

BETTER PUBLIC ENTERPRISES P.23 | CHINA'S ECONOMIC OBSTACLES P.28

BEIJING REVIEW

VOL.55 NO.21 MAY 24, 2012

北京周報 WWW.BJREVIEW.COM

THE POWER OF THREE

China, South Korea and Japan
move toward economic integration



RMB6.00	ISSN 1000-9140
USD1.70	
AUD3.00	
GBP1.20	
CAD2.60	
CHF2.60	
JPY188	9 771000 914123 2 1 >

9 771000 914123 2 1 >

JPY188 邮发代号2-922 · 国内统一刊号: CN11-1576/G2

CHINA AFRICA

中國非洲
A news monthly covering China & Africa



An Africa-oriented English monthly covering China and Africa published by BEIJING REVIEW, ChinAfrica is the only one in China featuring news, views and analysis for an African audience.

12 issues a year at a subscription rate of 180 yuan

Subscription hotlines: (8610) 6831 0644, 6899 6223, 6899 5808

Postal Distribution Code: 2-916

THE DESK

2 **The Right Move**

THIS WEEK

COVER STORY

WORLD



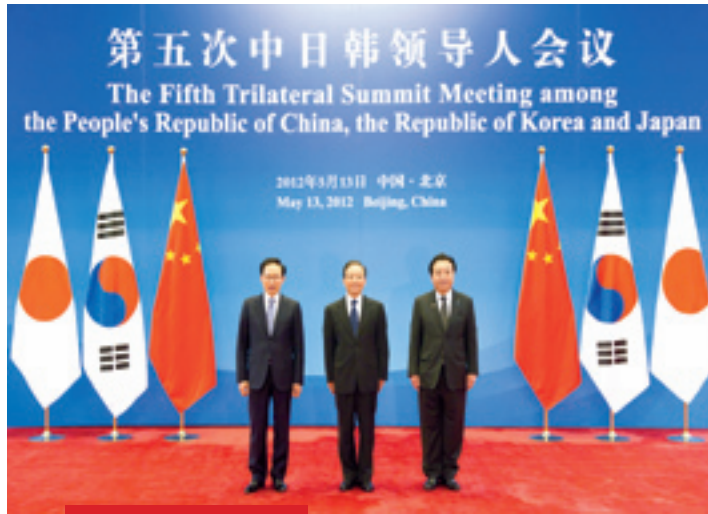
14 **Egypt's Future Shock**
Presidential election is too close to call

NATION



18 **Critically Endangered**
Yangtze River porpoise battles extinction

23 **Redefining Public Institutions**
A giant leap for China's public sector



10 **Cover Story**

The East is rising

FEATURES

10 **Three's Company**
Toward an East Asian FTA

20 **I'll Do It, Later**
Why wasting time is a disease

28 **Facing Up to Risks**
Challenges the economy must overcome

40 **Exploring Underwater Cities**
China rediscovers an ancient treasure

BUSINESS



32 **Taking Off for Foreign Lands**
The rising tide of Chinese tourism

34 **Not Opponents**
State-owned enterprises and private companies work together

36 **Market Watch**

CULTURE



44 **An Old Street**
An ancient corner of Beijing evolves

FORUM

46 **Is It Time to Acknowledge Dual Nationality?**

EXPAT'S EYE

48 **Getting Lost in Chinese Menus**
East or West Chinglish is best

The Right Move

The recent summit meeting between China, Japan and South Korea, attended respectively by Premier Wen Jiabao, Prime Minister Yoshihiko Noda, and President Lee Myung-bak, was noted for a series of agreements ranging from investment promotion to enhancing cultural exchanges and strengthening agricultural and environmental cooperation.

One of the most significant gains of the summit, according to some Chinese and foreign analysts, is a decision reached by the three state leaders to start talks on launching a Free Trade Area (FTA) within the year. It has been observed that once such an FTA comes into existence, closer economic partnership would be built, freer trade would be practiced, and greater integration would be realized across the region.

The three East Asian countries have seen their economic and trade ties grow by leaps and bounds over the past decade. According to a newly released Chinese Foreign Ministry white paper, regional trade between the three countries grew to \$690 billion last year, up from \$130 billion in 1999. For years running, China has remained the biggest trade partner for both of its neighbors. The region's economic strength as a whole also measures up significantly on a global scale. Official statistics show trilateral trade accounted for 18.5 percent of the world total in 2010, while their combined contribution represented almost 20 percent of the global GDP.

In addition to further invigorating regional economic development, the proposed FTA would benefit all three countries in terms of regional resource allocation and economic complementation. For instance, by absorbing new technologies from Japan and South Korea, China may speed up its industrial upgrading process, while Japan and South Korea may be aided in their industrial transfers and gaining greater market shares in the region.

Despite their relatively strong economic relations, major differences and disputes remain between the three nations due to historical factors and current political situations in East Asia. These include various territorial disputes, Japan's denial of its World War II atrocities, and the nuclear issues on the Korean Peninsula, each concerning vital interests and sovereignty that cannot be resolved overnight. Under these circumstances, it is perhaps in the best interest of all to put aside these thorny problems, step up communication and consultation, build up trust with each other, and try as much as possible to seek mutually beneficial cooperation. The annual summit mechanism that was launched in 2008, and the proposed FTA, are thus the right move. ■

WRITE TO US

✉ Send an e-mail: contact@bjreview.com.cn

Please provide your name and address along with your submissions. Submissions may be edited.

