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Current Interpretation of "The Four Comprehensives" Basic Situation, Main Problems and Suggestions

Fudan Media and Opinion Research Center

To understand the basic situation on how different sectors of the society interpret the strategic blueprint, main characteristic and existing problems of “The Four Comprehensives”, Fudan Media and Opinion Research Center, together with the school Party Committee Publicity Department, has held a focus discussion in May, 2015. Attendants include Tong Bing, professor at the School of Journalism, Xiao Wei, professor of Department of Marxism, Zheng Changzhong, professor at the School of International Relations and Public Affairs, and Wu Xinwen, associate professor at the School of Philosophy, etc.

In the discussion, experts expressed their opinions on the interpretation of “The Four Comprehensives”, including the deviation of interpretation, scientificity of the approach, fields that are not interpreted thoroughly, errors in the process of interpretation as well as policy recommendation to promote the scientific and accurate interpretation.

1. Existing problems in the interpretation of “The Four Comprehensives” by different sectors

It was agreed that, the overall direction of the interpretation of “The Four Comprehensives” is right, but there still remains some deviation and problems.

Firstly, there are lacks of interpretation that has internal relations and internal logic of “The Four Comprehensives” right now. Professor Tong pointed out that currently theorists have not clarified the dialectical logic relationship among “The Four Comprehensives”. “Comprehensively building a moderately prosperous society” is the goal; “comprehensively deepening reform” is the approach; “comprehensively implementing the rule of law” is the path; “comprehensively strengthening Party discipline” is the key as well as the essential guarantee. Now lacks the feature articles to clarify clearly these relations and logic to the whole party and the whole nation.

Professor Xiao also pointed out that “The Four Comprehensives” has its own logic. However, the current interpretation has no focus but just evenly interpret four isolated aspects. This seems well-rounded, but lacks the interpretation of inner relations and logic.

Secondly, currently, some interpretation is too vague and general, lacks quantitative indicators and has limited driving effect on practical work. Professor Tong also pointed out that “Comprehensively building a moderately prosperous society” is the goal, and there is only seven years before the achievement of this goal. In horizontal comparison, in terms of education and healthcare, we still have distance compared with countries such as Russia and India. What to do and how to do in the next few years are not yet clearly interpreted clearly.

In terms of “comprehensively deepening reform”, there is no specific direction or indicators of the reform for each sector and each battle line. For example, if there is not specific and standards for qualification in the journalism reform and the integration of media, some units might easily muddle through and there might appear some fake news.

In terms of “comprehensively implementing the rule of law”, there should be relatively specific requirements for how to implement the law. However, currently in the press, there remains unknown when the press law can be issued and its content as well as its extension.

In terms of “strict rule over the party”, specific answers are needed for the basic situation of corruption, the amount of “tigers” and “flies”, and the specific goal.

Overall, in terms of “The Four Comprehensives”, there is not enough interpretation of how different sectors should act. For many parts, all sectors are not well aware of it.

Thirdly, some interpretation extols this theory too much. Professor Wu held that the new administration has only taken office for two years and it has not yet come to the stage of a new systematic theoretical system. “The Four Comprehensives” is a conclusion of history and present, so it is improper that some interpretation extols it too much. “Marxism” and “Chinese System” is some big frameworks, and “The Four Comprehensives” is only a part of it. We should put “The Four Comprehensives” under these large theoretical framework to understand.

Fourthly, there are problems that some interpretations are lopsided and do not interpret the four as a whole. Professor Wu held that, many people explain “The Four Comprehensives” separately, rather than regard them as a whole. For example, some people focus on “comprehensively deepening reform”, others focus on “comprehensively implementing the rule of law”. Such interpretation has the tendency of partiality.

In the past practical work, we might focus more on a point or a general direction. However, in the current stage, the economic reform has conducted more than thirty years, and the national governance is fully under way. Therefore, the previous partial tendency should be avoided, not only one aspect should be strengthened, but all four aspects should be balanced.

Fifthly, some of current interpretation of the “Four Comprehensives” is quite rigid and superficial. Prof. Xiao Wei held the opinion that current understanding and interpretation of “The Four Comprehensives” still focus on its slogan. However, it is difficult to make people understand the real meaning of “The Four Comprehensives” only by simple and rigid publicity.

Meanwhile, Prof. Xiao also pointed out that although the way of interpretation and publicity are much better than before, which was mainly large-scale movement-style propaganda. Both the publicity system and public opinion system still put their emphasis on how to reflect the present situation from a positive side. However, a much wider diversity of voices are not reflected, which makes it hard for all society to have a deep understanding of “The Four Comprehensives”.

Prof. Zheng Changzhong argued that, currently there are too much “hard interpretation” of “The Four Comprehensives”. The interpretation discourse can be used at anytime throughout the history, and vast interpretation fails to understand “The Four Comprehensives” from the perspective of history. Such kind of slogan-style interpretation is both meaningless and superficial.

Sixthly, the current interpretation of some key issues of “The Four Comprehensives”, such as “sustainability”, “guiding role for dealing international affairs” and “transformation of governing style” is not deep enough.

Prof. Xiao Wei held the opinion that, in the current interpretation of “The Four Comprehensives”, the explanation of its sustainability is still lacking. Especially, it is necessary to further explain how this strategic layout will still sustain after new leadership is elected.

At the same time, Prof. Xia Wei pointed out that, “The Four Comprehensives” mainly focus on how to solve domestic issues, rather than how to deal the relation of China with the world. In the context of globalization, the link of domestic and international issues is increasingly closer. Nowadays, the influence of China in the world is continuously growing, so it is necessary for the interpretation of how to use “The Four Comprehensives” to understand China’s international liability and influence.

Furthermore, Prof. Xiao also pointed that, currently, we are faced with the problem of how the leadership of CPC can be turned into the will of the state. Nowadays, we hold the principle of rule by law, and we also hope to turn the will of CPC into the will of the state. However, if the current governing style, which is mainly party-governing style, cannot be completely changed, it is hard to reassure people’s worry that whether “The Four Comprehensives” can be implemented and whether it can solve the problems China is facing.

2. Countermeasures and Suggestions on How to Correctly Interpret “The Four Comprehensives”

Firstly, it is urgent to publish a series of special articles to provide deep interpretation of the internal relation of “The Four Comprehensives”. Prof. Tong Bin pointed out that, currently, a series of articles should be published to discuss the internal logic of “The Four Comprehensives” and the its rich connotation, which can make the strategic function of “The Four Comprehensives” clear to the whole party and the public.

Secondly, combined with the wording of “The Four Comprehensives”. A series of quantitative criteria and supervisory methods should be issued. Prof. Tong pointed out that, after “The Four Comprehensives” was put forward, the Central Committee of CPC should make it more detailed and practical, so a series of detailed policies, guidelines, quantified system, supervisory indicators and practical methods must be issued to effectively implement relevant work.

Thirdly, history must be studied again for the interpretation of “The Four Comprehensives” from the perspective of history. Prof. Zheng Changzhong held the opinion that, “The Four Comprehensives” is the overall summary and arrangement after the 18th CPC National Congress. As a result, it should be deeply interpreted in a special historical context, rather than mere discourse interpretation.

Fourthly, during the publicity and explanation to the public, the curiosity of people must be stimulated first, and it is the time to guide people to understand “The Four Comprehensives” rationally. Prof. Zheng pointed out that, in order to make “The Four Comprehensives” deeply embedded into the mass, people’s curiosity must be stimulated in the first place. For example, it is useful to firstly talk about why “The Four Comprehensives” should be put forward, so that the public will find it interesting to know and understand “The Four Comprehensives”. After that, the public should be guided to think over the connotation and logic of “The Four Comprehensives” in a rational way.

Fifthly, it is necessary to have a clear position of “The Four Comprehensives”. Prof. Wu Xinwen suggested that, high-level leaders should take the chance of some meetings to make some clarification, to make it clear that “The Four Comprehensives” does not replace the socialist road with Chinese characteristic, which was put forward before, which will respond some doubt in the society, for example, whether “The Four Comprehensives” will be put into textbooks. Besides, the official should also put forward some principles to make a clear positioning of “The Four Comprehensives”, so that people from the grassroots level won’t misunderstand it.

Sixthly, “The Four Comprehensives” should be interpreted in a wide vision and from different subjects. Prof. Wu pointed out that, the interpretation of “The Four Comprehensives” should be combined with President Xi’s address in different occasions, and it should not be interpreted in a narrow and isolated way. Meanwhile, it should be interpreted from different subjects, not only experts in the field of party building can interpret it, but those from other academic background can also participate in its interpretation.

Seventhly, the interpretation of “The Four Comprehensives” should be more completed. For example, the principle that “some should be changed

while others not” should be clarified when elaborating the meaning of “comprehensive reform and opening up”, and the interpretation of “comprehensively administer the party by law” should be combined with both hardness and softness. Prof. Wu pointed out that, when interpreting “The Four Comprehensives”, some people only emphasize “change” and “decentralize”. However, a completed interpretation of “comprehensive deepening reform and opening up” means both “centralize” and “decentralize”, and “some should be changed while others not”. During the process of reform and opening up, good system and practice should be maintained, so some should be changed, while others should be insisted.

In the respect of “comprehensively strict rule over the party”, not only anti-corruption but also the education and leadership of the party should be emphasized. Besides rigid inspection methods, education of party cadres is also important. In a word, it is necessary to couple hardness with softness.

Eighthly, attention should pay on reflecting a wider diversity of voices and how to better use new media during the interpretation and publicity of “The Four Comprehensives”. Prof. Xiao Wei argued that, the Public Opinion and Publicity System should further free their mind, focus on the collection of different voices and report these voices to the leadership. Meanwhile, the use of new media should be strengthened and the way of publicity should be innovated, so that the effect of publicity of “The Four Comprehensives” will be enhanced.

Translated by Qian Jing

China's Pursuit of a New World Economic Order

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SHANGHAI – Economists are increasingly divided over China's economic future. Optimists emphasize its capacity for learning and rapid accumulation of human capital. Pessimists focus on the rapid decline of its demographic dividend, its high debt-to-GDP ratio, the contraction of its export markets, and its industrial overcapacity. But both groups neglect a more fundamental determinant of China's economic prospects: the world order.

The question is simple: Can China sustain rapid GDP growth within the confines of the current global order, including its trade rules, or must the current US-dominated order change drastically to accommodate China's continued economic rise? The answer, however, remains unclear.

One way that China is attempting to find out is by pushing to have the renminbi added to the basket of currencies that determine the value of the International Monetary Fund's reserve asset, the Special Drawing Right (SDR). As it stands, that basket comprises the euro, the Japanese yen, the British pound, and the US dollar.

The SDR issue was the audience's main concern when IMF Managing Director Christine Lagarde spoke in Shanghai in April. Her stance – that it is just a matter of time before the renminbi is added to the basket – garnered considerable media attention. (Regrettably, however, the media read too much into her statement.)

Former US Federal Reserve Chair Ben Bernanke faced the same question in Shanghai last month. He was purposely vague in his response: the renminbi's inclusion in the SDR would be a positive step, he said, but it could not be taken until China makes much more progress in reforming its financial sector and transforming its growth model.

The IMF is expected to vote on the renminbi's inclusion in the SDR this October, at its regular five-year review of the SDR basket's composition. But even if, unlike in 2010, a majority votes to add the renminbi to the basket, the United States may exercise its veto power. Such an outcome

would not be surprising, given that US opposition (though in Congress, not within the Obama administration) blocked reforms, agreed in 2010, to increase China's voting power within the IMF.

Limited use of the SDR implies that adding the renminbi would be a largely symbolic move; but it would be a powerful symbol to the extent that it served as a kind of endorsement of the currency for global use. Such an outcome would not only advance the renminbi's internationalization; it would also provide insight into just how much room there is for China within the existing global economic order.

So far, it seems that there is not enough. In a 2011 book, the economist Arvind Subramanian projected that the renminbi would become a global reserve currency by the end of this decade, or early next decade, based on his observation that the lag between economic and currency dominance is shorter than traditionally believed. Today, China is the world's largest economy (based on purchasing power parity) and the largest participant in world trade, and its government has been actively promoting renminbi internationalization, such as through the relaxation of foreign-exchange regulations. And yet the renminbi is used internationally much less than Subramanian's model predicted.

