

“ We respect the new government’s need to familiarize itself with a project as important to the UK’s future energy security as Hinkley Point C, and we stand ready to help the government in this respect.”

A spokesman for China General Nuclear Power Corp commenting on Britain’s decision to review plans to build a Chinese-backed nuclear power plant and deliver its final decision in the fall.

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HE YAFEI

THAAD will destroy regional balance

Despite the strong opposition of China, the United States and the Republic of Korea have agreed to deploy the Terminal High-Altitude Area Defense system in the ROK. Although the US claims THAAD is aimed at countering the “nuclear threat” posed by the Democratic People’s Republic of Korea, it is actually targeted at China.

Why is THAAD’s deployment in the ROK strongly opposed by China?

THAAD will undermine the regional strategic balance in East Asia and create more obstacles to the peaceful settlement of the Korean Peninsula nuclear issue. When the strategic balance of a region is broken, an arms race follows and regional disputes and conflicts intensify.

The Korean Peninsula is one of the few places in the world where the fear of war is still real. The pen-

insula nuclear issue has been threatening security in the region for over a decade, and negotiations, including “the Six-Party Talks”, to settle the issue have been stalled. In such a sensitive region, THAAD’s deployment could open the door to a military confrontation.

One way of rectifying the strategic imbalance is for the US and the ROK to rescind their agreement to deploy THAAD. The second way is for Beijing to strengthen its nuclear capability, for once THAAD is deployed in the ROK, major parts of China will be under its anti-missile system umbrella.

The deployment of THAAD in the ROK is part and parcel of the US missile defense system in East Asia, a region of strategic importance to the US where it sees China challenging its “DLP” (dominance, leadership and primacy). The US has singled out China as the target for its “rebalancing to Asia” strategy.

In short, THAAD is detrimental to the regional security of East Asia.

And THAAD is an indispensable component of that “rebalance”.

John J. Mearsheimer of the University of Chicago and Stephen M. Walt of Harvard University recently published an article in Foreign Affairs outlining “rebalancing to Asia” strategy as a superior “grand strategy” to be applied seriously by the US in East Asia and Europe. These two neoconservative theorists have identified China as “likely to seek hegemony in Asia” and call on the US to undertake major efforts “to prevent it from succeeding”. “Rebalancing to Asia” first calls for the US to “rely on local powers

to contain China”. Should that fail, the US may “have to throw its considerable weight behind them”.

THAAD is a case in point. The US’ involvement in the South China Sea issue — supporting the Philippines in its political farce of seeking “international arbitration” and the exhibition of force by the US Navy and Air Force — is another example of its “rebalancing to Asia” strategy.

The US is used to thinking and acting as a hegemonic power. But we live in an era of globalization where countries are more interdependent than ever. No country can be “balanced” or “rebalanced” away as the US wishes. As such, the deployment of missile defense systems in Eastern Europe and East Asia will hurt global stability.

THAAD’s deployment will worsen the divide in East Asia, where regional arrangements for economic growth are shaped with China at its core while regional security is

assumed to be based on the US-centered military alliances. Should this contradictory situation develop further, neither regional economic growth nor security can be sustained.

In short, THAAD is detrimental to the regional security of East Asia. No country can expect to achieve absolute security at the expense of other countries’ insecurity. East Asia should enjoy peace and stability based on common and cooperative security. Therefore, the countries involved in the power game should reconsider their ill-conceived decisions in order to restore the regional strategic balance.

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Military cooperation not aid, Abe’s tool of choice in SE Asia



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Together with the United States and Australia, Japan has again tried to drive a wedge between Southeast Asian countries and China. Although the three countries have no territorial claims in the South China Sea, they are intervening in the region in the name of “freedom of navigation” and “the rule of law”.

When, after their meeting in Laos last week, the foreign ministers of the Association of Southeast Asian Nations did not mention in their final statement the ruling in the South China Sea arbitration case initiated by the Philippines, the three countries came up with their own statement chiding China for its claims in the South China Sea.

Japan, the US and Australia regard themselves as a “pillar” of stability throughout the Asia-Pacific region, and the foreign ministers of the three countries met on the sidelines of the ASEAN meetings, issuing a statement in which they called on countries in the region to uphold the ruling, which China has consistently said it does not acknowledge or accept as it is unlawful.

For Japan and its allies, China is inherently in the wrong simply by growing stronger. Any move by China is seen as a challenge to their power, or the existing status quo, which allows no room for newcomers.

Even China’s vision of interconnecting continents with its Belt and Road Initiative has been deemed as a means for Beijing to take the initiative in defining regional policy, considered by the three as the continental power’s strategy for consolidating a sphere of influence in the Asia-Pacific area.

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Japan on the other hand is implementing a strategy that aims at supplementing the aid it provides the region, its traditional tool of influence, with new military cooperation and assistance.

Southeast Asia now tops the foreign policy agenda of Japanese Prime Minister Shinzo Abe’s administration.

