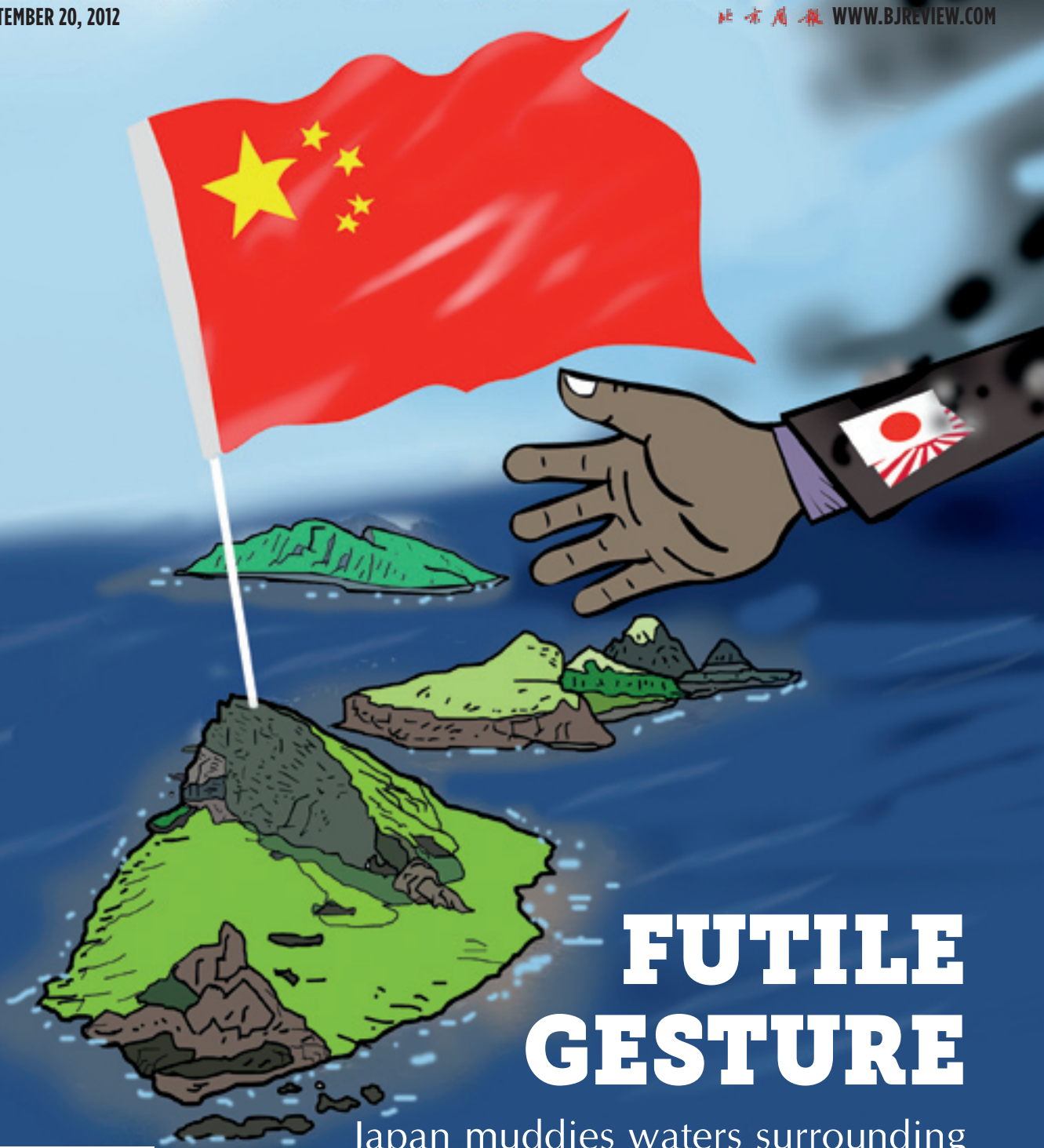


FOSTERING CADRES' LEADERSHIP P.18 | SUMMER DAVOS FORUM P.26

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FUTILE GESTURE

Japan muddies waters surrounding China's Diaoyu Islands

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An Outrageous Decision

The decision of the current Japanese Government to “nationalize” the Diaoyu Islands in the East China Sea, a Chinese territory since the 14th century, not only aroused indignation among Chinese people all over the world, but also brought the Sino-Japanese ties to the chilliest point ever. This happened at a time when the two nations would have otherwise celebrated the 40th anniversary of their normalized diplomatic relations and set to further renew their mutually beneficial and cooperative ties in the face of the fast-changing world.

