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# Regarding Regional Cooperation on Disaster Prevention and Mitigation as the Starting Point to Promote the Smooth Progress of "One Belt, One Road" Initiative

Xu Xian, *the Director of China Insurance and Social Security Research Center, Fudan University*

In recent years, frequent natural disasters and man-made disasters around the world have become one of the important threats to human socio-economic and cultural development. In 2013, China put forward the strategic concept of "One Belt, One Road", which aims to integrate the economic resources of some countries in Asia, Europe and Africa and use the two channels of sea and land to match the internal and external demands as well as build a new pattern of all-round opening. In the process of striving to realize this great blueprint, we cannot ignore the areas along the Belt and Road, especially in Asia, which have always been prone to frequent natural disasters. Besides, most of the countries along the Belt and Road are developing countries. Lack of experience in disaster prevention, mitigation and relief, ignorance of the importance and low input have become the common cause of the serious losses after natural disasters. Once the problem of natural disasters, the sword of Damocles hanging over our heads, cannot be completely solved, the implementing and promotion of "One Belt, One Road" initiative will definitely be affected. On this issue, in the sub-forum of Shanghai Forum held in May 29, 2016, on the subject of "Disaster Prevention and Relief in One Belt and One Road", many foreign and domestic guests from the government, academia, industry and non-governmental organizations were invited and addressed theme reports. Suggestions are as follows:

***First, strengthen regional linkage and the establishment of cooperation mechanisms to enhance the capacity of disaster prevention and mitigation among the countries along the Belt and Road***

During the region of the Belt and Road, China, South Asia and Southeast Asia are the most frequent disaster areas in the world, where earthquakes, geological disasters, volcanoes, floods, droughts, windstorms and other widespread natural disasters often appear. Owing to the relatively low input in national disaster prevention and relief of this region, the serious consequences of casualties and property losses caused by disasters often have a serious impact on the local economy. Natural disasters in this region not only were various and frequently occurred, but also caused serious consequences, resulting in significant economic losses year by

year. Therefore, cooperation among the countries along the Belt and Road in disaster prevention and mitigation is imperative.

The response to disasters requires breaking the concept of boundaries and developing regional linkage mechanisms. During the construction of “One Belt, One Road”, we should take the complementarity and commonality between countries into consideration and focus on the common interests and benefits as well as cultivate a open and inclusive attitude. Under the circumstances of the new normal, all countries along the Belt and Road should take full account of the establishment of a regional linkage mechanism of disaster prevention, mitigation and relief, through which multi-stakeholder participation will be achieved. At the same time, lack of coordination mechanisms, neglect of disaster prevention and delay in disaster relief during the pan-national disasters will not appear so frequently. We should also further consolidate and develop some current regional cooperation to establish a more transparent, more systematic and better coordinated strategic cooperation area. To be more specific, a country along the Belt and Road can be divided into multiple regions. In a region, a core area is selected according to the distribution of disaster risks and disaster relief capabilities, and it should be the key of disaster relief. Then, disaster prevention and relief around the core area can also be completed. Therefore, the capability of disaster prevention and relief in one region can be improved through this kind of comprehensive layout and regional linkage mechanism according to the different distribution of relief capabilities and materials in different areas.

To complete the task of disaster prevention and mitigation, governments, social organizations, international organizations and the international community should be encouraged to fully play their respective roles.

First, the central role of government in disaster prevention and mitigation should be further consolidated. In terms of diplomacy, the government should further promote cooperation with other countries and organizations; in terms of legislation, the government should further fill gaps in insurance so that disaster prevention and mitigation tools can obtain the legal basis; in terms of economy, the insurance companies should further go out toward a wide region along the Belt and Road in order to improve the technology of disaster prevention and mitigation as a whole.

Secondly, social organizations and non-governmental organizations should participate more in disaster relief. Social organizations, including academic institutions, non-governmental organizations, community organizations, religious organizations and other different institutions, are non-profit in nature. Other than political entities such as the

government, they have their unique roles. They should be more involved in government decision-making and consultative processes, transferring information and supervising the government for society in the process of disaster prevention and relief. Therefore, disaster management can be transformed and to some extent, the local government will neither abuse or neglect their power and responsibility. At present, people's awareness of disaster prevention and mitigation has increased. At the same time, social organizations and social forces are more willing to participate in disaster prevention and reduction. Therefore, the government should introduce some mechanisms to encourage the participation of social forces and to clear the obstacles in the participation as well as support their development.

Thirdly, the role of international organizations in preventing and mitigating disasters should be brought into full play. Governments should work closely with regional and international organizations to enhance the capabilities of disaster prevention and mitigation in the areas along the Belt and Road. A large framework for governments and non-governmental organizations should be established through sharing experience and practice in all kinds of multi-party meetings, disaster forums and other platforms. Besides, in order to assist the regional disaster prevention and reduction, we should also make full use of the rich experience in disaster relief and disaster management of international organizations and coordinate various aspects including disaster prevention and mitigation, emergency preparedness and post-disaster recovery.

Fourthly, international community should fulfill their obligations of disaster prevention and mitigation. That is to say, a country facing the disaster can make full use of the resources and assistance of the international community. Then, the capacity for multi-hazard monitoring and disaster prevention and mitigation can be strengthened so that the obligation of mitigating global disaster risks will be fulfilled.

Finally, the insurance industry can also be used to better manage natural disasters for the countries along the Belt and Road. At present, both the average number of insurance population and the per capita premiums show that most of these countries are not good at using insurance as an important means of disaster prevention and mitigation as well as risk management. The proportion of insurance in GDP are less than 1% in these countries and regions, which means this tool has not been fully used. In fact, the insurance means a lot for not only enterprises and individuals, but also governments. It can strengthen the government's ability of combating catastrophe and reduce the pressure on government's transferring payments so as to realize a win-win situation for the government and the public. So the insurance companies need actively

grasp this development opportunity and cooperate with governments and international agencies to avoid risks in the development as well as accelerate the pace of entering the market through full cooperation with insurance companies and relevant institutions in other countries.

***Second, warn early to reduce the losses caused by the catastrophe and realize disaster risk reduction under the guidance of the Sendai Framework for Disaster Risk Reduction***

Recently, the number of people living in disaster-prone areas has risen due to frequent natural disasters in Asia. With the development of urbanization and the transfer of property to the cities, economic losses caused by disasters have risen rapidly. Once catastrophe occurred in these areas with dense population and concentrated property, it will inevitably lead to a series of chain reaction. More property damage are caused in developed countries for their more developed economies. In addition, the impact of such disasters is further amplified by the large urban areas and the urban population. Fortunately, although the frequency and intensity of disasters has increased recently, rates of population mortality have declined, which, on one hand, indicates further development of the medical and rescue technology brought about by modern science and technology, and on the other hand, reveals the results of upgrading early warning with the development of the Internet.

Under this circumstance, the United Nations World Conference on Disaster Reduction adopted the Sendai Framework for Disaster Risk Reduction, 2015-2030 (hereinafter referred to as the Sendai Framework). Compared to the former one, the Sendai Framework is concerned not only with disaster losses but also with the disaster risks themselves, which is in the hope of reducing the magnitude and frequency of the disasters while reducing the losses caused by disasters. There are seven major disaster reduction targets in the Sendai Framework, including significantly reducing global catastrophe mortality, reducing the number of people affected, reducing the economic losses associated with global gross domestic product, reducing the damage to critical infrastructure and so on. Although the corresponding principles have not yet been formally defined, the focus of future work will be to reduce the extent of the poor's suffering, reduce the number of deaths, and reduce major direct losses from disasters. And the completion of these disaster prevention and mitigation goals are inseparable from the establishment of the early warning mechanism and a more comprehensive information access.

Under the guidance of the Sendai Framework, national and regional disaster mitigation strategies should be introduced as early as possible. The discussion and decision about how to prevent new economic losses



and how to formulate national and regional disaster prevention and mitigation plans should also be early made.

Early warning requires the participation of social organizations and universities, which are primarily responsible for education, training and knowledge diffusion. Besides, social organizations and universities can share experiences in disaster response and discuss with the public by means of community. Therefore, the public can have a deeper understanding of disaster prevention and damage and public awareness of risk will be improved through the publicity of disaster risk and prevention.

The media also play an important role in the early warning. As the most important access to information, the media must propagate the importance of disaster prevention and mitigation before it happens and report the disaster simultaneously. After the disaster, the media should seriously rethink it and write a summary. They should simultaneously report and promote good experience in disaster prevention and mitigation to help reduce casualties and losses caused by disasters. Reports will help the public understand the truth of the disaster, the government access to relevant information and make timely decision, social organizations start contingency plans and the masses effectively supervise the rescue work. In addition, the international rescue can be fully prepared and rush to the disaster area in time because of them. At the same time, the media should enhance risk education to the public, especially teenagers and complete early warning among them through rooting the risk concept in the risk objects.

Technology can not be ignored in the specific operation of the early warning. Due to the advance of the technology, the accuracy of the disaster prediction have been greatly improved and the social media can deliver the damage caused by the disaster in time so that disaster prediction can be completed with the spontaneous force of the public and the guidance of the government. That is to say, as an effective means to improve capabilities of disaster prevention and mitigation, science and technology should be strengthened. First of all, enhance the basic database construction in the disaster area to achieve large digitization of the disaster. A comprehensive database should be established in national disaster-prone areas and other regions along the Belt and Road. Social and economic situation, basic geography and historical disasters and analysis should be included in this database to effectively support the realization of the disaster risk assessment, the disaster damage assessment and restoration and reconstruction as well as further effectively prevent the recurrence and expansion of subsequent disasters. Secondly, a comprehensive assessment of regional disaster risk should be carried

out along the Belt and Road. On the basis of establishing the database, the disaster situation and disaster risk characteristics of all countries and regions should be clarified, and the demands of disaster managers, market, enterprises and the public should be met to meet the prerequisite evaluation conditions of capital entry. Thirdly, it is necessary to establish a sharing mechanism on the information of disaster risk and disaster relief. In this way, early warning information can be shared in time with the help of the internet, mainstream media, traditional media and social media so that to further improve the region's comprehensive capacity.

