governance system [quanqiu zhili] with the concepts of fairness and justice." xliii This was made explicit again on 22-23 June 2018. at the CPC's Central Conference on Work Relating to Foreign Affairs, Already in 2014, however, CPC General Secretary Xi Jinping had enjoined the Foreign Ministry to "...advance multilateral diplomacy, work to reform the international system and global governance, and increase the representation and say of China and other developing countries", in order to "... pursue peaceful development ... [while]... never relinquish [ing China's] legitimate rights and interests, or allow[ing] China's core interests to be undermined " xliv

Beijing's new activism^{xlv} found expression in President Xi Jinping's announcement, in November 2015, of the theme for the 11th G20 Summit in Hangzhou: Build an Innovative, Invigorated, Interconnected, and Inclusive World Economy, by implementing four steps:

- 1. innovating the growth pattern, advancing reforms and innovation, grasping new opportunities, and improving the growth potential of the world economy:
- 2. improving global economic and financial governance, enhancing representation and voice of emerging markets and developing countries, and strengthening the world economy's capability to manage risk;
- **3.** constructing an open-ended world economy by promoting international trade and investment, to promote growth;
- 4. advancing inclusive and interconnected development, implementing the 2030 Agenda for Sustainable Development, eradicating poverty, and realizing mutual development.

Beijing's thesis was that innovation, invigoration, interconnection, and inclusiveness (the 4 l's) define the critical components of a system of economic governance needed for global economic balance and sustainable growth.

Innovation is necessary for vitality and creativity through scientific progress to achieve global economic recovery; Invigoration speaks to the accelerated economic development needed to rejuvenate the world economy; Interconnection is necessary to lessen uncertainty, and permit steady economic development to mutual advantage; and Inclusiveness will ensure that development benefits all countries and peoples, to unlock great increments in market demand. XIVI

Given the need for an open, inclusive and multipolar world, defined by innovative policies reflecting the interconnectedness and complementarity of states at different stages of development, Beijing had concluded that the global financial crisis of 2008–2014 showed that the West's preferred mode of economic development would not deliver the structural economic transformation needed for sustainable development. Having assessed China's growth experience since 1979, the scale of its foreign exchange reserves, and its investment in complementary IFIs - the New Development Bank and the Asia Infrastructure Investment Bank and transnational development programs – the Silk Road Economic Belt and the 21st-Century Maritime Silk Road xlvii -- the Central Committee of the CPC concluded that these permitted China to advance a new mode of sustainable economic development. xlviii

Xi Jinping's address at the Annual Meeting of the World Economic Forum in 2017^{Xlix}, and the conclusions of the 19th Congress of the CPC^l during which the CPC Constitution was amended



to include Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era^{li}, reinforce this. At the WEF Annual Meeting, Xi Jinping called for changes to outdated global governance systems, based on a Western-centric order, While defending globalisation and affirming the merits of free trade, as well as the Paris Climate Agreement, he criticised global financial market mechanisms for their inability to manage financial volatility and prevent the formation of asset bubbles. Iii Meanwhile, in his report to the 19th CPC Congress, Secretary General Xi Jinping dispelled any notion that the PRC would bend to Western mores:

"We must remain fully committed to the Party's basic line as the source that keeps the Party and the country going and that brings happiness to the people. We must lead and unite the Chinese people of all ethnic groups in fulfilling the central

task of economic development. We must uphold the Four Cardinal Principles^{liii}, continue to reform and open up, be self-reliant, hardworking, and enterprising, and strive to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful".liv

A WAY FORWARD

Comparatively few in the U.S. government, and fewer in European chanceries, share Mr Trump's visceral dislike of the burdens of alliances, or his mercantilist instincts. But many have serious reservations about aspects of China's economic behaviour^{lv}, and recognise, like the CPC, that unfettered globalization has placed great strains on the international system.

In 2011, Dani Rodrik argued that it was not possible simultaneously to pursue democracy, national self-determination, and economic globalization. When the social arrangements of democracies clash with the international demands of globalization, he argued, national priorities should take precedence. Wii Indeed, the conduct of international relations involves each state pursuing its national interests in an environment in which the interests and the values of other states often diverge from its own. This tension can only be mitigated by joint definition of a legitimate order that accommodates the interests of all powers.

Periods of relative peace^{lviii} in history have been characterised by agreement on the norms that constitute the legitimate order, and creation of a balance of power that enable each state to accept that its vital interests are adequately met. Hedley Bull^{lix} has observed that a global society comprises "a group of states, conscious of...common interests and common values...conceiv[ing] themselves to be bound by a common set of rules in their relations to one another."

The challenge is thus to clarify the interests and the values that nations have in common, and to negotiate and define the common set of rules that will shape inter-state economic behaviour, and our collective conduct in the context of the global commons.

Open markets^{lx} have contributed to lower consumer prices, more efficient allocation of resources and a more competitive economy in recent decades. The rules-based system has created confidence, enabled



investment, and contributed to a more peaceful world. Trade liberalization and investment flows have lifted billions out of poverty. But the global trading system needs revitalization. The negotiations for the Uruguay Round ended in 1994, and the Doha Round has been stalled for over a decade. While unilateral actions and threats of the sort issued by Mr Trump, prompting retaliation by Beijing, undermine trust in the international trading system and the rules-based order, and risk severe disruption^[Xi], free trade and open capital markets have exacerbated inequality over the past two decades, and require fiscal and social responses. [Xiii]

All need to acknowledge the present weaknesses of the system and to address them. The need for cooperation between China and the U.S. in particular is recognised widely, also by leading U.S. research institutions. ^[Xiii]

China's rise in this century has been a shock to the U.S. economy. A recent study by the U.S. National Bureau of Economic Research suggested that, since 2000,



trade with China explains 25 percent of job losses in U.S. manufacturing. Many U.S. and many European officials also believe that China has pirated intellectual property and manipulated global supply chains. ^{lxiv}

The global financial system is also a source of challenges. IMF Managing Director Christine Lagarde

PERIODS OF RELATIVE
PEACE IN HISTORY HAVE
BEEN CHARACTERISED
BY AGREEMENT ON THE
NORMS THAT CONSTITUTE
THE LEGITIMATE ORDER"

has noted that healthy growth prospects for the world economy now provide a backdrop for authorities to move to regulation of activities, not merely entities. "We need to anticipate where the next crisis will be. Will it be shadow banking? Will it be cryptocurrencies?" bxv

The global economy and global financial system before the financial crisis of 2008 enabled extraordinary prosperity, but financial innovation led to a huge surge in opaque instruments, while technology enabled exponential increase in transaction speeds, algorithmic trading, and complex derivative instruments, all of which contributed to systemic contagion.

Today, after a series of interventions. the quality and quantity of capital in the banking system is better, with more liquidity and lower leverage; pro-cyclicality has been reduced, if not eliminated; and some elements of counter-party risk have been removed.

But the concentration risk is greater than before the crisis, and the shadow banking sector (money market funds, monoline insurers and off-balance sheet vehicles) had already grown to \$67 trillion by the end of 2012 - \$41 trillion more than in 2002. Sovereign risk exposure of some banks is still high; with complex legacy assets still overvalued. Regulatory arbitrage – with divergent rules and accounting standards – is widespread, even if the cross-border footprint of most banking institutions is smaller than before the crisis.

Despite talk of macro-prudential oversight, regulators are still largely using the same instruments – capital and leverage ratios – as before the crisis. The cumulative impact of a large bank failure in a highly connected system is unknown; and resolution regimes are untested. The solution proposed by the IMF – macro-economic policy coordination – to limit the risk of financial mercantilism and exchange rate manipulation, is unlikely to materialise.

Meanwhile, all economies and societies are undergoing profound changes, with the greatest technological transformation since the Industrial Revolution of the 18th and 19th centuries now about

to impact all aspects of work, education, social policy and political engagement. Ixvi The greatest most significant rivalry today between the PRC and the U.S. - with Japan and the ROK engaged, but Europe lagging - is over dominance of this new technology frontier^{lxviii}. Rapid advances in information technology have already equipped economic actors with new tools to identify and pursue economic opportunities - analysing economic trends and market opportunities, creating new businesses, transferring financial assets, and enabling collaboration with widely-dispersed partners. They have also disintermediated national political parties, increased economic returns to capital and technology ownership, and reduced those to labour, widening economic disparity in all Advanced Economies, and weakening social cohesion. Much more is to come!