Enough evidence has been shown with regard to China’s sovereignty over the Diaoyu Islands, which were ceded to Japan along with Taiwan after China’s defeat in the Sino-Japanese War of 1894-95. As World War II drew to an end, leaders of the Allied nations of China, Britain and the United States adopted the Cairo Declaration and Potsdam Declaration, respectively in 1943 and 1945, both defining Japan’s legal state boundaries and demanding the return of all territories it had illegally seized. Japan accepted these demands unconditionally upon its surrender in August 1945.

In December 1971, the United States unilaterally handed over the “jurisdictional rights” of the Diaoyu Islands and some other territories, then under the U.S. trusteeship, to Japan, leading to the de facto control of the islands by the Japanese side ever since.

Over the years, China has on so many occasions reiterated its sovereignty, and hoped Japan would put aside the territorial disputes and direct attention to developing normal state-to-state ties, just like what the late Chinese Premier Zhou Enlai and his Japanese counterpart Kakuei Tanaka had agreed to back in September 1972, during the latter’s historical visit to China that culminated in the normalization of diplomatic relations between the two East Asian neighbors. Regrettably, the Japanese authorities have taken no heed of China’s proposal.

The Japanese Government’s latest decision is an outrageous one, for it disregards the international norms on territorial dispute settlement and attempts to revoke the verdict of the global community delivered at the end of World War II to confine Japanese militarism and establish a new order in the Asia-Pacific region. Needless to say, it would be wishful thinking of the Japanese authorities to think that by “nationalizing” Chinese territory, Japan could legitimize its territorial claims and perpetuate control over the islands.

This decision may also serve as proof to show once again the notoriously obstinate and paranoiac nature of some Japanese politicians. For decades after World War II, Japan has fallen short of delivering an earnest apology for its wartime atrocities. Worse still, the Japanese authorities even tried to conceal the criminal behaviors of the Japanese army, distorted history in school textbooks, overruled appeals for compensation by “comfort women,” and alleged the Nanking Massacre in which more than 300,000 Chinese civilians were killed was a fabrication.

These, together with the most recent trespass of the Diaoyu Islands, have demonstrated that Japan has no regrets for its past aggression, only a jingoistic urge to save face against World War II defeat. ■

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

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ZHANG JIANGSONG

Sovereign Patrols

Haijian 15 patrols waters around the Diaoyu Islands on September 14. Two Chinese surveillance ship fleets arrived there that day for a patrol and law enforcement mission. It was the first time for Chinese surveillance ships to patrol these waters after the Chinese Government announced the base points and baselines of the territorial waters of the Diaoyu Islands and their affiliated islets, as well as the names and coordinates of 17 base points on September 10.

These law enforcement and patrol activities are aimed at demonstrating China's jurisdiction over the Diaoyu Islands and their affiliated islets and ensuring the country's maritime interests, according to a government statement.

“Europe is China’s biggest export market. Reduced orders have added more pressure to some export-oriented enterprises, thus reducing the economic growth rate. But China is making adjustments to counter that. In the long run, China is still very likely to keep its economic growth rate at 8 percent for another 20 years.”

Justin Yifu Lin, a professor with Peking University and former chief economist with the World Bank, at the 2012 Tianjin Summer Davos Forum on September 11

“Our country’s traditional Chinese medicine service coverage is not wide enough, and the service quality is not very high yet. Increasing investments and policies should be focused on grassroots levels in order to push forward the healthy development of traditional Chinese medicine work.”

Wang Guoqiang, Chinese Vice Minister of Health, revealing a national campaign to promote Chinese medicine services at the grassroots level at a meeting in Beijing on September 11

“The oversupply of TV series in our country is alarming. Just at such a seasonal trade fair, there are a total of 15,000 episodes on sale.”

Wang Weiping, Deputy Director of the TV Drama Management Department under the State Administration of Radio, Film and TV, saying that domestically produced TV series should reduce output and ensure better quality, at the 2012 Spring Capital TV Program Promotion in Beijing on September 10

“It is urgent to end the relationship between the performance at Math Olympics and recruitment by schools. For math geniuses, they can choose to attend the training for Math Olympics on their own free will. It is time to let Math Olympics return to being a hobby for math lovers.”