In a word, early warning can reduce the risk. When the disasters occur, quick transfer of the personnel and property to reduce the damage can be achieved because of it. The disaster, however, can still not be completely avoided. Therefore, the construction of catastrophe insurance system is particularly important. For large-scale disasters, a single commercial insurance can not afford the losses under the current circumstance of high concentration of economy and personnel, which will inevitably lead to a substantial shock in the insurance industry and can not protect the affected masses simultaneously, which will even obstruct post-disaster reconstruction. At present, disaster relief in China mostly relies on fiscal expenditure, which means finance has to bear a huge pressure when catastrophe occurs. During those years of frequent disasters, there were a lot of extra-budgetary spending which caused a great waste on economic resources and affected the stabilization of finance. Therefore, a security mechanism, or a catastrophe insurance system, is urged to coordinate regional commercial insurance, reinsurance, the global insurance market and national finance. At present, relevant ministries and commissions should work together to fill the blank of legislation and negotiate about the design of system. At the same time, speeding up the construction of catastrophe risk fund and accelerating the establishment of catastrophe insurance regulations and the pilot work of catastrophe bonds and catastrophe insurance will help better cover catastrophe risk.

***Third, people-oriented planning and development of community should be completed to fulfill the community's obligation in disaster prevention and mitigation.***

The damage caused by disasters, including economic losses, destroyed natural environment and ecological environment, will directly affected the public in the disaster area. So dealing with disaster should stick to people-oriented concept, take both economy and mankind into consideration and pay attention to a series of social problems caused by disasters such as unemployment and migration. The focus of the policy should be transferred from emergency relief to disaster reduction and prevention and the community should fulfill its obligation. In the management of disaster

risk, the community should also participate by means of the bottom-up risk prevention as the complement to the traditional top-down centralized one. It is, therefore, necessary to emphasize the role of community, to enhance the resilience of community and to train community so that community can better cope with risks.

In the large framework of government, focusing on the community is a complement to social disaster prevention and mitigation system. Compared to the government in charge of a whole country, a region or an area, community is the main component of social small units, having the most thorough understanding of the local disaster. As a result, it can quickly improve the ability to respond to disasters and reduce losses. For example, the government can train representatives to convey information of risks and disasters to the community and to meet the local demands of disaster prevention and mitigation. Therefore, the government could finally draw a map for disaster prevention and improve the community's ability to prevent disasters through survive training, planning disaster prevention route, providing residents with equipments, improving public awareness and so on.

Finally, the cooperation between different people should be given the priority when building disaster-prevention communities. In building the framework for disaster prevention, mitigation and relief, all stakeholders should be fully considered. In particular, emphasis should be placed on the inclusion of special groups in the overall framework. The Sendai Framework highlights eight specific groups, including persons with disabilities, children, immigrants, women and so on. These groups are more vulnerable than other populations to disasters in the process of marginalization due to their weak capacity to acquire rights and resources. Therefore, building a disaster prevention community should be based on the dialogue and communication with vulnerable groups to understand and cover the risk they face. This kind of risk may include the risk that all members of the community face together but have a greater or unique impact on the marginalized population. In this way, the demands of these groups will be understood and further met. Moreover, these unique demands will greatly contribute to the establishment and completion of disaster prevention and mitigation system.

## **Suggestions for Enterprises in The Middle East to Response to Four Sorts of Risks with Caution**

Xu Bolong, *Visiting Scholar of Shanghai College Think Tank,*  
*Advanced Journalist of Zhoushan Daily*

With the implementation of 'One Belt One Road' initiative, an increasing number of domestic enterprises become interested in trading with or making investment in countries along the ancient Silk Road, particularly the Middle East ones featuring large territory and rich resources. However, the economic cooperation has long been plagued with a great number of difficulties and puzzles arising from substantially different political, economic and cultural background. Besides, the current situation may be accounted by geographical and historical complexities in the Middle East, as well as ideological discrepancies, multiple values and diverse law systems.

Before long, having interviewed and exchanged ideas with several experts, including researcher Mr. Gu Zhenglong from Center for World Issues Studies of Xinhua News Agency, Professor Mr. Yang Fang from Chinese History and Geography Research Institute of Fudan University, and PhD. Qiu Wenping, director of Teaching Institute of Religion Research Institute of Shanghai Academy of Social Sciences, the author may kindly suggest the related enterprises should be cautious about four sorts of risks to avoid being deceived and hence unnecessary losses.

The first is the legal risk. The risk of legal environment of countries along the 'One Belt One Road' is a pitfall on which enterprises must maintain high alert. Chinese enterprises are confronted with unfamiliar system environment in that related countries are legally in line with the world to varying degrees, which may give rise to the risk.

At present, our 'going-out' enterprises in their host countries are facing various aspects of risks including taxation, monetary, industrial relations, safety and environmental protection, tender procedure, merger and acquisition laws, national security review, and investment process. Although the labor force in some countries is relatively cheap, the right to strike is well protected; some enterprises have to meet increasingly stringent environmental requirements; due to the change of development strategy, there are serious legal risks of significant modifications to the laws for attracting overseas capital. What's more, some counties suffer problems including non-independent judiciary authorities, severe corruptions, and non-transparent policies, while others are being trapped in the fact that local powerful groups plunder foreign enterprises by

taking advantage of judicial procedures. Hence, while bravely marching into the ‘One Belt, One Road’ related countries, enterprises should take precautions, making adequate and accurate evaluations towards corresponding risks and developing targeted solutions.

Secondly, the social risk brought by discrepancy of religion and culture. Many countries in the Middle East along the “One Belt, One Road” has their own specialties. Except for Israel, almost all countries in the Middle East believe in Islam. Some of the countries are still a bit conservative, maintaining a handle of cultural taboos that Chinese enterprises are unfamiliar with. Islam has troubles in numerous dominations and continuous conflicts, which leads to the loss of Chinese enterprises for the lack of enough experience.

For instance, although most countries in the Middle East belong to the Sunni as Saudi Arabia does, some countries are of secularization on their social life; while countries like Egypt, Lebanon, Syria, Jordan and Turkey are boasting democratic Islam features, whose social life is of a high level of modernization; the Arab Gulf states are extremely conservative, even under the state of caesaropapism. Except for Islam, there are a considerable number of Catholics living in the Middle East, whose society also forms its taboos and customs. Nevertheless, being in atheistic social environment for too long, our domestic enterprises often lack of sensitivity towards local religions and culture, which may easily cause misunderstandings and conflicts with local society. Hence, we should reinforce the religious and cultural difference research of the Middle East countries, which is favor for our enterprises to take precautions against various kinds of tasks and to ensure their own safety.

Thirdly, the political task. In 2011, ‘the Arab Spring’ triggered a political unrest in West Asia and North Africa. A series of events took place, including Turkey coup, the President of Tunisia flight, the President of Egypt sent in prison, the murder of Libyan leaders, long-term civil war of Syria, and the Yemen’s war. Countries along the Middle East experienced violent policy change in that political transformation, national problems, and social unrest. The change of authorities and leadership, along with democratic movement and national splittism, have become the long-term political tasks for Chinese enterprises “going out”.

Lastly, the security task posed by international terrorist forces. Chinese enterprises should pay high attention on the instability and terrorism in the Middle East as well as the eastward shift of international terrorist forces. Being the cradle of the religious extremism, the Middle East, is also the place where the ISIS, Al-Qaeda and Taliban are extremely active. They formed substantial connection with the Eastern Turkistan forces,

which not only posed security task for ‘land Silk Road’, but also extend from Syria, Iraq to the Gulf States, the Central, South and Southeast Asia due to the ISIS. Countries have not formed together fighting against these three extremist forces (religious extremists and terrorists force, and national separatist force), so the security threat is a long standing issue. Our enterprises have to respond carefully.

Given the tasks above, our enterprises ought to fully take the impact of overseas Chinese seriously. According to statistics, there are more than 50 million overseas Chinese, among whom the professionals are about 4 million who mainly engage in the fields of high technology, financial, and education. These groups are well-connected in political and business fields, understand the situation of the country in which they live and know the local laws, all of which makes them the bridge and link in the construction of ‘One Belt, One Road’ initiative.

Meanwhile, the government and related social institutions are supposed to help make pre-arranged plans, such as international politics, foreign-related legal, culture, economic affairs and other consultative service as well as security work.

# On the Sound Evaluation Standard of the Supply-side Structural Reform

Wu Jinduo, *Wuhan University*

Top-design is needed in the supply-side structural reform, and implementation is more needed. The standard to evaluate the supply-side structural reform is related to not only the error correction in practice, but also its sustainability. Only when the supply-side structural reform is tested, modified and perfected in practice, the effect of reform can be constructive and sustainable. If there is no scientific and rational evaluation standard, no dynamic and timely amendment to its practice, the reform may deviate from its goal and intention, bringing about the less expected effect even the opposite one. Therefore, we make following analyses on the evaluation standard of the supply-side structural reform:

## ***Firstly, the existing problem in practice of current supply-side structural reform in China***

Supply side structural reform is a top-down reform, but the implementation of the reform is a bottom-up systems engineering. Thus its execution is a inherently dynamic and micro-based problem.

The dependence such as “waiting, relying on and asking for” and “free-rider” behavior in the process of reform show the external manifestations of insufficient internal impetus. Only the reform continues to promote the endogenous power, it can avoid being transient. Solid and dynamic micro-foundation is the biggest guarantee of the implementation and advancement of the reform’s top-design.

Whether the supply side reform can achieve the desired effect depends not only on whether the top-level design of the supply-side reform can be transformed into the action of the local government, and the government's reform outline document can be translated into the action of the enterprise or not, but also whether the macro guidance can be transformed into micro-dynamics. It also depends on whether reform effect can produce industry-related driving effect, the cost and benefits of reform are shared fairly, and the risks are internalized or not. These questions are ultimately related to the evaluation criteria of reform, bottom-up improvement and amendment of reform practice.