北京周报 英文版 2012年 第21期 ISSN 1000-9140 广告许可证 0171号
北京市期刊登记证第733号 邮发代号2-922 国内统一刊号: CN11-1576/G2 国内零售价: 人民币6.00元

CHINA...RMB6.00 U.S.A....USD1.70 AUSTRALIA...AUD3.00 UK...GBP1.20 CANADA...CAD2.60 SWITZERLAND...CHF2.00
JAPAN...JPY188 EUROPE...EURO1.90 TURKEY...YTL5.00 HK...HKD9.30 NEPAL...RS40



BEIJING REVIEW

A News Weekly Magazine
Published Since 1958

📱 iPad APP

http: //www.bjreview.com

E-mail: contact@bjreview.com.cn

President & Editor in Chief: Wang Gangyi

Vice President: Qi Wengong

Associate Editors in Chief: Li Jianguo, Huang Wei,

Wang Yanjuan, Zhou Jianxiang

Assistant President: Li Zhenzhou

Executive Editor: Ding Zhitao

Assistant Executive Editors: Yao Bin, Zhang Zhiping

Editorial Administrators: Li Ning, Shi Bosen

Senior Consultant: Shao Haiming

Opinion Editor: Zan Jifang

World Editor: Yan Wei

Nation Editor: Yao Bin

Business Editors: Yu Shujun, Lan Xinzheng

Culture Editor: Liu Yunyun

Editorial Consultants: Brandon Taylor, Raknish Savan Wijewardene,

Thomas Bradley Rippe

Staff Reporters: Tang Yuankai, Ding Ying, Ding Wenlei, Wang Jun, Li Li,

Yin Pumin, Liu Yu, Pan Xiaojiao, Yuan Yuan, Wang Hairong, Liu Xinlian,

Yu Yan, Yu Lintao, Zhou Xiaoyan, Bai Shi

Photo Editor: Wang Xiang

Photographers: Jiang Xiaoying, Wei Yao

Art: Li Shigong

Art Director: Wang Yajuan

Chief Designer: Cui Xiaodong

Designer: Zhao Boyu

Proofreading: Qin Wenli, Ma Xin

Distribution Director: Pan Changqing

Human Resources: Zhang Xiaoli

International Cooperation: Pan Shuangqin

Legal Counsel: Yue Cheng

North America Bureau

Chief: Huang Wei

Tel/Fax: 1-201-792-0334

E-mail: wei298@hotmail.com

General Editorial Office

Tel: 86-10-68996252

Fax: 86-10-68326628

English Edition

Tel: 86-10-68996259

Advertising Department

Tel: 86-10-68995813

Fax: 86-10-68329398

E-mail: ad@bjreview.com.cn

Distribution Department

Tel: 86-10-68310644

Fax: 86-10-68328738

E-mail: circulation@bjreview.com.cn

Published every Thursday by

BEIJING REVIEW, 24 Baiwanzhuang Lu,

Beijing 100037, China.

Overseas Distributor: China International Book Trading

Corporation (Guoji Shudian), P. O. BOX 399,

Beijing 100044, China

Tel: 86-10-68413849 **Fax:** 86-10-68412166

E-mail: fp@mail.cibtc.com.cn

Website: <http://www.cibtc.com>

General Distributor for Hong Kong, Macao and Taiwan:

Peace Book Co. Ltd.

17/F1, Paramount Bldg, 12 Ka Yip St, Chai Wan, HK

Tel: 852-28046687 **Fax:** 852-28046409

Beijing Review (USPS 2812) is published weekly in the United States

for US\$64.00 per year by Cypress Books,

360 Swift Avenue, Suite 48, South San Francisco, CA 94080

News Postage Paid at South San Francisco, CA 94080

POSTMASTER: Send address changes to *Beijing Review*,

Cypress Books, 360 Swift Avenue, Suite 48,

South San Francisco, CA 94080



To the Rescue

Reservists rescue people stranded in the Qingyunpu District of Nanchang, capital city of south China's Jiangxi Province, in the aftermath of heavy storms on May 12.

Local firefighters and a reserve duty division mobilized four canoes and three steamboats in an emergency evacuation of more than 200 local residents.

Several people are missing or dead following the severe weather that flooded cities and damaged houses and farmland in south China, including Hunan and Jiangxi provinces and Guangxi Zhuang Autonomous Region.

<http://www.bjreview.com>

“China objects firmly to any foreign leader’s meeting with the Dalai Lama and opposes any country, or anyone, interfering in China’s internal affairs through Tibet-related issues.”

Chinese Foreign Ministry spokesman Hong Lei, voicing indignation following British Prime Minister David Cameron’s meeting with the Dalai Lama, in a press conference in Beijing on May 15

“The People’s Bank of China will support the development of cross-border exchange-traded fund products, as well as expand the investment scale for qualified foreign institutional investors (QFIIs) and yuan-based QFIIs.”

China’s central bank governor Zhou Xiaochuan, calling for more innovative methods to reform the country’s capital markets at an industry seminar held in Beijing on May 16

“It is something that would be extremely expensive and would pose great risks but it is part of the options that we must technically consider.”

IMF chief Christine Lagarde, openly referring to the possibility of Greece exiting the euro zone on a French TV on May 15

“The Libyan political transitional process has entered a critical phase. We hope that the Libyan people will maintain ethnic harmony and safeguard national unity, respond actively to all challenges so as to achieve social stability and national political and economic reconstruction. The international community should continue to render assistance and support to the reconstruction efforts in Libya.”