Liu Wei, a middle school math teacher in Shenzhen, south China's Guangdong Province, commenting on the recent ban by the Beijing Municipal Government on Math Olympics training in the capital



SPECIAL GIFTS Students of Shanghai Mingzhu Middle School show their designs of different suits for teachers on September 7, as a gift for Teacher's Day, which falls on September 10

Protected Sea Zones

China's State Oceanic Administration (SOA) on September 11 released a series of measures to select and protect areas as the base points of the country's territorial sea, a move to "ensure the country's maritime interests."

According to the measures, which were revealed in a statement posted on the SOA's official website on September 12, the administration is responsible for supervising and guiding the selection and protection of the areas for territorial sea base points, while detailed selecting and marking work should be carried out by provincial-level governments that have jurisdiction over the area where the base points are located.

The measures came after the Chinese Government announced on September 10 the base points and baselines of the territorial waters of the Diaoyu Islands and their affiliated islets, as well as the names and coordinates of

17 base points.

The SOA statement said that a country has the same sovereignty over its territorial sea as it does over territorial land, and such sovereignty extends to the seabed and subsoil as well as the air space above it.

Student Village Officials

China has developed nearly 300,000 students into village officials, with roughly two thirds of them incumbent, according to the latest data.

The figures, released at a working conference of the Organization Department of the Communist Party of China (CPC) Central Committee, also showed that 5,000 of them have served as village heads.

Li Yuanchao, head of the organization department, urged organization officials to review the work on students-turned-officials and to improve the system, so that they can serve as the backbones in building a new so-

Film Director Awarded

A documentary titled *Three Sisters*, directed by Chinese film director **Wang Bing**, won the Best Picture Award in the Horizon section of this year's Venice Film Festival on September 9.

The film faithfully records the lives of three sisters in a village of southwest China's Yunnan Province, whose parents went to make a living in cities and left them at home. Wang came across the three girls in Yunnan, and asked if they could offer him anything to eat. The girls welcomed him to their home and served potatoes they had cooked. Impressed with the children's happy attitudes despite a poor and difficult life in a rural area, Wang decided to make a film about the sisters.

Wang is known for making documentaries using digital film technology. He said he was encouraged by the prestigious honor, which he had never imagined winning.



cialist countryside.

According to a statement issued after the conference, these officials are supposed to offer information, technology, policy education and law services to farmers.

Besides, greater efforts will be made to improve their employment, on-job education and promotion opportunities, and tougher tasks should be assigned to these young people, it was suggested.

Higher-Educated Soldiers

China will recruit more well-educated young people into the army, according to a national recruitment tele-conference held on September 12.

According to the conference, China aims to recruit more young people with high-school diplomas and above. Priority will be given to recruitment of college graduates and students. Young people with advanced degrees and fresh college graduates will be given preference.

Winter recruitment will last from November 1 to December 31. Online application has already been opened to the public.

Hybrid Cars

On September 12, Chinese experts called for the development of the hybrid auto industry in the country for the purpose of reducing emissions.



JOYOUS FESTIVAL The Ninth China Folk Art Festival kicks off in Pingliang, Gansu Province, on September 12, with more than 600 folk artists attending

“Fully electric cars will not be widely used in China in the short-term due to high production costs and a lack of core technology and accompanying infrastructure,” Dong Yang, Executive Vice President of the China Association of Automobile Manufacturers, said at a symposium in Beijing.

The country should first popularize hybrid cars, as hybrid technology can effectively reduce fuel consumption and its development will accelerate the industrialization of purely electric vehicles, Dong said.

Sales of fully electric cars and hybrid autos reached 5,579 units and 2,580 units, respectively, last year, dwarfed by the country’s total sales of 18.55 million vehicles.

Aid for the Disabled

The Chinese Government has vowed to increase financial support for, as well as encourage public investment in, disability care services, according to the China Disabled Persons’ Federation (CDPF).

Such services are designed to provide all-around support, including rehabilitation, medical treatment, education, training and employment, for both mentally and physically handicapped adults.

According to a circular jointly released on September 12 by eight government departments that include the CDPF and the ministries of finance and civil affairs, more funds will be spent on improving care center infrastructure and boosting general public service centers’ abilities to host the disabled.