As a result, China remains subject to US monetary policy. If the Federal Reserve raises interest rates, China must follow suit to keep capital from flowing out, despite the negative impact of higher interest rates on domestic growth. Given the US dollar's dominance in international transactions, Chinese companies investing abroad also face risks associated with exchange-rate fluctuations.

In fact, over the last decade, international trade rules have created significant friction between China and many other countries, including the US. Now, free-trade agreements are being negotiated – namely, the Trans-Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership – that will undermine the continued expansion of Chinese exports to the extent that they raise entry barriers for Chinese firms.

Clearly, China has faced major challenges within the existing global system as it tries to carve out a role befitting its economic might. That may explain why, with its “one belt, one road” initiative and its establishment of the Asian Infrastructure Investment Bank (AIIB), China's government

is increasingly attempting to recast the world order – in particular, the monetary and trading systems – on its own terms.

The “one belt, one road” initiative aims to re-create the ancient overland and maritime Silk Roads that carried goods and ideas from Asia to Europe. Given that the project will entail significant Chinese investment affecting some 50 countries, its appeal in the developing world is not difficult to fathom.

The AIIB, too, has proved appealing – and not just to developing countries. In fact, 57 countries – including major powers like France, Germany, and the United Kingdom – have signed up as founding members, which may reflect a growing awareness of the US-dominated order’s diminishing returns.

From China’s perspective, sustained domestic economic growth seems unlikely within the existing global system – a challenge that Japan and the other East Asian economies did not encounter during their economic rise. Indeed, the only country that has encountered it is the US, when it replaced the UK as the world’s dominant economic and financial power before World War II; fortunately, that precedent is one of accommodation and a peaceful transition.

To be sure, China still needs to undertake important domestic reforms, especially of the financial sector, in order to eliminate distortions in resource allocation and stem the economy’s slowdown. But the refusal by China’s leaders to pursue export-boosting currency depreciation, even in the face of decelerating growth, suggests that they are willing to make the needed sacrifices to secure the renminbi’s international role and, with it, long-term economic growth and prosperity.

Whether or not the renminbi is added to the SDR basket this October, a gradual transformation of the global system to accommodate China seems all but inevitable.

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Alternative Innovation? The National Innovation System of Nordic Countries

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In April 2015 when I was invited to visit the University of Tampere in Finland, I paid a visit to a creation center in a new factory, where there was a project called “Demola”. Founded in 2008, it was a student entrepreneurial network dedicated bridge the imagination of the students and the development of enterprises through project design, so that they can provide the companies with a variety of complementary or alternative solutions to problems. This innovative incubator nurtures various brilliant and imaginative ideas. I have learned that each year 450 students are working in teams for 100 projects, of which 40% are international students. 80% of the project results are adopted by partner companies and 15% of the students are hired by partner companies.

This is not a new story. In Northern Europe, industry, academy and research collaboration as well as creativity cooperation have become a social habit and mentality. The social and economic development of Nordic countries shines with exceptionally creative ideas, from simple and fun games, such as "angry bird", to home design, waste disposal, environmental management, and renewable energy. In terms of the innovation ability, varied metrics produce different results. But no matter how the rankings were done, the Nordic area today is by all means a vibrant player in global innovation. So how did the Nordic countries, especially Denmark, Sweden, Norway and Finland, managed to emerge as a region with strong creativity and competitiveness in the past half a century? What has been nurturing and supporting its innovation? Contemporary social scientists are fascinated by the root cause and driving force of the Nordic innovation system, as much as by the welfare and political system of the land. In cases such as the Demola, there may be clues to the mystery – for instance, cross-border cooperation, flat organizational structure, equal and inclusive culture gene and so on. However, no single factor can fully explain the Nordic innovation capability. Their innovative ability and economic competitiveness are shaped by their natural resource endowments, certain economic and industrial policies, education system, social welfare system, the size of the

country and relevant historical, cultural, and geographical factors.

According to Schumpeter, “innovation” is an activity combining new factors and conditions of production and introducing them into the production systems. The practice of “innovation” is illustrated at all technical, economic and social levels. In the economic and social development process, the transferring of creative inspiration and ideas into the market and social products depends on the creative allocation of various factors and resources, as well as on the operations of the “knowledge and value chain” of and delivery. And all these cannot be accomplished without the so-called “innovation system” – group policy tools, organizational systems and norms. This paper does not go beyond to systematically introduce and analyze the national innovation systems and influencing factors of the Nordic countries. However, one still can outline some key institutional features, particularly the nationally promoted research councils and major funding agencies, which have systematically driven the national innovation.

Government intervention and system choice can define and highlight the most creative departments in a country's economic and social development. Historically, most of the Nordic countries have built their pillar industries in the economy by national industrial policy and R & D investment. For instance, Sweden, though missing the first industrial revolution, had in early 20th century, seized the opportunity of the second industrial revolution based on the use of electricity and oil, fostering ABB and Ericsson and other competitive actors across the world. From the 1930s to the 1970s, it was the golden age of the so-called “Swedish model” form. Its essence was the cooperation and partnership among large enterprises, trade unions and the national government.

In this “critical point”, it has become a social and political consensus to boost the economic growth and to meet the needs of social welfare through the R & D investment of the public and private sectors. Thus large enterprises and knowledge sectors (universities) grew vigorously, which together became the backbone of the Swedish innovation system. In 1940, Sweden for the first time set up a “Technical Research Council” (TFR), replaced by “Technical Development Council” (STU) in 1968. In order to better promote the combination of technology and industry, and to effectively promote the large-scale enterprises to participate in

national technological innovation projects, the "National Board for Industrial and Technical Development" (NUTEK) was established in 1991. It has adopted major projects like "Capability Centers Program" to operate academia-university-research exchange network and to create interdisciplinary research environment with concentrated resources, in a bid to attract the companies to take an active and persistent role for the long-term benefits. In 1995, Sweden established 28 Capability Centers in eight universities, covering four major R & D areas including energy, transportation and environment, production and production technique, biotechnology and biomedical technology, and information technology. Capability Centers consist of the government, universities and companies. The enterprises invest more resources than the government. And large-scale companies like Volvo and Ericsson were all involved in the cooperation of the centers.

Since the 1970s, this public-private partnership and "picking winners" strategy have been challenged by neo-liberalism and the development of the internal EU market, but relying on company-level innovation and university research and development, they have, in fact, been further growing. In 2001, the "Swedish National Innovation Agency" (VINNOVA) is further fostered based on the original framework of NUTEK. VINNOVA not only supports companies, manufacturers and universities, but also encourages the innovation of SMEs through policies. In 2009, "Swedish Economy and Regional Development Agency", another mechanism born out of NUTEK, was established. These dominant mechanisms and some small-scale innovation supporting organizations together build up the new national innovation system of Sweden.

Similar experiences and mechanisms are also seen in the other Nordic countries. For a country starting its growth with a dependence on natural resources, Norway naturally has different innovative fields and relatively low R & D investment, however, its universities also play a key role in the innovation system. Norges Tekniske Høgskole (NTH, founded in 1910, later known as the Norway University of Science and Technology) and some other colleges based on certain industries have provided appropriate knowledge and workforce skills for the economic and industrial growth of the country. In order to develop a knowledge-based economy, the "Science and Technology Research Council" (NTNF), led by the Ministry of Industry, was established in 1946. The council consisted of a large

number of various research institutions and research committees. With the increasing of the innovators and the strengthening of the R & D investment, mechanisms dedicated to coordination of these institutions have also been developed. The Norwegian Research Council (NFR), starting operation in 1993, was an integration of the five scientific research committees, including the Industry and Science Research Committee, Nature and Humanities Research Committee, Agricultural Research Committee, Fisheries Research Committee, and the Applied Social Science Research Committee. The newly-established council belongs to the Norwegian Education, Research and Religious Affairs Department (KUF). It now consists of six research committees, responsible respectively for biological production and processing, industrial and energy, cultural and society, medical and health, environment and development, as well as science and technology. NFR is a strategic department and the central government's advisory body for the general principle of research and development policy, dedicated to formulating the country's research strategy. In 2004, by merging the existing Tourism Associations, the Trade Council, the Industry and Regional Development Fund as well as the Governmental Investors Advisory Office, they also established the "Innovation Norway", in an effort to more effectively contribute to the country's industrial development and to benefit the companies and national economy.

In Denmark, agricultural products used to be the mainstay of the economy and the export. However, many competitive sectors evolved in the Danish economy in the twentieth century, including pharmaceuticals, medical equipment and environmental technology. This story of successful innovation could still not happen without the government investment in research and development as well as the organizational structure concerned. It should be noted that the early innovations in the agricultural sector had an important spillover effects. In 1837, with the support of the Agricultural Association, the first agricultural college was established and later evolved into various folk high schools, providing basic education and skills training for young people from the rural areas. At the national level, the University of Agriculture was then established in 1856 and incorporated into the University of Copenhagen in 2007.

As it is in other Nordic countries, research institutions and knowledge sectors Commission are crucial in the innovation activities in Denmark.

Through the “Centre of Excellence” the government allocates the research and development funds to key areas, including food, biotechnology, nutrition and health as well as environmental technology, new materials, information and communication technology. In 1998, Denmark set up a research department to co-ordinate various research committees and university researches, which was later named the Science, Technology and Development Department. In order to enhance the competitiveness of the country, the state re-defined the universities as the 2003 University Act vigorously advocated new forms of university governance, stressing the “third mission” of universities, which was the knowledge transfer and commercialization. Meanwhile, in the past decade the research committee system has also undergone significant restructuring. The new framework includes a number of committees serving basic studies, one Strategic Research Committee and one Technology and Innovation Council. Some functional foundations also joined this innovation platform, including the Danish National Advanced Technology Foundation founded in 2004 and the Danish Growth Foundation established in 2006. The former took up venture investment in high-tech in order to promote the high-tech growth of the Danish economy; and the latter supports the regional and local SMEs. In 2013, the major political parties reached a new consensus to establish a large-scale Danish Innovation Foundation by merging the existing three organizations (Technology and Innovation Council, Strategic Studies Committee and the Advanced Technology Committee). This new institution has its own independent board of directors and its annual budget is expected to reach 1.5 billion Danish kroner, equivalent to the Swedish VINNOVA. Overall, Denmark's national innovation system is very sensitive to the changing global competitive environment. And it focuses on knowledge transfer through the integration of resources, public-private interaction and the marketization.

Although Finland is a latecomer in the industrialization in the West, it has achieved remarkable success after 1970s and become the European leader in innovation. In its innovation system framework, the formation and evolution of the Public Research Organizations (PRO) is crucial. World War II gave birth to the Finland Science and Technology Research Centre (VTT), which was intended to serve the manufacturing industry. It has tapped into the functional areas in the postwar, such as transportation, manufacturing and energy supply and is now hiring more

than 3,000 employees. VTT, known as the biggest applied technology research institution, provides knowledge and services for the growth of companies. After the Second World War, the universities also developed very fast and laid a foundation for a quality labor market. The Finnish government attached great importance to the selection of priority areas and boosted the electrical and telecommunications industries in the 1970s. In 1983, Finnish Trade and Industry Department established the National Technology Innovation Agency (TEKES). As a major national institution that invests in research and development, it provides funding and network support for the public and private sectors in research and innovation projects, promoting the community cooperation among science and technology organizations, manufacturing companies, suppliers, customers and end-users. TEKES plays a leading role in coordinating enterprises, universities and research institutions, in carrying out forward-looking national technology plans (normally with a duration of about 5 years), and in promote the formation of industrial clusters. In the funding scope of TEKES, about two-thirds are given to companies, and the rest one-third to universities and public research institutions. It finances not only technological innovations, but also welfare, design, business models and social governance reform.

In order to meet the challenges of and increasingly open economy and globalization, Finland unveils a new round of innovation mechanism reform that includes the merging of universities. One prominent example is the Aalto University, which intends to be one of the world's top universities after merging. This university harbors great ambitions in commerce, science and technology and design, etc. Furthermore, in order to boost in the longer term traditional industries (such as forestry and metal), energy and environment, bio-economy, construction innovation and health as well as other strategic areas, the country founded "Science, Technology and Innovation Strategy Center" (SHOK), a non-profit organization that will "implement programs carrying long-term implications for the future and seek innovation breakthroughs on a global scale, innovations that can bring economic growth and social well-being."