The level of social and political disruption occasioned by the Industrial Revolution between 1780 and 1860 was extraordinary. It eventually produced the age of late Victorian prosperity, consolidated the British Empire's grip on the world until the First World War, and prepared the way for the "American [20th] century"; but it also prompted the destruction of empires, the French revolution. the Napoleonic wars, the restoration of dynastic "legitimacy" at the Congress of Vienna, the great European revolutions of 1848, the American Civil War - as slavery was no longer the sole (or most effective) means of ensuring agricultural output -and the introduction of near-universal male urban franchise with the Great Reform Act of 1832 and the Second Reform Act, of 1867, in the United Kingdom. It promoted Karl Marx to pen Das Kapital and set the stage for the Bolshevik Revolution, and encouraged Bismarck to reconsider the need for German consolidation, leading to his Blut und Eisen speech, on 1862.

Anyone who imagines that we face a less disruptive time in the next thirty years in this First Post-industrial Bio-digital Revolution is out of touch with reality. Political institutions are rarely able to adapt to rapid and accelerating technological, economic

ANYONE WHO IMAGINES THAT WE FACE A LESS DISRUPTIVE TIME IN THE NEXT THIRTY YEARS IN THIS FIRST POST-INDUSTRIAL BIODIGITAL REVOLUTION IS OUT OF TOUCH WITH REALITY"

and social change, and the scope and scale of the technologies now emerging from research pipelines, amplifies the challenge.

The regulatory requirements for innovations in nano-technology, neuro-technology and cognotechnology, and their paths to transhumanism, are uncertain in ethical terms, untested in practice, and different to those used to incentivise breakthroughs in informatics and the first round of bio-technologies. Technology convergence poses moral and policy dilemmas, from health regulation to military ethics. Balancing the ethical and economic considerations of neurocognitive and physical enhancement is particularly challenging, as we risk exacerbating social divides and political tensions by augmenting the capacity and opportunities of the children of those who can pay. Ixix

All this is occurring while we need, in all national societies, to address the sources and consequences of inequality; restore possibilities for upward mobility, especially to the youth; provide social safety nets for older workers who cannot be reskilled and accommodated in labour markets; invest in the transformation of education and skills training to enable horizontal mobility and lifelong learning; and build social capital and cohesion to enable burden-sharing as we transition to a new social-economic order.

There is a real risk that preoccupation by governments with the need to respond to these domestic imperatives – even in those states that

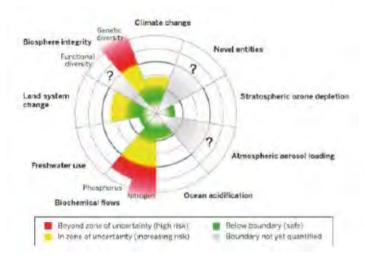
resist the siren song of nativism and populism – will make collaboration on "common goods", and coordinated responses to terrorism, violent extremism, organized crime and forced migration, more difficult. The contraction of international trade regimes in tariff wars, if unchecked, will dislocate global value chains, slow growth, and increase geopolitical stress.

Meanwhile, time is running out in our efforts to enable human survival in an integrated biogeosphere. We number almost 7.7 billion humans today; up from one billion in 1804; 2 billion in 1930 and three billion in 1960. As the earth's natural capital is limited, we are pushing dangerously against planetary boundaries. The October report of the IPCC^{lxx} sets a hard target of slashing emissions by 2030, by 45 percent below 2010 levels, if we are to hold warming to 1.5°C, to avert a significant disruption of human well-being. We are also

already breaching the planetary boundaries related to land-system change, biosphere integrity, and biogeochemical (N and P) cycles. lxii The World Wildlife Fund's Living Planet Reportl^{XXII} records a 60 percent decline in wildlife populations in just over 40 years, due chiefly to overexploitation and land conversion for cities and agriculture. The Our Ocean Progress Reportl^{XXIII}, following on The Global Ocean Commission's lxxiv identification of five key drivers of ocean decline, reports only modest amelioration.

To address these challenges, we need a whole system approach. Activists must play their part. Governments must provide enabling environments, and regulation. Social and environmental externalities must be priced into market activities, and business has an essential role to play.

Figure 11: Will Steffen et al., Planetary boundaries: Guiding human development on a changing planet, Science, January 2015



We also need an integrated earth system approach. Climate, oceans, freshwater aquifers, soils, forests, fields and the biodiversity in each, are all part of one bio-geosphere, as is our human species. We cannot treat parts of the whole as though they were discrete. Humanity is embedded in a bio-geosphere (an earth system) on which we depend for our survival. We do not have dominion over the earth; we depend on the earth system for our survival. The fossil record suggests five mass extinction events in the history of the earth. boxv

We thus need to join our efforts to define a normative framework that will reduce tension, balance national interests in a global economy by aligning objectives, and allow us to craft a legitimate equilibrium that will permit agreement on strategies for both intra- and intergenerational progress.

The notion that innovation, invigoration, interconnection, and inclusiveness (the 4 I's proposed by President Xi Jinping in November 2015) should underpin economic governance to enable global economic balance

and sustainable growth, is appealing. Each of these is a necessary element of a path to inclusive and environmentally-sustainable economic growth. Indeed, the PRC's proposals are not appreciably different from the recommendations of the OECD for the world in 2060: Raise educational attainment, enhance governance, increase public investment, strengthen competition policy, reform labour market policies, stimulate research and development, and maintain a liberal trade regime. It ought not to be difficult to agree on the principles. The challenge, as always, will lie in defining a path to realising them. The Imperial Springs International Forum 2018 can thus help lay the foundations of a new rules-based order, perceived as legitimate by all, to avert dangerous disruption and enable progress.

ENDNOTES

- ⁱ The term systemic risk refers to risks imposed by interlinkages and reciprocal dependencies between elements in a system, where the failure of a single entity or cluster of entities can cause a cascade of failures, potentially disrupting the entire system.
- iihttps://www.pbs.org/wgbh/frontline/article/the-great-recession-10-years-later-7-docs-to-watch/ (Accessed 20181110)
- iii Johann Rockström et al, Planetary Boundaries: Exploring the safe operating space for humanity in the Anthropocene (Nature, 461: 472 475, Sept 24 2009)
- iv Garrett Hardin, The Tragedy of the Commons, Science Vol. 162, No. 3859
- Value School of Management, http://ba.yale.edu/news_events/CMS/Articles/6958.shtml. The crisis also triggered the World Economic Forum into a Global Redesign Initiative http://www.weforum.org/issues/global-redesign-initiative. In 2004, the U.N. Secretary-General convened a High Level Panel to address the need for transformation of the United Nations system: A more secure world: Our shared responsibility, Report of the High-level Panel on Threats, Challenges and Change, United Nations 2004 http://www.un.org/secureworld/report2.pdf:
- vi http://www.intracen.org/itc/market-info-tools/trade-treaties-map/ Accessed 20180713
- vii See also https://www.prospectmagazine.co.uk/politics/the-inside-story-of-whitehalls-fierce-brexit-row Accessed 20190714
- viii https://www.theatlantic.com/international/archive/2018/07/trump-nato-allies/564881/; See also https://www.brookings.edu/blog/order-from-chaos/2018/07/15/natos-global-peace-is-unraveling-and-we-cant-see-it/ Accessed 20180716
- ix Takis S. Papas, The Specter Haunting Europe: Distinguishing Liberal Democracy's Challengers, Journal of Democracy, October 2016; see also Sean Cleary, Democracy Its Substance and Meaning: Can One Size fit All?, Salzburg Trilogue, August 2018 http://www.niemanlab.org/2016/12/fake-news-and-the-future-of-journalism/(Accessed 20181110)
- xi Wan Guillemette, David Turner, The Long View: Scenarios for the World Economy to 2060, OECD Publishing, July 2018, No. 22xii Graham Allison, The Thucydides Trap, Foreign Policy, June 9, 2017 https://foreignpolicy.com/2017/06/09/the-thucydides-trap/ (Accessed 20181110)
- xiii https://edition.cnn.com/2014/04/12/opinion/ukraine-putin-niblett/ (Accessed 20181110)
- xiv https://en.wikipedia.org/wiki/Irredentism (Accessed 20181110)
- xv The Washington Consensus is a term used by English economist John Williamson in 1089 to designate a set of ten economic policy prescriptions seen as the standard reform package for crisis-wracked, developing countries by the International Monetary Fund, the World Bank and U.S. Department of the Treasury. The prescriptions encompassed macroeconomic stabilization, liberalization of wages, interest and exchange rates, and the current and capital accounts of the Balance of Payments; and privatization of state-owned enterprises and other assets.
- xvi Simon Springer; Kean Birch; Julie MacLeavy, eds. The Handbook of Neoliberalism. Routledge. 2016.
- xvii Cleary, Sean. (1999). Discontinuous change at the end of the 20th century: An opening salvo. South