## ***Secondly, standard on improving the supply-side structural reform***

On the evaluation of standard of the supply-side structural reform, the central government has twice put it forward. The first one was at the

twenty-first meeting of the Central Committee of the deep reorganization in February this year:” The standard of the reform effect is whether reform promotes the economic and social development and brings people real profit or not. The another was during President Xi Jinping’s investigation and survey in Anhui in April :” A good ecological environment is contained in supply-side structural reform and the important standard to evaluate the reform effect.

The reform is fundamentally people-oriented. President Xi Jinping regarded it as the standard whether the reform would bring real benefit or not, which answered the micro-economic foundation of the reform. Its widest microcosmic basis is people, as well as people-carrier business. As the old saying goes, water can keep the ship afloat or sink it. People can not only be the driving force of supply-side reform, but also the resistance in process. Only by solving the human problem can we clear the obstacles for the supply side reform, stimulate the enthusiasm and initiation of the people, and solve the endogenous motivation problem of the reform. There are inevitably some difficulties and contradictions in the process, such as a lot of laid-off workers in reducing overcapacity in coal and steel industries, thus reemployment pressure and staff shunt placement. To eliminate backward production facilities in challenging industry, the central government arranged a special fund of 100 billion yuan of subsidies and guaranteed the basic security, the bottom line, and people's livelihood of the reform. We can’t eliminate the worries of reform and provide stable market expectation and technical demonstration to promote comprehensively unless the human problem was solved.

The supply-side structural reform is a green reform. The evaluation system should not lay particular stress on economic output and efficiency, and shouldn’t ignore the environmental costs and social welfare losses. “A good ecological environment is contained in supply-side structural reform, and it is also the important standard to evaluate the reform effect.” The core of reform green growth is to reduce energy consumption per unit of output and improve energy effectiveness. Therefore, in addition to the level of reducing overcapacity, scientific and technological innovation input and output, control cost and new debt, profitability indicators, safety and other indicators, and resource consumption, environmental damage, labor and employment, social income and income distribution gap and so on are also included.

There are following policy suggestions theoretically and practically about the evaluation standard of the supply-side structural reform, in order to ensure the implementation and stable promotion of the reform and straighten out the problems and contradictions:



***Thirdly, the operational recommendations on promoting the reform persistently and effectively.***

**(A) Minimize the match costs of supply and demand**

At present there are the both situations of inefficient supply and invalid excess supply. The reform is not simply “to reduce the supply” or “to increase the supply”. Whatever supply, only the supply that meets the market need is the effective one. The minimization match between supply and demand costs is the standard to test whether supply is effective or not. And it is the reform’s goal. At present, China's largest effective supply is the system supply. The supply-side structural reform removes the shackles of market economic operation institutionally. The central government has deepened the basic reforms in the areas of price, finance, taxation, finance and social security, and has focused on improving the efficiency of resource allocation in terms of resources, labor, capital, technology and entrepreneurship, In order to achieve the optimal allocation of scarce resources and elements, and supply effective match demand.

**(B) The supply-side structural reform needs to guard against and control financial risk**

Economic downturn led to the accumulation of various risks and even exposure, especially with the "to reduce fill" associated with the disposal of zombie enterprises, banks and other financial institutions’ increasing non-performing assets, and intensifying risk of a series of financial markets related to "deleveraging". The main sources of financial risk in supply side reform are the increase of non-performing loans of banks in the industries with overcapacity and the off-balanced sheet of non-performing loans of banks and other nonstandard disposals. Third one is the concentrated exposure of credit default risk of overcapacity industry, and the last one is financial market turmoil due to the one size fits all "deleveraging” on real economy and the financial sector. In the first quarter of 2016, the balance of non-performing loans of commercial banks in China was 1.39 trillion yuan, and the non-performing loan ratio of commercial banks was 1.75 percent, the highest one since September 2011. Non-performing loans have forced some commercial banks to transfer nonperforming assets to the off-balance sheet through non-conforming transfer of proceeds, which temporarily hide the seriousness of non-performing assets. In recent years bank financing scale expanding in the wild growth and disorderly development, is a major hidden danger of our country's financial markets. In addition, recently the mainly bond-targeted bank financial products yields have been constant downward, but finance costs decline is limited. Most of the banks have adopted direct leverage or maintained the financial products yield through outsourcing

investment, which in turn continue to depress the bond yield, making the risk accumulate. At the end of 2015 banking outsourcing are about 9 trillion, accounting for 39% of all financing products. By the end of 2015 China's banking products are about 23 trillion, nearly 10 trillion more than the end of last year.

Thirdly, treat differently the “deleveraging” of finance and real economy

We have made a consensus of too high leverage and fast growth on the market. How to deleverage? Should we lower the leverage or remove the leverage? There are a lot of controversies. But there is no doubt that the levers in the financial and physical realm should be distinguished and treated with caution. In 2015 June, the clear-up of distribution outside the stock market, namely the deleveraging of stock market, became the fuse of the stock market crash. For the expansion of the bank financial products and bank's increasing leverage, in response to the supply-side reform "deleveraging" policy, the CBRC introduced policy began to rectify, stipulating that the transfer of bank credit assets transfer rights need to withdraw capital and financial products of their own transfer of credit assets shall not be purchased. In May the bond market had been downturn for three weeks after the rectification of financial products. There is no doubt that the intention of these norms of financial market behavior is good, dissolving the accumulation of risk. However, to reduce leverage just for itself is, regardless of the specific situation of the financial sector and real economy and market characteristics, applying the leverage reduction of real economy to the financial sector, contrary to the purpose of the reform of the supply side. Short of reform effect on the contrary increases the disturbance in financial field, which is harmful to market expectations.

Fourth, internalizing the externalities of supply-side reforms

Supply-side reform has a strong positive externalities, such as the de-capacity of upstream industry bringing simultaneously rising of volume and price, state-owned enterprises' de-capacity in the basic industry clear the market environment for private enterprises. Reform is not public goods supply side, if the market stands the "free rider" behavior, motivation of the reform of the supply side will only stay at the top-design planning, the government subsidy funds incentive, "files to promote the implementation of the files" level. Local governments and enterprises have neither active reform impetus, intensifying “waiting, relying on, asking for” thought, nor stimulating the endogenous power of supply-side reform micro foundation. It is the key to supply-side reform sustainability and implementation possibility. Therefore, it is necessary to gradually eliminate the elements of the price differences

between regional and industrial firms and share the cost, income and risk of supply-side structural reform, in light of the industrial dependency and contribution of the upstream and downstream industries and the reality of distinguishing the excess capacity from the hardest hit areas. risk. In addition, for enterprises, if the supply-side reform can really improve the corporate profits and market competitiveness, it would stimulate the enthusiasm and initiative of enterprise reform. As for the surplus industry, we shall establish a set of assessment mechanism associated with enterprise income and costs control and put aside the supply-side reform to engage in the reform. Only carrying out the supply-side reform from the perspective of enterprises efficiency can we improve the viability of enterprises fundamentally, mobilize the initiative of bottom-up micro-main reform and stimulate the endogenous motivation.

In short, in addition to the top-down top-design and precise reform program, we shall pay attention to the micro-foundation and bottom-up endogenous motivation in the implementation and promotion of supply-side reform. Therefore, it is necessary to straighten out various relations of the structural reform of the supply side, rectify various misunderstandings, explore the path and standard of reform, consolidate and summarize the results of supply side reform in time to push forward the supply-side structural reform. In this way can successful experience be replicated to promote and the practice of bottom-up results rise to the top-down program and system.

# Suggestions on the Introduction of Foreign Capital to Feasibly Enhance the International Competitiveness

Jin Yu, *Shanghai University think tank –part-time researcher of Fudan University China Center for Economic Research*

Due to the current global economic downturn, the current national protectionism prevails and the world economy rebalance is subject to various restrictions. Therefore, as an important representative of the developing countries, in order to encourage the introduction of foreign capital and promote the rebalancing of international capital distribution, the Chinese government should play an active role in guiding the formulation of national policies that are conducive to the introduction of foreign capital. Those policies should include two aspects: the real economy and the financial sector. Firstly, adjust the capital tax incentives to stimulate foreign investment in the real economy; secondly, improve the financial market, and guide the short-term, highly liquid financial capital into a long-term, stable financial capital.

## ***1. China should formulate a positive fiscal and tax policy to attract technology capital to the country***

In terms of fiscal policy, more investment in infrastructure can be made to improve the operating environment of enterprises. For example, many foreign entrepreneurs are particularly concerned about the quality of their products and have high requirements of logistics in the distribution of their products to consumers. Such companies can form a cooperative relationship with the Government, forming the joint investment in China's logistics Industry technological innovation. At present, the investment of China's logistics industry on the "cold chain" is precisely based on the government's early investment in the transport infrastructure. In addition, many multinational companies gradually set up R & D departments in Beijing, Shanghai, but also the city's government should pay attention to the basis of investment in education, thus forming the advantage of human capital.

In the tax policy, in addition to simplifying the tax procedures for foreign-funded enterprises, it should also be targeted to give tax incentives to enhance the investment incentives of foreign-funded enterprises. Tax incentives include tax rebates on foreign investment. As discussed above, capital often carries the knowledge necessary to promote technological progress in our country. At present, the international market interest rates are very low, such as Europe even appears negative interest rates. This means that the profitability of enterprises in the international

market is low. By reducing the tax on foreign investment, while attracting international capital flows to China, it's also conducive to the transfer of international talent to China. Therefore, the tax incentives to attract international investment can help China to further enhance the competitiveness in both the financial aspect and human resources.

