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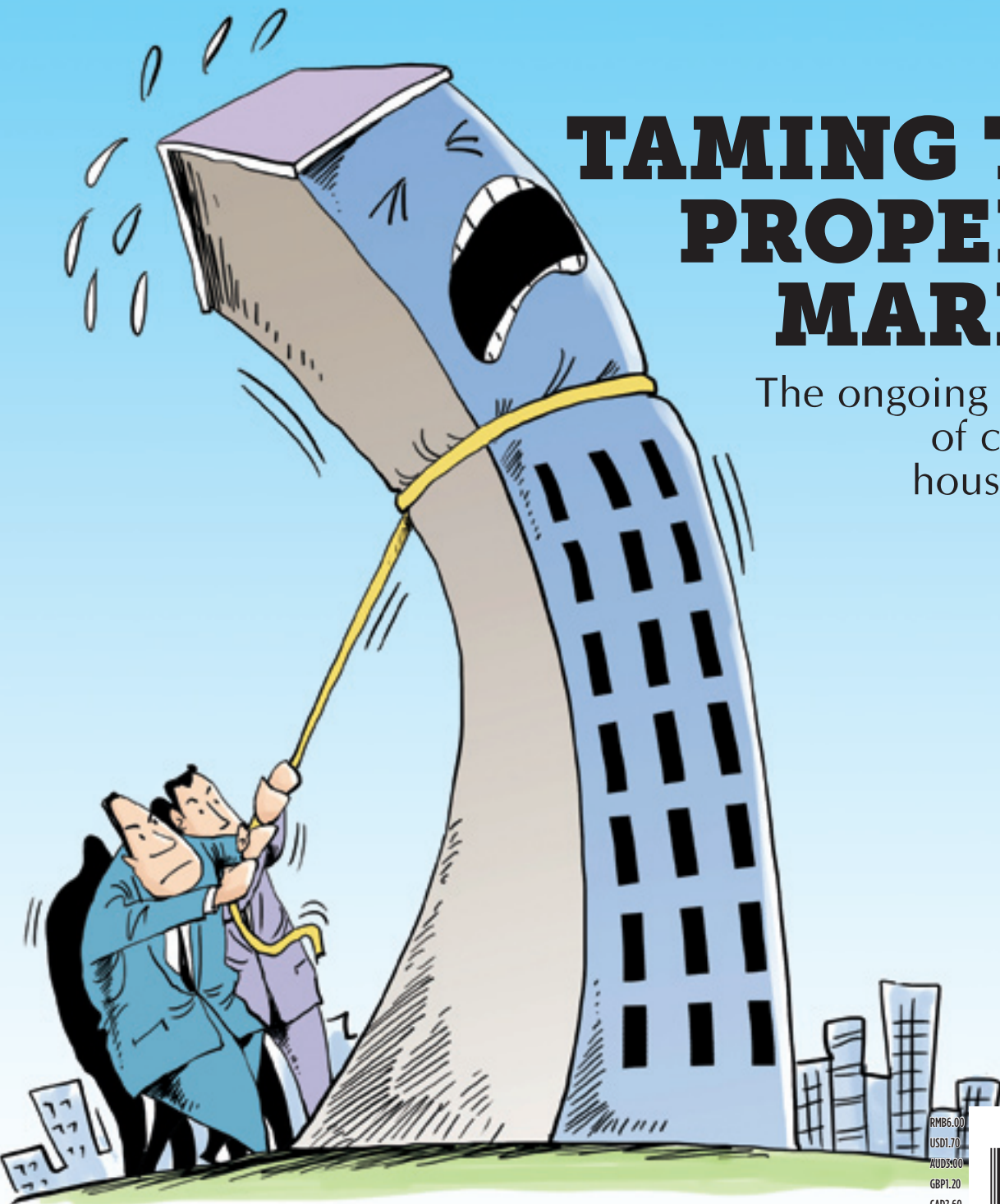
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TAMING THE PROPERTY MARKET

The ongoing challenge of controlling housing prices



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Curb Property Prices

Despite strict macro-control measures, property prices in some cities are still on the rise. The stubborn trend has gone against expectations and unnerved both the public and the Central Government. The State Council sent out 16 inspection teams to the cities with the biggest price upturns, checking whether housing policies were being followed and investigating the real estate market to help the Central Government form more targeted macro-level controls. The Central Government has a clear-cut stance, which is to prevent the reckless rise of property prices in the future and ensure sound economic development.