African Journal of International Affairs. 6. 19–32. 10.1080/10220469909545258. https://www.researchgate.net/publication/232852671_Discontinuous_change_at_the_end_of_the_20th_century_An_ opening_salvo (Accessed 20181110)

- xviii Garton Ash, Timothy, Brexit: Ad Island on the Edge, Prospect, November 8, 2018 https://www.prospectmagazine.co.uk/magazine/brexit-an-island-on-the-edge?foclid=lwAR18IQR17VtZltQZzBEuoo4LlkNvyL_QJ9sKi6paxTUwJpJPem14P3LboBc (Accessed 20181110)
- xix Takis S. Pappas, The Specter Haunting Europe: Distinguishing Liberal Democracy's Challengers, Journal of Democracy, October 2016
- Susan Lund, et alia, A decade after the global financial crisis: What has (and hasn't) changed? McKinney, August 2018. https://www.mckinsey.com/industries/financial-services/our-insights/a-decade-after-the-global-financial-crisis-what-has-and-hasnt-changed (Accessed 20181110)
- Nouriel Roubini and Brunello Rosa, The Makings of a 2020 Recession and Financial Crisis, Project Syndicate, September 13, 2018 https://www.project-syndicate.org/commentary/financial-crisis-in-2020-worse-than-2008-by-nouriel-roubini-and-brunello-rosa-2018-09 (Accessed 20191110)
- xxii https://edition.cnn.com/2016/06/15/politics/donald-trump-republican-leaders-by-myself/index.html Accessed 20180717
- xiii https://www.brookings.edu/blog/unpacked/2018/07/12/unpacked-the-us-china-trade- war/?utm_campaign=Brookings%20Brief&utm_source=hs_email&utm_medium=email&utm_content=64421876 Accessed 20180717
- xxiv Matt Flegenheimer and Michael Barbaro, Donald Trump Is Elected President in Stunning Repudiation of the Establishment, November 9, 2016 -http://www.nytimes.com/2016/11/09/us/politics/hillary-clinton-donald-trump- president. html?smid=fb-share&_r=0
- xxv 2016 CBS Republican primary debate, South Carolina, Feb 13, 2016
- xxvi The Tax Cuts and Jobs Act, 2017, fully titled An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.
- **xxvii** The Trans-Pacific Partnership, and initially, the North American Free Trade Agreement, although it has since been renegotiated with incremental improvements for the U.S.
- xxviii By June of 2018, the U.S. economy had achieved virtually full employment, experienced ninety-five months of uninterrupted growth (the third longest expansion in American history), with manufacturing output at all-time highs, and financial markets soaring.
- xxix Laura LaHaye, Mercantilism, The Concise Encyclopaedia of Economics, 2008
- xxx Smith, Adam, An Inquiry into the Nature and Causes of the Wealth of Nations, 1776.
- xxxi Mercantilism promotes government regulation of the economy to augment state power vis-à-vis rivals. The national economic policy aims at accumulating monetary reserves through a positive balance of trade, especially of finished goods. Such policies frequently led to war and motivated colonial expansion.
- xoxii "[]] I wish to know the extent of the advantage, which arises to England, from her giving France a hundred pounds of broad cloth, in exchange for a hundred pounds of lace, I take the quantity of lace which she has acquired by this transaction, and compare it with the quantity which she might, at the same expense of labour and capital, have acquired by manufacturing it at home. The lace that remains, beyond what the labour and capital employed on the cloth, might have fabricated at home, is the amount of the advantage which England derives from the exchange." Lionel Torrens, Lionel (1808). The Economists Refuted and Other Early Economic Writings 1984 ed. New York: Kelley. p. 37.

xxxiii David, Ricardo, On the Principles of Political Economy and Taxation, 1817. In Ricardo's seminal example, England could commit 100 hours of labour to produce one unit of cloth, or 5/6 units of wine. Meanwhile, Portugal could commit 90 hours of labour to produce one unit of cloth or 9/8 units of wine. So, Portugal has an absolute advantage in producing cloth due to fewer labour hours, and England has a comparative advantage, due to lower opportunity cost. Without trade, England needs 220 hours to produce and consume one unit each of cloth and wine while Portugal requires 170 hours to produce and consume the same. England is more efficient at producing cloth than wine, and Portugal at producing wine than cloth. So, if each country specializes in the good for which it has a comparative advantage, then the total production of both increases, as England can spend 220 labour hours to produce 2.2 units of cloth while Portugal can spend 170 hours to produce 2.125 units of wine. Moreover, if both specialise and England trades a unit of its cloth for 5/6 to 9/8 units of Portugal's wine, both countries can consume at least a unit each of cloth and wine, with 0 to 0.2 units of cloth and 0 to 0.125 units of wine remaining in each country to be consumed or exported. Both can thus consume more wine and cloth by trading.

xxxiv In 1930 Gottfried Haberler reformulated the theory of comparative advantage so that the value of good X is measured in terms of the forgone units of production of good Y, thereby introducing the concept of a production possibility curve. [Daniel Bernhofen, (2005). Gottfried Haberler's 1930 reformulation of comparative advantage in retrospect, Review of International Economics. 13 (5): 997–1000.

The Ricardo-Viner neoclassical specific factors and Heckscher-Ohlin (H-O) factor proportion models generalize the Ricardian model and derive comparative advantage in broader settings, but with empirical shortcomings. In the Ricardian and H-O models, comparative advantage is formulated for 2 countries/2 commodities but can be extended to 2 countries/many commodities or many countries/2 commodities. Dornbusch, Fisher, and Samuelson added commodities to provide a smooth continuum of goods and allow for incorporation of transportation costs. [R. Dornbusch, S, Fischer, P. A. Samuelson, Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods, 1977, American Economic Review. 67 [5]: 823–39.

Comparative advantage theory faces problems when applied to individual [or pairs of] commodities in a world of multiple commodities, but Deardorff [A.W. Deardorff, How Robust is Comparative Advantage? 2005, Review of International Economics. 13 (5): 1004–16] shows that the insights are still valid if the theory is restated in terms of averages across all commodities. His general law of comparative advantage incorporates multiple goods, and takes tariffs, transportation costs, and other barriers to trade into account.

XXXV The GATT was signed by 23 nations in Geneva on October 30, 1947, and took effect on January 1, 1948, continuing until the signature by 123 nations in Marrakesh on April 14, 1994, of the Uruguay Round Agreements, which established the World Trade Organization (WTO) on January 1, 1995. The original GATT text (GATT 1947) is still in effect under the WTO framework, subject to the modifications of GATT 1994

xxxvi N. G. Mankiw, Outsourcing Redux, Blog: Random Observations for Students of Economics, May 7, 2006

xxxvii James K. Galbraith, The Predator State, Free Press, 2008, pp. 68–70

xxxviii Thomas Wright, Trump's 19th Century Foreign Policy, Politico, January 20, 2016 https://www.politico.com/magazine/story/2016/01/donald-trump-foreign-policy-213546 - Accessed 20180718

xxxix https://www.brookings.edu/blog/unpacked/2018/07/12/unpacked-the-us-china-trade-war/?utm_campaign=Brookings%20Brief&utm_source=hs_email&utm_medium=email&utm_content=64421876 - Accessed 20180717; see also https://www.brookings.edu/blog/order-from-haos/2018/07/09/the-future-of-the-u-s-china-trade-war/ - Accessed 20180718

xl https://edition.cnn.com/2018/09/23/politics/trump-trade-war-china/index.html (Accessed 20181110)