The Nordic innovation system shows many universal features and revelations and is considered an "alternative" form of the capitalism diversity. In addition to its extensive and in-depth cooperation among the research councils, knowledge sectors and the industries, the education

safeguarded by the welfare system, a high degree of social mobility and collaborative governance structure all jointly support the innovative capacity and competitiveness of those countries. It should be stressed that innovation is certainly, in a cultural sense, in need of “national feelings” or “mentalities”, but the system selection and institution design are essential. The Nordic development experience illustrates that the government has an indispensable role in creating an innovative environment. It also seems that certain kind of welfare system is in a positive relationship with innovation capacity, which means that the more solid the government supports are, the more innovative the social and economic growth will be.

Translated by Wang Youping

Policy Advice on "The Belt and Road Initiatives"

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The vision of the “One Belt, One Road” is to promote free trade on a global scale, integrate markets along the Road, promote regional economic integration, promote political cooperation between countries along the belt, thus promoting the development of globalization.” The grand conception of “One Belt, One Road” meets the needs of countries along the Road. It is conducive to take complementary advantages of the countries along the Road and integrate resources to achieve further opening up. It is conducive to achieve economic interconnection and scientific industrial layout. It is conducive to safeguard national political stability and world peace and to the achieve global economic prosperity and sustainable development.

1. Investment Risk under the “One Belt, One Road” Initiative.

The Asian Development Bank (ADB) estimates that from 2010 to 2020, there will be a demand of \$8 trillion for infrastructure investments in Asia alone. Many countries along the Road are endowed with rich resources, but are lack of capital and technology for infrastructure construction. With capital accumulation and development experience from more than 30 years’ of China’s reform and opening up, domestic quality-capacity has been accumulated in manufacturing and construction industries and can be expanded to foreign market. The conception of “One Belt, One Road” provides the possibility of win-win cooperation between China and other countries along the Road to achieve complementary advantages. Meanwhile, China has a strong will to make outward investment. In 2014, outward investment from China reached \$ 140 billion, and inward foreign investment reached \$ 116 billion, which made China a net exporter of capital for the first time from an importer of capital. After the 18th CPC National Congress, China's foreign policy has shifted from the previous "opening up" to a more pro-active strategy to take part in international affairs more actively and to contribute to global development.

The “One Belt, One Road” initiative covers a total of 65 countries and regions, involving a population of 4.4 billion, accounting for 63% of the

Introduction>>

The 7th International Finance Forum Leaders Dialogue was held in Fudan University on April 22, 2015. Numerous elites from the political, academic and business community explored the issue “One Belt, One Road, the Vision and Action” in depth. This article mainly explores the risks in implementing the great conception of “One Belt, One Road” and proposes reasonable coping mechanisms. By using the experience and advantages of Shanghai, we should accelerate the development of Shanghai into an international economic, financial, trade and shipping center.

global population. The countries involved have a total GDP of about \$ 21 trillion country, accounting for about 30% of global GDP. Around one third of the world's countries and regions will participate in the design of the "One Belt, One Road". The widely-divergent political systems, economic levels, cultural traditions, and complex historical and geographical factors among different countries pose real difficulties to realize the grand blueprint of "One Belt, One Road". In addition, investors need to be fully prepared against grave international issues, different ideologies, values and legal systems, information asymmetry and lack of credibility. Potential investment risks may result from political distrust, political instability and imperfect legal system of participating countries. A painful lesson concerning these problems can be learnt from previous overseas investment.

2. How will China deal with the investment risk under the "One Belt, One Road" Initiative

(1) Summarize domestic experience, be well-prepared, make multilateral coordination and cooperation, and guard against blind follow- suits

To earnestly sum up domestic economic development modes and successful experience and reflect what can be replicated and what can be avoided in promoting the "One Belt, One Road" Initiative in countries along the Road.

To participate in the "One Belt, One Road" Initiative with an inclusive attitude. We need more empathy and consider mutual benefit. We need to properly assess the political risks, identify priorities and conduct bilateral and multilateral cooperation.

Fully considerations about investment return need to be made when a project is proposed, considering internal demand and whether the benefits deserve the risks. A high-level talent pool should be established and more exchanges and cooperation need to be conducted between governmental and non-governmental think tanks. Research on nationalities should be made before investing in targeted countries. Communication across governments and inter-enterprise communication are needed.

Policy makers need to improve the quality of policies through overall consideration, coordination and cooperation among different departments to improve efficiency.

(2) Set an example to attract active participation of countries along the Road

Political and economic situation in countries along the “One Belt, One Road” is complicate. Successful cases are very important for mobilizing more countries to actively engage in the entire action. We recommend that several demonstration projects can be made to bring real economic benefits and sustainable development for the participating countries, which is helpful to implement the grand “One Belt, One Road” project. On April 20, 2015, China and Pakistan issued a joint statement in Islamabad to invest tens of billions of dollars in infrastructure. Compared with the complicate political situation in the countries along the Road section along the Road, the political risk in China-Pakistan Economic Corridor is relatively low; therefore project feasibility can be discussed economically and commercially. We can strive to set an example. If Pakistan Economic Corridor project achieves great success, it will play an exemplary role for other neighboring countries and enhance the confidence of the countries along the Road, thus exerting a profound influence on the “One Belt, One Road” construction.

(3) The active role of the Asia Infrastructure Investment Bank

The emergence of Asian Infrastructure Investment Bank(AIIB) conforms to the trend of the times, and it is a powerful complement to existing international investment banks. On the one hand, the AIIB need excellent, clean, green and high standards; on the other hand, the AIIB also needs to help countries along the Road to explore a most suitable development strategy for their own. In the long term, the AIIB will effectively and comprehensively weigh different perspectives between developing and developed countries to make balanced international rules and improve discussion about public policies, thus giving more and better expression of the will of developing countries in dealing with international affairs. The development of the AIIB will be helpful for China to play a more important role in future international negotiations, such as the pricing right of bulk commodities.

The AIIB will also reflect innovative combination of traditional finance with emerging markets to develop development-oriented finance and improve efficiency. It will promote the participation of private capital and encourage domestic Internet financial enterprises with development

advantages to go out to serve the construction of countries along the Road.

(4) Combine policy-oriented finance with commercial finance and attach importance to private capital

In the construction of the Silk Road, more consideration should be given to the combination policy-oriented finance and commercial finance, industrial strategy and business strategy, private equity and private equity investment, the introduction of private capital and the choice of effective cooperation between public capital and private capital. Investment in infrastructure should give more consideration to international cooperation, including other sovereign funds and international commercial banks and multi-level capital market. The fade-out of national background will help ease tensions of political relations. On the one hand, it is conducive to economic growth, financial maturity, and corporate innovation and going out; on the other hand, it is conducive to political risk averse to a certain degree, reducing the possibility of investment interruption for political reasons.

More exploration should be made on cooperation mode between government and enterprises, and try to promote public-private partnership (PPP) mode. To reduce the risk for private sectors to invest in infrastructure in countries along the Road through creative solutions brought. Leverage should be applied to attract the participation of private capital investment in the “One Belt, One Road”. Improve the business modes of private capital. Many domestic private capitals are quick-profit-oriented, making some negative effects on the long term overseas investment and development, to which attention should be paid by the government and enterprises.

(5) Combine various cooperation modes, and make investment match trade needs.

Consider a variety of cooperation modes, such as economic cooperation zones, investment zones, industrial parks and cross-border cooperation. Give more consideration to the employment of foreign labor for the welfare of local development and make contribute to the local community and explore the most appropriate way for local development. Make the bidding and procurement more international. Build a certain number of border cooperation zones and industrial park. The investment in

infrastructure will pay off under the driving of trade investment. Meanwhile, attention should be paid to the efficiency of financial services to avoid the traditional inefficiency of traditional development and investment banks and insufficient evaluation of project scheduling. Lessons should be learnt from National Development Bank and other institutions in domestic investment. In the case of controllable risks, we should strive to provide efficient one-stop service in the approval process of projects in the constructing of the Silk Road.

(6) Industrial restructuring and industrial upgrading.

Both the “One Belt, One Road” Initiative and the AIIB shore up the Southeast Asian and South Asian countries, and the promoting of infrastructure construction will greatly promote local economic development. The local regions possess dense low-cost human resources, which will pose a serious threat to China’s labor-intensive industries. Chinese enterprises should seize the opportunity and carry out industrial restructuring timely. The development of the “One Belt, One Road” may force domestic industrial structure to make further optimization, as well as promotion in industrial quality and efficiency. Enterprises should gradually abandon the investment mode for quick success, focusing on technological innovation, optimization and combination of factors of production and improvement of technological level and management level. We should take this opportunity to develop stable and high-quality companies with cutting-edge technologies.

(7) Establish and develop offshore RMB market in Shanghai Free Trade Zone

The grand blueprint of the “One Belt, One Road” and the establishment of the AIIB promote the international use of renminbi. In recent years, international trade has undergone steady overall growth and the RMB international settlement volume has been increasing rapidly. Meanwhile the capital account convertibility of renminbi is gradually advanced. Many recent initiatives, such as the introduction of Shanghai-Hong Kong Stock Connect, a series of bilateral settlement, swap agreements, gradually increasing and lifting QFII and RQFII quota restrictions, have greatly improved the renminbi capital account free convertibility and increased the market-oriented means to make rational allocation of resources. The improvement in the internationalization of the RMB has provided an

opportunity for incorporating renminbi into IMF basket of the Special Drawing Rights, and also great convenience for the implementation of the “One Belt, One Road” Initiative and further outward investments.

To confirm with the construction of Shanghai Free Trade Zone and developing Shanghai into four centers, we recommend to establish a long-term offshore RMB market mainly serving the “One Belt, One Road” Initiative, supplementing to the offshore RMB market in Hong Kong and London respectively featuring callable loan and interest arbitrage . The “One Belt, One Road” serves as a vector for the new normal facing the internationalization of the RMB. Specifically, the development of RMB market can be promoted by the following means: (i) focus on the development of offshore capital markets; merge offshore and onshore capital markets when conditions are ripe in the future. (ii) the offshore RMB market should be bank-based, encourage financial innovation, pay attention to risk control, play the role of supply chain, extend the scope from the domestic to countries along the Road (iii) give full play to the systematic function of RMB in transaction, pricing, payments and wealth storage to enhance the status of the RMB as an international currency and pricing right of bulk commodities trading. (iv) integrate the ratio of onshore capital to offshore capital, relax limits on free access to the monetary market, gradually relax capital account convertibility and expand the application of financial derivatives.

(8) Pay attention to population flow and the development of education to show cultural soft power.

Opening the door to the outside world will bring population flow, which will amplify the instability along the “One Belt, One Road”. Considering that migrants to Europe brings manpower but also instability, we should alert the multiple external influence caused by the increasing migrants to the country. In addition, cultural and educational undertaking should be enhanced steadily with. A lot of versatile professionals with a global vision are required to develop “One Belt, One Road”. It is very important to enhance educational and academic exchanges between countries. More cultural activities can be conducted to promote Chinese and foreign outstanding cultures, modestly learn to accept other cultures to deepen the friendship between the two peoples.

(9) Emphasize on the role of overseas Chinese

According to statistics, the total number of overseas Chinese reaches up to more than 50 million people, including nearly 4 million professionals from high-tech industry, education and finance fields. Overseas Chinese and Chinese businesspersons enjoy a high level of knowledge, skill, abundant capital and wide social connections with local political and business community and they are natural ties and participants in the China's cooperation with countries along the Road to build the "One Belt, One Road". The local Chinese community plays a very important role in dealing with foreign affairs. With the understanding of local situation, laws and regulations and their reputations, they actively engage themselves in activities through Chinese community to building the country they live in, which has greatly promoted the image of overseas Chinese.

In addition, national policy encourages overseas Chinese to take root in the countries they lived in. Our country has been supporting the construction of the Confucius Institute and Chinese Schools to make overseas Chinese children have access to excellent traditional Chinese culture and to promote Chinese culture at the same time.

Translated by Yang Chaonan

"One Belt One Road" and "New Silk Road" for Inclusive Development

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I. The "New Silk Road" was not originally intended to be a geopolitical economic strategy.

The US government's "New Silk Road" program originated from the "New Silk Road" ideas and proposals put forward by Professor Fred Starr, but Professor Starr pointed out that the US government's movement of regarding the "New Silk Road" vision as a geopolitical and economic strategy was not his original intention.