Abe visited the 10 ASEAN countries in the first year of his return to power, highlighting a new appraisal of the region in Japan’s strategic calculations.

In Laos, US Secretary of State John Kerry said he supported the resumption of talks between China and the Philippines over the South China Sea.

But Japan has not uttered a single word encouraging peaceful resolutions to the disputes through negotiations, instead is seeking to stoke tensions in the region. Japan has sought to strengthen its partnership with Southeast Asian countries through capacity-building and defense cooperation.

Japan has enhanced its presence in the region by upping the number of patrols in the South China Sea, increasing its participation in bilateral and trilateral military exercises, and making more port visits to maritime countries in Southeast Asia.

Japan joined the US-Australian Talisman Sabre biennial military exercise for the first time in July 2015, a move that showed how Japan wanted to play a role in the Western Pacific.

Japan also conducted its first bilateral maritime and air exercises with the Philippines in 2015 and its first bilateral table-top exercise with Vietnam in February 2016. In April, a Japanese Maritime Self-Defense Forces destroyer participated in multilateral naval exercises hosted by Indonesia.

Among several ASEAN countries, Abe invited Laos, the grouping’s rotating chairman for this year, to an outreach meeting when the world’s seven most industrialized nations convened in Japan in late May. Japan intended to draw the Southeast Asian countries to its side, offering them aid and trade.

However, the latest meeting of ASEAN foreign ministers drove home the message that Japan’s approach is not working.

BRUNO MICHEL

Human brain the model of computing future

Ever since the American computer scientist John McCarthy coined the term “Artificial Intelligence” in 1955, the public has imagined a future of sentient computers and robots that think and act like humans. But while such a future may indeed arrive, it remains, for the moment, a distant prospect.

And yet the foreseeable frontier of computing is no less exciting. We have entered what we at IBM call the Cognitive Era. Breakthroughs in computing are enhancing our ability to make sense of large bodies of data, providing guidance in some of the world’s most important decisions and potentially revolutionizing entire industries.

The term “cognitive computing” refers to systems that, rather than being explicitly programmed, are built to learn from their experiences. By extracting useful information from unstructured data, these systems accelerate the information age, helping their users with a broad range of tasks, from identifying unique market opportunities to discovering new treatments for diseases to crafting creative solutions for cities, companies and communities.

The Cognitive Era marks the next stage in the application of

science to understand nature and advance human prosperity. Its beginning dates to early 2011, when the cognitive computing system Watson beat two human champions on *Jeopardy!*, a game show.

Broadly, cognitive systems offer five core capabilities. First, they create deeper human engagement, using data about an individual to create more fully human interactions.

Second, they scale and elevate expertise, learning from experts in various fields and making that know-how available to people. Third, they provide products, such as those connected to the “internet of things”, with the ability to sense the world around them and to learn about their users. Fourth, they allow their operators to understand large amounts of data, helping manage workflows,

providing context, and allowing for continuous learning, better forecasting and improved operational effectiveness. And, finally — perhaps most important — they allow their users to perceive patterns and opportunities that would be impossible to discover through traditional means.

Cognitive systems are inspired by the human brain, an organ that

still has much to teach us. Today, computers consume about 10 percent of the world’s electricity output, according to Mark Mills, CEO of the Digital Power Group. To benefit fully from the Cognitive Era, we will have to be able to harness huge amounts of information; during the next 15 years, the amount of “digitally accessible” data is expected to grow by a factor of more than 1,000. Performing the calculations necessary for using such a large amount of data will not be possible without huge strides in improving energy efficiency.

Matching the performance and efficiency of the human brain will likely require us to mimic some of its structures, for which we can arrange computer components in a dense 3D matrix similar to a human brain, maximizing not performance,

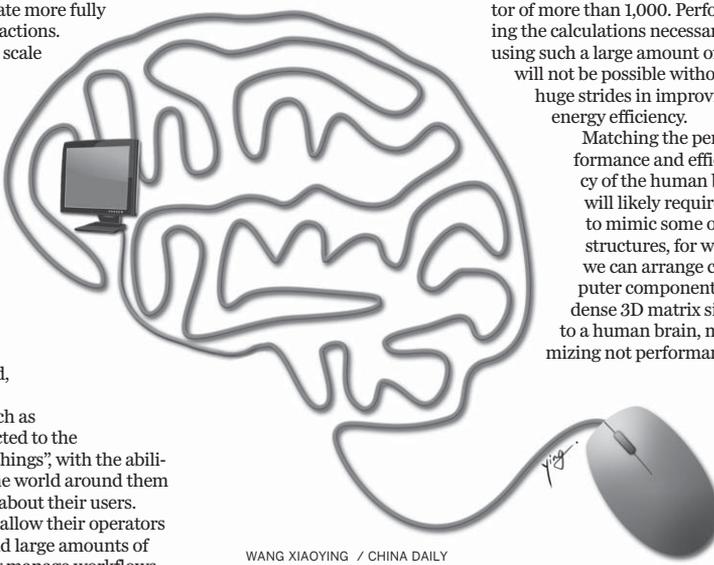
but energy efficiency.