- xli https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/ (Accessed 20181110)
- xlii by 2011, Beijing had concluded that direction from Washington on the future course of the global economy was not desirable. Continuing pressure from Washington for a substantial revaluation of the renminbi was ignored, not least because the second round of quantitative easing (QE2) by the US Federal Reserve in 2010, and the U.S. dollar "carry trade", caused severe inflation in China, confronting Beijing with a choice between choking off credit or permitting high inflation.
- Xuii https://www.project-syndicate.org/commentary/xi-jinping-has-a-coherent-global-vision-by-kevin-rudd-2018-07 Accessed 20180717. One can distinguish as Mr Rudd does between guoji zhixu (the international order) the multilateral institutions that seek to govern the global commons under shared sovereignty (which China accepts), and the US system of global alliances (which it does not); guoji xitong (the international system) comprising the multilateral institutions only, and quanqiu zhili (global governance) the means by which the "international system" is governed.
- xliv The Central Conference on Work relating to Foreign Affairs, 29 November 2014 http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/tl215680.shtml Accessed 20180718
- xlv This ended Deng Xiaoping's dictum of "hide your strength, bide your time, never take the lead,"
- xlvi See https://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=22150.
- xlvii These two comprising the Belt and Road Initiative engage 73 countries.
- xlviii Op. cit. https://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=22150; for further detail see Wang Wen, China's Evolving global Governance Role, FutureWorld Foundation 2016 https://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=22154
- xlix https://www.voutube.com/watch?v=Ys6skoxOKMk Accessed 20180718
- thttp://www.xinhuanet.com/english/special/19cpcnc/index.htm Accessed 20180718
- In his report to the 19th CPC Congress, Xi Jinping explained socialism with Chinese characteristics entering a new era: "The Chinese nation, which since modern times began had endured so much for so long, has achieved a tremendous transformation: it has stood up, grown rich, and is becoming strong; it has come to embrace the brilliant prospects of rejuvenation. It means that scientific socialism is full of vitality in 21st century China, and that the banner of socialism with Chinese characteristics is now flying high and proud for all to see. It means that the path, the theory, the system, and the culture of socialism with Chinese characteristics have kept developing, blazing a new trail for other developing countries to achieve modernization. It offers a new option for other countries and nations yaoyaowho want to speed up their development while preserving their independence; and it offers Chinese wisdom and a Chinese approach to solving the problems facing mankind." op. cit
- https://www.ft.com/content/67ec2ec0-dca2-lle6-9d7c-bel08flcldce Accessed 20180718
- The Four Cardinal Principles are: keeping to the path of socialism, upholding the people's democratic dictatorship, upholding the leadership of the Communist Party of China, and upholding Marxism–Leninism and Mao Zedong Thought.
- liv http://www.xinhuanet.com/english/special/2017-11/03/c_136725942.htm Accessed 20180718
- https://www.bloomberg.com/news/articles/2018-04-07/macron-and-merkel-may-find-they-can-agree-with-trump-on-china (Accessed 20181110)
- Mi Dani Rodrik, The Globalization Paradox: Democracy and the Future of the World Economy, WW Norton, New York, 2011

Ivii Rodrik argues that the pursuit of deeper global governance is neither practical — as political accountability is now at the national level, and with the exception of the EU, likely to remain there — nor desirable. He "safeguarding the considerable benefits of a moderate globalisation while explicitly recognising the benefits of national diversity and the centrality of national governance". He argues that "seven principles" offer an appropriate foundation for global economic governance: (i) Markets must be deeply embedded in systems of governance, as they need social institutions to support them; (ii) democratic governance exists largely within national states, and will remain so for the foreseeable future; (iii) each state must be free to develop the economic institutions and arrangements that suit it best; (iv) countries have the right to their own regulations in respect of trade and capital flows; (v) countries do not have the right to impose their institutions on others; (vi) the purpose of international economic arrangements must be to lay down the 'traffic rules' for managing the interface between national institutions; and (vii) non-democratic countries cannot enjoy the same rights as democracies as it is national democratic accountability that underpins the need to respect national institutional arrangements.

Iviii The fifteen decades after the conclusion of the Peace of Westphalia in 1648 (cuius regio, eius religio, being the defining principle); and the almost ten decades after the Congress of Vienna, are illustrative examples in Europe.

lix Hedley Bull, The Anarchial Society: A Study of Order in World Politics, 1997

^{lx} The past 30–40 years has seen trade tariffs cut from 35 percent on average to 5 percent – Pascal Lamy, Trump, Brexit, globalisation in crisis?, Association des Centraliens, Paris, 24 April 2018

txi Kenneth Rogoff, The Global Impact of a Chinese Recession, Project Syndicate, November 11, 2018 https://www.project-syndicate.org/commentary/global-impact-of-chinese-recession-by-kenneth-rogoff-2018-11 (Accessed 20181110)

txii Fiscal policy in the US effects redistribution of approximately 35 percent of production, while in Europe this is 45 percent – op. cit. Pascal Lamy, Association des Centraliens, Paris

txiii Michael J. Mazarr, Timothy R. Heath, Astrid Stuth Cevallos, China and the International Order, Rand Corporation, 2018 – https://www.rand.org/pubs/research_reports/RR2423.html

kxiv https://nationalinterest.org/feature/trump-should-repair-trade-deals-not-destroy-them-25351 - Accessed 20180718

https://www.reuters.com/article/us-imf-markets/imfs-lagarde-says-market-swings-arent-worrying-but-wants-reforms-idUSKBN1FV0BM - Accessed 20180718

txvi https://foreignpolicy.com/2018/07/11/learning-to-work-with-robots-automation-ai-labor/ - Accessed 20190-718

lxvii https://www.foreignaffairs.com/articles/europe/2018-07-17/europe-new-era-great-power-competition - Accessed 20180720

Lxviii https://www.researchgate.net/publication/314175208_Book_Review_KLaus_Schwab_The_Fourth_Industrial Revolution (Accessed 20181110).

lxix University of Lincoln, Thinking Ahead, #21st Century Lab www.lincoln.ac.uk/home/media/responsive2017/documents/thinking-ahead-university-of-lincoln.pdf, cf. pp 8/9 (Accessed 20181110)

that The first IPCC Special Report, on Global Warming of $1.5\,^{\circ}$ C was considered by the IPCC Panel on $1-5\,^{\circ}$ C tober 2018 in Incheon, Republic of Korea in the First Joint Session of Working Groups I, II and III, accepted by the 48th Session of the IPCC on 6 October, and launched on 8 October. http://www.ipcc.ch/report/sr15/ (Accessed 20181110)

txxi Will Steffen et alia, Planetary boundaries: Guiding human development on a changing planet, Science, 15 January 2015, http://science.sciencemag.org/content/early/2015/01/14/science.1259855 (Accessed 20181110); see also https://scripps.ucsd.edu/news/earth-has-crossed-several-planetary-boundaries-thresholds-human-induced-environmental-changes (Accessed 20181110)

/txxii World Wildlife Fund, Our Living Planet 2018: Aiming higher,
http://wwf.panda.org/knowledge_hub/all_publications/living_planet_report_2018/ (Accessed 20181110)
txxiii Our Ocean 2018, Bali, 29-30 October 2018 http://ourocean2018.org/ (Accessed 20181110)

lxxiv http://www.some.ox.ac.uk/research/global-ocean-commission/ (Accessed 20181110)

1. Ordovician–Silurian extinction events: 450–440 Ma (million years ago) at the Ordovician–Silurian transition. This comprises two events that killed off 27% of all families, 57% of all genera and 60% to 70% of all species.

- 2. Late Devonian extinction: 375–360 Ma near the Devonian–Carboniferous transition. At the end of the Frasnian Age, a prolonged series of extinctions eliminated about 19% of all families, 50% of all genera and at least 70% of all species. This event mat have lasted for 20 million years, comprising a series of extinction pulses.

 3. Permian–Triassic extinction event: 252 Ma at the Permian–Triassic transition. This killed 57% of all families, 83% of all genera and 90% to 96% of all species. (53% of marine families, 84% of marine genera, about 96% of all marine species and an estimated 70% of land species, including insects. The evidence on plants is less clear but new taxa became dominant after the extinction.
- 4. Triassic Jurassic extinction event: 201.3 Ma at the Triassic Jurassic transition. About 23% of all families, 48% of all genera (20% of marine families and 55% of marine genera) and 70% to 75% of all species became extinct. Most non-dinosaurian archosaurs, most therapsids, and most of the large amphibians were eliminated, leaving dinosaurs with little terrestrial competition. Non-dinosaurian archosaurs continued to dominate aquatic environments, while non-archosaurian diapsids continued to dominate marine environments. The Temnospondyl lineage of large amphibians also survived until the Cretaceous in Australia.
- 5. Cretaceous—Paleogene extinction event: 66 Ma at the Cretaceous—Paleogene transition interval. About 17% of all families, 50% of all genera and 75% of all species became extinct. In the seas all the ammonites, plesiosaurs and mosasaurs disappeared, and the percentage of sessile animals was reduced to about 33%. All non-avian dinosaurs became extinct. Mammals and birds, the latter descended from theropod dinosaurs, emerged as dominant large land animals.