The document came two weeks after a survey conducted by the country’s legislators revealed that about 80 percent of disabled respondents said they are in dire need of medical and rehabilitation services, as more than half of the 547,000 communities or villages surveyed do not provide rehabilitation services for the disabled.

China has more than 85 million disabled people, and their living conditions could involve about 260 million people if their family members are taken into account, according to the survey.

Investment in Housing

China invested 820 billion yuan (\$129.4 billion) in building affordable housing units for low-income groups in the first eight months of this year, the Ministry of Housing and Urban-Rural Development (MOHURD) said on September 10.

Local governments across the country started building 6.5 million government-subsidized housing units from January to August, up from 5.8 million units in the first seven months of the year, according to the MOHURD.



SELECTION OF WONDERS
A visitor (right) selects Muslim-style housewares at the Third China-Arab States Economic and Trade Forum on September 12 in Yinchuan, capital of Ningxia Hui Autonomous Region

The construction of affordable housing in August brought the government one step closer to achieving its goal of starting construction on over 7 million units this year as part of its five-year plan to build 36 million such units by 2015.

Construction on 4.2 million affordable housing units was basically completed from January to August after pooling a total investment of 820 billion yuan (\$130.2 billion).

Foreigners’ Insurance

More than 120,000 foreigners have subscribed to China’s social security system so far, Hu

Xiaoyi, Vice Minister of Human Resources and Social Security, said on September 10.

Hu said at a press conference that local governments have been actively promoting the work since China offered to cover foreign employees by its social safety net last year.

The social insurance scheme that took effect on October 15 last year allows foreigners with work permits in China to receive the same retirement, unemployment, medical, work injury and maternity benefits as Chinese citizens.

There are more than 200,000 foreigners with work permits living in China, according to the ministry.

SAND MOVIE SHOW A sculptor puts the finishing touches on two tragic figures of the Chinese classic *Dream of the Red Mansion*, at a sand sculpture exhibition in Zhoushan, Zhejiang Province, on September 12



Inflation Rebounds

The consumer price index (CPI), a key gauge of inflation, rose 2 percent year-on-year in August, accelerating from 1.8 percent in July, the National Bureau of Statistics said on September 9 (see page 34).

Food price hikes mainly drove the higher CPI growth, as heavy rains affected vegetable supplies and global grain prices went up.

Food prices, which account for nearly one third of the CPI basket, climbed 3.4 percent in August from a year earlier, while it grew 2.4 percent in July. Vegetable prices, in particular, jumped 23.8 percent year on year in August, while fruit prices surged 9.7 percent.

The base effect also contributed to the higher annual rate. CPI growth has gradually retreated since July last year when it hit a 37-month high of 6.5 percent.

The increasing inflationary pressure and

weakening economic growth will place the central bank in a monetary policy quandary, said Guo Tianyong, a finance professor at the Central University of Finance and Economics.

Negotiation Over Friction

On September 11, the Chinese Government sent a delegation to Europe to discuss trade frictions with the EU over solar panel imports.

The delegation, led by Chong Quan, deputy representative for China's international trade talks, will meet with government officials from Germany and France and members of the European Commission.

The delegation will outline the Chinese position over the EU's decision to launch an anti-dumping investigation into imports of solar panels and key components from China, according to the Ministry of Commerce (MOFCOM).

China has maintained its position to resolve the China-EU trade friction through consultation and cooperation, said the MOFCOM.

The EU announced on September 6 that it would launch a 15-month investigation into imports of solar panels and key components from China and may impose provisional anti-dumping duties within nine months.

Shortly after the EU announcement, MOFCOM spokesman Shen Danyang said China deeply regretted the EU decision and restricting China's solar panel products will hurt the interests of both sides and undermine the healthy development of the global solar and clean energy sector.

China exported around 21 billion euros (\$27.14 billion) worth of solar panels and their key components to the EU in 2011, according to EU statistics.

New Lending Surges

New yuan-denominated lending in August rose to 703.9 billion yuan (\$111.2 billion), marking an increase of 155.5 billion yuan (\$24.6 billion) year on year, according to the People's Bank of China, the country's central bank.

Analysts said the August figure beat market expectations of 600-630 billion yuan (\$94.8-99.54 billion), and they attributed the growth to an increasing housing turnover and the government's new investment spree.

