

SCRAPPING OVER E-SCRAPS P.30 | CHINA READIES FOR OLYMPICS P.40

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POLITICAL TREMORS

Japan's internal woes take a toll on Sino-Japanese relations

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THE DESK

2 An Unusual Anniversary

THIS WEEK

COVER STORY

WORLD

14 Calming the Asia-Pacific
Managing tension on the seas

NATION



22 Speaking Truth to Power
Counselors represent the people's voices

24 Web-Searching for Trouble
The downside of online search engines

BUSINESS



30 Answering the E-Waste Question
How to tackle electronic waste disposal



10 Cover Story

Japan faces headaches

FEATURES

10 Jeopardy in Japan
Economic woes stoke nationalism

18 A New Generation
Post-90s kids enter the workforce

28 A Winner and a Loser
Shining a light on solar energy

40 Gold Diggers
Chinese Olympic athletes look to London



34 Tapping the Potential
Balancing China- U.S. investment

36 Market Watch

CULTURE



44 Let the Games Begin!
The Team USA line-up

FORUM



46 To Legislate Filial Piety?
Mandating parental visits

EXPAT'S EYE

48 Of Beer and *Baijiu*
A taste of Chinese drinking culture

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An Unusual Anniversary

This year will see the 40th anniversary of the normalization of diplomatic relations between China and Japan. However, the two nations seem not in the mood for celebration.

A series of incidents staged by the Japanese Government have set an unusual tone for bilateral ties since the beginning of 2012. First, local legislators landed on the Diaoyu Islands on January 3. Days later, Japan claimed to name the surrounding islands. In April, far right-wing Governor of Tokyo Shintaro Ishihara proposed to buy the Diaoyu Islands. In July, Prime Minister Yoshihiko Noda joined Ishihara to suggest purchasing the islands and realizing their "nationalization."

The Diaoyu Islands have been Chinese territory since ancient times. Japan took control of the islands during the Sino-Japanese War of 1894-95, which China lost, and placed them under the jurisdiction of the Okinawa Prefecture. After World War II, the United States handed "administrative rights" of the Diaoyu Islands to Japan, in spite of China's objection.

China and Japan have long been at odds over the Diaoyu Islands. Japan has repeatedly taken measures since the 1990s aimed at putting the islands under its control. Tokyo has chosen the battle with Beijing over the Diaoyu Islands this year mainly for two reasons: First, the political situation in Japan is not stable. Strong remarks and actions were made to cater to nationalist sentiments among the Japanese public. Some politicians are seeking more votes in future elections and pressuring the ruling party for more favorable policies. Second, Japan is trying to cope with a rising China and the United States' return to Asia. To maintain its influence in the region, Tokyo aims to deepen its alliance with Washington and cooperate with the U.S. Asia-Pacific strategy. It not only provokes tension with China over the Diaoyu Islands, but also meddles with China's sovereignty issues with some Southeast Asian nations over the South China Sea.

Under the political influence, the general public of the two countries, once hailed as good neighbors across a narrow strip of water, harbors dissatisfaction with each other. A recent survey shows 80 percent of Japanese people have a negative impression toward China. The sentiment in China toward Japan is similar. In addition, around half of Chinese and Japanese believe China-Japan relations are becoming sour.

It is regrettable to see tension, dissatisfaction and resentment build up during this auspicious anniversary. Forty years ago, the two nations realized normalization of diplomatic relations. It was the political wisdom, courage and vision of the older generation of statesmen that opened the gate of cooperation and friendship between the two nations and peoples. Now as Asia is growing into the center of world economic growth, China and Japan need to clear away difficulties and interference to promote the sound development of bilateral ties and cooperation. Japan should take the right step, not only for the anniversary. ■

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

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Showcasing Sino-African Ties

Residents of Abidjan, capital of Ivory Coast, look at photos displayed at the Xinhua Photo Gallery, a photography exhibition during the Forum on China-Africa Cooperation (FOCAC).