Professor Starr said what he originally proposed was an economic development program that aimed at connecting India and Europe across Afghanistan and Central Asia, in a hope to form a "New Silk Road", like the old Chinese one that connected China and Europe. He believed that as the West-led international troops gradually withdraw from Afghanistan, the reconstruction of Afghanistan has become a major issue confronting the international community and is closely related to the overall development of neighboring Central Asia, South Asia, and West Asia. He pointed out that the "New Silk Road" was intended to build a transportation and economic development network connecting South Asia, Central Asia and West Asia, with Afghanistan as the hub, linking the Central and West Asia of rich oil and gas resources with fast-growing India and even with the East and Southeast Asia that boast many economic "dragons" and "tigers". It is an effort to promote the complementary growth among several regions, as well as to boost economic and social development of the region, including Afghanistan. He explained that although the vision expect India to play an important role, it cannot happen without the participation of China, Japan, South Korea, Turkey and other major powers.

Professor Starr said that this idea has been welcomed by many national governments, businesses and all walks of life in Afghanistan and the rest of Central Asia, South Asia, and West Asia. Afghanistan, India and other countries convened special meetings to discuss how to participate in this program. Kazakhstan proposed to call an international conference

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In July 2011, in a speech delivered in India, the US Secretary of State Hillary Clinton for the first time clearly proposed the "New Silk Road" program. Since then, the United States has called many meetings of relevant countries to actively promote the program. But after the change of the Secretary of State, the promotion of this program has been toned down. After a dialogue with the proposer of the "New Silk Road" in the United States, the authors believe that China should take advantage of the complementary cooperation between "One Belt One Road" and the "New Silk Road" for the Sino-US inclusive development.

to discuss ways to strengthen cooperation in order to promote the plan. However, after the US government took over the program, especially after Secretary of State Hillary Clinton and other official made remarks on the “New Silk Road”, the initiative seemed to be a geo-political and economic strategy of the United States that seek its leading role in the hinterland of the Eurasian continent and that significantly enhances the role of India. It is in such circumstances that some Chinese scholars wrote reviews to comment on the “New Silk Road”, considering that the plan brings to China “more challenges than opportunities”. Overall, they had a negative comment on the plan, but the Chinese officials did not give a clear response to this.

Professor Starr said he opposed the “New Silk Road” conception as a geopolitical economic strategy or as an effort to contain or reject China. He did not agree with the United States to seek economic and social leadership in the region. He believed that after the troops were withdrawn from Afghanistan, the United States and the West should encourage Afghanistan and countries in the region to play a leading role in its post-war reconstruction. He said that in the sense that China has the opposing sentiment towards the “New Silk Road” program, some people in the United States have proposed a change of program name. Currently, he feels that the US government's attitude on this issue seems a bit hesitant, showing a “blurring” condition, as Secretary of State Kerry is caught in the Middle East mess and has no time to attend to this plan. Therefore, he does not know the US government's next step about new action plan in this regard.

II. The “New Silk Road” vision has the objective economic and market infrastructure

Professor Starr insisted that if you excluded deliberate politicized factors, the “New Silk Road” concept did have objective economic and market base. He predicted that regardless of the participation in this process of the United States or China, the “New Silk Road” at the economic and trade levels are sure to develop, because it would be conducive to the stability and development of Afghanistan as well as Central Asia, South Asia and West Asia countries and even a good thing for the East Asian countries. He raised he example that the Turkish gas could meet the energy needs of India, China and Pakistan, bringing Afghanistan lucrative transit revenue.

The cotton from Tajikistan could satisfy the demands of the Indian textile industry for raw material. And furniture and fruits of Afghanistan could be sold to Astana, Mumbai and Shanghai, and even Japan and South Korea.

He argued that with the economic globalization, the regional integration among Europe, North America, and East Asia was rapid. And Central Asia, South Asia, and West Asia could also form inter-regional exchange with complementary integration, which was and is the significance of the historical “Silk Road” and today’s “New Silk Road”. In the long run, this trend is irreversible. Therefore, although he was not in favor of the United States’ pursue of dominance in the process, he held that the United States should actively participate in this process, otherwise it would lose the opportunity in the region. He noted that should this vision be politicized, it would cause rouse unnecessary suspicion and even lead to conflict, so that the plan would be difficult to implement. So he opposed the United States to cast a strong political shadow on the “New Silk Road” or to promote it as a governmental geopolitical economic strategy. He also noted that while the US State Department has identified a dozen key projects for “New Silk Road”, hoping to attract the participation of India, Japan, China and other countries involved, but it still carries a strong official sense. It would be better to just let the NGO and business sectors to start the operation. He also suggested that these projects were large-scale infrastructure projects with large investment and slow result, so one should add some projects with less investment and quick results, projects that concern people’s livelihood and benefit the public.

Professor Starr explained the three main reasons for the “New Silk Road” program to place India's participation as the focus. Firstly, India's participation gives this network the complementary strengths, especially as India faces an energy shortage when the West Asia region has abundant oil and gas resources. The oil and gas pipelines from Central Asia, passing Afghanistan and Pakistan to India are significant for Afghanistan to have sustainable fiscal revenue. Secondly, the potential of the Indian economic growth and market expansion is huge, which will be the key to the dynamic and sustainable development of this plan. Thirdly, India is an important “bridge” for the plan to expand to Southeast Asian region, which is also one of the most dynamic regions in global economy. Meanwhile, Professor Starr also considered that the “New Silk Road” also offers a good opportunity for China’s great development initiative of the

western region, the further “open to the West” of the Xinjiang province, the Chinese efforts to build an Eurasian Continental Bridge, its opening-up to the southwest strategy with Yunnan as “bridgehead” and Tibet’s plan to accelerate the building of a major thoroughfare in South Asia etc. So overall it will be conducive to China’s stronger trade and cultural ties with Central Asia, South Asia, and West Asia. Therefore, he argued that China should also actively participate in the program.

III. Reflections on the “New Silk Road” of the United States

1. The strategic objectives for the US government to implement the “New Silk Road” program

While Professor Starr claimed that he opposed the “New Silk Road” concept as a geopolitical economic strategy as he stood against the United States’ effort to seek dominance in the economic and social development in the region, the reason why the US government adopted the idea was to achieve its strategic goal to maintain its dominance in Afghanistan and the hinterland of Eurasia. Currently, the US-based international troops have basically withdrawn from Afghanistan. And the Middle East chaos and “Asia-Pacific rebalancing” force the United States to invest heavily. In this context, the US funding in Afghanistan will be drastically cut down, hardly able to shoulder the responsibility of re-building the Afghanistan economy and society, let alone the regional governance of the “Great Central Asia”. However, the United States-launched war in Afghanistan has lasted for 13 years, leaving a real mess there, so it has a moral responsibility for the reconstruction of the country. It is against this background that the “New Silk Road” vision provides an opportunity for the United States to get rid of this dilemma. The US government cannot wait to exalt the “New Silk Road” from an idea to a strategy and to hold high this banner. In this way the international community, especially the neighboring countries in Central, South and West Asia, and even the Southeast and East Asian countries will contribute money and effort and their share of responsibility and obligation to Afghanistan. And by coordinating the involvement and commitment of all parties, the US will be able to maintain its dominance in the post-war reconstruction of Afghanistan and a new round of development in Eurasia.

2. The US version of “New Silk Road” strategy faces two major obstacles in its implementation.

Although with the vigorous promotion of the United States, its version of the “New Silk Road” strategy is still confronted with two major obstacles. For one thing, the security situation is still worrying. The possibility of a Taliban comeback in Afghanistan cannot be underestimated. The Middle East unrest will persist. The conflict Ukraine is intensified. The rise of the "Islamic State" organization rekindles the Central Asian religious extremists and terrorist groups. In South Asia, the confrontation and arms race between India and Pakistan remain. All will pose serious threats to the reconstruction of Afghanistan and the regional growth. For another, it is difficult to attract investment. Currently, the debt-ridden Europe and Japan with hardly sustainable "Abenomics" have their own difficulties and could not commit too much to the project. Meanwhile, most of the Central, South, West, and Southeast Asian countries are just out of the crisis and have very limited financial capacity. The highly-expected India is also facing multiple difficulties and is discreet in large sums of investment. Overall, it is hard for the United States to attract significant amount of investment. Some experts believe that the US can only attract up to 30% to 50% of the funds needed for the program.

3. It is not impossible for the “New Silk Road” and “One Belt One Road” to achieve inclusive development.

After 2013 when the Chinese leaders put forward the “One Belt One Road” concept, Professor Starr repeatedly expressed that the “One Belt One Road” concept shared common features with his “New Silk Road”. The two concepts could by all means advance hand in hand and cooperate complementarily. I believe that there is competition between “One Belt One Road” and the “New Silk Road”, but it is by no means impossible for them to achieve inclusive development.

This is so said, firstly because the “One Belt One Road” itself highlights strong radiation and inclusiveness. The land and maritime Silk Road in the history has never been a single line, but many routes. With today’s highly developed science and technology and transportation, the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” are certainly less likely to be a single line. It should consist of multiple lines and form a three-dimensional development in land, sea and air. Historically, the land and maritime Silk Road had limited impact on the regions along the road and belt, as camels, horses and sailing ships covered a limited scope.

But today things are completely different. With the high-speed railways, roads, large aircrafts, ocean vessels and the Internet, the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” will exert a powerful radiation and extensive influence on the entire Eurasia, Africa, Oceania, and even the whole world. The historic Silk Road had promoted the exchanges among nations, ethnicities and civilizations as well as regional cooperation, but today's “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” are bound to play a greater role. Thus, “One Belt One Road” is inevitably in a competitive relationship with other existing regional cooperation mechanisms; but more importantly, they can also be cooperative and complementary and achieve the win-win goals with inclusiveness. Here, the other regional cooperation mechanisms include the US vision of “New Silk Road” as well as the Eurasian Economic Union highly advocated by Russia.

Secondly, it is also because the inclusive development between “One Belt One Road” and “New Silk Road” will be beneficial to the stable development of Sino-US relations, and therefore will be backed by both sides. As the US moves the strategic focus eastward, the strategic significance of the stable development of western China becomes increasingly prominent. Therefore, the United States’ withdrawal of its troops from Afghanistan and its active promotion of economic and social development in the region carry more advantages than disadvantages for China’s stable development, especially the steady progress of the west. So the opportunities outweigh the challenges. International observers believe that to carry out the “New Silk Road” program, the focus will be on actual investment rather than empty talk. In terms of economic strength, China is the strongest in the region, so China's active participation is indispensable. And the United States is well aware of that. Meanwhile, the US government is currently confronted with severe economic weakness and financial stress and in lack of domestic support for Afghanistan and the “Great Central Asia” economic strategy. So it needs to cooperate with other countries and pays special attention to China's attitude, which is probably why they proposed to change the name of the program as they sensed China’s opposition mood. In short, the complementary cooperation and inclusive development between “One Belt One Road” and the “New Silk Road” will enable China to play a constructive role in the reconstruction of Afghanistan and regional development issues. It will not

only facilitate the friendly cooperation between China and countries in Central, South, and West Asia, but also enable China and the US to form new areas of cooperation in the reconstruction of Afghanistan and other issues, which will be conducive to the new relations between the two big powers, to a favorable international environment for China, and especially to the security of the neighboring region.

President Xi Jinping pointed out that “exchanges in over two thousand years of history have proven that countries with different races, faiths or cultural backgrounds can enjoy peace and common prosperity if they uphold the principles of unity and mutual trust, equality and fairness, tolerance and mutual learning, as well as cooperation and win-win. This is a valuable inspiration left by the ancient Silk Road.” This inclusive and insightful vision should be principle guiding the handling of the relationship between “One Belt One Road” and the “New Silk Road”.

Translated by Wang Youping

Strategic Position and Role of the SCO in the Silk Road Economic Belt

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The SCO consists of 6 member state, namely China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and it is likely to expand this year, to accept India and Pakistan as a full member. In addition, the SCO observer states include Mongolia, Iran and Afghanistan. In the aspect of members and regions, there are overlaps between the SCO and the Silk Road Economic Belt to a large degree, for they both cover Eurasia, Central Asia, South Asia and West Asia. Functionally, the SCO and the Silk Road economic belt also have some overlap. Economic cooperation is one of the three areas of cooperation of the SCO, the contents of which are also similar to the Silk Road Economic Belt. In this case, how to deal with their strategic positioning and relationships become an important issue, for it not only has a bearing on the prospects of the SCO, but also influences the development of the Silk Road Economic Belt.

