

Inclusivity, transparency can dispel CPEC rumors

By Wang Dehua

A recent Twitter spat between a Chinese diplomat and Pakistani journalist over the China-Pakistan Economic Corridor (CPEC) highlights the challenges facing the multi-billion dollar project. The CPEC is poised as one of the flagship projects of China's Belt and Road initiative, which has significant economic, political and strategic implications for both China and Pakistan. The two countries cannot afford for the project to fail or be aborted, and both Beijing and Islamabad need to lay out strategies to prevent the quality and progress of the project from being compromised by skepticism and conspiracy.

Among other alternatives, a feasible model should be developed by China to make the CPEC more inclusive and transparent to prevent the project from being derailed by internal conflicts in Pakistan and conspiracies that take advantage of the widening wealth gap and clashing interests between different political groups and over regional development in Pakistan.

In the recent public spat, Charge d'Affaires at the Chinese Embassy in Pakistan Zhao Lijian responded to accusations of corruption, unequal distribution of projects under the CPEC and using prisoners as labor to save costs from a journalist with the Pakistan newspaper Dawn. Zhao's reaction to the baseless allegations is understandable given the strategic stake of the economic corridor for both China and Pakistan and the tremendous resources China has pooled to help the intended benefits materialize.

The sheer size of the project and complexity in coordinating the different groups and regions that have various interests means that the project will never be plain-sailing. Criticism and

suspicion about the economic corridor has not ceased since it was announced in 2013. Rumors about China using prisoners for its overseas projects aren't even new. The possibility of some Pakistanis being bought to defame the CPEC and China cannot be ruled out. The seeds of skepticism might also have been sown by different political or regional groups in Pakistan wrestling for a bigger role in the CPEC.

Despite the rumors and problems, there is widespread consensus in Pakistan that the CPEC could generate huge gains for the country and so far no political party in Pakistan has openly opposed the project. At the moment, China is the largest investor in Pakistan and its largest trade partner. The CPEC, which connects China's Kashgar in Northwest China's Xinjiang Uyghur Autonomous Region and Gwadar Port in Southwest Pakistan, has the potential to become a game changer for Pakistan. With a total investment of \$51 billion, expanded from the initial commitment of \$46 billion, the project is designed to address the bottleneck in Pakistan's economic development through infrastructure projects such as bridges, railways and pipelines and will bring stability and peace to the conflict-torn state. According to the US-based consulting firm Deloitte & Touche, the CPEC is expected to generate 700,000 direct jobs in Pakistan from 2015-2030 and raise its GDP growth by up to 2.5 percentage points.