### ***II. The introduction of foreign capital needs to focus on human resources, especially to attract overseas Chinese talents***

As a matter of fact, the overseas Chinese talents have strong feelings about the rapid development of China's economy in recent years, so they are more willing to return to China to engage in entrepreneurial activities. The Chinese government should formulate a more liberal and favorable policy on the introduction of overseas talents. In addition, some areas traditionally have more overseas immigration culture, such as the Zhejiang "Ningbo Bang", which focus on business operations and technology accumulation, with many people being engaged in business operations, scientific research, and technological innovation activities in Europe and the United States. These overseas immigrants have many domestic contacts, and are also relatively willing to return home from abroad. These Chinese talents can have better access to the international financial institutions, and their returning to business will also be conducive to overseas capital investment in China. How to better introduce the development opportunities in China, to help these Chinese talents in China start up businesses and be engaged in scientific research and technological innovation is an important aspect for the local governments to actively introduce technical capitals.

### ***III. Improving China's financial markets, encouraging long-term investment and guarding against short-term arbitrage***

At present, China's financial market is still imperfect, which led to the flow of international capital not necessarily flowing to the long-term investment in the real economy but possibly to the short-term virtual economy arbitrage. This may lead to excessive growth of external debt, which is not conducive to China's economic growth and stability. In China, there are a lot of risky problems in the economic cycle, such as abnormal stock market, foreign exchange market volatility and bubble in house price. These problems are related to the short-term capital arbitrage in international market to a great extent. So the introduction of foreign capital at the same time needs to pay attention to the accumulation of debt to prevent short-term capital flows to the domestic accordingly, thus forming short-term arbitrage.

To effectively control the excessive accumulation of external debt, we

need to encourage capital investment into the real economy, which only depends on the further improvement of the identification ability of financial markets. We must firstly strengthen the supervision of banks and other financial institutions to improve China's financial markets. China's financial reform has made banks more market-oriented, but it also leads to excessive profit seeking under competitive conditions, thus ignoring risk control. Therefore, at the time foreign investment enters, the bank may ignore foreign short-term arbitrage. Secondly, direct investment products from China's financial markets should be increased. Direct investment products can better control the investment period, and are also conducive to the investment into the real economy, thereby preventing the excessive growth of debts caused by foreign investment.

## Issue The Guidelines to Deal with "Zombie Companies"

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First, cleaning up “zombie companies” which occupy resources for a long time while bear no profits is an urgent challenge laying before us in the process of optimizing economic structure as well as a focus in recent economic work. International experience shows that tackling “zombie companies” timely and properly concerns the medium and long development prospects of banks, financial system and even the overall economy. Dealing with “zombie companies” is extremely urgent and requires both careful thoughts and prudent actions.

In recent months, cleaning up “zombie companies” has become a work priority for local governments. “Zombie companies” refer to those low-efficiency enterprises which are troubled with long-run losses and heavy debts, and manage to keep running with the support of banks and government. The reform of state owned enterprises, local industry’s lag in policy adjustment and backward production and operation technology result in the existence of quite a few “zombie companies”. According to the estimation of scholars like He Fan, 8% to 10% of the listed companies in China are “zombie companies”, and that proportion will become larger if non-listed companies such as state owned enterprises of middle or small size are included.

The root cause for “zombie companies” is the improper allocation of social resources. These “zombie companies” occupy resources such as land and credit for a long time while produce no economic benefits. At present, the “zombie companies” in China are mainly found in sectors with overcapacity like steel and coal fields. Though these companies offer some jobs positions, their production and operation cannot bring marginal impetus to economy, and even holdback economic structural transformation while risks are accumulated. Cleaning up “zombie companies” is a key focus for China in adjusting industrial structure, reducing overcapacity and eliminating systematic risks.

“Zombie companies” are common in international society, and dealing with those companies sees not only success but also failure. In 1990s, Japan failed in coping with “zombie companies”. Faced with large number of enterprises which are debt-loaded and hard to keep running, Japanese government was hesitated to take measures in time, instead it provided more bank loans to keep those companies running. As a result,

*Cleaning up “zombie companies” is a crucial part for China in reducing overcapacity, adjusting structure, and controlling risks. As commercial banks are the direct fund suppliers for “zombie companies”, such a movement will come as a blow to the bad debts and profitability of banks. In this case, to protect their own interests, banks will take some reasonable actions which will holdback the governance process and lead to the dysfunction of market mechanism. The government should make a top-level design, issue The Guidelines for Banks in Cleaning up “Zombie Companies”. Besides, it is advisable for government to make workable measures relating to enterprise classification, disposing standards, supplement of bank resources, and banks’ involvement in innovation, coordinating incentive and risk issues and encouraging banks to actively and orderly participate in dealing with “zombie companies”.*

the financial sector got stuck in the bad situation, and the overall economy lost its vigor. International experience shows that whether a country can tackle “zombie companies” timely and properly will bring different results to its overall economy. If the issue is properly addressed, related sectors will get upgraded and market competitiveness will be regained; otherwise, sluggishness will be seen in the whole industry and even in economic sector with rising systematic risks in financial sector.

Second, as commercial banks are the direct fund suppliers for “zombie companies”, the cleanup of “zombie companies” will directly affect the bad debts and profitability of banks. The insufficient incentives provided by banking institutions to deal with “zombie companies” result in a fact that the market mechanism cannot work effectively. Therefore, the government should play a role and coordinate the action steps of banking institutions. It should not only avoid the insufficient incentives of banking institutions which might lead to a situation that “zombie companies” delay taking actions, but also avoid dealing with related debts in a simple and rough manner, which might cause the instability of financial system.

“Zombie companies” are able to survive without producing benefit mainly because of the support from the government or banks. For a long time, banks provide a large amount of loans for these companies, but with the management of these companies running into difficulties, their ability of repaying the interest on time decreases continuously. For Banks, the problems appear in repaying interest can cause a change of corresponding credit assets into bad loans, and thus cause a direct strike in their capital adequacy ratio and profitability. In addition, as a consequence of the business credit and mutual guarantee among some companies, when a company has debt problems, credit risks might arise to multiple customers of commercial banks infectiously and simultaneously, which can cause a great threat to the stable operation of the bank credit business. On this occasion, banks have to take the method of increasing debt relief for the companies, in order to avoid the expansion of bad loans in the whole credit business.

Obviously, banks have put quite a lot of their credit assets in “zombie companies”, which will affect commercial banks greatly in the process of cleaning up these companies, especially through the method of bankruptcy liquidation. For banks, after the bankruptcy liquidation of “zombie companies”, the corresponding credit assets are likely to become completely bad debts, what’s more, the debt quality of related enterprises will also be affected. From the perspective of economic incentives, whether it is for banking institutions or employees, nobody would like to see losses caused by the increasing bad debt during the process of



cleaning up “zombie companies”. Therefore, when dealing with “zombie companies”, commercial banks lacking of incentives tend to take a watch-and-wait attitude, and would even continue providing financing for those companies which are already unlikely to turn their losses into profits, hoping that economic conditions will improve and there will be a recovery in the repayment capability of companies.

However, new risks might appear if commercial banks act too radically during the cleanup of “zombie companies”. Having been informed that those relevant “zombie companies” will be disposed, banks may well try every means to withdraw their loan fund in advance in order to cut loss. For a small number of companies whose state of operation is alright and could have continued a sustainable production through adjustment, the behavior of banks will not only cut their capital sources, but also add to their short-term burden, and thus become the last straw that breaks these companies. At the same time, since one company may borrow from several different banks, the withdrawing of banks will bring disorder to the local credit and loan system as well as bring instability to the financial system.

In the current market environment, commercial banks do not have enough impetus to deal with the debt related to “zombie companies” positively and steadily. For banking institutions, rational behaviors are delaying or calling in loans quickly, which at macro level might cause a miss of best opportunity to the whole cleanup of “zombie companies”, and even lead to further deterioration of relevant problems. Under the circumstance of market mechanism, the market is faced with failure when the maximization of individual interest cannot bring optimal social effects. Therefore, the government needs to take measures to guide the behavior of commercial banks as well as adjust the relations between banks and “zombie companies”.

Third, the government should make a top-level design, issue The Guidelines for Banks in Cleaning up “Zombie Companies” to provide a reliable code standard and action guideline for the financial work of dealing with “zombie companies”. Besides, it is advisable for government to make workable measures relating to enterprise classification, disposing standards, supplement of bank resources, and banks’ involvement in innovation, coordinating incentive and risk issues and encouraging banks to actively and orderly participate in dealing with “zombie companies”.

Combined with the international experience, although generally adhering to the market-oriented principle, governments always played significant roles in the process of dealing with “zombie companies”. From the preceding part of this article, we know that there is a close relationship

of debt and interest between commercial banks and “zombie companies”, hence to make sure that the work of cleanup can be carried out smoothly and successfully, it is necessary for the government to take some intervening measures. Besides, the cleaning of “zombie companies” also involves the issue of China's industrial structure adjustment and the risk control problems of financial system, which is also one of the reasons that the government should make top-level design and motivation design from macro perspectives.

It is advisable to issue The Guidelines for Banks in Cleaning up “Zombie Companies” to provide guiding criteria available to reference for the banks to take actions. According to the relations between banks and “zombie companies”, The Guidelines should at least includes the following aspects:

First, the standard of identification and classification of “zombie companies” should be made public. Starting from the prospect of national industrial development and structural adjustment, and taking into account various indexes of a company such as production, market performance, operation and finance, the government should build a operable standard system available for banking institutions to identify customers according to the current situation of different regions and industries. At the same time, “zombie companies” should be divided into different types, including the types of elimination, suspension, controlling and reorganization. Commercial banks should adopt different credit policies when facing different types of “zombie companies”-- the type of elimination includes those companies that are about to face bankruptcy and liquidation; the type of suspension means that banks will not increase loan; the type of controlling means banks offer credit loans on condition that companies could meet certain requirements, such as achieving the target of cutting costs; and the type of reconstruction refers to those companies that can carry out assets reorganization.