1. Diplomatically, the SCO cannot be positioned as affiliated to or severing the Silk Road Economic Belt.

Both the Silk Road Economic Belt and the SCO are put forward and supported by China and serve the strategic interests of China. However, there are still evident differences between them. Silk Road Economic belt is predominated by China with fully independent decision-making right, whereas the SCO is an international organization belonging to all member states, the decision-making depends on the collective will.

Despite of China's important position in the SCO, it cannot be positioned as affiliated to or severing the Silk Road Economic Belt, which is not appropriate diplomatically and will not be generally acknowledged. An international organization cannot be positioned as a tool subordinate to one of its member state; otherwise this will inevitably lead to Russia's discontent, which may also say that the SCO should be affiliated to or serve the Eurasian Economic Union according to the past practice. Thus, a passive position will appear. Contradiction will arise between China and Russia, which is harmful to the SCO and not conducive to the construction of Silk Road Economic Belt.

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The Shanghai Cooperation Organizations (SCO) resembles the Silk Road Economic Belt closely in members, regions and function. Therefore, the relationship between them has become an important issue, for it not only has a bearing on the prospects of the SCO, but also influences the development of the Silk Road Economic Belt.

2. The SCO and the Silk Road Economic Belt should be positioned as parallel strategic partnership with independent status, mutual support and mutual promotion.

The SCO and the Silk Road Economic Belt only overlap with each other geographically and functionally, with no political contradictions and conflicts. The SCO and the Silk Road Economic Belt have same members, which are also partners in the two frameworks, they naturally should be partnership. In a sense, it can be said that a group of people are doing two things, and find themselves in a paradoxical situation.

The SCO and the Silk Road Economic Belt should be properly positioned as strategic partnership with mutual support and promotion for positive interaction

3. The SCO remains China's important international and regional platforms, and China should endeavor to promote the development of the SCO.

The SCO has been the foremost multilateral platform in the region before the conception of the Silk Road Economic Belt was put forward. China attaches great importance to the SCO and spares no effort to promote its development. After the conception of the Silk Road Economic Belt was put forward, China has a new cooperation framework with wider space and more freedom of action, which unavoidably changes the original position of the SCO. It is manifested in the shift of the SCO from the most important platform for China into one of the most important platform, and China's higher enthusiasm for the Silk Road Economic Belt than the SCO.

Once China, the main promoter of the SCO, attaches less importance to it, its political status and importance will naturally decline. The SCO may also be used to serve the Silk Road Economic Belt when it becomes the focus of China. On the mutual relationship, the SCO will be in a lower position and the driving force for development of the SCO will decrease.

The SCO still has an important value to China. It supplements the Silk Road Economic Belt in terms of politics, security, regional relations and international impact, and some of its functionality can hardly be replaced by the Silk Road Economic Belt. The institutional framework of the SCO is China's important diplomatic asset in this region. In promoting the Silk

Road Economic Belt construction, China should continue to pay attention to and promote the development of the SCO, avoiding catching one and losing another.

4. If China attaches less importance to the SCO, it will be controlled and at the disposal of Russia.

The SCO has been in a relatively stable state, with stable regional and international impact and occupies a place in the international structure. After the entering of India and Pakistan, its geopolitical influence will be significantly increased and it will become a huge regional organization covering the Eurasian Continent. If China attaches less importance to the SCO and reduces investment, Russia and India and other member states will actively make use of this platform to reflect the wishes of Russia and India, which will be a loss to China's diplomacy.

5. SCO's development is conducive to the development of the Silk Road economic belt, in a sense, that is the development of the Silk Road economic belt.

Politically, the SCO linked China, Russia, Central Asia, South Asia and West Asia. As for security the SCO guarantees the stability around China. Economically, it pushes forward regional economic cooperation, all of which either creates a good environment for the construction of the Silk Road Economic Belt, or directly implements the content of the Silk Road Economic Belt construction. So the development of the SCO is harmless to the construction of the Silk Road Economic Belt. In some aspects, the development of the SCO and the Silk Road Economic Belt is inseparable.

The SCO and the Silk Road Economic Belt will not cause the problem of resource decentralization. Their overlap in functionality primarily falls in the field of economic cooperation. From previous practice, multilateral cooperation is the main form of SCO economic cooperation, focusing on the formation of common principles and rules. The SCO is powerless to complete specific major investment and construction projects. Major investment and construction projects will be implemented within the framework of Silk Road Economic Belt.

6. The SCO and the Silk Road Economic Belt can differ in functionalities.

Functional restructuring can be made to the SCO, which is reasonable and

necessary in view of the situation of the organization itself or the need to adapt to the Silk Road economic Belt. The restructuring should highlight its function in the cooperation of politics, security, regional relations and international issues. In the economic sphere, on the one hand, key areas should be highlighted, focusing on multilateral cooperation with maximum consensus, such as the build-up of rules and systems, projects concerning national welfare and people's livelihood, poverty eradication and disaster reduction, environmental protection and so on; on the other hand, the SCO can reduce the scope of cooperation, giving up some functions and projects, and shifts to the Silk Road Economic Belt. There are two kinds of functions and projects that can be abandoned: what has proved difficult to promote within the SCO, and what is likely to constrain future development, including the development of the Silk Road Economic Belt.

Benefits can be expected from the shift of part of the economic cooperation and projects of the SCO to the Silk Road Economic Belt. Active functional restructuring makes differentiation between the SCO and the Silk Road Economic Belt, and the SCO will suffer less shock from the development of the Silk Road Economic Belt. At the same time, the restructuring can activate economic cooperation. In the framework of the Silk Road Economic Belt, the economic cooperation can have more forms and space for free development.

7. China can make a clear explanation of the relationship between the SCO and the Silk Road Economic Belt on the SCO summit held in September this year.

Currently, there is a certain ambiguity in the relationship between the SCO and the Silk Road Economic Belt, causing problems to China's policymaking and confusion to the SCO member states. They don't know whether China's policy and attitude to the SCO will change or whether China will wholeheartedly support the development of the SCO. This situation is not conducive to the cooperation between China and other SCO member states, thus causing uncertainties in the development of the SCO.

We suggest that China should make a clear explanation of the relationship between the SCO and the Silk Road Economic Belt on the SCO summit held in September this year.

First, the SCO works in partnership with the Silk Road Economic Belt

Second, the direction of development of the SCO and the Silk Road Economic Belt are consistent with each other without contradiction.

Third, the SCO and the Silk Road Economic Belt are distinct in functionality, forms and frameworks and can reinforce each other. The development of the SCO is conducive to the development of the Silk Road Economic Belt, which in turn will further promote the development of the SCO.

Fourth, the SCO, as a regional cooperation organization, has an irreplaceable important position and function.

Fifth, China spares no efforts to promote the continued development of the SCO.

Translated by Yang Chaonan

Implementing "The Belt and Road Initiative": Details Needed

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After the whole China entered the era of “The Belt and Road Initiative”, how has this strategy been implemented so far? Mao Zedong once said that, (for work), “not to grasp firmly is not to grasp at all”. This saying is still not out of date.

Take the Europe and India as example: the Europe is an extremely important area and destination of the northern line of The Belt and Road Initiative, while India is the hub and also an important destination of the southern line of the “Maritime Silk Route”. However, according to the author, the real situation is that: Within European countries, although they support China’s strategy in public, they still remain unconvinced even doubt under the table; While India, as an important country in the “Maritime Silk Route”, actually has its own plan.

After the whole country begins to carry forward “The Belt and Road Initiative”, the implementation of details becomes even more important. At present, there some prominent problems need to be solved:

Lack of Effective International Public Relations and Marketing

After all, China cannot implement “The Belt and Road Initiative” on its own. Currently, one prominent problem of the implementation of this strategy is the lack of effective PR and marketing in the international society, which has become one of the biggest external obstacles to carry forward this strategy. This situation can be observed from the remarks on “The Road and Belt Initiative”:

A European official told the author that, rather than “The Belt and Road Initiative”, “The Silk Road Initiative” is more clear and familiar to European people. The official also asked that: What’s the core of this strategy? Are there more political or economic consideration? The hesitation and doubt of that official have been shown between the lines, and apparently, the official already has some preliminary conclusions.

Another European official made it clear that, they have no objection to

China's initiative in its surrounding area, such as in central Asia, but they would disapprove if such strategy is to be implemented in the Europe.

An official from a European international organization provided some explanation on these opinions. He told the author that, China is a huge economy, while European countries are all small countries. As a result, some European people will think that China is going to use strategy to expand its sphere of influence politically and economically, relying on its economic strength. In fact, under such a background of economic recession, the Europe plans to expand eastward and contain Russia. However, after it covers the central Asia area, the western line of "The Belt and Road Initiative" will also enter the Eastern Europe, such as those ex-Soviet states.

Recently, the situation has changed. Some countries have expressed their willingness to cooperate with China in public. However, doubt and hesitation still remains within European countries.

While, an Indian official said that, "The Balance of Power" is the key of Indian diplomacy. As a result, India will not totally rely on China on investment attraction and infrastructure construction, because "balance" is always required.

Besides the objective reason, such as the conflict of interests, the lack of RP and effective interpretation also lead to the problem of lack of persuasion and certainty of this strategy.

For the real situation in China, departments responsible for international communication, such as the Ministry of Foreign Affairs and the International Department of CPC Central Commit, are not economic functional departments, which means they only have the channels but do not understand the real situation, and this will definitely influence the effect of promoting "The Belt and Road Initiative". As economic functional departments, both the National Development and Reform Commission and the Ministry of Commerce have some disadvantages in channels and authority in terms of communication with the international society compared with foreign affairs departments.

Another major fundamental background is that: Weak publicity and lack of persuasion internationally has always been the Achilles' heel of China in the recent years.

Even so, there is still chance for PR and persuasion. For example, when the author asked the European official whether they will accept if China and Europe promote “The Belt and Road Initiative” in Europe to gain mutual profit in the form of joint venture (even if they object to China’s expansion to the Europe), the official answered immediately that: “That will be another story”. Also, while the Indian official claimed that India might be the only trouble of China’s strategy, he also disclosed that, according to their survey, especially in industries like electricity (firepower), highway and railway, Chinese enterprises have “absolute competitive advantage” compared with other foreign companies, and they have no need to worry that they might be out in open tender, which is apparently a hint.

However, from the situation of the implementation of “The Belt and Road Initiative” available so far, it is hard to find any sign of PR or persuasion.

Lack of Solid National Research

At present, another problem is that national research on countries along the “Belt and Road” is still not solid and deep enough, while actually it is the precondition to accurately judge local investment environment and to reduce the investment risk to minimum.

However, what we have found today is that, Chinese scholars tend to seek quick success and crave for greatness, and start doing relevant research like a swarm of bees. This phenomenon can be found from the fact that, the International Department of CPC Central Committee set up as many as 59 “Belt and Road Think-tank Alliance” in all over the country in a very short time. On the contrary, it is hard to find solid and detailed national research.

In recent years, there are many cases of increasing risk of Chinese oversea investment due to the lack of solid and deep national research. In some Southeast Asian countries like Thailand and Burma and in some Latin American Countries, some large Chinese investment projects have been suspended, most of which are caused by the change of local government or the intervention of external force. Even though Chinese leaders have coordinated in some cases, but the result are not successful.

Recently, the first China-CEEC (Central and Eastern European Countries) Investment and Trade Expo was held in Ningbo, Zhejiang Province.

However, the investment risk in Central and Eastern European Countries still should not be ignored. This can be proved by the information disclosed by diplomats and scholars from central and eastern European countries during the China-CEEC Relations Forum, which was hosted by Chinese Academy of Social Science in September, 2014.