In previous years, overheated real estate investment and soaring property prices have imposed an adverse impact on the Chinese economy. The Central Government made several attempts to curb property prices, such as restricting speculative home purchases in order to keep property prices at a reasonable level. The latest round of real estate controls began in 2010, with home purchasing limits established in 50 cities.

The strict approach to price control worked, leading home sales to drop and stabilizing property prices. In the second half of 2011, property prices in some cities even dropped. However, the trend shifted again during the second quarter this year, when land prices in major surveyed cities saw a quarterly rise. In June, prices of newly built homes went up over the previous month. The market expected a strong upturn of property prices once again.

Macro control of the real estate market involves interests of various parties. Local governments, real estate developers and home owners hope to see property prices continue to rise, but the Central Government and potential home buyers wish for a decline. If out-of-control housing prices rise to a point where average people are unable to afford homes, the macro-control policies would cease to be effective and the sound economic development of China would be under threat.

In this game, local governments play the leading role. Seizing on the Central Government's decision to ease monetary policy to stabilize economic growth, some local governments have attempted to relax the real estate control policies, and speculative home buyers are looking to enter back into the market.

Stimulating economic growth by relaxing real estate control is like drinking poison to quench thirst. We hope the Central Government will step in to firmly stop any relaxation or covert act of easing macro control of the real estate market. It should accelerate the establishment and improvement of long-term mechanisms and policies for real estate control, determine to further various control measures and prevent upturns of property prices.

Local governments should shift their focus to accelerating the transformation of the economic growth pattern, and make the economy less dependent on the real estate industry by developing emerging industries and the service industry.

As for real estate developers, it is hoped that they can readjust their product structure and actively participate in the construction of low-income housing. ■

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

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(Up) Activists set sail from Hong Kong on August 12 for the Diaoyu Islands to assert Chinese sovereignty

Chinese activists land on the Diaoyu Islands on August 15

Representations to Japan

China on June 15 lodged solemn representations with Japan on the latter's illegal detention of Chinese nationals who went to the Diaoyu Islands.

Chinese Vice Foreign Minister Fu Ying urgently summoned the Japanese Ambassador to China Uichiro Niwa and made a phone call to her Japanese counterpart, Tsuyoshi Yamaguchi, to discuss the matter.

Fu reiterated China's sovereignty over the Diaoyu Islands and the affiliated islets, and demanded the Japanese side guarantee the safety of the 14 Chinese citizens and free them immediately.

Earlier that day, police in Okinawa Prefecture arrested a group of 14 Chinese activists, including seven who landed on the Diaoyu Islands.

“On the question of whether China is just extracting resources, I think this (accusation) is a little unfair. The United States should not take a moral high ground on resource extraction. We need to deal with the core issue to make sure there is transparency in the extraction of these resources.”

Mwangi Kimenyi, Director of the Africa Growth Initiative at the Brookings Institution, remarking on U.S. Secretary of State Hillary Clinton's latest trip to Africa in a phone interview with Xinhua News Agency from Kenya on August 14

“The price war will serve as a trump card in the initial stage of expansion, but the model of sacrificing reasonable profits is not sustainable in the long run.”

Shi An, founder of Gootime Technology, a service provider in the IT industry based in Shanghai, commenting on the recent cut-throat price war between major Chinese online retailers on August 15

“If Japan's Emperor wishes to visit South Korea, I think it would be good for him to sincerely apologize to those who died while fighting for independence.”

South Korean President Lee Myung Bak, remarking in Seoul on August 14, a day before the Liberation Day of South Korea

“The era of sitting in meditation by the light of an oil lamp is gone. We need to keep pace with the times. The Internet is a good tool with which to disseminate Buddhism.”