Hosted by Xinhua New Agency's Abidjan office, the photo gallery officially opened in Abidjan Cultural Palace on July 17. The photos demonstrate previous FOCAC sessions and the success achieved in China-Africa cooperation under the framework of FOCAC. The exhibition aims to help the African people better understand China-Africa cooperation and enhance mutual understanding and friendship between the Chinese and African people.

Beijing hosted the fifth Ministerial Conference of FOCAC on July 19 and 20. The conference will usher in a new era of China-Africa cooperation. The two sides vowed to work together to tackle external challenges and inject new vitality into the intensified South-South cooperation.

“Japanese politicians represented by Governor of Tokyo Shintaro Ishihara have attempted to use the Diaoyu Islands issue to win support in future elections and raise nationalism among the Japanese public. This will negatively affect Sino-Japanese relations.”

Liu Jiangyong, an expert on Japanese studies from Tsinghua University, commenting on the heels of Japanese Ambassador Uichiro Niwa's return to Beijing on July 16 after being summoned to Japan on July 15 by the country's foreign ministry

“As current economic situations at home and abroad are very complicated, Chinese companies should look for momentum for growth even out of the downward economic pressure.”

Chinese Vice Premier Li Keqiang, during an inspection tour to central China's Hubei Province from July 13 to 14

“Africa has strong growth momentum and broad prospects for development. China is ready to strengthen cooperation with Africa to bring more benefits to people on both sides.”

Chinese Vice Finance Minister Zhu Guangyao, at the opening ceremony of African Export-Import Bank's shareholder meeting in Beijing on July 14

“Proposing to increase its presence in the Asia-Pacific, the United States is looking for new partners in the region and aims at getting political support from Southeast Asian countries in return for economic cooperation and assistance.”

Yang Baoyun, an expert on Southeast Asian studies with Peking University, commenting in response to the U.S. softening stance toward Myanmar and Secretary of State Hillary Clinton's tour of Laos and Viet Nam

“If they decide to do this [to have a vote on the draft resolution]— knowing it would be unacceptable to us—then we will not let it pass.”

Russian Deputy Foreign Minister Gennady Gatilov, in response to a question from the Interfax News Agency about Russia's stance on the draft resolution to impose sanctions against Syria on July 12

Police Honored

The Chinese police received a top award on July 17 from the Global Anti-Counterfeiting Group (GACG) for their “outstanding contributions” in combating forgery.

The “highest contribution award” for 2012 was given to the Economic Crime Investigation Department under the Ministry of Public Security by GACG President John Anderson at the awarding ceremony.

In the first five months of the year, Chinese police solved 15,000 forgery cases and apprehended 16,000 suspects during a crackdown, according to figures from the ministry.

From November 2010 to November 2011, a total of 44,000 cases related to IPR infringement and forgery were solved, involving assets of 24.15 billion yuan (about \$3.79 billion).

Established in 2002, the award has been presented annually by the GACG to law enforcement organs around the world.

Greenhouse Gas Check

A monitoring system for greenhouse gas concentrations has been launched in north China’s coal-rich Shanxi Province as local authorities hope to better deal with climate change by using first-hand emission data.

It is the first such monitoring system that has been built among provincial-level regions in the country.

Shanxi’s coal output accounts for about one fourth of the country’s total. It is a large energy-consuming province with high carbon emissions.



MEETING ON EARTH Jing Haipeng (center), commander of the *Shenzhou-9* spacecraft, Liu Wang (right) and Liu Yang, China’s first woman to enter space, salute in front of the media in Beijing on July 13. After a two-week quarantine and recovery, the three Chinese astronauts who successfully fulfilled China’s first manned space docking mission appeared in public that day

The system can monitor the concentration of carbon dioxide, methane, ozone, carbon monoxide, sulphur dioxide, oxynitride and particulate matter in the air and publish the data in a timely manner, said the Shanxi Provincial Meteorological Administration.

Construction of the monitoring system began in November last year, with an investment of 10.25 million yuan (\$1.61 million)

for its first phase.