During the meeting, Slovenian ambassador to China H.E. Mrs. Marija Adanja introduced that, due to the European debt crisis, division and splitting have shown among European countries, and the Europe is badly in need of discovering new development drives in central and Eastern Europe in order to improve the situation. The Hungarian Ambassador to China has put his view clearly. In his words, 11 out of 16 CEEC countries are members of the European Union, and 6 of them are in different stage of application. More importantly, all the 16 countries put a high value in their EU membership and regard it as their “guarantee in the future”. As a result, the precondition for China to deepen and expand its cooperation with CEEC countries is that “we view this cooperation as a part of the China-EU strategic partnership”. The attitude of EU is quite clear: in the end of 2014, when Premier Li visited Belgrade for the 3rd Meeting of Heads of Government of China and Central and Eastern European Countries, the German Embassy to China sent an email to the author, saying that “the investment and commercial activity of China in Central and Eastern European countries should meet EU law; investment of projects must be decided by open tender; the foreign affair department of EU must be a part of all of the relevant activities”.

It is worth mentioning that, EU has launched a 31.50-billion-Euro investment plan in March to stimulate its economy by investment. Whether there will be convergence or conflict between this and the “Belt and Road Initiative”?

During the meeting, Czech scholar Fosters pointed out that, among the 16 CEEC countries, only Romania, Bulgaria, Serbia, Poland and Hungary have frequent exchanges with China, while other countries still need “more understanding and mutual trust” with China.

Actually, some large EU countries are also dissatisfied with some CEEC countries’ “turn to the East” attitude, which means they are more close to Russia and China because the EU cannot bring them economic benefits. Also, for other countries along the “Belt and Road”, solid and deep

research is vital to the safety of Chinese investment in these countries. For instance, what's the potential risk the current crisis in South China Sea will bring to the implementation of China's "Maritime Silk Route" strategy? Which Southeastern Asian countries will be influenced? All these issues are directly related to the successful implementation of the "Maritime Silk Route" strategy.

Especially notable is the enlightenment from the meeting of President Xi and Ms. Aung San Suu Kyi: For those countries along the "Belt and Road" with unstable political situation or potential internal and external political risk, China must pursue the guideline of engaging and developing relationship with both the court and the commonalty. At least, China should not only focus on the government in power while ignore those not in the office, and China should never offend those who are nonofficeholding, so that the safety of the investment can be guaranteed.

Since "The Belt and Road Initiative" is emphasized, the "Non-Intervention Principle" should evolve with the times.

Another vigilant phenomenon is that, according to some insiders, some state-owned enterprises only care about the investment, while ignoring all the risks. On June 16th, Shanghai Securities News reported that the amount of oversea state-owned capital has reached over 12 trillion, and the corruption of the management of state-owned enterprises has caused huge loss. Whether this is what Prof. Wang Yizhou from Peking University mean by "the influence of interest groups on Chinese Diplomacy"?

Homogeneous Competition has Appeared in China

In April this year, Ou Xiaoli from the Department of Western Development of NDRC, said that there are no absence of any province in "The Belt and Road Initiative".

Despite the call for national participation, different regions in China still should participate with targets after they have found their position based on their own situation and characteristics, which is the key to success. However, in reality, homogeneous competition has appeared in some relevant provinces.

According to Xinhua, in the implementation of "The Belt and Road Initiative", the problem of "similar strategic positioning and homogeneous

competition” has appeared in some western provinces, such as Shaanxi, Gansu, Ningxia and Xinjiang.

A researcher from Xi’an Academy of Social Science told Xinhua that, there are a lot of overlaps in the self-positioning of provinces along the “Belt and Road”. For example, many provinces, like Chongqing, Shaanxi and Henan, are competing for the starting point of the economic belt.

A professor from Gansu Agricultural University told Xinhua, “Under the condition of similar resource endowment, similar market growth degree, and lack of research on the political and market environment of Central Asia and the surrounding area, provinces and cities along the belt choose almost the same functional orientation and industrial distribution”. The professor said that, “Facing the same external market, if we all choose the same industrial distribution, there might be repeated construction and waste of resources”. He introduced that, some key cities in Western China still hold the traditional thinking of asking for policy and projects, and they have all proposed the plan to build energy center and financial center, and focus the policy implementation on the establishment of FTA, bounded area, and permanent site for forums.

Another researcher told Xinhua that, the homogeneous competition appeared in some provinces and cities along the economic belt has caused the waste of resources. Currently, there are 8 international freight railways along the economic belt, such as the Yuxinou (Chongqing, Xinjiang and Europe) and Zhengxinou (Zhengzhou, Xinjiang and Europe), and Anhui has joined the competition recently. However, there are some common problems for the existing railways. For example, some trains are full-load when they leave, but goods are extremely lacked when they return. Also, some trains “steal” goods supply from others and cause some cut-throat competition, while others have to be subsidized by local government to maintain development.

Another phenomenon: forums and meeting are everywhere.

According to the survey conducted by Xinhua: After the strategy of “The Silk Road Economic Belt” was proposed, Shaanxi, Gansu and Xinjiang province all started to compete to host and build forums and meetings related to the strategy, and lots of officials, businessmen and scholars from the countries along the economic belt were invited. Shaanxi, Xinjiang and Gansu all have offered a proposal to host a Silk Road Expo to relevant

government departments. Shaanxi even hosted an international exposition titled as “Silk Road”.

Wu Lixia, vice-chairman of China Council for the Promotion of International Trade at Gansu Province, told Xinhua that such phenomenon may “easily leave bad impression on Central Asian countries, making them think that the competition in China is chaotic, so that it may influence China’s national image”. A government official from Ningxia said that Xinjiang, Gansu and Ningxia all have already hosted a series of special topic forums, including Silk Road Economic Belt International Forum, Eurasia Commodity and Trade Expo, China-Central Asia Cooperation Dialogue. However, these forums are “overlapped in form and content, and their influence and real effect are not significant”. He said that, “At present, in expositions or forums themed by economic belt construction or hosted by the government, there are only really few projects can be signed between China and Central and Eastern Asian countries”.

Compared with Western areas, similar phenomenon also happen in East Coastal areas. We are so familiar with such phenomenon and patterns that they have already become some kind of chronic disease and frustration. However, the implementation of “The Belt and Road Initiative” will face a lot of troubles if this problem is not solved in the first place. As a result, decisive measures must be taken and coordination must be performed steadily.

Industry-Project Docking: An Unsolved Problem

Actually, the fundamental problem of the implementation of “The Belt and Road Initiative” is how to achieve the docking of domestic and foreign industry and projects, and how to set up an effective platform and mechanism for such docking, not only aimed at state-owned enterprises but also for private enterprises. Without this, anything else will mean nothing.

Such a platform and mechanism must focus on the following core works: Really figure out that which industries, economic fields and projects those countries and key cities along the “Belt and Road” hope to development and attract investment for; Information on expected amount of investment, investment environment and prospect, which should be

released to enterprises and government departments in China through in a proper way. At the same time, investment intent and related information of different types of China-invested companies should be provided to countries and important cities along the “Belt and Road”, including details in industries, projects and investment amounts. On that basis, commerce and trade between China and foreign countries will be promoted and benefited.

Especially, information on domestic politics, geopolitics and investment environment of countries along the “Belt and Road” should be collected by solid national research, so that it can provide reference for Chinese investors and guarantee the safety of Chinese investment.

However, such mechanism and platform has not appeared in China. The direction of the China-CEEC Investment and Trade Expo held in Ningbo is right. While, the Central and Eastern European Area is undoubtedly an area with uncertain investment environment before any effective coordination has been reached between China and the European Union.

What’s more, we found that the sudden appearance of lots of think-tanks and researches on the “Road and Belt” have shown four characteristics: Focus on overall strategy while neglect specific tactics; Focus on macro-level issues while neglect micro-level issues; Focus on the overall situation while neglect the part; Focus on compliment while neglect shortcomings and perfecting suggestion. This kind of think-tanks and scholars are meaningless and untrustworthy.

The whole nation system must be combined with solid details, so that it can get twofold results with half the effort. Otherwise, not only it makes no difference to the matter, but will even leave huge aftereffects. This is the basic experience since new China was founded. “The Belt and Road Initiative” has just entered its implementation phase, so this experience should draw enough attention.

Translated by Qian Jing

The Misread "One Belt, One Road"

Ge Jianxiong, Fudan University

The historical-geographical background and modern significance of the Silk Road

- Historically, the initiative to construct and maintain the Silk Road came from the external countries rather than China. The road was not mainly constructed by Han people, but by central Asians, western Asians and Europeans, so it were they who promoted the Silk Road.
- Reviewing the past does not mean that China want to regain its control over central Asia, but to admit that the smooth transportation of the Silk Road is guaranteed by China's control over mid-Asia.
- As for the construction of the economic belt, the other countries will consider their own economic benefits, so their oil, gas and cotton would not be necessarily sold to China.
- Being our important interface, Kazakhstan and China do have some benefit conflicts, such as the distribution of Yili River, which is the primary water source for both Kazakhstan and Xinjiang Province.
- We do not intervene in each other's internal affairs. But what are internal affairs? And what should we do if their internal affairs affect our country's benefits?



The route map of "One Belt, One Road"

Introduction>>

Professor Ge Jianxiong is a prominent historical and geographical scholar, member of the 12th national Political Consultative Conference Standing Committee, counsellor of Shanghai municipal government and professor of Fudan University. The text is adapted from the speech record Mr. Ge made on April. 4th , 2015 at Fudan University, compiled and slightly abridged by Qin Qin without the author's approval. Both the title and pictures were added by the compiler. The original speech title is "The historical-geographical background and modern significance of the Silk Road".

“One Belt, One Road” is closely related to the historical concept of the Silk Road, and the economic ties and traffic routes between China and foreign countries. Our incomprehension and misunderstanding of history tends to mistaken historical lessons for experience, or even affect the construction of “One Belt, One Road”. If you carefully read general secretary Xi Jinping’s talk at Boao Asia Forum, you can find that he is very rational, to some extent at a low stance. He stresses on the community of interest in the construction of “One Belt, One Road”, rather than the Chinese version of a new “Marshall Plan” hyped by some people recently.

Some people consider the success of “One Belt, One Road” as “tributes paid by numerous countries”, which would lead to bad consequences. Such misunderstanding results from their incomprehension of the history of the Silk Road.

1. Historical-geographical background of “One Belt, One Road”

(1) Change in concepts of the Silk Road

Today, the Silk Road is greatly different from its initial meaning. It’s generally referred as Figure 1 above. But in fact, when the German geographer and geologist Richthofen named “Silk Road”, it meant a particular route at specific time. The present meaning has deviated from Richthofen’s definition. Actually, the sea trade (content of the “Silk Road” trade) is no longer silk-based. Some of them are simply traffic route instead of commercial road focusing on silk.

We saw more the influence the Central Plains made to today’s Xinjiang, central Asia, or Chinese Ethnic Groups (ie, Han, agricultural nation). The truth is far beyond this. Europe began to influence this area long ago..

For example, Alexander the Macedonian Empire has extended to India and Pakistan, spreading Greek culture along. Many mummies of 2000 years old in ancient tombs in Astana, Xinjiang Province were European Caucasians. Besides, more than 3000 years ago, people from Caucasia to central Asia were the first to tame the horse and master riding skills.

In mainland China, the ancestors of Han people did not learn to ride until early Warring States period. In Confucius’s age, horses in the Central Plains were used to pull the cart rather than to be ridden on. Thus, one of the six arts Confucius taught to his students is carriage-driving. After

people learned how to ride, their costumes changed. The Nomads in Caucasia invented trousers. Chinese archaeologists have found China's earliest pants in Xinjiang province, with a history of more than 3000 years.

Another example of Chinese Buddhism, which was brought through one of the three Silk Roads, and then spread to the Central Plains across Hexi corridor, while the Buddhism directly spread to Tibet from India and Nepal is Tibetan Buddhism. With Arabia getting stronger, Islam expanded to Xinjiang, and the whole province, especially the southern part, all converted to Islam.

Some people think that Xinjiang culture seems to be passed over from mainland China. This is not true for Xinjiang culture consists of both Han culture and other culture and religions whose influence often preceded the transmission of Han culture.

The communication between this area and the Central Plains started from a very early stage, where people loved to communicate with others, There is also evidence. Jades unearthed in Haofu tomb of Shang Dynasty in Anyang, Henan province and other Shang tombs were identified as Hetian jades from Xinjiang Province. This means that Hetian jades could be transported to the Central Plains and beyond 3000 years ago. Take Zhang Qian for example. He came from Shaanxi Province, and followed some directions to link the western regions with Han, proving that contacts had been made long ago.

However, the Silk Road is defined with special meaning, involving the major trade means and existing period.