To stimulate the economy, the National Development and Reform Commission (NDRC) approved 55 investment projects worth 1 trillion yuan (\$158 billion) on September 5-6 to build highways, ports and railways across the country.

Green Subsidy

China will subsidize the use of energy-saving desktop computers and air-conditioners in its latest effort to save energy and boost domestic demand, said the Ministry of Finance (MOF) on September 9.

The MOF, the NDRC and the Ministry



SUCCESSFUL CAPPING A dome is fitted onto the second reactor building of the Taishan Nuclear Power Station on September 12. Located in Jiangmen, Guangdong Province, the station has two European pressurized reactors, with a total installed capacity of 3.5 million kw

Numbers

2.1%

China's current account surplus reached \$77.2 billion in the first half of 2012, accounting for 2.1 percent of its GDP, said the State Administration of Foreign Exchange on September 12.

820 billion yuan

Investment in building affordable housing units for low-income groups totaled 820 billion yuan (\$129.4 billion) in the first eight months of 2012, said the Ministry of Housing and Urban-Rural Development on September 10.

of Industry and Information Technology will release rules on the subsidy program soon.

The country will earmark 14 billion yuan (\$2.22 billion) in subsidies to encourage the purchases of six types of energy-saving products, including desktop computers, air-conditioners, fans, water pumps, compressors and transformers.

The subsidy program will last for one year and is expected to raise the market share of the energy-saving products to more than 40 percent, said the MOF, without disclosing when the program will start.

The move marks the government's effort to combine stabilizing economic growth and stoking domestic demand with promoting energy savings and emission reductions.

The subsidy program is expected to save 31.3 billion kwh of electricity every year and drive sales of the energy-saving products by 155.6 billion yuan (\$24.46 billion), said the MOF.

Western Growth Engine

Lanzhou New Area (LNA), located in Qinwangchuan Basin to the north of Lanzhou, capital of Gansu Province, was approved to become the fifth national-level development zone in the country and the first national-level economic zone in northwest China.

"The establishment of LNA marks the country's latest effort to accelerate development of the western regions," said Qin Yucai, Director of the Department of Western Region Development of the NDRC.

Liu Weiping, Governor of Gansu, believes that LNA, covering an area of 806 square km and a population of 110,000, will offer opportunities to companies, including energy smelters and automakers from home and abroad.

Apart from LNA, China has four other national-level development zones including Pudong New Area in Shanghai, Binhai New Area in Tianjin, Liangjiang New Area in Chongqing and Zhoushan Islands New Area in Zhejiang Province.

Faux Price War Initiator

Liu Qiangdong, founder and CEO of Jingdong Mall, one of the major online retailers in China, was strongly criticized for misleading consumers during a recent price war. In response to the criticism, Jingdong Mall apologized on a micro-blog on September 5 with a statement asserting that Jingdong did not fulfill its promise to keep the gross profit ratio of major appliances at zero and keeping the price of major appliances lower than that of its rivals' in the price war. However, the company's apology has been under attack by consumers who accused Liu, the initiator of the war, of trying to gloss over his faults by making the apology through a micro-blog account that has few followers, rather than his own micro-blog which has nearly 2 million followers.

Three Chinese online retailers engaged in a price war starting August 15, with each pledging to sell major appliances for less than their rivals. However, they were accused of increasing prices immediately before launching the price-cutting campaigns. An investigation into the price war launched by the National Development and Reform Commission found that the three rivals lied about the original prices of the goods they sold and failed to fulfill their low-price promises.

Liu, 38, started Jingdong Mall in 2004, which has become China's second-largest online retailer by sales.



A TIRE HUB A tire receives a quality examination under an x-ray in a workshop of the Shandong-based Triangle Group. East China's Shandong Province has been promoting the competitiveness of tire makers, and its tire exports in 2011 totaled \$7.83 billion, accounting for nearly 50 percent of the national total

8.9%

Industrial value-added output expanded 8.9 percent year on year in August, slower than the 9.2 percent growth in July, said the National Bureau of Statistics on September 9.

150 billion yuan

China Development Bank, the country's policy lender, said on September 12 that it will raise 150 billion yuan (\$23.68 billion) through financing over the next three years to support scientific and technological innovation among enterprises.