Wang Min, China’s Deputy Permanent Representative to the UN, at an open Security Council meeting on May 16



CHP

NO FISHING Two fisherwomen in Tanmen, south China's Hainan Province, offload their last catch before a two-and-a-half month fishing ban imposed in most parts of the South China Sea on May 16

FOLK MUSIC IN CLASS A Mongol student learns to play the Morin Khuur, a traditional Mongolian bowed string instrument, at the Ethnic Experimental School in Hohhot, Inner Mongolia Autonomous Region, on May 14



ZHAO JINGTING

Heroic Teacher

Zhang Lili, a middle school teacher in northeast China's Heilongjiang Province, inspired the nation in a life-saving act of selflessness.

Zhang, 29, a Chinese language teacher at a middle school of the city of Jiamusi, was crossing the road just outside the school's gate when a school bus suddenly came rushing toward nearby students in the morning of May 8. Zhang pushed two students out of the way before being struck by the bus. After doctors spent 58 hours working on her, Zhang finally regained consciousness on May 15.

As news of her actions spread, she won national praise. Donations to Zhang's family from schools, companies and the government have been pouring in. She was honored by the Heilongjiang Provincial Women's Federation the title of "Excellent Female Worker" on May 14. The Chinese Ministry of Education has also called on the country's teachers to learn from her.



Illegal Aliens Targeted

Beijing began a crackdown on foreigners illegally entering, residing or working in the city on May 15.

The campaign, which will run until the end of August, will include household checks in areas of high concentrations of foreign residents, as well as on-the-spot street checks that will require foreigners to present valid identification, according to a spokesman for the Beijing Municipal Public Security Bureau.

Police authorities had opened a tip-off hotline and would tighten reviews of visa applications during the period, the spokesman said.

Foreigners found to be violating relevant laws may face penalties ranging from fines or detention to deportation, according to the police.

Official statistics show Beijing is home to about 120,000 foreigners.

According to Chinese law, it is illegal for foreigners to enter China without a valid visa issued by Chinese authorities or a legal passport, as well as through unofficial ports of entry.

It is also illegal for foreigners to live in China on expired visas or residence permits, as well as acquire paid jobs without a proper work visa.

Land Supply Increase

China will increase residential land supplies

by more than 20 percent this year in order to further restrain property prices, according to a plan released by the Ministry of Land and Resources on May 15.

The ministry said in a statement that the government would provide a total of 172,600 hectares of residential land this year, up 21.3 percent from 2011.

The amount of land to be doled out doubles the annual average of 87,300 hectares supplied over the last five years.

The ministry said that 79.3 percent of the land supplies would be used for affordable housing development, as well as for small and medium-sized commercial housing, up 0.7 percentage points from last year.

The Chinese Government plans to begin construction on more than 7 million affordable housing units this year.

Stimulating Spending

The State Council, or China's cabinet, announced on May 16 that the government will earmark 26.5 billion yuan (\$4.22 billion) to subsidize the consumption of household electrical appliances for a one-year period.

The appliances include air conditioners, flat-panel television sets, refrigerators, washing machines and water heaters that meet energy-saving standards, according to a statement released on May 16 after an executive meeting of the State Council.

Meanwhile, the government will allocate another 2.2 billion yuan (\$350 million) to promote the consumption of energy-saving light bulbs and LED (light-emitting diode) bulbs and 6 billion yuan (\$954.55 million) for purchases of vehicles with engine sizes below 1.6 liters, the statement said.

Another 1.6 billion yuan (\$254 million) will be earmarked to promote the consumption of highly efficient electrical machinery, according to the statement, which did not elaborate on how the subsidies will be implemented.

New Monkey Variety

Chinese scientists have identified a new sub-species of snub-nosed monkey living in southwestern Yunnan Province, making China home to four of five varieties of the endangered primates.

The species, identified as *Rhinopithecus strykeri*, was first discovered in Myanmar in 2010, and is known as the Nujiang Golden Monkey in Chinese, said Long Yongcheng, chief scientist for China program of the Nature Conservancy, a U.S. charitable environmental organization.

"The newly discovered snub-nosed monkeys are covered in black fur, weigh 20-30 kg, measure 1.2 meters long and are visibly distinct from the Yunnan Golden Monkey," Long said.

Long, who is also director of the China Primate Specialist Group, said that researchers located 50 to 100 such monkeys in March, but more studies are needed to reveal the exact population and habitat of the animal.

Snub-nosed monkeys, or golden monkeys, are an endangered species. Among the estimated 25,000 currently living, three varieties are endemic to China and the fourth inhabits Viet Nam.

Money for Nutrition

The Chinese Government has allocated 7.63 billion yuan (\$1.21 billion) in meal subsidies to improve the nutrition of rural elementary and junior middle school students, the Ministry of Finance said on May 16.

The subsidies are expected to benefit 25.42 million rural students.

The ministry said that the money should only be used for providing nourishing meals to rural students during the spring semester.

China started a nutrition improvement program in 680 poverty-stricken counties in 2011. Under the program, each rural student in the nine-year compulsory education period in the 680 counties is entitled to a 3-yuan (\$0.48) meal subsidy per day.