Second, information release mechanism about the cleanup of “zombie companies” should be established. Most of the “zombie companies” in China are state-owned enterprises, so the cleanup work is mainly led by local institutions such as SASAC (State-owned Assets Supervision and Administration Commission). In the whole cleanup process, the information equivalency and synchrony between the government departments, investors and administrators of enterprises, and banking institutions should be ensured, among which restrictive regulations must be included to make sure that this mechanism is only used for information communication. Banks should make decisions independently and do not allow local government to intervene or put pressure on commercial banks over the issue of “zombie companies”. This will guarantee banking

institutions the equality of information as well as the autonomy in making decisions, which will fully protect the benefits of banks.

Third, regulations of banks' supplementary capital should be issued. In the process of cleaning up "zombie companies", the non-performing assets rate of banks will increase inevitably. In order to avoid a severe damage to the profitability of banks, related banks should be allowed to supplement capital fund through some methods like issuing subordinated debt, so as to keep banks from falling into a passive financial position due to the cleanup. Meanwhile, it should be stressed that the capital supplement we involved here is more of a "complement" of resource to the dealing of these "zombie companies". The scale of the commercial banks' capital supplement should be in direct proportion to the scale of assets involved in the disposal of "zombie companies".

Fourth, plans for disposing bad debts should be made. It is important to standardize the actions banks take to dispose bad debts relating to "zombie companies", to make sure that the activities of debt collection, pursuing of recovery, auction and debt restructuring can be legal and meet the requirements, regulating risks in a strict way. Besides, we can in some degree expand the current pilot of non-performing asset-backed securitization and set standard according to different types of "zombie companies" to rate the relevant non-performing assets, and allow the securitization of whose assets which meet the requirements.

Fifth, banking institutions are encouraged to participate in the cleanup of "zombie companies". Commercial banks have advantages in the aspects of customers and human resources, so it is suggested that they bring their superiority into full play, carry out financial business on the basis of controllable risk, and actively participate in the cleanup of "zombie companies". For instance, encourage banks to support deals of mergers and acquisitions and reorganization, and to provide services such as financial consultant, management consulting, resource agencies and integration, all these can effectively enlarge the business scope and revenue stream of banks, promoting the business transformation and development of banks.

# Problems and Solutions for Shanghai Startups Growth

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The government is required urgent solutions to solve the current problems of Shanghai startups including lack of resources, high cost and lack of public services for their healthy growth.

## ***I. Problems of Shanghai Startups Growth***

### ***A. Resources***

a. Difficulties in Financing. For the lack of credit assessment system of startups, it is difficult for startups to be financed by banks, venture capital and government funds. Even if the loans are accessible, there are difficulties in loan renewal, loan reduce and loan rescinding.

b. Difficulties in Talents Introduction and Retention. To be specific, that is to say, the problems like labors' reluctances to work in startups, increasing living cost of talents, inadequacies on non-Shanghai residence entrepreneurs and their children's health, education, housing and other supporting policies, have an impact on talents introduction and retention.

c. Insufficient Social Network Resources. It is hard to establish a close relationship with the government, investors, consumers, mass media and etc. So far, it has not established mutual trust with related upstream and downstream enterprises, resulting in insufficient supply network, cooperative network and sales network resources.

### ***B. Costs***

a. Rapidly Increasing Prices of Production Factors. The significant increase in land, energy and raw material prices, rent logistics costs, and employee wages, has brought cost pressures on startups. Especially in recent years in Shanghai, rising house prices and rents have greatly increased the business costs of startups.

b. Heavier Tax Burden. According to relevant surveys, the tax burden of startups is generally heavier than that of large and medium enterprises: the income tax of startups doubles that of large and medium enterprises; the value-added tax of start-ups is similar to that of large and medium enterprises.

### ***C. Recognition***

Low Startups Recognition of Stakeholders, Consumers and Social Evaluation Agencies. The lack of business history, social network

relationships, customer reputation lead to low recognition in stakeholders, consumers and employees. At the same time, it is difficult for evaluation agencies (agencies in credit, value, risk and so on) to evaluate properly.

#### ***D. Services***

a. No specific Startup Service Institutions. Although there are several departments providing services for startups in Shanghai, their policies and service divisions are so distinctly separate that no department can provide “one-door” services for startups.

b. The Needs to Improve Services of Public Services Organizations for Startups. The services of the public service organizations for startups need to be further improved due to their unfamiliarity in Shanghai with follow-up funds, policy supporting methods and benefit-sharing mechanism.

c. No Policy Integration Information Platform. In Shanghai, business supporting information of every department is mostly published in its own website and there is no policy integration information platform, hence it is not so convenient to know related business policies.

## ***II. Government Solutions for Shanghai Startups Growth***

### ***A. Solutions for Resources***

a. To Solve the Problem of Financing: (1) Strengthen the construction of social credit system in Shanghai for information consistency between the credit and the debit. Accelerate the construction of Shanghai public credit information platform and improve the network for personal and corporate credit archives and sharing services, providing finance institutions with more related information about startups; (2) Increase Shanghai public fund supports and improve the financial initiative of angel investment and venture capital towards startups; (3) Provide interest subsidies for the startups who loan from banks and also guarantee for their loans, promoting the support from Shanghai commercial banks to startups.

b. To Solve the Problem of Talents Introduction and Retention: (1) Continue to provide the financial subsidies for vocational training and business training in all districts and counties of Shanghai in order to comprehensively improve the professional quality and employment skills of workers. As for the employees who are trained to startups, training fees can be reduced or exempted, in this way to encourage people to work in startups; (2) Employees in startups will have the privilege in the allocation of talent apartments and affordable housing in Shanghai. Especially for high-end professional talents, a certain amount of housing subsidies can be given; (3) Improve the medical, education, housing and other supporting policies for entrepreneurs and their children to help them settle down and care for them in the aspect of related education and healthcare.

c. To Solve the Problem of Insufficient Social Network Resources: (1) The government should guide startups to cooperate actively with large enterprises and industry leading enterprises focusing on the upstream and downstream industrial chain and value chain to establish stable relationships in production, supply, marketing and technology research and development; (2) The government encourages startups to strengthen cooperation with state-owned, private and foreign enterprises for mutual benefit through learning from each other; (3) Organize seminars for startups of industrial or startup parks, investors, mass media and government institutions and build the network resources platform for mutual benefit and cooperation.

### ***B. Solutions for Costs***

a. Reduce land costs and business costs through the construction of “low-rent” industrial standard factory buildings and the integration of business park resources. (1) In some districts and counties in Shanghai, the government can cooperate with the industrial real estate to construct “low-rent” industrial standard factory buildings and give certain rent subsidies to reduce the land costs; (2) Integrate the current resources of business parks in each county or district and reduce the business costs by industry clustering and related facilities and services improving.

b. Greatly reduce the tax of startups to relieve the burdens for small and medium enterprises. (1) Expand the application range of tax reduction and exemption for startups according to the current tax system and Shanghai’s experience of replacing business tax with valued-added tax; (2) Adopt the method of depreciation or absorption for pre-fixed investment, technology research and development to relieve the tax burden; (3) clean up and abandon unreasonable charges and fines to relieve the non-tax burden of startups and reduce the operating costs.

c. Create subsidies policies for startup employment. (1) Give social insurance subsidies for startups within certain period of time; (2) Create employer insurance and government subsidies to reduce labor costs; (3) Praise for startups creating new jobs to a certain standard.

### ***C. Solutions for Recognition***

a. Regularly publish the business report of startups to increase the investors awareness of legitimacy. Relevant government agencies can promote the contact between financing institutions and startups by officially publish business reports of startups on a regular basis with the help of their official and accurate statistic data so as to deepen the understanding of stakeholders to startups and then their legitimacy.

b. Build the social credit evaluation system and quality insurance system

for the startup to enhance its community recognition. (1) Promote the development of Shanghai enterprise social credit evaluation system in order to solve startup's credit deficiencies because of lacking business history; (2) Governments at all district or county levels should help startups to establish the system certification in product quality and safety through publicity and financial support and then to increase the recognition of startups.

c. Organize for the exchanges between startups and social groups to enhance mutual recognition. (1) Governments at all district or county levels through policies encourage the startups in startup parks to participate in trade associations, scientific achievements seminars, technical forums and other activities to promote technological exchanges and innovation; (2) Held seminars, quality expanding and training activities for entrepreneurs for mutual understanding; (3) Create fraternities, associations, chambers of commerce and other social organizations to improve interaction and mutual recognition.

#### ***D. Solutions for Services***

a. Establish the management agency only responsible for startups. On the basis of integrating the existing entrepreneur service functions of Shanghai Municipal Human Resources and Social Security Bureau, China Communist Youth League Shanghai Committee, Shanghai Small-sized Enterprises Service Centre, Shanghai Science and Technology Commission, Shanghai Municipal Agricultural Commission and Shanghai Municipal Education Commission, the startup service bureau will be established for unified macro-management of startups in policy development, industry planning, entrepreneurial information and market information.

b. Strongly foster entrepreneurial service organizations. Support the entrepreneurial services by flexible policies in the registration of public entrepreneurial service institutions; make greater efforts on business services purchasing to encourage market-oriented services organizations to serve for the fields with more specialized and insufficient government resources, taking as a supplement for government functions; actively guide the organizations to concentrate more on the startups who are starting up the business at the early or middle stage.

c. Build a business information platform to enhance public services for startups. (1) The startup service bureau will lead to integrate the business services previously provided by other departments to consult for startups in the fund-raising, tax consulting and market development; (2) set up collaboration information platform for Shanghai enterprises to regularly release the core enterprises lists of products of procurement,

sales of raw materials and transfer of products, integrating startups with supporting enterprises in the aspects of talents, resources, information and technology; (3) the government at all district and county levels should integrate the resources of local industrial and start-up parks for information efficiency, providing unified information consultation services online and targeted services for the startups from their parks.