IMPERIAL SPRINGS INTERNATIONAL FORUM
ADVANCING REFORM AND OPENING UP,
PROMOTING WIN-WIN COOPERATION

DRAFT PROGRAMME

10TH-11TH DECEMBER, 2018

IMPERIAL SPRINGS, CONGHUA, GUANGDONG, P.R.C

WIDAY 9TH DECEMBER

18:00 Welcome Banquet (By Invitation Only)

Place: Phoenix Mansion-Main Hall

иоул јон ресемвек

10:00

10:30

Inaugural Session

Place: Convention Center - Phoenix Ballroom

1. Wang Qishan, Viepresident of the Peope's Republic of China

2. Vaira Vike-Freiberga, President of Latvia (1999-2007). President of World Leadership Alliance - Club de Madrid (WLA-CdM)

3. Li Xi, Secretary of the CPC Provincial committee of Guangdong

4. Chau Chak Wing, President of the Australia China Friendship and Exchange Association

Master of Ceremonies: Li Xiaolin, President of the Chinese People's Association for Friendship with Foreign Countries

10:30

10:45

Tea Break

10:45

11:45

Plenary 1 "Advancing Reform and Opening Up: Promoting Win-Win Cooperation"

Place: Convention Center - Phoenix Ballroom

Objective:

This session will set the context for the discussion on the interface between the 40 years of reform and opening up that has shaped today's China and the stress being experienced by the existing liberal world order and its governance. Participants will consider the Chinese vision of a new era of international relations based on win-win cooperation and a shared destiny. Information and technology can serve to underpin these relations by building trust. contributing to more balanced and sustainable economic development and, therefore, more equitable and peaceful societies at a time of growing protectionist and nationalist tensions around the world.

Facilitator: He Yafei, Former Deputy Foreign Minister

Panelists:

- 1. Jenny Shipley, Prime Minister of New Zealand (1997-1999). Member, WLA-CdM.
- 2. Ricardo Lagos, President of Chile (2000-2006). Member, WLA-CdM
- 3. Kim Campbell, Former Prime Minister of Canada (1993). Member, WLA-CdM
- 4. Joaquim Chissano, President of Mozambique (1986-2005). Member, WLA-CdM
- 5. Danilo Türk, President of Slovenia (2007-2012). Member, WLA-CdM
- 6. Hamid Karzai, President of Afghanistan (2001-2014)

12:00/ /- / **13:30**/

Lunch (Int'l Dignitaries / Int'l & Chinese Experts)

Place: 28 Hole

14:00 - 15:30

Breakout Sessions 1: Zeroing in onthe Challenges Objective:

Breakout sessions will focus on 3 particular drivers of prevailing

40 years of Opening-Up, Reform and the Technological Revolution

Place: Phoenix Mansion - Main Hall

There is ample consensus that reform and opening-up have been vital to the prosperity achieved by China. The country's share of the world economy grew from a mere 1.8 % in 1978 to a remarkable 18.2 % in 2017. President Xi's 'third revolution' seeks an increasingly ambitious and expansive role for China in the world with technology as a critical driver of the process. More than ever, Beijing needs to deliver on its commitment to globalization and for this, the role of digital innovations and artificial intelligence in encouraging vibrant market and entrepreneurial forces will be key to further unleash the vitality of the world economy. But the path to success remains complex.

What lessons from these 40 years of technological innovation are transferable to other emerging countries?

Are there positive examples of international partnerships with China that could inspire further win-win cooperation schemes in the technology sector?

Can the current trade war alter the path of China's technological ascent? If so, what would the impact be to the rest of the world?

Facilitator: Zlatko Lagumdžija

Prime Minister of Bosnia and Herzegovina (2001 - 2002). Member, WLA-CdM

Discussants:

- **1. Yang Jiemian**, Former President of Shanghai Institute for International Studies
- 2. Jim Harrowell, Partner at Hunt & Hunt. Former President of the Australia-China

Business Council (NSW)

- 3. Esko Aho. Prime Minister of Finland (1991-1995). Member. WLA-CdM
- 4. Petre Roman, Prime Minister of Romania (1989-1991). Member, WLA-CdM
- 5. Dai Xianglong, Former Governor of People's Bank of China
- 6. Tsakhiagiin Elbegdorj, President of Mongolia (2009-2017). Member, WLA-CdM

A. China's Belt and Road Initiative and other Opening-Up Policies

Place: Phoenix Mansion - Ball Room

China has found in the resurrection of the historical Silk Road a suitable and useful instrument to foster more inclusive global economic growth, in line with the multipolar world that it upholds. In just five years, The Belt and Road Initiative (BRI) has made great strides in advancing the advantages of global interconnectivity and, in spite of inevitable geopolitical questions it raises, numerous partners have joined the process.

The BRI is positioning China as a major actor in international development. Will it become a significant mechanism of the new global order?

The infrastructure projects promoted by China's BRI may generate significant debt in "beneficiary" countries and backfire against China's image and intent. How can perverse financial and economic impacts of these major investments be avoided or, at least, mitigated?

Could the BRI contribute to de-escalating tensions in the South China Sea?

Facilitator: Karim Dahou

Senior Counsellor, Global Relations Secretariat, The Organisation for Economic Cooperation and Development (OECD)

Discussants:

- 1. **Zhang Weiwei**, Director of the China Institute at Fudan University
- 2. Richard Wike, Director of Global Attitudes Research, PEW Center
- 3. Festus Mogae, President of Botswana (1998-2008). Member, WLA-CdM
- **4. Xie Guoliang**, Head of economic and policy research, development planning division, Bank of China (Hong Kong)
- 5. Andrés Pastrana. President of Colombia (1998-2002). Member WLA-CdM
- 6. Wu Hongtao, President of Huaxing Bank.
- **7. Donald Rabindranauth Ramotar**, President of Guyana (2011-2015). Member, WLA-CdM

B. Global Governance in a New International Order

Place: Convention Centre - Phoenix III.

The financial crisis of 2008 showed that existing global governance was unable to address the increasingly complex challenges faced by the international order. In

President Xi's view, peace and security challenges, growing protectionism, migration flows, drug trafficking, tax evasion and terrorism, among others, make it necessary "to reform the international system and global governance and increase the representation and say of China and other developing countries". Governments need to bolster cooperation and multilateralism, seeking global solutions backed by institutions with the capacity, norms and authority to conceive, implement and enforce them

The possibility of convincing the USA of the benefits of collaboration in facing the threats that are seriously destabilizing the liberal world order seems elusive. How could this challenge of a hegemon in retreat be tackled so as to maintain an effective global order?

Rising inequality, protectionism, populism and nationalism in the West is seriously challenging the liberal order. How can a rules based order be secured in an increasingly multipolar world?

Are multiple and more flexible coalitions the key for successful global governance?

Facilitator: Sean Cleary

Executive Vice-Chair of the FutureWorld Foundation and Chairman of Strategic Concepts. Advisor, WLA-CdM.

Discussants:

- 1. Zhang Shuguang, President of City University of Macau
- **2. Manuel Muñiz**, Dean of the School of International Relations at IE University and Rafael del Pino Professor of Practice of Global Leadership.
- 3. Zhu Feng, Director of Institute of International Relations, Nanjing University.
- **4. José Antonio Ocampo**, Co-Director of the Bank of the Republic of Colombia and Professor (on leave of absence for public service) from Columbia University. Advisor, WLA-CdM
- **5. Helen Clark** Prime Minister of New Zeland (1999-2008), Member, WLA-CdM
- **6. Xin Benjian**, Senior researcher of Chongyang Institutes for Financial Studies, Renmin University of China
- 7. José Ramos-Horta, President of Timor-Leste (2007-2012). Member, WLA-CdM

All guests attending Conference Dinner seated by 18:30 International Leaders arrive at Phoenix Ballroom by 18:50

19:00 Conference Dinner

Place: Convention Center - Phoenix Ballroom

Speakers:

- Li Xiaolin, President of the Chinese People's Association for Friendship with Foreign Countries
- 2. Vaira Vike-Freiberga, President of Latvia (1999-2007). President of the WLA-CdM.
- 3. Chen Zhiying, Executive Vice Mayor of the People's Government of Guangzhou City
- 4. Chau Chak Wing, President of the Australia China Friendship and Exchange Association



09:00 - 10:30

Breakout Sessions 2: Debating Options

Place: Phoenix Mansion - Main Hall

A. Technology: Revolutionising Education, Employment and Finance

Technology is transforming the global economy and, consequently, the labor market. But rather than a threat, this is a unique opportunity; not just the destruction and substitution of jobs, but the creation of new types of jobs. It is imperative to retrofit our education systems to enhance creativity and ensure teachers have the tools needed to enable students to succeed in the workforce of tomorrow. Countries that have already achieved notable technological capabilities must help countries lagging behind to overcome the technology gap. The future is digital and institutions and individuals need to improve their skills, flexibility and resilience in this new environment.

The technological revolution requires concrete changes in educational systems and research. How can international cooperation advance this essential transformation?

According to McKinsey, at least 30% of existing tasks within 60% of today's occupations are theoretically automatable. How can countries with high levels of technological know-how teach and train developing countries' workforce to facilitate their transition into an increasingly digitalized environment, for example in the financial sector?

The US sees the Chinese technological revolution as a major threat. How can tensions between these two countries avoid hampering a process that is both inevitable and desirable for future global development?

Facilitator: Han Seung-soo

Prime Minister of Korea (2008-2009). Member, WLA-CdM.