It operates a central monitoring station and three sub-stations in the cities of Taiyuan, Datong and Linyi.

Software Campaign

A senior Chinese copyright official said on July 17 that foreign providers received equal

GOOD JOB, KIDS UN Environment Program Executive Director Achim Steiner presents awards to young Chinese painters in Nairobi, capital of Kenya, on July 16. The recipients are the winners of the Fifth Chinese Children’s Painting Competition with the aim of improving the environmental awareness of schoolchildren in China



Heroic Intern

Li Boya, a 20-year-old student at Railway Police College from Zhengzhou in central China’s Henan Province, risked his life in an attempt to save a suicidal man from being hit by a train while working as a summer intern at Changli Railway Station in Qinhuangdao, northern Hebei Province. On July 9, seconds before a train arrived, Li saw a man jump onto the tracks and ran to pull him to safety. Despite making an emergency stop, the train ran over Li, severing his right foot and his left leg below the knee.

Li is in stable condition at the Second Hospital of Qinhuangdao after undergoing surgery. Li’s lower left leg was amputated and his right foot damaged. Doctors are hopeful the right leg can be saved and have his left foot transplanted to the right leg so he will only need one artificial leg in the future.

According to a report by *The Beijing News*, his mother, Yin Li, asked her son if he regretted what he did. Li responded he would still try to save others in similar circumstances.

The Beijing railway police authority has rewarded Li with 200,000 yuan (\$31,700) for his heroic act and promised him a job when he finishes his studies in Zhengzhou.

Li has also won much admiration and public sympathy. There have been many offers of donations for medical expenses.



BIG EVENT People perform at the opening of a Nadam fair in West Ujimqin Banner, north China's Inner Mongolia Autonomous Region, on July 16. Nadam is a folk festival of the Mongolian ethnic group, during which local residents participate in activities like horse racing, archery and Mongolian wrestling

treatment during a massive government procurement of licensed software.

From late 2010, Chinese central and provincial governments had spent more than 1 billion yuan (\$156.96 million) on 158,823 operating system licenses, 506,693 copies of office software, plus anti-virus and other special-purpose software in a national anti-piracy campaign which ran till the end of June.

The campaign did not give preference to domestic software providers, said Yan Xiaohong, Deputy Director of the National Copyright Administration, adding that Chinese and foreign companies took similar shares in the project.

Yan said that with regards to operation systems, foreign companies have a notably larger market share, while Chinese domestic firms took about two thirds of the office applications but still earned less than their foreign counterparts due to lower pricing.

The gross income of China's software sector topped 1.8 trillion yuan (\$282.52 billion) in 2011, accounting for about 15 percent of the global market.

Severe Penalties

About 14.21 percent of 1.05 million convicts in criminal cases last year received penalties more severe than five-year imprisonment, according to a report on the development of China's legal system released on July 17.

The number included the convicts sentenced to life imprisonment and death, said the annual report issued by the China Law Society. It did not give the exact number of people sentenced to death.

Last year, courts at all levels closed about 11.49 million cases, including 840,000 criminal ones.

Criminal cases related to food safety received a higher priority in court last year while corruption cases remained a top priority, the report said.

Vocational Training

China will strengthen vocational training for the disabled population and help them find jobs through a variety of rehabilitation programs, according to a joint notice issued on July 16.

The notice, issued by the China Disabled Persons' Federation and two ministries, requires relevant government agencies to subsidize training programs and offer free information and



FEN JUNCHUAN



SHI ZHANGJUN

LOW CARBON FUN Visitors watch videos about low-carbon lifestyles in the newly opened Low Carbon Science and Technology Museum on July 18 in Hangzhou, east China's Zhejiang Province

employment services for the disabled.

Local administrations are urged to formulate mid- and long-term as well as annual training plans for the disabled.

Official statistics show that China has 85 million people with some form of disability.

Outbound Travelers

The number of Chinese mainland residents going overseas reached 38.56 million in the first six months of the year, up 19.75 percent year on year, official statistics showed.