XINHUA/AFIP

Prince Harry (left) is shown an Apache helicopter upon his arrival at Camp Bastion in Afghanistan on September 7. The 27-year-old prince is back in the country to fly attack helicopters four years after his previous deployment there as an on-ground air controller

AFGHANISTAN



XINHUA/AFIP

A vehicle smolders after being set ablaze inside the U.S. Consulate compound in Benghazi on September 11. An armed mob, protesting a U.S. made anti-Islam film, attacked the consulate, killing U.S. Ambassador to Libya Chris Stevens and three other diplomats

LIBYA



XINHUA/AF

NICARAGUA

The San Cristobal Volcano erupts in Chinandega, some 150 km from the capital city of Managua, on September 8. Thousands of people have been evacuated from communities on the volcano's slopes



DING HANTAO

Women make fashionable bags from recycled plastic in Nairobi on September 10. The handcrafts get high sales because of their durability and environmental friendliness

KENYA



XINHUA/AF

President Vladimir Putin pilots a motorized hang glider as he takes part in an experiment aimed at preserving a rare species of cranes on the Yamal Peninsula in northwestern Siberia on September 5

RUSSIA

<http://www.bjreview.com>



YE PINGFAN

Onlookers watch a parade featuring giant balloons of cartoon characters in Brussels on September 8. The parade celebrated a local comic book festival

BELGIUM

COVER STORY

NATIONAL DIGNITY AND TE

The Japanese Government's misguided decision to "purchase" the Diaoyu Islands may



TERRITORIAL INTEGRITY

backfire By Ding Ying



“E ven Buddha can have a temper,” says an old Chinese proverb. Now, China is enraged by the Japanese Government’s offensive stance on the Diaoyu Islands.

Ignoring China’s protests, Japan’s Yoshihiko Noda administration insisted on “purchasing” some of the islands from their “owner” in September, provoking China to take a series of countermeasures. Observers pointed out that China will not compromise, citing concerns over national dignity and territorial integrity. There have been calls for more political, economic and diplomatic measures by China to deal with the situation, as well as warnings that Japan must accept the consequences of its provocative acts.

Damaged relations

The Diaoyu Islands are China’s territory and China has a legal right to counter Japan’s attempts to seize the islands, said Chinese observers. They warned Japan would start more regional conflicts on territorial disputes if China does not make a strong response. Japan’s position on the Diaoyu Islands is tantamount to a denial of the outcomes of victory in World War II and poses a challenge to the post-war international order.

The Japanese Government signed a contract with the Kurihara family, claimed by the Japanese side as the “private owner” of the Diaoyu Islands, on September 11. The “purchase” cost the Japanese Government some 2.05 billion yen (\$26.15 million). Two days earlier, Chinese President Hu Jintao had face-

to-face talks with Japanese Prime Minister Yoshihiko Noda on the sidelines of the annual meeting of the Asia-Pacific Economic Cooperation forum in Russia’s Vladivostok. Hu iterated that any method by which Japan tries to “purchase” the islands would be illegal and invalid. China firmly opposes such moves, warning that the “purchase” would hurt relations between the two. On September 10, Chinese Premier Wen Jiabao also declared the Diaoyu Islands are an inalienable part of China’s territory and that China will “absolutely make no concession” on issues concerning its sovereignty and territorial integrity.

China took a series of countermeasures after Japan’s “buying” of the islands. Demonstrating China’s sovereignty over the islands, Chinese marine surveillance ships reached the waters around the islets. The Chinese Government announced the base points and baselines of the territorial waters of the Diaoyu Islands, which is in accordance with China’s law on territorial seas and adjacent zones adopted in 1992.

“The Diaoyu Islands and their affiliated islands have been China’s inherent territory since ancient times. It is within China’s legal rights to announce the boundaries of the territorial waters,” said Qu Xing, President of the China Institute of International Studies (CIIS). Previously, China and Japan had formed a mutual understanding to set aside disputes and maintain the present status quo, which was the reason why China didn’t make the declaration earlier, Qu explained. “China will never be the first to instigate a dispute,” he said. “But Japan chose to issue this challenge, and China will not be daunted by it.”