Discussants:

- 1. Chen Jiande. President of China Area. IMAX
- **2. Karim Dahou**, Senior Counsellor, Global Relations Secretariat, The Organisation for Economic Co-operation and Development (OECD)
- 3. Xu Shaomin, South China University of Technology
- **4. Philip Michael Jeffery**, 24th Governor-General of Australia (2003-2008)
- **5. Mehdi Jomaa** Prime Minister of Tunisia (2014-2015). Member WI A-CdM
- **6. Zhou Fangyin**, professor and Dear of the School of International Relations, Guangdong University of Foreign Studies.
- 7. Yves Leterme, Prime Minister of Belgium (2009-2011). Member, WLA-CdM.

B. Trade: Paving the Way Towards Win-Win Cooperation

Place: Phoenix Mansion - Ballroom

The norms that govern trade, essential to global economic growth, need profound and thoughtful review. Data flows, for example, are becoming as important as the exchange of goods. While Chinese leadership has positioned itself as the champion of globalization, multilateralism, free trade and an envigorised world trade order, these principles seem to be crumbling in the face of growing protectionism. Win-win cooperation requires transparent, solid, rules-based trade governance, capable of driving an inclusive and interconnected economy and commercial flows that serve large numbers of countries.

How can this new era of increased data flows be addressed and incorporated into a coordinated rules-based system?

A hegemon often needs to sacrifice part of its immediate national interests for the sake of the whole. Are China and the US ready to tackle the trade governance challenge individually and collectively?

Facilitator: Boris Tadić

President of Serbia (2004-2012), Member, WLA-CdM

Discussants:

- 1. Liu Qiao, Dean in the Guanghua School of Management, Peking University
- **2. Leo Melamed**, Chairman Emeritus, Chicago Mercantile Exchange (CME Group, Inc.). Chairman. Melamed & Associates
- **3. Yao Yao**, Director of the Center for National Soft Power Research at China Foreign Affairs University.
- **4. Montek Ahluwalia**, Deputy Chairman of the Planning Commission of the Government of India (2004-2014). Former Director of the Independent
- **5. David Thomas**. President of the Austalia-China SME Association
- 6. Luis A. Lacalle, President of Uruguay (1990-1995). Member, WLA-CdM

C. Shared Prosperity and Global Stability

Place: Convention Center - Phoenix III

Identifying and properly assessing the impact of global megatrends is the first step in developing strategies to address them. In the last 40 years, while China was driving hundreds of millions of people out of poverty, the advanced economies experienced strong productivity increases yet in both cases inequality has become the chink in the system's armor.

Should a new multipolar world order address inequality by encouraging a social contract with pro-welfarism safety nets?

Could child allowances and tax incentives encourage higher birth rates and help slow down ageing workforces and societies around the globe?

Would improvements in education and research be sufficient to dodge the middle-income trap in emerging economies?

Facilitator: David Ahlin

Global Director, Ipsos SA

Discussants:

- **1. Li Xiangyang**, Director of National Institute of International Strategy, Chinese Academy of Social Science.
- **2. Benedict Bingham**, Country Director for People's Republic of China, Asian Development Bank
- **3. Tamas Hajba**, Senior Advisor for China, Strategic Partnerships and New Initiatives, Global Relations, The Organisation for Economic Co-operation and Development (OECD)
- **4. Zheng Yu**, Professor at the school of International Relations and Public Affairs (SIRPA), Fudan University
- **5. Epeli Nailatikau**, President of Fiji (2009-2015)
- 6. Fuad Siniora, President of Lebanon (2005-2009). Member, WLA-CdM

10:30 - 11:00 Tea Break

Place: Convention Center - Auditorium foyer

11:00 - 12:00 Plenary 2: Trust and Traction for a New World Order

Place: Convention Center - Phoenix Ballroom

Objective: This wrap-up plenary session will discuss the conclusions of breakout sessions and focus on ways to advance trust, essential to promote win-win cooperation.

Facilitator: Sean Cleary

Executive Vice-Chair of the FutureWorld Foundation and Chairman of Strategic Concepts. Advisor, WLA-CdM.

Panelists:

- 1. Dai Xianglong, Former Governor of the People's Bank of China,
- Former Mayor of Tianjin
- 2. Ban Ki-Moon, UN Secretary General (2007-2016). Honorary Member, WLA-CdM.
- 3. Carl Bildt, Prime Minister of Sweden (1991-1994). Member, WLA-CdM
- **4. Orette Bruce Golding**, Prime Minister of Jamaica (2007-2011)
- **5. Yukio Hatoyama**, Prime Minister of Japan (2009-2010)

12:00 - 12:30 Closing Session

Place: Convention Center - Phoenix Ballroom

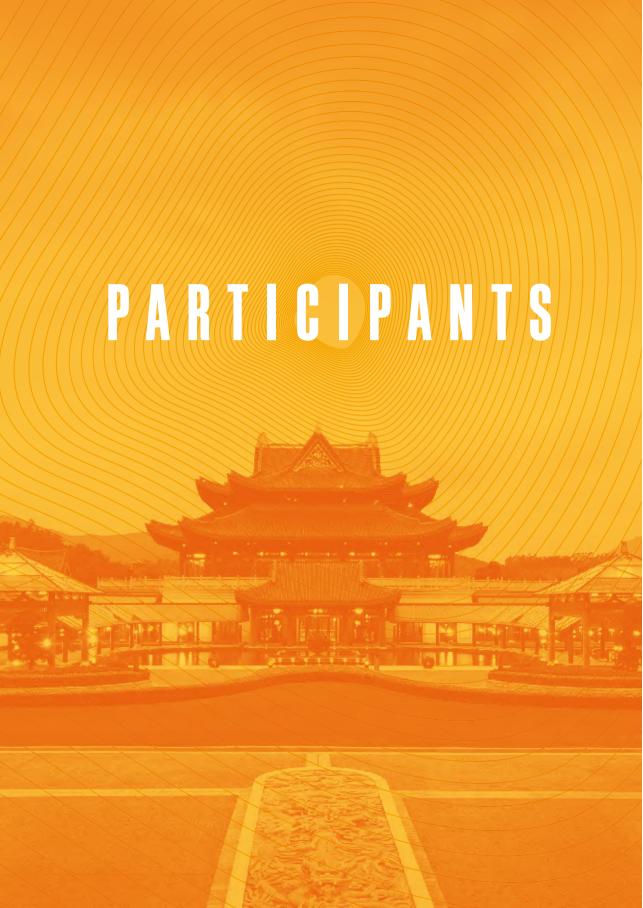
Speakers:

- 1. Xie Yuan, Vice President of the Chinese People's Association for Friendship with Foreign Countries
- 2. Vaira Vike-Freiberga, President of Latvia (1999-2007). President, WLA-CdM
- 3. Ouyang Weimin, Vice Governor of Guangdong Province
- **4. Chau Chak Wing**, President of the Australia China Friendship and Exchange Association
- **5. He Yafei**, Former Deputy Foreign Minister, People's Republic of China

Luncheon of Int. Dignitaries with local business reps

Place: Phoenix Mansion - Main Hall





> CHINESE DIGNITARIES AND LEADERS OF CO-ORGANIZERS

VIKE-FREIBERGA, President of the WLA-CdM. President of Latvia (1999-2007)

VAIRA

WANG QISHAN Vice President of the People's Republic of China

Li Xi Secretary of the CPC Provincial Committee of Guangdong

MA XINGRUI Vice Secretary of the CPC Provincial Committee of Guangdong, Governor of

Guangdong Province

LI XIAOLÍN President, Chinese People's Association for Friendship with Foreign Countries

CHAU CHAK WING / President of the Australia China Friendship and Exchange Association

Chair of the Asia-Pacific Region of World Leadership Alliance-Club de Madrid

President's Circle

Founder and Chairman of the Kingold Group

CASSAM UTEEM Former President of Mauritius

Vice-President of World Leadership Alliance - Club de Madrid

LAURA CHINCHILLA Former President of Costa Rica

Vice President of World Leadership Alliance - Club de Madrid

MARÍA ELENA AGÜERO / Secretary General of World Leadership Alliance - Club de Madrid

ZHANG SHUOFU Member of the Standing Committee of the CPC Provincial Committee of Guangdong

Secretary of the CPC Municipal Committee of Guangzhou

LI CHUNSHENG Vice Governor of the People's Government of Guangdong Province

Director-General, Department of Public Security, Guangdong Province

WEN GUOHUI Mayor of Guangzhou

XIE YUAN Vice President of Chinese People's Association for Friendship with Foreign