The number of exit and entry across the Chinese border reached 208 million in the six months, up 6 percent from the same period last year, according to a statement of the Bureau of Exit and Entry Administration of the Ministry of Public Security.

The numbers of mainland residents, Hong Kong and Macao and Taiwan citizens, and foreigners crossing the border during the period was about 76.7 million, 105 million and 26.78 million, respectively, the statement said.

The first five destinations reached by mainland residents are Hong Kong, Macao

and Taiwan, as well as the Republic of Korea (ROK) and Japan, it said.

Young Leaders Forum

The Africa-China Young Leaders Forum East African Chapter was established recently by East African delegates who attended the Second Africa-China Young Leaders Forum held on June 18-19 in Beijing.

The East African Chapter aims to enhance practical and mutual understanding in the progress of Africa-China exchanges, as well as cooperation in politics, peace, economy, trade, agriculture, culture, education, science and technology, natural resources, infrastructure, bilateral trade, and China's investment in Africa.

Delegates hope the chapter will help address the concerns and visions of young East Africans, and that it will emulate the East African Community framework.

Over 100 youth leaders from 38 African countries participated in the Second Africa-China Young Leaders Forum, which ended with the launch of the Beijing Declaration.



ROBOT SHOW Participants from Macao show their robot made from eco-friendly material at the 12th China Adolescent Robotics Competition in north China's Tianjin Municipality on July 18. The competition attracted more than 3,000 participants from 519 teams all over China

ODI Soars

China's outbound direct investment (ODI) in the non-financial sector hit \$35.42 billion in the first half of 2012, up 48.2 percent year on year, said the Ministry of Commerce.

ODI in the non-financial sector had amounted to \$357.5 billion by the end of June.

Domestic investors have invested in 2,163 overseas companies in 116 countries and regions in the first six months.

Of all Chinese first-half ODI, about 33.3 percent went into mergers and acquisitions, worth \$11.8 billion.

ODI to Hong Kong, the Association of Southeast Asian Nations, the United States and Russia soared in the first half, with growth rates of 58.9 percent, 34.3 percent, 28.2 percent and 20.3 percent, respectively.

In comparison, China's foreign direct investment (FDI) declined 3 percent year on year to \$59.1 billion. In June, the country attracted \$12 billion in FDI, a drop of 6.9 percent year on year.

Home Prices Rebound

More major cities in China saw home prices rise in June from May as the country's property sector showed signs of warming over government stimulus for the slowing economy.

In June, 25 cities recorded higher new home prices from a month earlier out of a statistical pool of 70 major cities, a drastic rise from six in May, according to the National Bureau of Statistics.

The number of cities which saw drops in new home prices in June was 21, down from

43 in May, while prices in 24 cities remained the same.

African Business Directory

The launch of the *Business Directory 2012—Doing Business in China and Africa* was held at the Beijing Hotel on July 19. The event was a joint effort by *ChinAfrica* magazine under *Beijing Review* and the Chinese Society for African Studies.

"It is of great significance for the business directory to be published during the Fifth Ministerial Conference of the Forum on China-Africa Cooperation," said Wei Jianguo, Secretary General of the China Center for International Economic Exchanges and Director of the Chinese Society for African Studies.

"Enterprises from China and Africa will definitely find great opportunities to make achievements under the framework of China-Africa cooperation. We hope the reference book will play a great role in these favorable situations of China-Africa cooperation," he said.

"The publication of the business directory will surely contribute to promoting China-Africa economic and trade cooperation and exchanges," said Wang Gangyi, President and Editor in Chief of *Beijing Review*.

The *Business Directory 2012—Doing Business in China and Africa* is the first comprehensive collection of information on Chinese enterprises in Africa.

Based on experts' research, it also includes industrial development reports, and laws and regulations concerning Chinese enterprises investing in Africa.

The authoritative contents and reliable statistics make it the only reference book on China-Africa trade and investment to help Chinese enterprises enter the African market.