(2)The maintenance motivation of the Silk Road came from the external.

From the above perspective, I find the motivation to construct and maintain the Silk Road came from the external countries rather than mainland China. The road was not primarily constructed by Han people, but by Central Asians, Western Asians and Europeans, so it were they who had promoted the Silk Road. In the "One belt, One Road" white paper, general secretary Xi Jinping states that the Silk Road was built by the mutual efforts of various countries. The argument is relatively objective. But I want to stress that Han dynasty did not have the initiative to construct the Silk Road.



Ancient Silk Road consists northern, central and southern routes.

Firstly, look at the origin of the name. The “Silk Road” could not be found in the thirteen classic works, the twenty-four histories, or the Imperial Collection of Four. Around 1870, the German geographer Richthofen carried out a three-year research in central Asia and wrote a book, officially presenting “Silk Road”, which refers to a silk-based commercial road formed B.C. 2nd century ago, from Luoyang, Chang’an to Samarkand, central Asia. Gradually, the term was accepted by geographers and historians, and naming traffic route after “Silk Road” came afterwards.

Zhangqian’s efforts to link the western region with China makes on effect on the naming of “Silk Road”. But it was acted out of military and political purpose rather than trade. In the early years of Han dynasty, the Huns posed a severe threat. After 70 years of accumulation to Emperor Han Wu, Han dynasty got stronger, defeated the Huns in succession and comprehensively drove them back to the west of the Great Wall of Qin Dynasty. While considering how to take the Huns down for good, Emperor Han Wu was informed that Wusu and Yueshi people who originally lived in Qilian mountain and Hexi Corridor were forced to migrate to the west due to the Huns’ oppression. And Yueshi people moved to Daxia (Afghanistan area). Since Daxia had been feuding with Huns for generations, Emperor Han Wu dispatched messengers there, wishing to rally Yueshi people to attack Huns. Nevertheless, it’s difficult due to the long distance on the map.

When Zhangqian arrived, the monarch of Daxia had enjoyed himself very

much, unwilling to fight against Huns. Thus, Zhangqian failed in finishing his mission.

Zhangqian had undergone many hardships during his journey to the west. After having been detained by the Huns for ten years, he seized the chance to flee from the Hun kingdom to Daxia, but he was kept again for one more year by the Huns. After he came back to Han, situation changed and Han had already defeated Huns and controlled Hexi Corridor, opening the gate to the west. Although Zhangqian's journey to the west did not meet its initial purpose, what he brought back (plentiful things along the route) deeply attracted Emperor Han Wu's attention. Thinking that Han's influence should be spread there, the Emperor dispatched Zhangqian on his second visit with organized diplomatic corps and brought quantities of silk, gold, art crafts and so on to award small countries along the route, which enlarged the influence of silk in central Asia.

However, silk output was not the product of Zhangqian's journey, and the actual time was much earlier. There is two interpretation about Latin and English calling our country China. One saying goes that Persians named our country after "the kingdom of silk", the pronunciation of which slowly evolved into that of China. The other argues that the pronunciation is similar to "Qin". As for calling porcelains China, it's a reversed matter because they come from China. Before Zhangqian's journey, foreign countries, especially Persia, had already known that China was rich in porcelains.

Unconscious and casual circulation is totally different from conscious trade. Zhangqian's journey to the west has expanded the influence of Chinese silk in central Asia, arousing interests of people in the longer distance. An importance reason of the formation of commodity economy is Roman Empire's needs for Chinese products. Being a powerful empire, Roman had a strong demand for silk, as the aristocrats took pride in wearing silk. Later, silk even became more expensive than gold, and Han was the only source of silk. Thanks to its light weight, silk is very suitable for long-distance transportation and could withstand hot and cold weather. What's more important was that the high profits could compensate the expensive transportation fee, or even cost of their lives.

Every single route of the Silk Road is imbued with hardships. The southern route has to cross the Pamirs, while the northern prairie covers a

longer distance and could not escape the lifeless Gobi. In the absence of navigation or mechanic transportation, it would take a high cost to rely on camels, cattle, horses and man power, and this could not succeed without the support of strong demand.

(3)Historically, China had no incentive to conduct silk trade.

Han dynasty had an effective ruling area of 3 or 4 million square kilometers, and a population of more than 60 million. Many people objected to Han exploiting land, because this would ruin fertile farming land and bring forth drought and coldness. But Hexi Corridor is an exception with vast oasis, Mountain Qinlian and stable water source.

China has no incentive to expand outwards. Although common Chinese did not wear silk which was not a luxury, people just didn't think about making profits out of silk.

Claiming itself as “the center of the world”, China had always been abundant in everything and self-sufficient, with no external need or the concept of foreign trade. Emperors of Han dynasty forbid crossing the custom freely. Historically, merchants were people's last choice of occupation with a low social position. China didn't actively use the Silk Road and rarely benefit from it.

The present is different as we're going to construct “the Silk Road Economic Belt”. This is our initiative, but it could not be built without others' active response. Therefore, general secretary Xi Jinping repeatedly stresses on mutual benefits, denies zero-sum, and encourages the construction of economic community. As for some countries on the other end of the belt, China is not their only option.

Constructing “One belt, One Road” is China's initiative, how to make the others respond positive and continue needs some corresponding measures.

In terms of business, while constructing the Silk Road Economic Belt, we should consider how to motivate other countries. We should not think that it will definitely succeed as we wish, and the others would be grateful.

They have their own consideration. For example, a China-Kazakhstan border trade city was to be constructed. While China has finished its work, Kazakhstan didn't even start. Their low motivation was caused by geographical limits that no people lived in their border, which is different

from the cases of Vietnam and north Korea. There only lies a river between China and Vietnam, so it's impossible to forbid border trade. Geography is different in terms of Kazakhstan and Kyrgyzstan. As for the construction of the economic belt, other countries will consider their own economic benefits, so their oil, gas and cotton won't be necessarily sold to China.

We must become aware of the premise above.

2.(Historically) China's control over central Asia is the guarantee of the smooth passage of the Silk Road.

The Silk Road encounters more breaks than smooth passage. While massive smooth passage is rare, civil scattered passage is more common.

After AD 9th century, shipping flourished, turning the "Silk Road" more into the traffic line inside central Asia, such as from Kashgar, Xinjiang Province to central Asia, rather than from mainland China to central Asia. This process is often overlooked.

In BC 60, the Western Han Dynasty set up Protectorate of the Western Regions in Xinjiang Province. As Xinjiang had various oasis which was difficult to manage, the protectorate carried out loose and guardianship administration, and solved local problems. Troops sent by the central government would use central authority to guard the area. Small countries there only needed to register residence each year and obeyed the ruling.

Chen Tang, a prominent figure in late western Han dynasty, found that Chan Yu, a Hun defeated by him, had fled to Kazakhstan, so he arbitrarily mobilized the troops of six small countries to destroy Chan Yu. Dispute occurred in Han, for some believed that he had made a great achievement without losing any soldier; while others thought he faked the command without any report. This reflected the difficulties Han encountered in the remote western area. Han's ruling of the west remained unstable and finally only lasted to the end of the western Han dynasty. During Wang Meng's governance, Protectorate of the Western Regions was eventually dismissed.

The eastern Han dynasty implemented the policy of "three links and three breaks" to the west, which went on and off.

The Silk Road was resumed and broken for three times each. Sometimes

the preservation of the road completely relied on outstanding individuals, such as Ban Chao, as well as the left prestige of western Han dynasty. When the country failed to continue flourishing, the imperial court would command the retreat. Since the eastern Han dynasty, the Silk Road ceased to exist in name only. The northern Wei dynasty was very powerful. It was recorded that merchants from Daqin came to central China, but when the central part suffered warfare, normal trade and communication would break up. Only when the central regime could tightly control central Asia would the Silk Road keep smooth transportation and could China take the initiative.

In the early years of Tang Dynasty, the territory expanded to today's Weihai. Tang controlled Xi'er river and A'mo river, with the western border reaching Afghanistan and a military-administrative center Suiye City on the west, which was near to Tokamak, Kyrgyzstan. Therefore, the Silk Road became the internal traffic line of Tang dynasty. After the break-out of the rebellion of An and Shi, the west was out of control, and Tubo, ancestor of Tibetans expanded to Dabu, Xinjiang. Later, when the western border only reached Gansu Province, Tang dynasty could no longer control the west, and the prosperity of early Silk Road was gone.

In AD 9th century, having already found the vital maritime traffic line, a number of Arabians went to Guangzhou, Quanzhou, Ningbo, and Yangzhou. With maritime traffic replacing land transportation, the inland Silk Road had been reduced to the traffic route inside central China, and lost its original significance.

The early Ming dynasty had controlled Kumul for a while, but the western side was out of control. The border retreated to Jia Yuguan in the middle years, losing Dunhuang to the western regions, not to mention the Silk Road.

The linking of sea transportation spared the efforts to cross lofty mountains and high ranges along the Silk Road. Tea, spices and porcelains were also shipped, making silk no longer the primary product, which was a major change.

3. Why do we need to emphasize the historical and geographical background of "One Belt, One Road"?

We should not think that the Silk Road had maintained smooth since

Zhangqian linked the western regions. This is the reason why Chairman Xi Jinping emphasized that Xinjiang issue was secular and complicated. We should squarely confront historical problems.

Reviewing history does not mean that China wants to regain its control over central Asia, but to acknowledge that the smooth transportation of the Silk Road is guaranteed by China's control over central Asia. Since the stable situation of central Asia is essential to the safety of the Silk Road, we should carry out corresponding measures against possible disadvantages, such as the influence of America and Russia, religion, ethnicity (Turkic language), water resource and so on.

Central Asia is the important direction in the construction of inland Silk Road economic belt, but there are some situations we have to confront. After the disintegration of the Soviet Union, America has been playing an increasingly powerful role in central Asia. The U.S. hired the military airport in Kyrgyzstan to send troops to Afghanistan. We do not know that the friendship bridge is the crucial passage for NATO to deliver materials to Afghanistan until we entered Afghanistan through Uzbekistan in 2006. Since Soviet collapsed, Kazakhstan has more Russians than Kazakhs, which is the consequence of Stalin's secular immigration policy. Great changes took place in these countries, as some became pro-U.S., some pro-Russia, and some focused on national independence. Being our important interface, Kazakhstan and China do have some benefit conflicts, such as the allocation of Yili River, which is the primary water source of both Kazakhstan and Xinjiang Province. How should China construct a friendly relationship with Kazakhstan after the Nazarbayev government.

We do not intervene in each other's internal affairs. But what are internal affairs? And what should we do if their internal affairs affect our country's benefits? We have faced similar problems with our neighboring countries, such as changes of regime, president, and ruling party, and how do we abide the previous agreement?

The safety of maritime Silk Road involves the Strait of Malacca, Pakistan, Myanmar, Sri Lanka, the Suez Canal, Central American Isthmus and so on. Malacca Strait is our current major transportation passage. Pakistan is China's good friend. As the situation in Myanmar is very subtle, we should go back and think about whether we can do better with Myanmar? I thought why Hillary Clinton is the first person to meet Aung San Suu



Kyi, for China should take the initiative to mediate between Aung San Suu Kyi and the junta, so the situation could be different now.

When constructing "one belt, one road", we must consider the way we should take in these places and how to protect China's strategical interest.

4. We tend to hold misunderstandings on maritime Silk Road

Now we are used to take the Western ocean view of the ocean. This is wrong because their ocean view comes from the unique Mediterranean, which is very special with basically inland sea where there are many islands and bays. The geographical advantage made ancient sailing very convenient. Being the most similar region to the Mediterranean, Bohai Sea rim was quite open in ancient China for its convenient transportation.

But China does not own the brilliant civilizations surrounding the Mediterranean, such as Greece, Rome, Asia Minor, the Azov, the Two Rivers Civilization and so on, creating the constant cultural exchange and communication. However, the Bohai Sea is surrounded by Korean peninsula and Japanese island, which are relatively lagging behind in history. They are highly motivated to learn from China, but China had no initiative and necessity to learn from them.

But the ocean is just a carrier, the essence is the shipping end, what can be

taken out and what can be brought in. We should view the Maritime Silk Road in the context of the cultures involved along the road, and the mode of production.