Countries

* FOREIGN FORMER DIGNITARIES

RUPIAH BANDA Former President of Zambia

Member of World Leadership Alliance - Club de Madrid

JOAQUIM ALBERTO
CHISSANO

Former President of Mozambique

Member of World Leadership Alliance - Club de Madrid

IVO JOSIPOVIĆ Former President of Croatia

PHILIP MICHAEL Former Governor-General of Australia

JEFFERY

HAMID KARZAI Former President of Afghanistan

LUIS ALBERTO Former President of Uruguay
LACALLE

Member of World Leadership Alliance - Club de Madrid

RICARDO LAGOS Former President of the Republic of Chile

Member of World Leadership Alliance - Club de Madrid

JAMES ALIX MICHEL Former President of the Republic of Seychelles

Nominated Member of World Leadership Alliance – Club de Madrid

FESTUS MOGAE Former President of Botswana

Member of World Leadership Alliance - Club de Madrid

RATU EPELI Former President of Fiji
NAILATIKAU

ROZA OTUNBAYEVA Former President of the Kyrgyz Republic

Member of World Leadership Alliance - Club de Madrid

ANDRÉS PASTRANA Former President of Colombia

Member of World Leadership Alliance - Club de Madrid

PUNSALMAAGIIN OCHIRBAT Former President of Mongolia

Member of World Leadership Alliance - Club de Madrid

JOSÉ RAMOS-HORTA

Former President of Timor-Leste

Member of World Leadership Alliance - Club de Madrid

DONALD RABINDRANAUTH RAMOTAR Former President of Guyana

BORIS TADIĆ

Former President of Serbia

Member of World Leadership Alliance - Club de Madrid

TSAKHIA ELBEGDORJ

Former President of Mongolia

Member of World Leadership Alliance - Club de Madrid

DANILO TÜRK

Former President of Slovenia

Member of World Leadership Alliance – Club de Madrid

ESKO AHO

Former Prime Minister of Finland

Member of World Leadership Alliance - Club de Madrid

BAN KI-MOON

Former Secretary General of the United Nations

Honorary Member of World Leadership Alliance – Club de Madrid

IRINA BOKOVA

Former Director General of UNESCO

CARL BILDT

Former Prime Minister of Sweden

Member of World Leadership Alliance - Club de Madrid

VALDIS BIRKAVS

Former Prime Minister of Latvia

Member of World Leadership Alliance - Club de Madrid

KIM CAMPBELL

Former Prime Minister of Canada

Member of World Leadership Alliance - Club de Madrid

HELEN CLARK Former Prime Minister of New Zealand

Member of World Leadership Alliance - Club de Madrid

BRUCE GOLDING Former Prime Minister of Jamaica

HAN SEUNG-SOO Former Prime Minister of the Republic of Korea

Member of World Leadership Alliance - Club de Madrid

YUKIO HATOYAMA Former Prime Minister of Japan

President of East Asian Community Institute

HAMADI JEBALI Prime Minister of Tunisia

Member of World Leadership Alliance - Club de Madrid

MEHDI JOMAA Former Prime Minister of Tunisia

Member of World Leadership Alliance – Club de Madrid

ZLATKO LAGUMDŽIJA Former Prime Minister of Bosnia & Herzegovina

Member of World Leadership Alliance - Club de Madrid

YVES LETERME Former Prime Minister of Belgium

Member of World Leadership Alliance - Club de Madrid

PETRE ROMAN Former Prime Minister of Romania

Member of World Leadership Alliance - Club de Madrid

JENNY SHIPLEY Former Prime Minister of New Zealand

Member of World Leadership Alliance - Club de Madrid

FUAD ABDEL BASSET SINIORA Former Prime Minister of Lebanon

Member of World Leadership Alliance - Club de Madrid

> EXPERTS, SCHOLARS AND REPRESENTATIVES FROM BUSINESS CIRCLES

LEO MELAMED Chairman Emeritus, CME Group, Inc.

Chairman, Melamed & Assoc., Inc.

DAI XIANGLONG Former governor of the People's Bank of China

Former mayor of Tianjin

HE YAFEI Former Deputy Foreign Minister of China

YANG JIEMIAN Director of Academic Committee, Shanghai Institutes for International Studies

ZHANG WEIWEI Director of the China Institute at Fudan University

ZHU FENG Director of Institute of International Relations, Nanjing University

LI XIANGYANG Director. National institute of International Strategy in CASS

MONTEK SINGH Indian Economist

AHLUWALIA

BEN BINGHAM Country Director, People's Republic of China Resident Mission,

Asian Development Bank

KARIM DAHOU Senior Counsellor, OECD Global Relations Secretariat

RUT DIAMINT Professor at University Torcuato di Tella

Adviser to World Leadership Alliance - Club de Madrid

TAMAS HAJBA Senior Advisor for China, OECD Global Relations Secretariat

GEORGINA HIGUERAS Journalist, Assistant Professor, and Writer Specialising in Asia

MANUEL MUÑIZ Dean of IE School of Global and Public Affairs at IE University Rafael del Pino

Professor of Practice of Global Transformation

CRISTINA MANZANO Editor-in-chief of Esglobal

JOSÉ ANTONIO Chair of the Committee for Development Policy of the ECOSOC

OCAMPO Co-Director of Colombia's Central Bank

Professor (on leave) at Columbia University

Adviser to World Leadership Alliance - Club de Madrid

DAVID NAVARRO GARCÍA Director of Casa Asia

MARC UZAN

Executive Director and Founder of The Reinventing Bretton Woods Committee

RICHARD WIKE

Director of Global Attitudes at PEW Research Center

SONG XIANZHONG

President of Jinan University

ZHANG SHUGUANG

Rector of City University of Macau

LIU QIAO

Dean of Guanghua School of Management, Peking University

YAO YAO

Director of the Center for National Soft Power Research

ZHENG YU

Professor at the School of International Relations and Public Affairs,

Fudan University

ZHOU FANGYIN

Dean of the School of International Relations, Guangdong University of

Foreign Studies

YU LEI

Professor in the Center for Australian Studies, Beijing University of Foreign Studies

XU SHAOMIN

Director of China's Foreign Policy Research

Center at the Institute of Public Policy

YANG RUI

Host and Producer of China Global Television Network

SEAN CLEARY

Executive Vice-Chair of the FutureWorld Foundation Chairman of Strategic Concepts