Profits Fuel Confidence

Global banks posted record profits from their Chinese operations last year, with

Numbers

853 billion yuan

Premiums for China's insurance companies hit 853 billion yuan (\$135.4 billion) in the first half of this year, said the China Insurance Regulatory Commission on July 17.

229 million

Mobile map users exceeded 229 million at the end of June, according to a report released by market researcher Analysys International on July 17.

many foreign lenders expecting annual growth of about 20 percent up until 2015, according to a survey released on July 17 by PricewaterhouseCoopers (PwC).

Combined net profits of 181 foreign banks more than doubled to 16.73 billion yuan (\$2.65 billion) in 2011 from 7.78 billion yuan (\$1.23 billion) in 2010, boosted by multinationals' investment growth in China, according to the survey, which polled chief executives, senior managers and branch presidents of 41 foreign banks.

"The fundamental challenge for foreign banks over the next three years will be balancing the investment needs of a dynamic and fast-developing Chinese market against the constraints of a slowing economy back home," PwC Financial Services Advisory Partner William Yung said in the report.

Foreign banks are more dedicated to their Chinese investments now than since 2008, as China continues to liberalize its currency and

restrictions on its financial system, said the survey.

WTO Ruling

The Ministry of Commerce welcomed a ruling by a WTO dispute panel set up following accusations by the United States against China's handling of cross-border electronic payments.

In a report published by the WTO on July 16, the dispute panel dismissed U.S. accusations concerning China UnionPay's market status at home, ruling that measures by China have not barred foreign service providers from entering the Chinese market, said Shen Danyang, spokesman of the ministry.

The ruling also rejected the U.S. view that foreign service providers can provide cross-border supply of electronic payment services into China. The panel judged that foreign service providers must meet the requirements under China's Schedule of Specific

Commitments on Services, Shen said.

"However, China takes reservations in the panel's ruling that the electronic payment service belongs to the 'all payment and money transmission services' that China pledged to open up when joining the WTO," Shen added.

On September 15, 2010, the United States filed a consultation request with the WTO's dispute settlement body, saying that Chinese measures related to electronic payment services violated its commitment to the General Agreement on Trade in Services.

Filial University Head

Zhou Qifeng, President of Peking University, kneeled down before his mother to show his respect on her 90th birthday in Liuyang, Hunan Province, on July 14. Photos on the Internet show the two embracing each other and bursting into tears. Many were touched by Zhou's love for his mother, but others were not so easily moved by the display. Some Internet users accused Zhou of using his mother as a tool to deliberately show his filial love in order to gain publicity.

Zhou's father died when he was young, and it was his mother who brought him up and provided financial support for his schooling through strenuous farm work.

Zhou was born in October 1947 in Liuyang. He received his bachelor's degree from Peking University in 1970 and his doctor's degree from Massachusetts University in 1983.

He became an academician of the Chinese Academy of Sciences in 1999. He was appointed president of Peking University in November 2008.



NEW BRIDGE Xiangjiang Bridge on Fuyuan Road of Changsha, central China's Hunan Province, finishes the main body construction on July 18 and will be put into use in October

129 billion yuan

Lottery sales in China reached 129 billion yuan (\$20.48 billion) in the first half of this year, said the Ministry of Finance on July 18.

6.04 million

A daily average of 6.04 million passengers travelled by rail during the first 15 days of July, when the peak summer travel season began, said the Ministry of Railways.



Journalists and members of the UN Supervision Mission in Syria are seen near the site of a bombing attack at the national intelligence building in Damascus on July 18. Syrian Defense Minister Dawoud Rajiha was killed in the attack

SYRIA

BRITAIN

British Royal Air Force Aerobatic Team performs at the 2012 Farnborough International Air Show in Hampshire on July 15. The air show attracted more than 1,500 companies for exhibitions





XINHUA

Protesters march in Madrid on July 13 after the Spanish Government adopted new austerity measures. The new measures included increasing value-added tax and cutting public expenses