# Evaluation and Suggestions of High-level Talent Policies in Shanghai

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## ***I. Introduction***

“Talents are the foundation of success and social course.”The practice of developed countries and regions shows that talents, especially high-level talents, are the main body to promote and realize innovation,the key to the innovative development. China's economic growth depends largely on the quality of government's public policies. It is critical to continuously improve policy-making capacity. The Outline of National Medium and Long-Term Talent Development Plan (2010-2020) proposes ten major talent projects, including the Innovative Talent Promotion Program, the Overseas High-level Talent Introduction Program and the National High-skilled Talent Revitalization Program, which are all important issues about innovative talents. In recent years, Shanghai has gradually established the internationalization and market-orientation as the direction of its talent work. It has vigorously promoted the agglomeration projects to attract foreign high-level talents and intelligence, guided by the goal of "four centers" and the main path to improve the city's international competitiveness. In March 2015, General Secretary Xi Jinping has given a speech in the Third Session of the Twelfth National People's Congress. He stressed that Shanghai's foundation of talents is good, but it should introduce more active policies of innovative talents and should gather up a group of talents who are standing at the forefront of various fields with international vision and abilities.

## ***II. Assessment and analysis***

### ***1. Assessment of present high-level talents policies***

By analysis of statistical yearbook,surveys,in-depth interviews and other methods, we found that: (1) Thanks to the support of government, the high-level talents policies in Shanghai has finally received positive results.The policies operate well. (2) Researches on high-level talents indicate a large gap between policy input and expectation of talents. The evaluation score is only 0.623,indicating that we need to further the policy to attract and motivate talents. (3) The investment on scientific facilities, entrepreneurial assistance and innovation still needs to keep increasing, so as not to hinder innovation and pioneering works and the construction of "science center" . (4) Expenses to help introduced talents to set down need adjustment to encourage talents to come and stay in Shanghai. (5)

The indirect effect of high-level talent policies is partially reflected. It has got some good evaluation on public service, environment optimization and the innovation. (6) During policy-making process, attention to keep the local talents of local government is not enough. It has over-tilted a lot to policies to attract talents.

## ***2. Underlying causes of the above problems***

### **(1) Weak legalization of policies**

In the enacted laws, only "Civil Service Law", "Labor Contract Law" and "Employment Promotion Law" are related to high-level talents, which shows that though high-level talents has a legal policy system, government rules rather than laws cover a much more proportion in this system. This is not good for the continuity of talent policies and the implementation of talent development strategy. The first comprehensive plan for the construction of talents and the Promulgation of The National Long-term Talent Development Plan (2010-2020) are made and both have positive influences on independent cultivation and introduction of foreign high-level talents. But due to the lack of norms and guidance of the basic law of high-level talents, it inevitably causes conflicts and convergence of talents policies, which greatly limits the systematization, structure, standardization and scientific process of talent policies.

### **(2) "Fragmented" policies**

The implementation of the special talent plan has played a positive role in attracting and training high-level talents, but there are three problems to be solved:

Firstly, there may be convergence between several special projects. That is to say, each department may make relevant talent plans according to their own needs and preferences and are lack of coordination and communication, which leads to chaotic policies;

Secondly, a lot of talents policies is not divided clear to short-term plan or long-term policy;

Thirdly, multiple talents projects is lack of effective evaluations. The effect cannot be evaluated scientifically. These problems reflect that policies of high-level talent projects are very "fragmented".

### **(3) Lack of companies cooperation**

Developed countries often attract high-level talents by the cooperation of companies. Companies or multinational companies will attract talents by rich remuneration, excellent working environment and corporate culture. Governments will introduce a series of laws and policies to support companies to attract Foreign high - level talents. However, the present

policies still focus on universities and scientific institutes while there is no strong support for companies to attract high-level talents from abroad.

### ***III.Suggestions***

#### ***1.Improve the Chinese characteristic legal system of talents policies***

Make basic laws of comprehensiveness,such as People's Republic of China talent law. This is a pressing matter of the moment. At the same time,laws and rules on immigrants,household registration,market management,talent evaluation, personnel safety, personnel incentives, social security and other aspects should be made and carried out.A Chinese characteristic legal system of talents policies should be improved to provide a good legal environment to cultivate and attract talents, realize systematic,regular and continuous talents policies.

#### ***2.Establish professional policy researches and organizations***

The experience of relevant policies in different countries indicate that both researches and organizations are necessary to keep policies scientific, fair and balanced.

#### ***3.Continuity and competence of policies***

Analyzing different countries' policies, we can find that the process are relatively compete while they have different features in each period. Along with the development of economy and society, when the original policy is no longer effective, relevant department will end it in time for the introduction of new policies to ensure the continuity of policies while keeping up with the times.

#### ***4.Adjust international connection system, and strengthen the company-oriented talent policies.***

(1)Adjust the existing green card system,to improve the convergence with international community,and to effectively attract and cultivate high-level talents.

(2) In other countries, multinational companies play an important role in attracting and cultivating high-level talents. But in China, it is the government that play the absolute leading role in attracting talents. The potential of companies are not dig up, and the motivation is not mobilized. Thus in the intensified global competition for talents, it is necessary to strengthen the talents policies guided by companies, and form a talent policies system of "government guidance, market allocation and companies employment. Companies,especially multinational companies, will become the main force to cultivate and attract talents.

# Education in International Community & Facilitate the Path to Global City of Shanghai

Sun Zhongwei, *East China University of Science and Technology*

International community education serves as a public service for foreigners and a key to the management of foreigners in China, which helps to attract and retain outstanding international talents, improve the international image of Shanghai and facilitate its path to global city. But at this moment, departments concerned haven't paid due attention to the significance of this endeavor.

## ***1. The Importance of International Community Education.***

According to reports, there are about 200 thousand permanent foreign residents in Shanghai until 2015, generally boasting high educational background and handsome income. However, compared to London, New York and Tokyo where foreigners account for 10% of the population, Shanghai still lags behind in the amount of permanent foreign residents. Therefore, the immediate challenge that faces Shanghai in its path to global city is how to attract and retain more international talents.

As a basic public service, international community education plays a vital role in regulating international community, engaging increasing foreigners' social involvement, promoting foreigners' sense of identity of Shanghai and improving the international image of this city. The main functions of international community education are as follows:

First, the all-important function of education in international community is to promote foreigners' social engagement. Community education boasts various functions, including the improvement of residents' cultural literacy and morality, the cultivation of their intellectual quality and the popularization of knowledge as well as science and technology. Education of international community shares similar fundamental functions to that of local community, except one key function that belongs to international community education only, in other words, international community education helps to facilitate the social interaction between foreigners and Chinese people and that among foreigners themselves, elevating cultural identity so as to create an equal, kind and peaceful living environment within a community with diverse cultures and many ethnic compositions. Other basic functions of international community education should be subject to that key function, being ready to provide assistance.

Second, international community education is beneficial to the promotion

of Chinese culture. The function of promoting Chinese culture in a common community of China is not as prominent and important as that in an international community. Most foreigners living in the international community have already known a thing or two of Chinese culture, but that is quite limited and narrow due to their lack of due language and growing environment. Thus, when it comes to the education in international community, the essence of Chinese culture is supposed to be promoted in the process of education in ways that are popular and easy to understand.

Third, international community education also plays a crucial role in the exchanges of diverse cultures. Besides Chinese people and people from the US, Japan and Korea, there are also numerous foreigners from other countries live in the international community. Mutual understanding and learning is also quite essential to foreigners themselves, it is therefore reasonable to regard international community education as a bridge, through which people from various countries with different skin colors and languages can exchange their ideas, learn from each other, understand each other's language and culture so as to facilitate the mutual understanding and recognition of international culture as a whole.

Fourth, international community education also assists departments concerned to manage and regulate foreign residents. It's not easy to manage and regulate foreigners as they usually form a group of their own and rarely participate in social activities organized by Chinese people, being reluctant to cooperate with the population management by Chinese government. All of which make it difficult for departments concerned to know timely the basic situation of foreigners in China. Yet community education can infiltrate into foreigners' groups thanks to its availability and convenience so as to stimulate their social interactions. It is also easier for Chinese government to stay current with foreigners' trends, establishing a kind interactive relationship with foreigners at the same time so as to carry out the corresponding policies of population management and public service.

## ***2.The Reality and Problems of International Community Education in Shanghai***

As an international metropolis, Shanghai has pioneered in the management and service for foreigners among the entire country, but its community education for foreigners is still in its infancy. The research group of Department of Sociology in East China University of Science and Technology has fulfilled a deep research on the international community education in several communities for foreigners in Shanghai from 2015 to 2016, visiting over 300 foreign residents and acquiring abundant primary

data by questionnaires and interviews. Based on research, the main existing problems of international community education in Shanghai are:

First, according to most community management leaders, it is rather challenging to carry out management and service work for foreigners in Shanghai due to the lack of specific focus.

Second, schools of residential districts and communities and other departments concerned have not yet fully realized the significance of community education in international communities.

Third, as the main carrier of community education, community school is in need of more qualified teachers, facilities and education resources in terms of international community education, failing to meet the needs of international and diverse international community education.

Fourth, foreigners in Shanghai have rather low engagement in community education and social interaction. As data shows that less than 10% of foreigners have known the community school, while few of them have attended courses that offered by community schools and participated in community-based cultural and recreational activities.

Fifth, there is a high willingness of foreigners in Shanghai to participate in community education. It is shown that more than 60% of foreigners are willing to learn Chinese language and culture in community schools, and over 20% of foreign people would like to be volunteers in community schools.

### ***3. Policy Recommendations for the Development of International Community Education in Shanghai.***

In the path to global city, Shanghai must focus on talent research and introduction on a global scale, creating an enabling environment for international talents. In order to promote the rapid development of international community education in Shanghai, six suggestions are offered:

First, the establishment and improvement of the leadership and management system of community education. Defining clear responsibilities and obligations by establishing and improving a three-level organizational system of “district - street - community” for international community education.

Second, improving the institutional mechanisms to ensure a sound development of international community education. It is important to invest more in international community education by building a long-term stable investment mechanism; to develop a team of high-quality well-trained teachers; to deepen the research on international community

education so as to enhance the theoretical level of it; to raise the prestige of community school by making more efforts in popularizing international community education in Shanghai.