Arranging computer chips in a 3D environment puts the various elements of the computer closer to one another. This reduces the time they take to communicate and improves energy efficiency by a factor of as much as 5,000, potentially providing computers with efficiency close to that of a biological brain.

But man-made computers are so inefficient not only because they need to power the chips, but also because they need energy to run the air conditioners that remove the heat generated by the processors. The human brain has a lesson to teach here as well. Just as the brain uses sugar and blood to provide energy and cooling to its various regions, a 3D computer could use coolant fluid to deliver energy to the chips.

By adopting some of the characteristics of the human brain, computers have the potential to become far more compact, efficient and powerful. And this, in turn, will allow us to take full advantage of cognitive computing — providing our real brains with new sources of support, stimulus and inspiration.

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WANG XIAOYING / CHINA DAILY

ROBERT LAWRENCE KUHN

What China’s GDP numbers don’t tell us

Anxiously, the world held its collective breath when China announced its 2016 second quarter GDP growth rate, and then collectively exhaled with great relief, for it was 6.7 percent, the same as in the first quarter. The steady growth, slightly beating forecasts, signaled that China’s economy is well and on course. Stock markets worldwide need not panic.

The initial anxiety and the subsequent relief are both misguided. At best, GDP growth rates tell only part of China’s economic story.

Consider the widespread displeasure over China’s slowing growth. How terrible is this? Ten years ago, in 2006, when China’s growth rate was a robust 12.7 percent, everyone was happy — count on China to drive world economic growth. Now everyone is on edge about China. But consider this: the GDP base is far bigger. In 2005, China’s GDP was \$2.3 trillion, and 12.7 percent growth meant an increase of less than \$300 billion in 2006. Fast-forward 10 years. In 2015, China’s GDP was \$11 trillion, and 6.5 percent growth would mean an increase of over \$700 billion in 2016 — more than twice the

absolute amount the economy grew in 2006 when the growth rate was that happiness-engendering 12.7 percent. And since China’s population in 2016 is only marginally more than it was in 2006, the absolute amount of GDP growth per capita will be well more this year than it was a decade ago.

That’s the good news. But there’s complexity, pulling in the opposite direction. What are the components of the growth rate? What sectors are driving it? Investment looms large, so we must ask: How productive are those assets being formed? Massive industrial overcapacity is China’s most serious economic impediment. Debt-fueled investments in fixed assets — particularly via government stimulus programs (needed for economic stability) — have rendered some investments unproductive or even counterproductive (they cost money to maintain).

While we cannot know in real time how much unproductive assets are embedded in each year’s GDP growth rate, we do know for sure that some of the growth of the past years now sit as overcapacities — coal, iron, steel, cement, glass, heavy equipment, chemicals

So, take note of the quarterly GDP, sure, but watch other indicators as well.

and housing.

So, on the one hand, the GDP growth rate on a much larger base continues to impress, but on the other, some of that growth is unproductive. Yet there is real growth in consumer products, e-commerce and service industries.

It is difficult to figure out what is really going on.

Obviously, we need GDP growth rates for standardization and benchmarking, but we should not deify them. It’s no surprise that they dominate discourse. GDP growth rate is a simple, single number, seemingly easy enough to understand. That’s its power. That’s also its problem.

How else to assess the economy? I follow China’s national policies, seek indicators to discern progress (or not).

Supply side structural reform is

critical for reducing overcapacity and corporate debt. Progress in the former could be assessed by, say, an increasing number of corporate bankruptcies — closing down “zombie” enterprises would be a good thing, not a bad thing. It’s no secret that some State-owned enterprises are moribund, and so a leading indicator that the government is willing to make hard choices and endure short-term pain to achieve long-term gain would be an uptick in the number of SOE bankruptcies. Similarly, progress in reducing corporate debt would be an increase in debt-for-equity swaps.

Another indicator is the percentage of non-performing loans (NPL) issued by banks, largely to SOEs. No one takes seriously the official NPL rate of about 1.5 percent, which is based on narrow definitions. Analysts estimate the real NPL rate to be between 10 percent and 20 percent. To me, a positive indicator of economic progress would be an increase in officially reported NPLs, because it would mean that the government is ready to clean up the financial system, which is necessary for sustainable growth.

I also focus on China’s overarching guidelines for economic and social transformation. Put forth by President Xi Jinping, the Five Major Development Concepts are the highest-level drivers of national policy: innovation, coordination, green, openness and sharing. For each, various metrics can be tracked. None are perfect. All are useful. Innovation: R&D expenditures (as a percentage of GDP), patents, new technology products and companies. Coordination: differentiated economic plans among integrated geographic regions (heretofore competitive). Green: reports from environmental NGOs. Openness: data from China’s free trade zones, such as shrinking negative lists (industries off limits). Sharing: reductions in urban-rural imbalances, lower Gini index (test of inequality).

So, take note of the quarterly GDP, sure, but watch other indicators as well.

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