SPAIN



XINHUA

Zoo Manager Sebastien Laurent feeds a slice of cake with his mouth to Major, the oldest captive orangutan in the world, as part of its 50th birthday ceremony on July 17, at the La Boissiere-du-Doree Zoo near Nantes, western France

FRANCE



XINHUA

North Korean leader Kim Jong Un watches a children's performance at the Kyongsang Kindergarten in Pyongyang on July 14. During his visit, Kim also inspected the kindergarten's playground, piano classroom, swimming pool and other facilities

NORTH KOREA



XINHUA

Residents look out at a vegetable field submerged by floodwaters in Tosu, Saga Prefecture, on July 14. Tens of thousands of people were ordered or advised to evacuate in southwest Japan as heavy rain pounded the area

JAPAN

COVER STORY

JEOPARDY IN JAPAN

Japan's political instability wreaks havoc under heavy economic pressure
By Ding Ying



NEW PARTY: Japanese political kingmaker Ichiro Ozawa (center) and parliament members raise their arms as they shout slogans at their party's first convention in Tokyo on July 11. Ozawa launched the People's Life First Party along with some 50 other ruling party defectors that day



Japan's domino effect began with a political earthquake in July when the ruling Democratic Party of Japan (DPJ) split and was exacerbated when Japanese Prime Minister Yoshihiko Noda declared the plan of "nationalizing" the Diaoyu Islands, spreading domestic political disputes to the diplomatic field.

Political analysts pointed out that the

sluggish economy is the root of Japan's internal instability. The Japanese Government chose to jeopardize its friendly relationship with China by showing an iron fist in order to gain public support in the upcoming elections. Experts warn that such a radical tactic will not solve Japan's economic problem, but will instead add to uncertainties in Japan's political situation. However, both

China and Japan should stay calm when dealing with territorial disputes.

Sandwiched administration

Japan's recent political drama has been eye-catching. On June 26, the DPJ and the opposition Liberal Democratic Party (LDP) jointly passed a law raising the sales tax at

“No party in Japan is powerful enough to stabilize the political situation of this country and further carry out efficient economic reforms, so political instability will continue.”

—Hu Jiping, Director of the Institute of Japanese Studies at the China Institutes of Contemporary International Relations



REGULAR INSPECTION: Chinese maritime surveillance officials on a routine patrol mission to the Diaoyu Islands on March 16

ZHANG JIANGSONG

the lower house of the parliament. It became the last straw that split the DPJ. Fifty-seven DPJ parliament members, including influential DPJ leader Ichiro Ozawa and former Prime Minister Yukio Hatoyama, strongly opposed the law. Ozawa submitted his resignation on July 9 along with 49 other lawmakers of the ruling party in a move to oppose the tax hike bill, and was thereby

expelled by the DPJ. On July 11, Ozawa announced that he organized a new party named People's Life First.

Economic woes are stirring up political instability, said Chinese observers. Hu Jiping, Director of the Institute of Japanese Studies at the China Institutes of Contemporary International Relations (CICIR), said to *Beijing Review* that aside from the devastating

earthquake in March last year and the global financial crisis, Japan's economy has been distressed for a long time. "The economic problem is so big that it's difficult to deal with for any party and any prime minister," Hu said.

Li Wei, Director of the Institute of Japanese Studies at the Chinese Academy of Social Sciences (CASS), said that encouraging domestic consumption and increasing employment are Japan's targets for now.

Compared with other developed countries, the Japanese economy is in slow recovery this year. The Japanese Government said that Japan's GDP grew 1 percent in the first quarter, or an annualized rate of 4.1 percent for 2012. The GDP growth was driven by strong domestic demand, particularly from government expenditures.

Jin Baisong, a researcher with the Chinese Academy of International Trade and Economic Cooperation, believed that the post-quake reconstruction is a big reason for hiking government expenditures and growing GDP. But Japan's economic situation has a poor outlook partly due to the influence of Europe's sovereign debt crisis.