SCULPTURE DIALOGUE Dialogue With Emperor Qin's Warriors—EU and China Sculpture Show kicks off on May 15 in the Suzhou Art Gallery in east China's Jiangsu Province, displaying works of 30 sculptors from China and 27 EU nations

Anti-Corruption Battle

More than 4.2 million government or Communist Party of China officials were punished on account of violations of discipline between 1982 and 2011, according to a Chinese anti-corruption official.

Cui Hairong, Deputy Director of the National Bureau of Corruption Prevention, made the figures public at an international meeting in Hong Kong on May 11.

Cui said that 465 of the guilty officials were at the ministerial or provincial level, and more than 90 of them were convicted of corruption over the last three decades.

More than 42,000 officials were transferred to judicial organs on charges of corruption between 2003 and 2011, he said.

Island Monitoring

China has adopted three-dimensional (3D) visual management over 4,000 islands, according to an annual report released on May 10 by the Ministry of Land and Resources.

Meanwhile, 2,851 islands have been put under aviation monitoring and surveillance, and 45 islands along baseline points of China's territorial waters are under ground watch, the report said.

All the historical data of Chinese islands have been processed and put into a database to strengthen island management, the report said.

According to the report, China's ocean-related industries totaled 4.56 trillion yuan (\$724.49 billion) in output in 2011, an increase of 10.4 percent from a year earlier.

The figure accounted for 9.7 percent for the country's total GDP, the report said.



NEW PASSPORT A police officer in Shanghai shows China's new biometric passport, which features an electronic chip that contains the holder's personal information. The new passport was officially introduced on May 15

CPI Growth Eases

The consumer price index (CPI), a main gauge of inflation, rose 3.4 percent year on year in April, according to data released by the National Bureau of Statistics (NBS). The growth eased slightly from the 3.6-percent rate registered in March. It hit a 20-month low of 3.2 percent in February.

In April, food prices, which account for nearly one third of the weighting in the calculation of China's CPI, increased 7 percent year on year, but dropped 0.9 percent from March, the NBS said.

"We expect that the CPI will continue falling in May and June, possibly to below 3 percent. But it will rebound in the third and fourth quarters with a recovery of economic growth," said Wang Jun, a researcher at the China Center for International Economic Exchanges.

The Chinese Government is aiming to keep the CPI growth within 4 percent.

FDI Down

Foreign direct investment (FDI) into China fell for a sixth straight month in April amid global economic woes.

FDI edged down 0.74 percent year on year to \$8.4 billion in April, following drops of 6.1 percent in March, 0.9 percent in February and 0.3 percent in January, said the Ministry of Commerce (MOFCOM).

In the first four months, FDI totaled \$37.88 billion, down 2.38 percent from a year earlier.

Investment from the debt-ridden European Union plunged 27.9 percent in the January-April period from a year ago. But, that from the United States climbed 1.9 percent.

MOFCOM spokesman Shen Danyang said the ministry was prudently optimistic about the outlook for foreign investment, which had dropped because of both the lackluster global economy and rising costs within China.



FUTURE CONNECTION A bridge pier weighing 26,000 tons is fixed in place to the Xinghai Bay Cross-Sea Bridge in Dalian, Liaoning Province, on May 16. The bridge with a length of 5.3 km connects the urban district of Dalian to its Hi-tech Industrial Zone and will open for traffic in 2013

Lending Drops

New yuan-denominated loans reached 681.8 billion yuan (\$108.2 billion) in April, down 61.2 billion yuan (\$9.71 billion) compared with a year earlier, said the People's Bank of China, the central bank. The figure was also the lowest this year.

"There was an obvious decline in credit needs in April," said Lian Ping, Chief Economist with the Bank of Communications.

Financial regulators should unleash liquidity, drive down market interest rates, reduce corporate financing costs and speed up bank lending, Lian suggested.

"April's low lending may foreshadow further slumps in imports and investment in future, affecting the economic trend in the

second quarter," said Liu Yuhui, a financial researcher with the Chinese Academy of Social Sciences.

Foxconn's Mainland HQ

The Taiwan-based Foxconn Technology Group, the world's largest maker of electronic components, has started construction on its Chinese mainland headquarters in Shanghai.

The construction of the headquarters represents a shift for the company, as it will focus more on the domestic market and less on exports, said Terry Gou, head of Foxconn.

The headquarters, located in the Lujiazui financial area, will function as a research and development center and facilitate the company's step toward a new business model,

Numbers

\$26.01 billion

China had approved quotas worth \$26.01 billion for 141 qualified foreign institutional investors (QFII) as of May, said the State Administration of Foreign Exchange.

\$14.7 billion

China, the largest foreign holder of U.S. Treasury securities, boosted its holdings by \$14.7 billion to \$1.17 trillion in March, said the U.S. Treasury Department.

Gou said, adding that the company also plans to set up an e-business center in Shanghai's Minhang District.

Loosening Liquidity

China lowered its banks' reserve requirement ratio by 0.5 percentage points on May 18 (see page 36).

The cut, the second of its kind this year, dropped the ratio for the country's large financial institutions to 20 percent and the small and medium-sized financial institutions to 16.5 percent, according to the central bank.

Analysts say the central bank's move is to further release liquidity against the backdrop of the current slowdown in economic growth.

The cut will release an estimated 420 billion yuan (\$66.44 billion) in capital into the market.

China previously lowered the ratio by 0.5 percentage points on February 24.