Advisor of World Leardership Alliance - Club de Madrid

DAVID AHLIN

Global Director Ipsos SA

JIM HARROWELL

Hunt & Hunt Head of the Litigation and Dispute Resolution Group

CHEN JIANDE

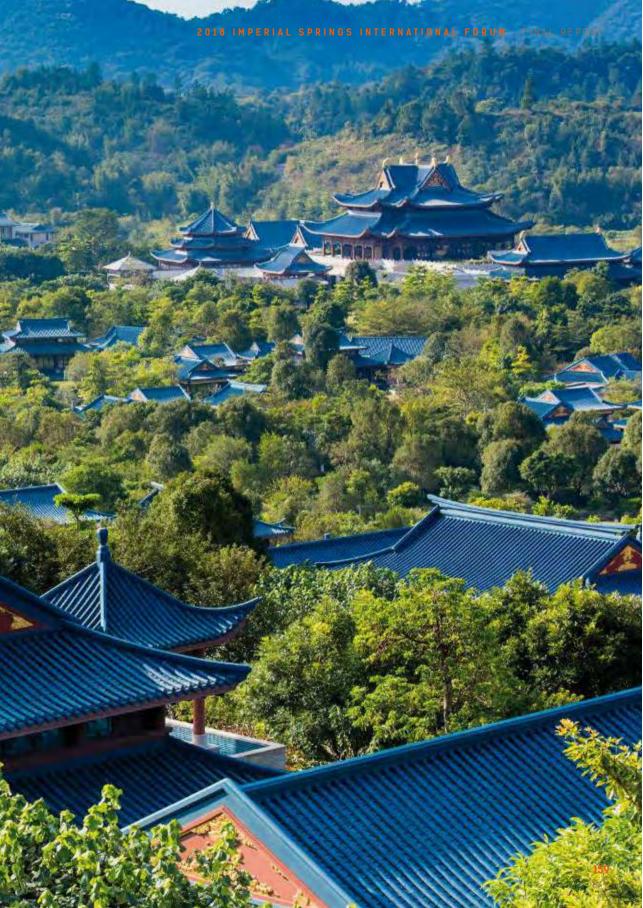
Chief Executive Officer of IMAX China

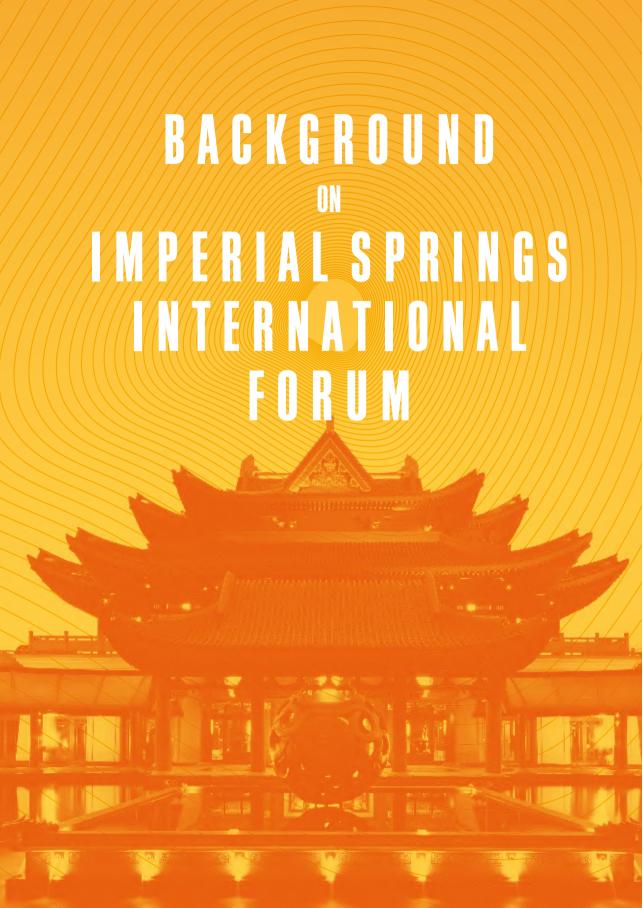
DAVID THOMAS

President of the Australia China SME Association

ZHONG XIAOFENG

Chief Executive Officer, North Asia of Amundi







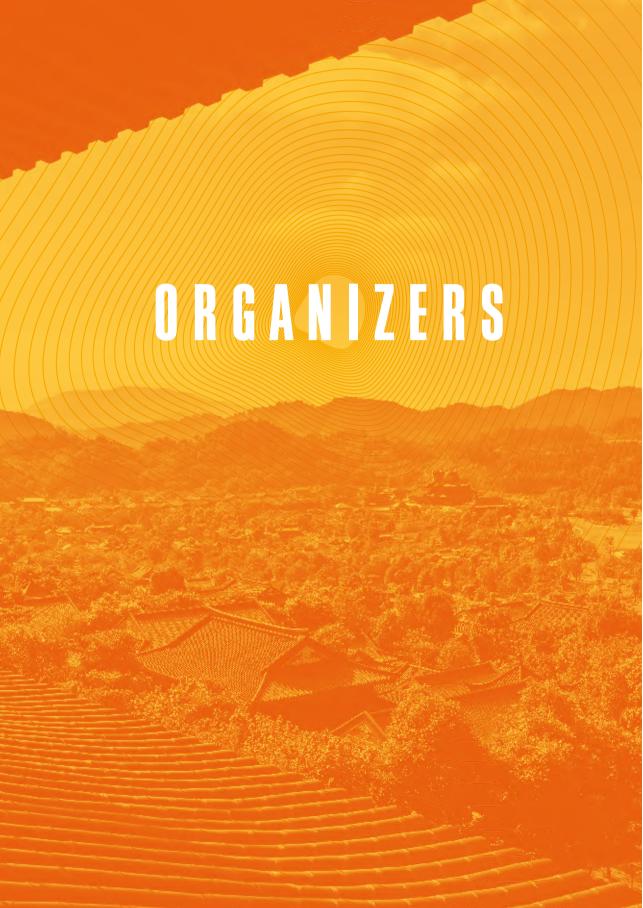
INAUGURATED IN AUGUST 2011, IMPERIAL SPRINGS INTERNATIONAL FORUM WAS OFFICIALLY ESTABLISHED IN 2015 WITH THE APPROVAL OF THE CHINESE GOVERNMENT. IT IS CURRENTLY CO-HOSTED BY THE CHINESE PEOPLE'S ASSOCIATION FOR FRIENDSHIP WITH FOREIGN COUNTRIES (CPAFFC) AND THE AUSTRALIA CHINA FRIENDSHIP AND EXCHANGE ASSOCIATION (ACFEA).

eld in the beautiful Imperial Springs International Convention Center in Conghua, Guangzhou, the forum serves as an important platform for people-to-people diplomacy and international exchange. It aims to enhance understanding and expand consensus among parties through discussions on important topics in the economy, politics and culture, thereby facilitating regional and global cooperation.

As an ideal environment for high-level forums, the Imperial Springs International Convention Center has hosted a number of important international conferences since 2011, including the Australia-China Friendship Forum on Economy and Trade, the International Museum and Cultural Forum, the Australia-China Media Forum, the Global Leadership Summit of SME Leaders, the Going to Latin America Forum, and the 2014 China-Australia Economic Forum More than 300 international dignitaries, including former U.S. President Bill Clinton, former Australian Prime Minister John Howard,

business leaders, scholars and celebrities have participated in these events.

Under the theme of the "Belt and Road initiative -New Opportunities and New Cooperation," the 2015 Imperial Springs International Forum explored new approaches for security and cooperation in the Asia-Pacific region, as well as global peace and development. In 2016, and marking the launch of the cycle of collaborations with the World Leadership Alliance-Club de Madrid (WLA-CdM), the Forum focused on "Inclusive. Sustainable and Resilient Cities in the Belt and Road Initiative" exploring the potential global impact of the Belt and Road Initiative and how investments in cities along its way can foster efficient, inclusive and sustainable urbanization models. This was followed by an analysis of 'Global Governance and China's perspective' in 2017 which called for a profound reflection on the way to reshape the normative order behind today's global governance, unlocking the capacity of new and old institutions in a context of unstable and unpredictable complexity.





THE AUSTRALIA CHINA FRIENDSHIP AND EXCHANGE ASSOCIATION (ACFEA) was registered in September 2005 in the NSW Australia as a non-for-profit institution. The president of the association is Dr. Chau Chak Wing, a prestigious leader in the Chinese community of Australia. Its Advisory Board consists of members who are interested in the promotion of people-to-people contact between Australia and China. Since its establishment, the ACFEA has been committed to the promotion of friendly exchanges between Australia and China in the areas of trade and economy, culture, education, the arts and science while organizing high-profile bilateral dialogues or events. The ACFEA headquarters in Sydney Australia with representative offices located in Beijing, Guangzhou and Hong Kong.



THE CHINESE PEOPLE'S ASSOCIATION FOR FRIENDSHIP WITH FOREIGN COUNTRIES (CPAFFC) is a national people's organization engaged in people-to-people diplomacy of the People's Republic of China. The aims of the Association are to enhance people's friendship, further international cooperation, safeguard world peace and promote common development. On behalf of the Chinese people, it makes friends and deepens friendship in the international community and various countries around the world, lays and expands the social basis of friendly relations between China and other countries, and works for the cause of human progress and solidarity. It implements China's independent foreign policy of peace, observing the Five Principles of Peaceful Coexistence, while carrying out all-directional, multi-level and broad-area people-to-people friendship work.

广东省人民政府

People's Government of Guangdong Province

GUANGDONG PROVINCE is situated in the southernmost part of China's Mainland, adjacent to the Hong Kong and Macao Special Administrative Regions and facing Hainan Province across the Qiongzhou Strait on its southwestern side.

With its regional GDP of 8.99 trillion yuan in 2017, Guangdong has ranked No.1 in the country for 29 consecutive years. The local general public budget income was 1.13 trillion yuan, making it the first province in the country to have a total budget income exceeding one trillion yuan. An accumulated 7.756 million new jobs were created in cities and towns. The per capita disposable income of residents reached 33,000 yuan, with an average annual growth rate of 9.2%.

Guangdong's ecological environment continued to improve. In the period of 2012 to 2017, the province's total energy consumption per unit of production decreased by 19.5%, making the province among the leaders in the country. Guangdong's air quality has been stable for three consecutive years, and the average annual concentration of PM2.5 in the Pearl River Delta region decreased by 27.7% compared with 2013, making the province the first to achieve stable compliance among the three key national prevention and control areas.



THE WORLD LEADERSHIP ALLIANCE-CLUB DE MADRID is a non-profit international organization and the world's largest, independent group of democratic, political leaders, committed to addressing the challenges of good governance and effective leadership. The principal added value of the WLA-CdM is a membership of more than 100 former Presidents and Prime Ministers, from more than 70 countries, willing and able to share their diverse leadership experience, expertise, and networks with governments, intergovernmental organizations, civil society, scholars and the business world, building bridges between them and current leaders and policy makers and encouraging dialogue to foster social and political change towards inclusive and peaceful societies.