The Diaoyu Islands, in the East China Sea between China and Japan, have belonged to China since ancient times. For centuries, fishermen from China’s Taiwan, Fujian and other provinces conducted activities such as fishing ▶▶

PUBLIC OUTRAGE: Chinese protesters demonstrate against the Japanese Government’s “purchase” of three islets in the Diaoyu Islands outside the Japanese Embassy in Beijing on September 12

and collecting herbs in the area. The islands appeared on China's map as early as the Ming Dynasty (1368-1644). There are records about the islands in a book published during the rule of Emperor Yongle (1403-24), more than 400 years before Japan claimed discovery of the Diaoyu Islands in 1884.

Xing Guangmei, a researcher with the Chinese Naval Research Institute, said announcing the boundaries of the territorial waters is a precondition of confirming water areas under China's jurisdiction. According to Chinese law, unauthorized foreign vessels, except for civilian ships for innocent passage, should not enter China's territorial waters, or it can be considered an invasion of China's territory. And China has legal rights to take any action against invasion. The dispute over the islands has now officially upgraded to the practical confrontation phase, Xing said.

"The Sino-Japanese relationship is at a crossroad of history," said Ruan Zongze, Vice President of the CIIS. Disputing the islands could be a long-term contest of the two countries' willpower, which cannot be settled within a short time. However, Ruan warned, if China doesn't crush Japan's aggressive ambition on territorial disputes, the whole of East Asia will suffer consequences.

"Japan made misjudgments on the Diaoyu Islands issue," Ruan stressed. Its first misjudgment was that it underestimated China's determination to protect its sovereignty and territorial integrity. China is no longer the country it was 100 years ago, when it lacked the ability to fight against foreign invasion, he said. Although China sticks to the principle of peaceful development, it will never sacrifice sovereignty and territorial integrity.

Japan tried to draw the United States into the Diaoyu Islands issue because of their alliance. But Washington will not be led into conflict just for Tokyo's interests, Ruan stressed.

Future options

Japan's aggressive acts provoked protests in China, as demonstrations have broken out in many cities. Japan is reminding the Chinese people of their national humiliation during World War II, in which millions of civilians and soldiers died in the Japanese invasion from 1937 to 1945. The military has even released a message alluding to the risk of war against Japan over the Diaoyu Islands.

China's Countermeasures

- A number of Chinese government bodies lodged stern protests, including the National People's Congress, the National Committee of the Chinese People's Political Consultative Conference, the Ministry of Foreign Affairs and the Ministry of National Defense
- Chinese marine surveillance ships were dispatched to waters near the Diaoyu Islands
- The Chinese Government announced the base points and baselines of the territorial waters of the Diaoyu Islands
- The China Meteorological Administration started to issue forecasts on temperatures, humidity, wind speed and rainfall for the Diaoyu Islands
- The State Oceanic Administration of China introduced maritime environment forecasting for the sea around the Diaoyu Islands

Compared with Japan's recklessness, the Chinese Government has stayed calm and restrained. While Chinese observers recommend sticking to the principle of a peaceful resolution, they warn that if Japan takes further provocative acts, the bilateral relationship could spin out of control. Once China takes economic countermeasures, Japan will be hit with the consequences of its actions, they pointed out.

There will be three possible outcomes of the Diaoyu Islands issue, said Qu. First, the two sides could resume the status quo of putting disputes aside. The precondition is that the Japanese Government strictly prohibits anyone boarding the islands or building any facility on the islands, while China submits its territorial baseline of the Diaoyu Islands to the UN. Second, civilian conflicts between Japan and the Chinese mainland, Hong Kong, Macao and Taiwan could escalate, hurting the bilateral relationship but without government involvement. Third, Japan could build facilities or station troops on the islands after "nationalizing" the islands, which will send the bilateral relationship spiraling out of control. "Analyzing the current situation, I think the second one will be most probable," Qu concluded, adding that he still worries about

ongoing escalation.

Gao Hong, a senior research fellow with the Chinese Academy of Social Sciences, pointed out that a diplomatic fight will come first. He noted that neither China nor Japan currently wants to start a military conflict, suggesting that China assert sovereignty over the Diaoyu Islands and put pressure on Japan.

However, if Japan continues to upgrade the conflict, the political and diplomatic confrontation will spread to the economic realm, triggering a serious reversal of its economic relationship with China. "The interdependence between the two sides is obvious," he said, adding that economic sanctions will be very possible by that time.

China and Japan are the second and third biggest economies in the world, respectively, and there is close economic interaction and cooperation between the two. Economic and trade confrontation will hurt them both, but Japan's endurance will be weaker because of its reliance on the Chinese economy, said Jin Baisong, a researcher with the Chinese Academy of International Trade and Economic Cooperation.