Film Cooperation

The Bona Film Group, a U.S.-listed private film group located in Beijing, has inked an agreement with News Corp. to acquire a 19.9-percent stake in the Chinese company.

"Bona hopes to expand its market abroad through News Corp.'s distribution networks in North America and experience in film production," said Yu Dong, President of Bona. "We have learnt from Hollywood counterparts to bring in strategic investors. Through the deal, we would like to improve our production and sharpen competitiveness in the international market."

After being listed in the United States, Bona has worked to upgrade its board, reducing stakes held by venture capitalists and introducing strategic investors which will benefit the company in the future, Yu said.

News Corp.'s investment is considered a move to tap into the booming Chinese film market. China's box office sales soared by 28.93 percent to 13.12 billion yuan (\$2.08 billion) in 2011.

Pianist Honored

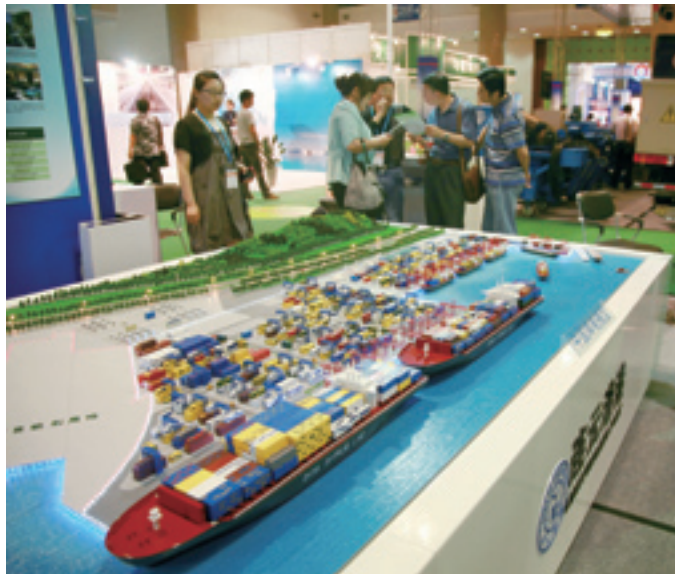
The Manhattan School of Music awarded an honorary doctorate to young Chinese pianist **Lang Lang** on May 11, in recognition of his extraordinary accomplishments as a musician, educator and musical ambassador to the world.

It is the internationally-acclaimed pianist's first doctorate degree in the United States and makes him the first Asian to receive an honorary doctorate from the prestigious school. He previously received an honorary doctorate from the British Royal Academy of Music from Prince Charles.

Lang, 30, has been heralded as the "hottest artist on the classical music planet" by *The New York Times* and has played sold out recitals and concerts in every major city in the world. He is also the first Chinese pianist to perform with the Vienna Philharmonic, Berlin Philharmonic and all top American orchestras.

For nearly a decade, Lang has been giving back to children around the world through volunteer activities as diverse as mentoring young talented pianists, convening 100 piano students in concert, performing for sick children in hospitals, delivering classical music recitals in underserved and remote communities, and donating his musical talents to raise awareness of other charitable causes.

Lang indicated that the honor would encourage him to go further in his musical career. "Music is the best remedy in life," he told 340 students at a music school commencement ceremony.



TRANSPORTATION EXPO Visitors watch a model of the Lianyungang maritime power system at the 11th China International Exhibition on Transport Technology and Equipment held in Beijing on May 15-17

1.56 trillion yuan

China's retail sales expanded 14.1 percent year on year to hit 1.56 trillion yuan (\$247.8 billion) in April, said the National Bureau of Statistics.

80.8 tons

China's gold output in the first quarter reached 80.8 tons, up 10 percent year on year, said the Ministry of Industry and Information Technology.



BRITAIN

A painter works on a new waxwork figure of Britain's Queen Elizabeth II at Madame Tussauds in London on May 14. The waxwork, replicating the queen's official Jubilee photo, will be placed center stage in the royal area of the museum

KAZAKHSTAN



U.S. astronaut Joseph Acaba and Russian cosmonauts Gennady Padalka and Sergei Revin (left to right) wave during a sending-off ceremony in the Russian-leased Baikonur Cosmodrome in Kazakhstan on May 15 before blasting off for the International Space Station in a Russian Soyuz spacecraft

THE NETHERLANDS

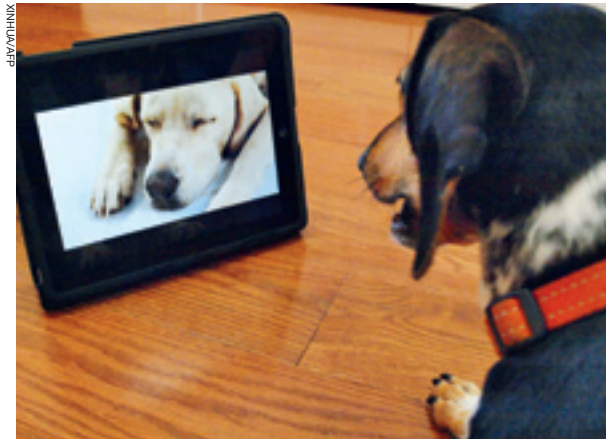
A boy takes part in the Royal Netherlands Army Open Days in Oirschot on May 12. The program provides opportunities for the public to participate in military skill demonstrations



SOUTH KOREA



Visitors take pictures of a turtle at an aquarium at the Expo 2012 in Yeosu, a small city on South Korea's south coast, on May 12, the day the three-month expo opened.



