

Making green growth a reality

China must work toward a financial system that reflects the true impact of business on the environment

By ZHU SHOUQING

China's fast economic growth over the past three decades has made it the second-biggest economy in the world, but has also led to production overcapacity and environmental degradation.

Starting in the early 2000s, the Chinese government began calling for an economic transition from the resource-intensive and high-emission production mode to one that is low-carbon, climate-friendly and inclusive.

But the fundamental economic changes needed to achieve this goal have been greatly speeded up since Xi Jinping became president in 2013. His call for an "ecological civilization" is part of a deep, ongoing transformation of China's economic model.

The transition to a greener economy requires a redesign of the financial system, because the direction of financial flows decides where investments are made and shapes the nature of the economy.

Ministries of the Chinese government and think tanks have been pushing for green financial reform since 2015. For example, the People's

Bank of China and the China Council for International Cooperation on Environment and Development organized two studies into the design of a green financial system.

Policy recommendations from these inquiries formed the key ingredients of the Guidelines for Establishing the Green Financial System, which was jointly released by seven ministries in August 2016.

Five provinces and regions, reflecting different development levels and geographic focus, have been chosen to pilot green finance. When it chaired the G20 last year, China also took the opportunity to put green finance on the agenda of the G20 Summit.

In the guidelines document, green finance is defined as "financial services provided for economic activities that are supportive of environmental improvement, climate change mitigation and more efficient resource utilization".

The guidelines further point out that a green financial system refers to an institutional arrangement in support of green transformation of the economy.

These institutional arrangements may include, but are not limited to, measures in the following areas:

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Legal instruments that facilitate financial flows to green businesses; tax and fiscal policies that incentivize green investment; the creation of new investment institutions and green financial instruments; and environmental and social risk management policies and safeguards.

When companies do not pay a price for the pollutants and emissions their facilities discharge, they gain a competitive advantage against businesses that are not

polluting. When the public has no knowledge about the environmental performance of companies that are wooing their funds, they do not know which company is worthy of their money.

That is why the government needs to rearrange the institutional framework to level the playing field, and that is why regulators need to enforce information disclosure on the stock market. The prices of goods and company valuations need to reflect the true impact of the business on the environment.

So a crucial task in the design of a green financial system is to internalize the externalities of business endeavors and resolve information asymmetries between lenders and borrowers.

China's green finance reform comes at a time when the country has put forward the Belt and Road Initiative to revitalize the ancient Silk Road routes. Hundreds of Chinese companies and billions of dollars will move beyond China's borders to countries that are short of infrastructure and the funds needed to build it. But the kind of infrastructure that Chinese companies build remains a concern for the international community.

A question often asked is: Will China help the Belt and Road countries develop the kind of infrastructure that protects the health and prosperity of their people in years to come, or one that puts them and the global environment in jeopardy?

At the Belt and Road Forum for International Cooperation, held in Beijing in May, the Chinese government released two key policy documents that reaffirm that China will be a responsible country and vows to practice green investment principles in the implementation of the Belt and Road.

Of course, Chinese companies may make mistakes in managing environmental and social risks when investing overseas, but they will learn from these mistakes and grow into responsible corporate citizens.

It is important for government departments and think tanks to guide and help them in this process with shared data, risk management tools and information on best practices.

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Alter standards to woo foreign students

Chinese universities can attract more young people from abroad by building a diversified, competitive education system

By CHU ZHAOHUI

Minister of Education Chen Baosheng, at a news conference on the sidelines of the 19th National Congress of the Communist Party of China in October, expressed hope that the country will be the most attractive global destination for higher education by 2049.

But for that to happen, improvements on many fronts have to be made. Last year, the number of foreign students in China was just over 440,000, but the number of Chinese students studying abroad was 544,500.

Although the tuition fees for more than 90 percent of the overseas Chinese students are paid by their families, a high percentage of the foreign students in China receive scholarships.

Many Chinese youths studying overseas choose science and engineering majors, while a majority of the foreign students in China

choose to study the Chinese language or traditional Chinese medicine. In addition, before getting admission to foreign universities, Chinese students are strictly tested, which means they have to be good at studies.

But China does not have a standard academic test to select foreign students. As a result, not all the foreign youths studying in China are exceptionally good in their subjects.

To change the existing situation, China has to make improvements in several areas. First, it has to win international recognition for its higher education, which is a relatively lengthy process.

From the early 1800s to the 1920s, the global center of higher education was Europe due mainly to the Industrial Revolution and its effect on the world. In those days, many American professors and scientists studied at European universities.

From the 1930s, however, the center of global higher education gradually started shifting from

Europe to the United States, partly because of the Second Industrial Revolution.

This shows China has to master innovative science and technology to become an attractive destination for foreign students.

Second, China's education philosophy has to win the recognition of the international community. Some Chinese people believe American and Chinese universities are not much different from each other. What they forget is that higher education in the US is diverse and competitive.

To become an international center of higher education, China has to build a diversified and competitive education system. The national plan for medium- and long-term education reform and development, 2010 to 2020, discourages universities from following homogeneous curriculums and systems.

The need is to give universities more autonomy and allow them to be run according to the "law of education". Only this way can the

standards of Chinese universities be raised to a level where they can attract quality students from abroad. Scholarships are important, but not necessarily the best way of attracting exceptionally talented students.

And third, Chinese universities should be allowed to recruit faculty members from across the world, as their US counterparts have been doing for decades.

But how do we establish a modern university system? The 2010-20 education plan aims to establish a modern school system that is run according to the "law of education", managed independently and supervised democratically with social participation. That is fine, but we should also build new types of relationships between governments, schools and society.

International experience shows that the countries that attract high numbers of foreign students to their universities have excellent primary and secondary education systems, too. So to attract more for-

ign students, China has to improve the quality of its school and college education in terms of content, facilities and regulations.

The nature of education in different stages, however, varies. Compulsory education is more like a public product, while vocational and higher education has stronger commodity property.

But a key area that China should improve is the threshold of foreign students. In other words, China must raise the existing low threshold of admission for foreign students to a higher level.

Many domestic colleges admit foreign students simply through registration and without any strict requirements. Also, the requirements for some foreign students' scholarships are low. Therefore, it is time that China adopted a unified standard for foreign students' admission.

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