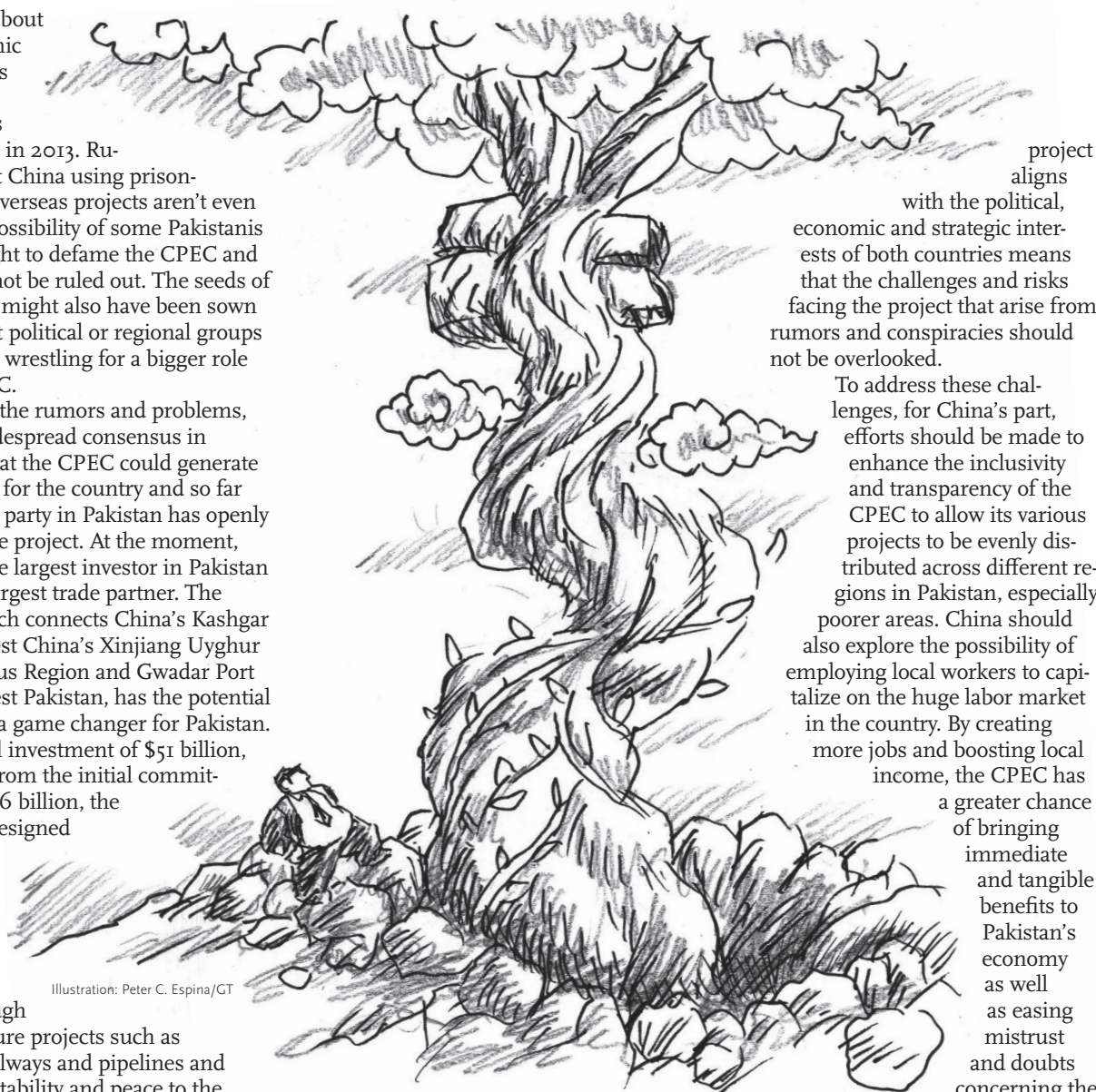


Illustration: Peter C. Espina/GT

Meanwhile the CPEC will also serve as a new trade route for China to export its goods to West Asia and Africa, as well as become the quickest avenue to import energy resources from the Middle East. The fact that the

project aligns with the political, economic and strategic interests of both countries means that the challenges and risks facing the project that arise from rumors and conspiracies should not be overlooked.

To address these challenges, for China's part, efforts should be made to enhance the inclusivity and transparency of the CPEC to allow its various projects to be evenly distributed across different regions in Pakistan, especially poorer areas. China should also explore the possibility of employing local workers to capitalize on the huge labor market in the country. By creating more jobs and boosting local income, the CPEC has a greater chance of bringing immediate and tangible benefits to Pakistan's economy as well as easing mistrust and doubts concerning the project.

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Non-practicing entities can help support innovation and tech companies in China

By Erick Robinson

I agree that the next patent war in the smartphone industry will involve China as stated in the recent Global Times article, "Chinese businesses need to prepare for patent wars." It pointed out that Chinese companies have been sued in India and have also been involved in US patent litigation. But the future smartphone patent wars will most certainly be fought in China.

While the US has been destroying patent rights, China has quickly put together one of the best patent enforcement systems in the world. Based largely on the German system and all of its advantages, but with selected portions from US law, China has now become a top forum for patent litigation and injunctions are now issued over 99 percent of the time to

winning parties. Further, unlike most countries which enjoy making, using and selling in-country, as well as imports, Chinese law also bans infringing exports from leaving the country. For example, if the accused device is Apple's iPhone, not only can iPhone sales in China be enjoined, but so can exports of the device from China. Therefore, a patent owner can achieve an effective worldwide ban, since iPhones are manufactured in China. Patent litigation win rates in China are high, currently hovering around an average of 80 percent. Further, foreign plaintiffs fare better, statistically, than Chinese plaintiffs. The time from filing to judgment and injunction is short, ranging from six to 14 months. Legal costs are also low – in many cases one-tenth the cost of US patent litigation.

READERS' VOICE

In November 2014, China set up specialized intellectual property courts in Beijing, Shanghai and Guangzhou, whose judges take pride in their skill and fairness. In addition, the government has issued an edict to advance innovation through patent enforcement. This has not been done altruistically, but because China has a strong technology market to protect. Indeed, some of the most innovative companies in the world are based in China.

Examples of the growth in patent litigation in China can be seen in cases like Huawei against Samsung, Qualcomm against Meizu, and Shenzhen Baili against Apple. Importantly, misconceptions regarding "patent trolls" are mislead-

ing. First, any entity that took advantage of poor patents and the cost of litigation is likely now gone. Recent changes in US patent law have largely eliminated true trolls. However, sophisticated investors in technology via patents are still breathing and are looking for markets better dedicated to innovation, such as China.

Such licensing companies, sometimes called non-practicing entities (NPEs) have a unique ability to support innovation in China and help Chinese technology companies. Such firms are already in China and beginning to file cases which are targeting foreign companies. By putting pressure on foreign enterprises, such licensing companies can assist Chinese businesses in gaining greater market share at home and abroad. NPEs can also work directly with Chinese

companies to provide needed expertise and experience in patent strategy as well as monetize their patents. Many of the goals of the Chinese government regarding elevating innovation and growing the domestic market can likely only be achieved, or achieved in a short time, with the direct assistance of foreign NPEs.

China is a brave, new world of technology and innovation, and now in the patent world as well. Having NPE friends will also serve China well.

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