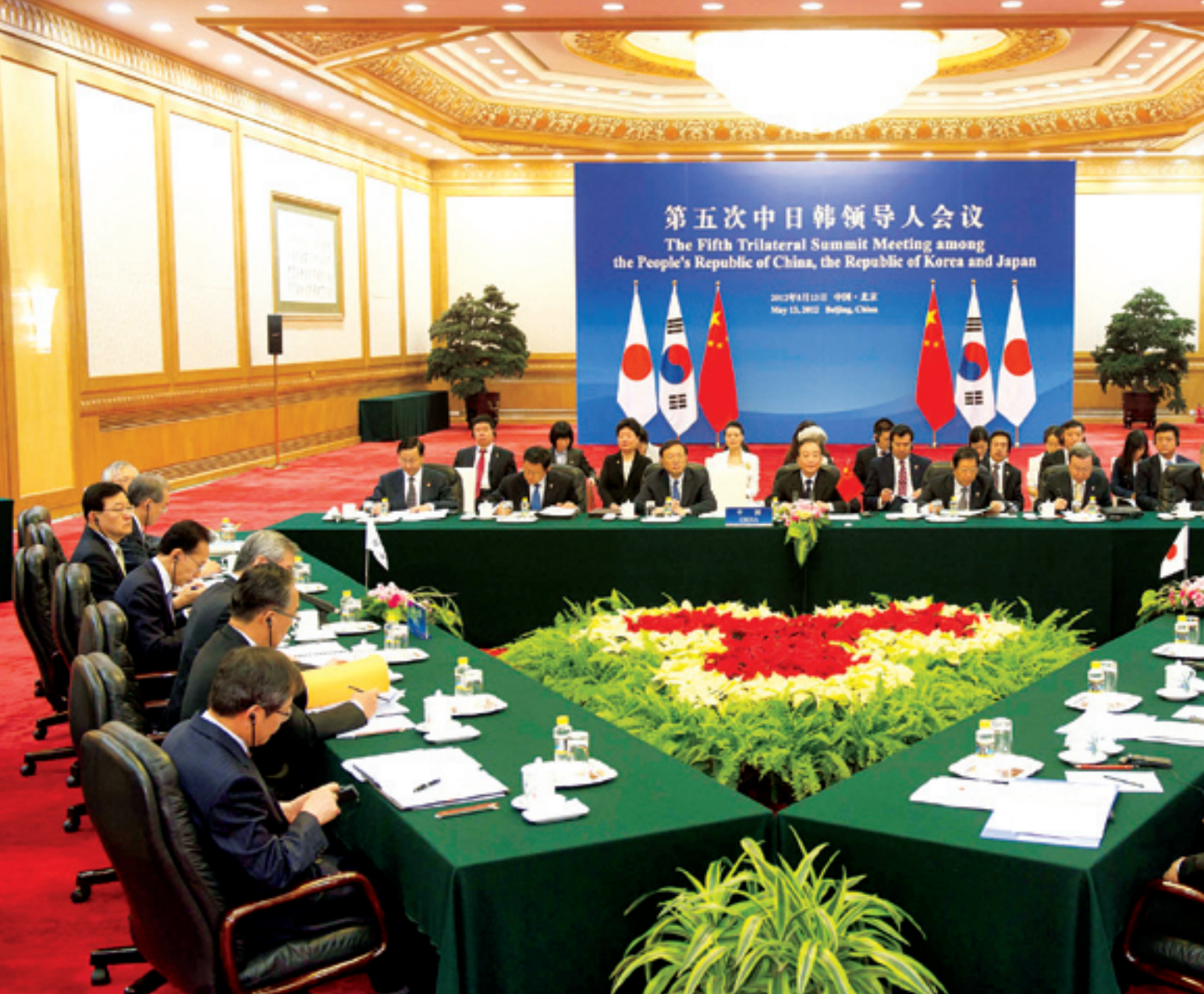
A dog watches Dog TV on May 10 in Washington, D.C. Dog TV says it is "the first television channel for dogs," with "scientifically developed" programming full of frisky hounds running in lush green fields to soothing strains of meditative music

THE UNITED STATES



A girl fills her water bucket in Bit al-Haidari District, 200 km south of Yemeni capital Sanaa, on May 15. Yemen is one of the most arid countries in the world and relies almost exclusively on groundwater and rainfall for its water supply

YEMEN



COVER STORY

THREE'S COMPANY

China, South Korea and Japan consider free trade agreement
By Yu Lintao

China, South Korea and Japan agreed to launch formal negotiations on a trilateral free trade area (FTA) later this year. The decision was announced at the Fifth Trilateral Summit Meeting among the three major East Asian economies on May 13 in Beijing. Chinese Premier Wen Jiabao, Japanese Prime Minister Yoshihiko Noda and South Korean President Lee Myung Bak attended the meeting.

At a press conference following the meeting, Premier Wen hailed the agreement as “an important strategic decision,” and appealed to the three nations to make concerted efforts for the early establishment of the FTA.

Analysts say the move will possibly accelerate East Asian integration and promote regional and global economic development. Since the three countries account for one fifth of global GDP, the trilateral FTA will also have significant regional and international influence.