But the Maritime Silk Road is not opened and controlled by China. In the Chinese conception, sea is the edge. Sayings like within the four seas, ends of the mountain and sea, and ends of the earth are reflect this idea. In the western Han dynasty, the furthest maritime exploration had reached today's Sri Lanka and central India. Han also set up official responsible for translation. But after the initial exploration, they found other countries were poorer, so they gave up, and their marine technology fell back.

Therefore, Maritime Silk Road is entirely opened and controlled by Arabians. In South Song dynasty, there were a lot of Arabians in Quanzhou, Fanfang and Fanchang in Guangzhou. When Zhenghe set out shipping south, he did not exceed the Arabian route. Instead, he took in their experience and techniques (needle path, crossing sea led by stars), aiming at promoting national prestige without any economic purpose, establishing imperial political legitimacy through political activities, and calling small countries along the route to pay tribute to Ming.

Usually, the official external maritime activities only focus on political purposes while light economic benefits. Thus, the maintenance of the Silk Road lacked motivation. Prohibitions and restrictions on private trade further undermined China's real interests. So, historically, China did not acknowledge the need for normal trade, only wanting foreigners to pay tribute. But the foreign countries obtained more benefits through paying tribute than trade, so they were willing to do this. Qing dynasty once banned Japan to pay tribute, and Japan pretended to be Okinawans in order to pay tribute. Tribute is not exploitation, but a disguised political investment. Generally, it does not care about the economic benefits but politics only.

Nevertheless, the excessive rewarding resulted in increasingly high expectations of foreign countries, loss of national wealth and complaining of officials and the public. While the government did not actively engage in foreign trade, losing the main benefit to foreign countries, the imperial continued to restrict, even prohibit private trade, or heavily taxed them, so other than smuggling, none of the private trades could make profits. These are the lessons of history.

Today, in our construction of the Maritime Silk Road, if we only see vanity projects without considering the economic benefits, and entirely rely on the government and tax-exemption policy, instead of relying on non-governmental economic exchanges, we will not achieve our goals but increase the outside's resistance to China. In contrast, the normal non-governmental exchanges and trade actually tends to benefit both parties.

Besides, we should make cultural, ethic and religious preparations, and learn the external situation.

Frankly, in the past, our understanding of the outside world and our own history was basically remained at the stage of self-entertainment. Now, while we are constructing "One belt, One road", we should study hard the relationship between Chinese culture and world culture , and the local culture. Culturally, we should achieve what Fei Xiaotong said, "Each beauty could display its beauty, and be pleased with others' beauty. The mutual beauty can bring forth a harmonious world". We must not only cherish our own culture, but also understand, appreciate and praise others' culture. If "One belt, One road" construction only considers economic factors without cultural, ethnic and other factors, it is also difficult to achieve our goals.

Translated by Wu Xiaoyu

Negative Impact of the Black Hole in Af-Pak Border on the "One Belt, One Road" Strategy

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1. *The Formation of the Black Hole in Af-Pak Border*

In the late 19th century, Britain decided to develop the British Empire with a focus on India. Meanwhile, Britain and Russia were in Great Game. In order to prevent Russian from expanding southward to India, British strategists proposed the establishment of the Indian "Scientific Border", namely: to move the traditional Indian border from the foothills of the Hindu Kush Mountains and the Himalayas north to the mountains to give India "scientific" protection strategically and militarily. The border was set up by different section. They decided to start with the aforementioned strategy from the Afghanistan-India border areas. Those mountainous areas were the homeland to Afghanistan Pashtuns and Baloch people.

At first, the British attempted to push forward by military force, but were stubbornly resisted by Pashtuns. After many futile attempts to conquer, London decided to launch large-scale invasion to force the king of Afghanistan to accept unequal treaties and achieve their goals. In 1879, they launched the second war on Afghanistan, and successfully forced the king of Afghanistan to accept "the Treaty of Gandamak." However, the outbreak of large-scale Pashtun uprising against the British threw Britain into plight. To get out of this dilemma, the British decided to play a trick on the map, namely: to help pro-British king come to power in Afghanistan, and force him to accept the Afghanistan-India border on map, and then make boundary demarcation. In 1880, they announced Rahman king of Afghanistan and got in alliance with him. After that, the British government supported Rahman while making terrain reconnaissance to set up the Durand Line. When everything is ready, Britain forced Rahman to accept the "Durand Agreement" in 1893. In this way, the British has made tremendous strategic progress. However, when they implement the demarcation, Pashtuns revolted again and got behind-the-scenes support from Rahman. To quell their anti-British sentiment and prevent from being taken advantage of by Russia, Britain has no better solution but to give multilateral financial comfort. Then the

Introduction>>

At present, China advocates the construction of China-Pakistan Economic Corridor to promote the strategic development of the "One Belt, One Road" Initiative. When we gradually increase investments, it is necessary to guard against falling into the Black Hole in Af-Pak border. The Black Hole is left over by British-built India "Scientific Border" which has led to a series of negative consequences including the Pashtunistan Issue, the Soviet Union and America's failure in the Afghanistan War and the rise of Taliban, thus deserving our close attention.

Durand Line has become a hot potato, which the British did not want to give up and they made attempts to strengthen its legal validity, including the establishment of the Northwest Frontier Province (now Pakistan's KP province and FATA), keeping signing agreements, and legal succession of Pakistan. Therefore, the Durand Line became a legal international border between Afghanistan and Pakistan.

Basically, however the Durand Line does not exist in real life. The British only set demarcation in the desert inhabited by Balochi and sparsely populated areas, while in the Pashtun- inhabited areas, demarcation cannot be made. Moreover, the British signed an agreement after the establishment of the Northwest Frontier Province to quell anti-British sentiment of local residents by promising to give the latter high degree of autonomy and that the British army and law will not be admitted into local areas. Meanwhile, the Afghanistan government got united with the Pashtun to seek financial assistance. This situation has not changed substantially since the Pakistani government took over the Durand Line. Even now, Pakistan army and the law are not admitted into KP province and FATA.

In theory, the Durand Line is an international border between Afghanistan and Pakistan, but in real life, it doesn't exist. The disconformity between theory and reality naturally led to huge security hole in Af-Pak border. Just like the Durand Line hole in the Pashtun settlements, the sovereign subject of international law is intercepted by the theoretical Durand Line outside the hole, while the Pashtuns and their "friend" is not constrained and could shuttle freely inside and outside the hole. Accordingly, this hole is a paradise asylum for anti-government forces. Coupled with the fact that the founding of Pakistan was based on the Durand Line, it must close the door to further discussion of this issue; therefore the security holes cannot be filled and became a black hole.

2. Lessons from History

The black hole has a far-reaching influence. First, the Pashtoonistan Issue and on-going contradictions in Af-Pak border arise from the black hole. When the British retreat, the Pashtuns in Northwest Frontier Province required a referendum to determine their future status: belonging to Pakistan, Afghanistan or independent. This was supported by the Afghan government but strongly opposed by Pakistan and Britain. The Pushtuns

launched an uprising against the rule of Pakistan. When the latter made a military strike, the Pushtuns crossed the Durand Line and took refuge inside Afghanistan while Pakistani forces cannot launch cross-border attack for they must comply with the Durand Line as Af-Pak border. As a result, the Pakistani government accused the Afghan government of providing shelter for them; while the latter countered that they did so because the Pashtun people were treated unfairly. Thus, the thorny Pashtoonistan Issue emerged and had an impact even to the present day.

Second, it has caused the Soviet Union and America's failure in the Afghanistan War and the rise of the Taliban. In 1979, the Soviet invaded Afghanistan, the Black Hole in Af-Pak border showed its power again. Anti-Soviet forces rapidly across the Durand Line to hide in Pakistan's Pashtun region, where they received training and foreign aid, but the Soviet Union must comply with the Durand Line as the international border and they could not launch cross-border hit. Naturally, this black hole became a paradise asylum for anti-Soviet forces. Afghan Taliban developed and expanded here. In 1982, the Soviet Union recognized that they would not win this war and should make early withdrawal. But when discussing the withdrawal plan, they again found that the Af-Pak border issue has become a major obstacle to make smooth withdrawal. Because Afghanistan gave priority to preserve its sovereignty and territorial integrity including the Durand Line, which need to get the Pakistani government involved. However, it is impossible for the two sides to make peace talks. Meanwhile, the United States didn't not support the early withdrawal of the Soviet Union and continue to pin down the Soviet Union by supporting the Taliban through the Pakistani government. Moscow bogged down because it could not win or Retreat. In 1986, the Soviet Union has been dragged exhausted, and at the CPSU Central Committee meeting, Gorbachev cannot help shouting out: "We have been in fight with Afghanistan for six years and we have to fight for 20--30 years if nothing will be changed..... Why did we keep fighting endlessly yet admit that our troops were unable to control the situation....." In 1989, the Soviet Union chose to completely withdraw from Afghanistan, thus the Black Hole was left over completely.

The power of the black hole erupted in America's War on Afghanistan. Although related archives have not been unveiled, we can tell from the development tracks of the war that the United States almost repeated the

mistakes made by the Soviet Union. The Black Hole became a paradise shelter for anti-American forces (the Taliban and al-Qaeda). To this end, the Obama government made Af-Pak strategy to make cross-border strikes, which ended in abortion due to lack of cooperation from the Afghan and the Pakistani governments. Moreover, when the US-Pakistan alliance strike against the Taliban in Afghanistan (mainly Pashtuns), the thorny Pashtunistan issue was activated and anti-Pakistan forces, namely the Pakistani Taliban, grew in the Black Hole. There was no hope to win for the United States and it should retreat. When discussing the withdrawal plan, they also faced the same plight with the Soviet Union. So the outside world saw rounds of peace talks between Afghanistan and Pakistan. In 2014, the United States chose to withdraw incompletely, namely to give financial support to post-war reconstruction of Afghanistan and maintain a certain number of US troops in Afghanistan. The US withdrawal plan did not touch the Af-Pak Issue. We cannot tell it is left over intentionally or otherwise due to the plight. Thus, the Black Hole was again left over completely.

3. The impact on China and Countermeasures.

After the US withdrawal from Afghanistan, we advocate the construction of China-Pakistan Economic Corridor to promote the development of the grand "One Belt, One Road" strategy. History repeats itself: the main area in which the British built northwest "Scientific Boader" became a must-pass area for the China-Pakistan Economic Corridor. The Black Hole will affect the construction of the Corridor with no doubt. It can be seen from the disputes over the choice of "West line or East line". KP and Balochistan adhere to the "West Line", which is unsafe for us. And the Pakistani government has weak control over this area. If local population is incited by foreign forces to revolt against us, we will fall into passive trap as the Black Hole is a paradise shelter for them. We prefer "East Line", but the above-mentioned provinces were opposed to it. They have boasted: If we give up the "West Line", Pakistan Economic Corridor can hardly enjoy a bright prospect. If we adhere to the "East Line", it will undoubtedly cause their discontent. The foreign forces will take the opportunity to incite their anti-Pakistan sentiment. By then, we will have no more options than the following: (1) interrupt the construction of the China-Pakistan Economic Corridor; (2) support the Pakistani government to combat separatist forces; (3) provide financial comfort. The first

option means the failure of the China- Pakistan Economic Corridor. The second option is a bottomless pit, as history has repeatedly proved that the Black Hole is a paradise asylum for anti-government forces. If they get assistance from foreign forces, we will have to repeat the mistakes made by the Soviet Union the United States and the only difference is the swapping of roles between Afghanistan and Pakistan. The third option also is a bottomless pit, for we need to reassure financial comfort to two governments and peoples, and the bid should outperform our competitors, otherwise we will suffer from one trouble after another.

In view of this, since many projects haven't been in operation, we recommend to (1) increase research on the Af-Pak area with a start from the original archives; the two countries are Siamese twins with complicated contradictions. We can't be deceived by the external Af-Pak border. Moreover, the two countries are veterans in international political bargaining and they are good at seeking the benefits in game between major powers and we should learn from the experience of Britain, Russia and America. (2) conduct research on border issues and find out the actual control of Pakistani government to its borders. (3) gain in-depth understanding of American's Af-Pak policy and beware of the traps set by the former. (4) If the study found that serious risks in China- Pakistan Economic Corridor we should prepare counterplans. Never leave a single mistake uncorrected to cause even greater disaster. In an important period of international order changes, we should plan ahead as possible as we can and make fewer mistakes.

Translated by Yang Chaonan

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

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