Third, continuous improvement of curriculum system and teaching methods, enhancing the quality of education in international community as a whole. It is necessary to promote the construction of quality courses and foster international community education projects with Shanghai's characteristics; to meet the learning needs of residents through diverse forms of education; to encourage embedded teaching that is discussion-centered.

Fourth, paying respect to the learning habits of foreign residents so as to enhance the level of international community education. We should also make full use of social forces in strengthening the international community education. Promoting mutual understanding as well as international exchange and cooperation of community education by creating a multicultural atmosphere.

Fifth, forming a supporting system for the training of international community education by the expansion and development of various types of educational resources. It is essential to give full play to talents in international schools and develop a teaching team of foreign volunteers; to fully motivate the international schools within communities, maximizing the benefits of shared educational resources; to actively expand and develop the resources of colleges and universities in the community so as to enhance the teaching level of international community education.

Sixth, providing permanent foreign residents in Shanghai with free Chinese training programs with language education as a breakthrough. As an important component of life-long education system, international community education should highlight public interest as well as openness. That is to say, this kind of training should be inexpensive even free to people. And in terms of Chinese learning, it is recommended to be free of charge and to set up teaching point for every international community so as to ensure the learning chance available to every foreign resident who is willing to learn Chinese.

# The Political Economics Analysis on Japan's Holding G7 Summit

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From 26th to 27th of May, Group of Seven (G7) Ise-Shima Summit will be held in Shima City, Mie Prefecture. This is the second time that G7 Summit is held in Japan after 8 years. Ise-Shima is chosen to hold the Summit because the Japanese Prime Minister Shinzo Abe proposed in last year's G7 Summit in German that "Let the leaders of the world feel in person the natural beauty of Japan and its rich cultural traditions". Japan this time could manifest its presence as a big country in the world through G7.

## ***Firstly, Abe Government in G7 Summit Focuses on Home Field Diplomacy***

In order to hold a successful G7 Summit, Abe government has carried out elaborate designing, especially in lots of recent diplomatic steps which has risen world-wide attention.

### ***I. Japanese Foreign Minister Fumio Kishida visited Asian countries, including China, Thailand, Myanmar, Laos and Vietnam.***

Fumio Kishida who is considered to be Mr Abe's successor holds a tradition of friendship with China. Choosing China as the first stop of his visit, Japanese Foreign Minister certainly intended to solve Chinese subject which was of one of Abe government's diplomatic difficulties. At the same time, Japan after World War II with a key of "compensation diplomacy" has fully unlocked the doors of southeast Asian nations and developed huge diplomatic influence among these countries within a decade. After 12 years, The Japanese Foreign Minister again implements his visits to the ten ASEAN countries, which 'shows Japan's emphasis on ASEAN through practical action', proposes utilizing the strength of Japan and realizing in Mekong Region a union with vitality, also 'conducts frank discussion on international issues, including the South China Sea issue'. These were done to highlight the success of Japan's ASEAN diplomatic strategy in contrast to China's current passive situation in its diplomacy with ASEAN, thus to increase Japan's diplomatic leverage in G7 Summit and negotiations with China in the future.

### ***II. Japanese Prime Minister Shinzo Abe Visited Europe countries, including Italy, France, Belgium, German and Britain.***

In his summits with the leaders of five European countries, Abe



continually emphasized that G7 was a strategic cooperation based on common values, that it needed to be more united and show a strong and powerful image. He reiterated that the theme of this time's summit is to jointly cope with the increasingly fuzzy problem of world economics, anti-terrorism, refugee problem and climate change. Facing economic growth and dealing with violent extremism would be prioritized subjects. Leaders of the five European countries hoped that Abe would perform strong leadership ability and said that beside pushing forward structural reform, G7 would also create valid needs through flexible fiscal and financial policies which had a distinct divergence with the 'avoiding competitive devaluation' claim of the U.S..

**III. Prime Minister Abe actively visited Russia again, during which he seek for a breakthrough in the issues of northern territories, also an answer to Japanese history and Abe's political career.** Abe government felt that Japan's 'maritime lifeline' was facing the 'high pressure' from China so that they still pursued an 'around China diplomacy'. Mr. Abe himself was looking forward to 'greatly improving the level of cooperation between Japan and Russia', not only in economy but also in levels of security. From the perspective of Japan, Russian had offered security cooperation with Japan before Ukraine crisis which meant Russia might regard China as a 'potential threat' in security because of its outreach towards the Antarctic. With the recent ease of the US-Russia opposition, Mr. Abe seized the chance that Russia 'wanted Japan' to visit it, proposed a 'new way' in solving territorial disputes, and eagerly hoped that Russia would make constructive contribution in the international issues of North Korea and Syria. Japan would also act as an mediator in the problems of Middle Asia, Afghanistan and Ukraine.

**IV. The Senior Officials Meetings of Foreign Ministers, Agriculture Ministers, Ministers of Information and Telecommunication, Energy Ministers, Education Ministers, Environment Ministers, Technology Ministers, Finance Ministers and Presidents of Central Bank,** which published 14 pieces of documents that set the tone of this Summit, including 'G7 Hiroshima Foreign Ministers' Meeting joint Communiqué' 'G7 Niigata Agriculture Ministers' Meeting Declaration' 'Charter of Digits Connects the World' 'G7 Kitakyushu Energy Ministerial Meeting Joint Statement' 'the G7 Action Plan of Terrorism Funding'. It is worth mentioning that Japan is pushing 'The G7 Foreign Ministers' Declaration on Maritime Security', although it does not directly call China, but it points out that "We are concerned about the situation in the East and South China Seas, and emphasize the fundamental importance of peaceful management and settlement of disputes. We express our strong opposition to any intimidating, coercive or provocative unilateral actions

that could alter the status quo and increase tensions, and urge all states to refrain from such actions as land reclamations including large scale ones, building of outposts, as well as their use for military purposes and to act in accordance with international law including the principles of freedoms of navigation and overflight” (1). We hope for a thorough and effective implement of the ‘Declaration on the Conduct of Parties in the South China Sea (DOC)’, and more effective performance of ‘Code of Conduct in the South China Sea (COC)’. It could be sure that the South China Sea issue will be discussed in G7 summit, but the degree of criticism upon China will be no higher than that in G7 Foreign Ministers Meeting.

***Secondly, Analysis on World Situation in 2016 and Japan’s Position in the World***

Of the world situation in 2016, Japan believes that firstly there are a lot of uncertainties in world economics. Under the influence of the slow down in Chinese economic development, the prices of a lot of energy resources starts to fall back down. Resource-dependending countries endures slow growth in economics. Influences also cover countries who had high trade dependence upon China. Although Europe has resolved Greece’s debt crisis, it is still in slow economic growth.

The U.S. Economy is in good condition but it must be cautious to raise interest rates. Having implemented Abe economics, Japan’s economic shows a sign for good, but it has not yet went into a status of strong growth. The introduction of negative interest rates policy also hasn’t brought about obvious effect. So the World Trade Organization since April of last year, three times downgrades its forecast of this year’s economic growth rate, which is currently considered to be 3.2%. There are two major topics in world security: first, problems of anti-terrorism, refugee and civil war brought by the Syrian civil war and the ‘Islamic State’ (IS). Second, North Korea’s nuclear weapons and missile development, Russia’s annexation of Crimean and military oppression in Ukraine, China’s intentional unilateral military action in the South China Sea. These topics above have differences in backgrounds, but are easy to cause military confrontation between countries.

Currently there are three advantageous points in Japan’s international status: first, Japan’s diplomacy base has never been so strong as it is today. Since 1979, Japan has been 5 times successively the present country in the G7 / G8. Besides 1986 Yasuhiro cabinet, other cabinets all lived short lives, but now Abe cabinet has a solid regime foundation, and Abe himself has attended 5 times the G7 summit. Second, Japan currently has almost no diplomatic weaknesses which enables it to play a role in the G7 and other multilateral occasions. Abe cabinet is trying to eliminate

political opposition between China and Korea. In terms of questions about the Diaoyu Islands, for example, political consensus with China has been achieved in the second half of 2014; also a consensus with South Korea on the issue of comfort women has been reached. Third, in past G7 / G8 summits, Japan has put forward proposals which are beneficial for the international community. Like Kyushu, Okinawa Summit in 2000. Because of Japan's proposal, 'The Global Fund to Fight AIDS, Tuberculosis and Malaria' has been finally set up.

***Thirdly, As the Hosting Country of G7, Japan Seek to Practice Its Leadership Ability in Treating Global Issues.***

The summit is going to have five group discussions on different subjects including the sustainable growth of the world economy, dealing with terrorism and refugees, anti-corruption measures after Panama Papers, and situations in Syria and the South China Sea. The G7 Leaders' Declaration will be published on 27th of May.

Experts from the Japan Institute of International Affairs has proposed three pieces of specific advises if Japan should practice its leadership ability in treating global issues in G7 Summit: first, sort out what are the global subjects. In May this year, for example, Japan could associate the topics of The First World Humanitarian Summit in Turkey, consider the problems in the coming 15 years of countries around the world in the process of achieving the Sustainable Development Goals (SDGs). Abe himself also wants that the G20 Summit in China this September will send G7's powerful message which reveals the unity and leadership of the G7. Second, as president of the Summit, Abe must be prepared for topics that need emphasis. There should be not only short term policies but also fundamental solutions of Syria's civil war, terrorism and refugee problems. They suggest that the current discussion which merely focuses on humanitarian aid should be leaded to the orbit of a combination of humanitarian aid and development cooperation. Third, Japan should put forward an eye-catching proposal at this Summit. Japan, for example, could propose to the Sixth Tokyo International Conference of African Development (TICAD) which will be held in August of 2016 in Kenya, the simultaneous development in infrastructure, agriculture and education, at the same time, promotion of the development of science and technology. All in all, Japan shall through the summit, shows and strengthens its national image.