Jin explained that the shrinking European economy will drag down economic growth throughout the world, including developed countries like the United States and emerging economies like China. This will greatly impact a country relying on international trade like Japan. As the euro seriously depreciates, the Japanese yen tends to appreciate, thus decreasing Japan's export competitiveness. Jin added that the turbulent global financial market will also negatively influence the Japanese economy. Plus, a power supply shortage after the earthquake is hurting Japan's productive ability.

However, government expenditures also have added to the country's financial prob- ▶▶



lems. Due to Japan's decreasing birth rate and aging population structure, the country's social burden is getting heavier. For example, statistics show that the Japanese Government spends over 7 trillion yen (about \$86 billion) on public services for aged citizens. According to a report from the Japanese Government, the country's public debt will set a new record of 1,000 trillion yen (\$12.3 trillion). Its net debt balance will be 120 percent of Japan's GDP. A recent Reuters report said that it's possible the Japanese Government will have run out of money by the end of October this year if the country cannot pass a special bill issuing new national bonds. By then, all governmental expenditures, including salary of governmental employees, pensions and unemployment subsidies, will be at risk.

To solve the urgent need of cutting the financial budget deficit, the Japanese Government must figure out ways to raise revenue. The sales tax hike bill was one attempt to do so as the Japanese Government faces high economic and financial pressure.

Raising the sales tax rate has been a political minefield in Japan. The sales tax bill was adopted in the late 1980s by Noboru Takeshita's cabinet to decrease the rising financial deficit. The original tax rate was 3 percent. In Ryutaro Hashimoto era in the late 1990s, the rate was raised to 5 percent, which directly led to the end of Hashimoto's politi-

cal career. Noda's government is planning to raise the tax to 8 percent in April 2014, and up to 10 percent by the end of 2015.

The tax hikes have cost the internal unity of the DPJ, which will further destabilize the political situation of Japan. "The split will shake the administration basis of the DPJ, which might cost the DPJ's ruling position in the coming elections," said Hu from the CICIR.

Ozawa is a strong-willed politician, Hu said, so when Noda and the DPJ refused to accept Ozawa's political opinion, Ozawa chose to found a new party. Being an experienced and influential leader, Ozawa had made great contributions to the DPJ's victory three years ago.

Ozawa's departure is likely to cause problems for the DPJ. Previously, the DPJ occupied 289 seats in the lower house, and Ozawa's split decreased the number to its current 251, which exceeds by only 11 seats the majority of the lower house.

Hu said that some DPJ parliament members headed by former Prime Minister Hatoyama are not satisfied with the Noda administration's policy of increasing the sales tax and restarting nuclear power plants. For example, Hatoyama said on July 7 that the Noda administration's decision had betrayed the DPJ's promise of not elevating the sales tax within four years. These dissenting parliament members worried the sales tax hike

might hurt the country's domestic demand. If they choose to leave the party, the DPJ will be incapable of handling any non-confidence motion against the cabinet inside the lower house, Hu warned.

To the DPJ, Ozawa's split might end its ruling position of the past three years. The parliamentary elections are scheduled for next year. Noda promised to dismiss the parliament and hold the general elections earlier, so as to get the LDP's support in passing the sales tax hike bill.

Hu said Japan may have the parliamentary elections this year, and the DPJ's prospects for a strong showing are weak. However, Ozawa's new party is not strong enough to compete with the DPJ and the LDP, so if neither of the two major parties can get the majority of the lower house seats, Japan will have a coalition government.

"No party in Japan is powerful enough to stabilize the political situation of this country and further carry out efficient economic reforms, so political instability will continue," Hu said.

Radical diplomatic policy

Observers believed that the turbulent political situation is pushing the Japanese Government to take radical diplomatic tactics, leading to its territory disputes with China on the Diaoyu



(Left) FOREIGN TRADE RELIANCE: A cargo ship arrives at a Tokyo container port on April 19

PUBLIC ANGER: Japanese women attend a rally in Tokyo on June 17 against government plans to raise the sales tax and its decision to restart two nuclear reactors at the Oi Nuclear Power Plant

Islands in the East China Sea.