SUMMIT ASCENT: Officials from China, South Korea and Japan hold the Fifth Trilateral Summit Meeting in Beijing on May 13

“The China-South Korea-Japan FTA can promote the economic integration of East Asia and elevate the global status of the region. The trilateral FTA is a crucial step for East Asian economic integration,” said Zhang Jianping, a senior economist with the Academy of Macroeconomic Research (AMR) of China’s National Development and Reform Commission.

Inevitable trend

From a strategic perspective, the proposed China-South Korea-Japan FTA accords with the trend of international industrial transfer and the structural adjustment of the world economy, said Zhang.

Since the outbreak of the global financial crisis, protectionism and trade frictions have grown more severe. As a result, FTAs have become increasingly important in normalizing international economic relations. While the global free trade regime is still in the air, regional economic integration has sped up.

“Due to the decline of the U.S. economy and the instability of the status of the dollar, the global economic system is undergoing a far-reaching change. It is impossible to achieve global economic integration on the basis of the old international order, and it is an inevitable trend that the world will embrace a multi-polar economic system,” said Ren Weidong, a research fellow with the China Institutes of Contemporary International Relations (CICIR).

The China-South Korea-Japan FTA is in line with this trend, he said. Currently, Japan is focusing on industry shifting. South Korea is hindered by its small domestic market. As it pursues industrial upgrading, China needs advanced technologies from foreign countries and is eager to make full use of external resources and markets.

“All the three countries share the common desire for larger space for economic development,” Ren said. “The FTA will give a new impetus to the economic development of the three countries and help enhance their overall strength.”

A white paper titled *China-Japan-ROK Cooperation (1999-2012)* released by the Chinese Foreign Ministry shows China, Japan and South Korea together represent 74 percent of the East Asian population and 22 percent of world population. They also represent 90 percent of the East Asian economy and 20 percent of the world economy, and 70 percent of East Asian trade and 20 percent of world trade. In addition, trilateral trade expanded from \$130 billion in 1999 to \$690 billion in 2011. China has topped the lists of trade partners of Japan and South Korea for many years, while Japan and South Korea rank fourth and sixth among China’s trade partners.

However, trade among the three countries accounts for less than 20 percent of their overall foreign trade, far below the ratio for the EU, which stands at 63.2 percent. Mutual investment among the three countries is also low, accounting for just 6 percent of their total investment in foreign countries.

“This does not match their positions as big

“When the China-South Korea-Japan free trade agreement is signed, an East Asian economic community will not be far away.”

— Liu Jiangyong, Vice Dean of the Institute of Modern International Relations at Tsinghua University

economies and important neighbors. There are FTAs in North America, in Europe and in Southeast Asia. Trade arrangements are necessary in Northeast Asia to promote the regional economy,” said Liu Jiangyong, Vice Dean of the Institute of Modern International Relations at Tsinghua University.

Moreover, with the United States shifting its economy to an export-driven pattern, the three Asian countries will face much more pressure in the shrinking export market. They all need to rely more on the Asian market.

Benefits for all

“Undoubtedly, the trilateral FTA will help the three countries with resource allocation and enable them to complement each other’s advantages,” said Zhang of the AMR.

Tariff reduction will stimulate demand in the three economies, increase trilateral trade volume, eliminate trade barriers, enlarge regional markets and push forward economic integration.

“The trilateral FTA will inject vigor to China’s export sector. It can help export-oriented Chinese companies to reduce costs while boosting their motivation. In the process, more jobs will be created,” Liu said.

“The economies of China, Japan and South Korea will become larger and larger, providing a huge market for the whole world. The international status of the three countries will rise together,” Liu said.

Ren of the CICIR said the Japanese economy depends so much on China that the trilateral FTA means a lot for Japan.

Country Profiles



Land area: 9.6 million square km
Population: 1.35 billion
GDP: \$6.27 trillion (2010)



Land area: 100,210 square km
Population: 50 million
GDP: \$1.01 trillion (2010)
Trade with China: \$245.6 billion (2011)



Land area: 378,000 square km
Population: 127.71 million
GDP: \$5.47 trillion (2010)
Trade with China: \$342.9 billion (2011)

“The impact of the international financial crisis, the violent earthquake last year and the decline of Japan’s industrial advantage have made the Chinese market a life vest for many Japanese enterprises. About 100,000 Japanese enterprises survive mainly by relying on the Chinese market,” Ren said.

While China, Japan and South Korea have yet to start talks on their trilateral FTA, China and South Korea launched negotiations on a bilateral FTA in May.

According to a report by the Japanese financial conglomerate Nomura Group, the potential bilateral FTA between China and South Korea could benefit the South Korean economy by increasing the nation’s exports to China, and the bilateral FTA will increase South Korea’s GDP by 3.7 percent in the long term.

The China-South Korea FTA can be a key step toward the establishment of the China-South Korea-Japan FTA, Zhang said.

Business is only part of the cooperation between the three countries. The trilateral relations also include sustainable development, security and cultural exchanges. The FTA can help build political trust, strengthen non-governmental exchanges and deepen friendly feelings of the people of the three countries, Liu said.

Regional impact

“When the China-South Korea-Japan free trade agreement is signed, an East Asian economic community will not be far away,” Liu said.

He said the trilateral FTA will further promote the establishment of an FTA with the 10-member Association of Southeast Asian Nations (ASEAN), which will pave the way for an East Asian economic community.

The trilateral FTA will also provide economic guarantees for building a political and security regime to help ease regional tensions in Northeast Asia, analysts said.