***Fourthly, Expected Outcomes of the Summit As Well As Its Influence on China***

First of all, Abe is determined to promote Abe Economics worldwide ,

namely the three policies of ‘monetary policy, fiscal policy, and growth strategy’. Bank of Japan has decided in the financial meeting in this April to continue to implement ease monetary policy which includes negative interest rates. Japan hopes to promote this policy in cooperation with G7. Abe's claims might get support from the European countries. However, the US remains cautious on fiscal stimulus, and warned Japan not to intervene in exchange rate and avoid competitive devaluation. Abe government hopes to join in and promote the TPP in exchange for the U.S.’ support for Japan’s policy. But from the just ended meeting of G7 Financial Ministers and Presidents of Central Bank’s Meeting, the G7 member countries will take respective fiscal and monetary policies according to their actual situations, in order to promote structural adjustment and global economic growth. Meanwhile necessary measures will be taken to avoid disordered fluctuations in foreign currency exchange rates, to promote exports by devaluing own currencies otherwise competitive devaluation among countries would be caused. Thus, the monetary policies of Japan, Europe and the United States will become the focus of the G7 Summit. China's financial and fiscal policy might also need to take sides and the change in its attitude towards the TPP may be an option.

Next, topics about anti-terrorism and extremism, refugee problems, anti-corruption, food safety and global development are of the interests and wishes of people from China and around the world towards which China would of course hold a favoring attitude. It will recognize the contributions made by Japan and some related countries, which is also a good external condition created for G20 Summit in Hangzhou.

Thirdly, about whether Russia will return to the G7, as long as the U.S. does not agree, the idea of Japan and the related European countries should not be realized, which has weakened Japan’s say in its diplomacy with Russia. We keep an eye on the negotiations between Japan and Russia on the issues of territory held territory. Perhaps what they do would help to the territorial disputes between China and Japan. At the same time and China need to evaluate the negative impact of Russia’s oriental strategy .

Fourthly, the G7 will take North Korea as an important security issue, and will maintain a constant pressure on North Korea. China hopes to comprehensively complete relevant resolutions of UN security council, and will never allow the rise of riot or war in Korean Peninsula, it hopes to work together towards an early resumption of the six-party talks.

Fifthly, Japan will put forward in the G7 summit the South China Sea issue which European countries are not interested in --- they value more the economic and trade interactions with China. While Abe was discussing

with the leaders of Italy, France and Britain, he made no mention of the south China Sea issue, but only in his talk with the German Chancellor he emphasized that Japan would not take unilateral action to change the status quo. As long as the spirit of President Xi's talk in CICA Foreign Ministers' Meeting is firmly carried out, the South China Sea issue will not become a focus topic in the G7 Summit and Japan will not sabotage the unity of G7.

Finally, at the conclusion of the Summit, President Obama's visit to Hiroshima will also be a striking aspect. It will apparently gather more attention the world to visit a city which had encountered atomic bombing as the President of the United States, and to make sound for the 'world without nuclear weapons'. Some time ago, however, anger of local people was triggered and demand for the 'getting out of Okinawa' of American military base was raised because the American troops in Okinawa raped and killed local women. It is estimated that Abe government will make the most of the event to promote its presence and its speak in its alliance with the U.S. and in the G7.

## A Hypothesis on Japan's Press on Hangzhou G20 from G7

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From the newly concluded G7 summit, the theme of G20 in latter half of the year is still economic growth. All the concerning parties will exchange views and reach an agreement on stabilizing exchange rate, strengthening surveillance on multinational corporations and personal finances abroad, strengthening monetary and fiscal policy coordination, and enhancing investment on infrastructure. And from Japan's stance in G7, it is predicted that it will, through G20, guide all the concerning parties reach an agreement on the above-mentioned issues, while, at the same time, press on Chinese government, and actively seek "desinicization" among developed economies.

1. Take advantage of China's economic downturn and realize "desinicization" in economic field. Japan holds that, if there is something wrong in China's dealing with rate, de-capacity, de-stock, governmental and corporate debt, systemic financial risk and economic downturn, it will pose risks to global economic recovery. Therefore, China's economic downturn is both a challenge and opportunity to Japan. It helps to achieve "desinicization" in Japan's economy, and get rid of dependence on China's economy. It is an important step to realize its containment strategy towards China. It's important to note that, within the framework of G20, if concerning parties reach an agreement on issues like stabilizing rate, increasing fiscal expenditure, then for China, who have been striving to eliminating domestic debt risk and excess capacity, policy regulations would be much more difficult.

2. Enhancing rate coordination among countries. From G7, developed economies agree that the priority is economic recovery and growth. There, policy coordination among countries is highly important. Currently, the United States worries that "competitive devaluation" caused by monetary policies will poses challenge and to its economic recovery and the Federal Reserve's raising of interest rates. Therefore, an agreement must be reached on maintaining the stability of currencies and avoiding "competitive devaluation" within the G20 framework. As for specific measures to stabilize exchange rate, opinions among G7 members vary, and this will be the same within G20 framework. However, final agreements are expected to be reached by all the countries. From Japan's perspective, it can shift the pressure suffered in G7 summit by discussing

the issue of exchange rate around China, newly industrialized countries and developing countries. The United States, working hard to recover its economy, hopes countries to stop currency devaluation, and has viewed Japan as a currency manipulation observer according to previous trends of the yen. However, Japan thinks that sharp yen/dollar fluctuation (yen's sharp appreciation in a short time) will do harm to Japanese economy, and will intervene when necessary. Now both Japan and the European Union keep alert of yen/euro appreciation. Therefore, in the G20 summit this year, stabilizing exchange rate will be an unavoidable topic.

3. Emphasis on the coordination of fiscal policy. In global economy, capital flight caused by an excessive mobility of currency and monetary competition poses great risks to the operation of global capital markets. Comparatively, the weak economic recovery provides insufficient effective demand around the world, which results in the slowdown of economy among emerging industrial economies. The economic slowdown of China, head of emerging industrial economies, reduces the demand of global staple commodities, which results in the glide of the prices of resources and the devaluation of currency of resource countries. Therefore, the Japanese government thinks that only by the recovery of the real economy can the risks of speculation of "hot money" in capital market be reduced, and can global capital inject into real economy. However, in the past few years, the overemphasis on the macro-control function of super easing monetary policy. They not only strengthen quantitative easing under zero interest, and then when quantitative easing policy gradually didn't work, they implement zero-interest policy, hoping to get the expected inflation. Nevertheless, with the inefficiency of monetary policy, the Japanese government thinks it necessary to enhance finance regulation and return to the old way of fiscal stimulation. Only in this way can stop the economic slowdown in a short time. Therefore, according to global and Japan's domestic austere economic situation, Japan thinks it necessary to enhance the coordination of fiscal policy within the G7 and G20 framework. To increase effective demand and employment. Especially within the G20 framework, Japan expect more country to support this proposal.

4. About multinational corporations and tax avoidance issue. During the G20 summit, cooperation on international tax regulation becomes one of the major issues. Among them, "Panama Papers" is most astonishing. Japan thinks that, besides G7, the G20 framework should also reach an agreement on the cooperation of "anti-money laundering and counter-terrorism", which would strengthen the surveillance on multinational corporations and individual's cross-border capital flow. Japan thinks it necessary to sign an agreement with "tax haven" to share information, and form an effective surveillance network for cross-border capital flow. For

developing countries, they used to carry out preference policy towards foreign capital to attract foreign capital, increase employment and increase export. Currently, to narrow the economic inequality brought about by economic globalization, and prevent multinational corporations' from being too huge, it's necessary for developed countries to take this as an issue and join in hands with developing countries to establish information share mechanism, and jointly supervise the opening of bank accounts and trading of global cross-border capital in "tax haven".

5. Refugee and counter-terrorism. Refugee and counter-terrorism are the most concerned issues of European countries. But Japanese government doesn't want to highlight this issue, because Japan doesn't want to take refugees, and Japan is not the main target of terrorism. These are the issues Japan most want to avoid. Therefore, on this issue, Japan will follow others' opinion. And, Japan may adopt a more flexible attitude towards joint anti-terrorism. The legal impediment of Japan's sending troops abroad for joint anti-terrorism has been eliminated, Japan may try to make "limited contribution" on this issue.

6. Increase infrastructure investment and international capacity cooperation. The increase of investment in infrastructure investment and enterprise investment are the keys to global economic recovery. The Japanese government holds that, in the future, Japan will encounter fierce competition from China in global infrastructure area, which is the traditional area of Japan, now Japan has to face challenges from China. Therefore, the coordination of fiscal policy among countries will promote international capacity cooperation, and help Japan defeat China in infrastructure investment by "quality". So Japanese government thinks it necessary to increase assistance in infrastructure investment overseas and contain China's "One Belt and One Road".

Currently, the Japanese government has in fact adjust the strategic relationship with China from mutual complementary relationship to competition exclusive relationship. Therefore, besides foreign policy and defense policy, Japan will compete with China in global infrastructure investment area and the establishment of global industrial chain and value chain. Japanese government thinks that, infrastructure and manufacturing industry are Japan's traditional areas, and now it encounter fierce challenges from China. Therefore, the international coordination of fiscal policy will promote international capacity cooperation, and help Japan defeat China in infrastructure investment by "quality". Japanese government intends to announce its increase in assistance of overseas infrastructure investment and in the next five years, it aims to raise the current 110 billion dollars to 200 billion dollars to contain China's "One



Belt and One Road”. At the same time, as its first step, the Japanese government has tried to engage with Indonesian government and negotiate a 4 billion yen infrastructure investment project. Indonesia, has shown its willingness to join TPP, and there it will be glad to enhance cooperation with Japan in economy and trade field, and share the economic dividends of “desinicization”. It is reasonable to say that, considering factors like Japan’s bringing up again the south China sea issue, currently Japanese government begins to comprehensively put forward foreign, cross-strait and economic policies publicly and specifically in international occasions. From this perspective, issues like “Panama Papers”, increase in fiscal expenditure, increase in overseas assistance and overseas infrastructure investment, stabilizing exchange rate will bring pressure to host country China.

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