Jin explained that Japan's debt will be 195 percent of its GDP by the end of 2012, which is the highest among developed countries. Given Japan's struggling economy, its sovereign debt is crossing the crisis warning threshold. "Any external or domestic event could trigger a huge economic crisis in Japan," said Jin. "If China starts economic sanctions, Japan's tax revenue will certainly decrease. A crisis will then follow, once national debt owners dump national bonds in a panic."

Japan's economic reliance on China is much higher than China's reliance on Japan, Jin pointed out. Although China will also see a huge loss from economic sanctions against Japan, it can always import from other countries because of the current global economic downturn.

"Japan must realize that economic prosperity comes from friendly coexistence with its neighbors. Only peace can drive its economic development," Jin stressed. "China's economic sanctions will show Japan the enormous price it must pay for its aggressive ambition on the Diaoyu Islands issue." ■

IGNORING HISTORY, FUELING TENSIONS

Japan's unilateral action breaks its tacit understanding with China By Gao Hong



The author is deputy director of the Institute of Japanese Studies at the Chinese Academy of Social Sciences

The Japanese Government announced the “purchase” of China’s Diaoyu Island and its affiliated Nanxiao Island and Beixiao Island from the so-called “owner of Senkaku Islands” on September 10. Japan’s action drew attention to whether China and Japan have a tacit agreement on the Diaoyu Islands issue.

During negotiations before the two countries normalized diplomatic relations in 1972, the sovereignty of the Diaoyu Islands was a major obstacle. At that time, the normalization of relations was the priority in their diplomatic strategies, so then-Chinese Premier Zhou Enlai and Japanese Prime Minister Kakuei Tanaka agreed to discuss the issue in the future in order to prevent it from hindering the bilateral relationship. This could be regarded as the origin of China and Japan’s tacit agreement on the Diaoyu Islands.

In the second half of the 1970s, China and Japan were making efforts to adopt a treaty of peace and friendship. The agreement reached by late Chinese leader Deng Xiaoping with

Japanese leaders on the Diaoyu Islands was well-known by the media and the public of the two countries. On October 25, 1978, Deng said during a meeting with Japanese Prime Minister Takeo Fukuda, “It is understandable that the two sides have different opinions on certain issues. For example, we have different opinions on the place that you call Senkaku Islands and we call Diaoyu Islands. It is a good choice that we do not talk about it in our negotiation. Our next generations will be wiser. We should take the overall situation as the priority.” Fukuda did not express disagreement.

However, after the UN Convention on the Law of the Sea took effect in 1996, the Japanese Ministry of Foreign Affairs suddenly changed its official stance of acknowledging Japan’s tacit agreement with China, a move that triggered diplomatic protests from China.

The Chinese Government holds the position that China owns sovereignty over the Diaoyu Islands, while advocating the principle of “shelving disputes and going in for joint development.”

The Japanese Government also said the right wing’s action runs counter to the government’s stance and the government would not participate in, support or accept it. Japan’s Coast Guard has consistently tried to prevent the right-wing activists from landing on and transporting construction materials to the islands.

In 2002, the Japanese Government “rented” three islets in the Diaoyu Islands from Japanese individuals. Regarding this, China made strong representations to Japan. The

Japanese Government said this action was aimed at “maintaining stable and steady management on the relevant islands and islets” and preventing anybody from landing on the islands.

Japan explained to China that this measure was designed to prevent Japanese right-wing activists from landing on the islands to cause trouble. It continued to say that considering China would not accept the solution of the Japanese Government “nationalizing” the islands, it decided to “rent” them. Even recently, Japanese police still summoned and interrogated lawmakers who landed on the islands.

The facts above prove Japan clearly knows China and Japan have a dispute on the territorial sovereignty over the Diaoyu Islands. It can be seen that this dispute existed in the diplomatic practices of China and Japan in a tacit way for more than two decades after the two countries normalized diplomatic relations. After 1996, however, Japan began to deny the dispute, complicating the issue and setting a ticking time bomb for the dispute to explode.

The only solution is for China and Japan to negotiate calmly and rationally for a new consensus. This solution will be conducive to the peace and well-being of the two nations as well as prosperity and stability in East Asia. ■



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