“In history, there were several wars between France and Germany. However, after the establishment of the European Coal and Steel Community, the two countries began reconciliation and cooperation and to promote European integration,” said Qu Xing, President of the China Institute of International Studies.

Qu believes the future China-South Korea-Japan FTA will push forward the settlement of problems left over from the past, such as the Korean Peninsula nuclear issue and territorial disputes, and help the three countries strengthen cooperation on resource exploitation.

Liu of Tsinghua University echoed Qu’s views. “The trilateral FTA will be conducive to a stable and peaceful Korean Peninsula because it can contribute to an open and peaceful development environment for the region,” he said.

However, though it is a trilateral FTA, it is not merely a matter for the three countries. The United States is also affected by the process. South Korea began its official FTA negotiations



JAPANESE TECHNOLOGY: A Nissan Leaf electric car on display at an exhibition marking the 40th anniversary of the normalization of Sino-Japanese relations in Beijing on February 16



POPULAR BRAND: Customers visit the pavilion of South Korean information technology company Samsung Electronics during the 2012 China International TV Festival in Shenzhen on May 10

with China after it signed a free trade agreement with the United States. And at the end of last year, Japan announced it will join negotiations on the Trans-Pacific Partnership Agreement (TPP), which was originally launched by Brunei, Chile, New Zealand and Singapore and is now supported by the United States.

“Some negative factors should be overcome before establishing the China-South Korea-Japan FTA. In recent years, Washington has drawn some Asian countries to join the TPP. It attempts to disturb the deepening progress of East Asian cooperation, and bring East Asian countries into the U.S. strategic orbit,” said Ren of the CICIR.

Against this backdrop, Japan finds itself in an awkward situation, he said. On the one hand, its economy relies heavily on the Chinese market. On the other hand, it follows the step of the United States to hedge against China. “This is bad for regional cooperation and Sino-Japanese relations,” Ren said. “Japan should give up its contradictory policies, eliminate political barriers and cooperate with China to promote East Asian integration.”

As the largest economy in the region that links Northeast Asia with Southeast Asia, China should play a leading role in the trilateral FTA, he said. It should also help promote broader

East Asian cooperation that involves Mongolia, Russia, North Korea and ASEAN countries.

A long way to go

“There will be a period of time from the launch of official negotiations to the establishment of the trilateral FTA. During free trade negotiations, exporters want importers to reduce or exempt custom duties on all their outward cargo, but importers want to be selective to protect their vulnerable industries,” Liu said.

Japan is a developed country, South Korea is a newly industrialized country and China is a developing country. Given their vast economic differences, the three countries will have to conduct extensive economic restructuring to facilitate free trade, a process that may encounter resistance by various sectors of society.

Also, the three countries might set pre-conditions to protect their own interests. As a result, the negotiations could take a long time. Even if the trilateral FTA starts to operate, it needs 10 to 20 years to become as sophisticated as an advanced FTA with low tariffs, free flow of goods, services and people as well as an effective legal framework on intellectual property rights protection, said Liu. ■

✉ yulintao@bjreview.com

Summit Outcomes

At the Fifth Trilateral Summit Meeting Among China, South Korea and Japan in Beijing on May 13, the three countries reached a series of agreements, of which the highlights are as follow:

- Advancing cooperation in non-traditional security issues, such as piracy, energy security, cyber security, communicable diseases, terrorism and the proliferation of weapons of mass destruction;
- Launching trilateral free trade agreement negotiations within this year;
- Welcoming the signing of the Trilateral Agreement for the Promotion, Facilitation and Protection of Investment;
- Promoting investment by foreign reserve authorities in one another’s government bonds;
- Strengthening cooperation in dealing with dust and sandstorms, tackling trans-boundary air pollution, the access and benefit sharing of genetic resources and the exchange of environmental protection technologies;
- Promoting cooperation in agriculture, sustainable forest management, combating desertification and wildlife conservation;
- Further easing visa requirements and expanding sister/friendship city exchanges to achieve the target of 26 million tourist visits among the three countries by 2015; and
- Supporting ASEAN’s leading role in East Asian cooperation and make joint efforts to help the development of ASEAN countries.

(Source: China’s Foreign Ministry)



Read BEIJING REVIEW

The iPad app puts the entire contents of the print edition at your fingertips, in addition to exclusive Web articles, photos and videos. Purchase individual issues and store them in a virtual library for convenient reading during your daily commute. **on the go!**

FEATURES

- **Browse** by cover and buy single issues at the **Store**.
- Download purchased issues to a virtual **Library**.
- Find articles with an interactive table of **Contents** or use scrolling navigation to read page-by-page.
- Connect to BJReview.com with **Web View**.





Guangzhou Office

Tel: (020)38663221/3119
 Fax: (020)38662330

Beijing Office

Tel: (010)85261094 85261289 85879458
 Fax: (010)85261084

Hong Kong Office

Tel: (852)36782000
 Fax: (852)35790808

Shanghai Office

Tel: (021)63901061
 Fax: (021)64400038

www.kenya-airways.com



全国翻译专业资格(水平)考试

China Accreditation Test for Translators and Interpreters (CATTI)



English



Japanese



French



Arabic



Russian



German



Spanish

China International Publishing Group is responsible for organizing, implementing and administering the test under the guidance of the Ministry of Human Resources and Social Security



Tel: 010-68995947, 68328249

Web site: <http://www.catti.net.cn>

National Translation Test and Appraisal Center