Tokyo Governor Shintaro Ishihara revealed in April that he was in “purchasing talks” with the “owner” of the three islands, saying his move was largely intended to put pressure on the government to play a bigger role in the islands’ administration. He said he plans to use public funds to buy several islands. Tokyo has already received more than 1.3 billion yen (\$16.3 million) in donations for the purchase, which is expected to cost between 2 billion and 3 billion yen (\$25.5 million-\$38.2 million).

Noda said on July 7 that he’s considering “nationalizing” part of the Diaoyu Islands to strengthen Japan’s control over them. Noda also stressed that the islands are “indisputably part of Japan’s inherent territory by historical evidence and international law.”

Chinese observers analyzing the situation said that Japan’s sudden focus on the Diaoyu Islands is related to its domestic political turmoil, which is centered on the upcoming elections.

“Disputes over the Diaoyu Islands have been ongoing between China and Japan for decades. Japan tried to make the area a hotspot to distract attention from its domestic political turmoil,” said Liu Jiangyong, a professor with Tsinghua University. He pointed out that the DPJ has fallen on hard times since it won the parliament elections in 2009, and

changed the prime minister several times in the last three years. In the meantime, Japan’s right wing is on the rise. Some independent politicians, such as Ishihara, hope to stir up the country’s nationalist emotions in order to occupy a favorable position in the future elections.

Hu from the CICIR lamented, “On some level, one party and politician’s political ambition is kidnapping the country’s diplomatic policy.” Like Ishihara, Noda and the DPJ also hope to elevate their public authority to win the elections, Hu said, which explains why Noda pronounced to “nationalize” the islands.

As Japanese politicians try to win political points by provoking nationalism, observers worry that Japan’s domestic political disputes and growing conservative emotions might harm the Sino-Japanese relationship. Just as a recent poll showed China’s popularity is on the decrease among Japanese people, Chinese people are enraged by Japan’s radical actions on the Diaoyu Islands.

Chinese Foreign Ministry spokesman Liu Weimin reiterated Beijing’s position that the islands belong to China. “China’s territory simply cannot be bought or sold by any person,” Liu said in a statement. Liu said the Chinese Government would continue to take necessary measures to “resolutely safeguard the sovereign rights of the Diaoyu Islands and adjacent islets.”

“We cannot let territorial disputes damage the bilateral friendship of the past 40 years, but we will persist in our stance of sovereignty and territorial integrity,” Hu said. He suggested strengthening communication with all involved Japanese parties to decrease strategic misunderstanding and boost mutual trust.

Regional stability benefits all countries involved, including Japan’s ally, the United States, he stressed, mentioning U.S. Secretary of State Hillary Clinton’s recent statement on holding a neutral position on territorial disputes between China and Japan.

Liu from Tsinghua University said the Japanese Government must keep a clear mind when rising right-wing forces try to gain political credit by provoking territorial disputes. He stressed that Japan’s key problem is whether it should stop jeopardizing the Sino-Japanese relationship over the Diaoyu Islands. “The Noda administration is being manipulated by right-wing forces,” Liu warned.

Feng Zhaokui, a senior research fellow on Japanese studies with the CASS, stressed that the Diaoyu Islands dispute does not constitute the whole Sino-Japanese relationship, and is not expected to be solved immediately. “The two countries have more practical joint efforts to make in economic cooperation and people-to-people exchanges,” Feng said. He suggested that on the one hand, China should stick to the principle of solving the dispute through cooperation and coordination. On the other hand, China must persist in its stance of maintaining sovereignty and territorial integrity and let Japan know the serious consequences of irrational diplomatic policy.

Hu added that growing territorial disputes with neighboring countries are an inevitable process of China’s peaceful rise. “Some countries are afraid of China’s rise and are trying to profit from it,” Hu said, “but China will not give up its sovereignty and national interests.”

Hu said China’s stance on disputed territories is to put aside disputes and develop them peacefully together. “Personally, I abhor open warfare,” he said. “But if there is no other option when a country escalates territorial disputes, war will be the final solution.” ■

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