Master Yanzheng, a 27-year-old monk of the Shaolin Temple, a leading Buddhist monastery located in central China's Henan Province, talking about his use of microblogs to communicate with followers in a recent interview with Xinhua News Agency



DOWN TO EARTH China's *Shenzhou-9* astronauts Jing Haipeng (third right back), Liu Wang (second right back) and Liu Yang (third left back), who successfully executed the country's first manned space docking mission in June, speak to a group of Hong Kong middle school students who recently finished a young astronaut training camp on the mainland at the Hong Kong Convention and Exhibition Center on August 11

The Flagholder

Chinese athlete **Xu Lijia**, gold medalist in laser radial sailing, held China's national flag at the closing ceremony of the London 2012 Olympic Games on August 12.

"This is the biggest inspiration for the sport of sailing," said Xu. "I feel very honored to be the flagholder in the closing ceremony."

Xu won gold in the sailing regatta with a total score of 35 points on August 6, the second gold ever in Chinese Olympic sailing history. It was the second Olympic medal for Xu, who won the bronze medal at the 2008 Beijing Olympics. The 25-year-old woman overcame great challenges on her journey to success. She was born nearly deaf in one ear and nearly blind in one eye. She started swimming at 4 and was chosen to train for sailing when she was 10.

In 1999, at the age of 12, Xu narrowly escaped death in a sudden storm while training on the open sea off the coast of southeast China's Fujian Province.



MEMORIAL SERVICE A group of Japanese mourn for victims in the Nanjing Massacre in Nanjing, Jiangsu Province, on August 15, where Japanese troops killed more than 300,000 Chinese during World War II

Party Delegates

A total of 2,270 delegates have been elected to attend the upcoming 18th National Congress of the Communist Party of China (CPC), according to an official statement released on August 13.

The delegates, who were elected from across the country from April to July when local CPC committees held their own congresses, will need to pass a qualification check to get final approval to attend the congress, according to the statement.

About 30.5 percent of the delegates are from the grassroots level, up 2.1 percent from the previous congress in 2007.

The average age of the delegates is 52, and 64.8 percent of the delegates are under age 55.

There are 114 delegates under 35, accounting for 5 percent of the total, 1.9 percentage points higher than the previous congress.

Female delegates account for 23 percent of the total and ethnic minorities make up 11 percent.

Food Safety

China will accelerate the pace of setting up national standards for food safety in order to safeguard the public, the Ministry of Health said on August 13.

The standards will be put in place by the end of 2015, said Su Zhi, director of the ministry's Food Safety and Health Supervision Bureau, at a press conference.

According to Su, China will further improve the management mechanism of food safety and establish a normative and transparent working model.

The ministry will publish a report on the standards relating to more than 5,000 kinds of food, as well as revising the regulations on food pollutants and pathogenic bacteria, Su added.

Urban-Rural Gap

The ratio of income earned by urbanites to that of rural residents is about 5.2 in China, said a blue paper released by a major government think tank on August 14.

According to *The Urban Blue Book: China City Development Report No.5*, published by the Chinese Academy of Social Sciences, the ratio of urbanites' disposable income to rural residents' net income reached 3.13 last year.

The income gap figure is about 26 percent higher than that of 1997 and 68 percent higher than that of 1985, the report said, adding that it far exceeded the urban-rural divide in many foreign countries.

The blue book also noted that the number of urbanites has surpassed the number of rural residents in China, with the urbanization rate

reaching 51.27 percent, a significant change in the country's social structure that ushers in an era of "city-based society."

Gunman Hunt

A fugitive gunman who is suspected of killing 10 people was shot dead by police in southwest China's Chongqing Municipality on August 14.

Zhou Kehua was gunned down by police in an alley in Tongjiaqiao Village, Shapingba District, where he was believed to have been hiding, at 6:50 a.m., according to the Chongqing Municipal Public Security Bureau.

Zhou allegedly shot one person dead and wounded two others in front of a local bank outlet on August 10.

Consequently, Chongqing launched an intensified manhunt for the 42-year-old man, who was described by local police authorities as "ruthless and highly dangerous."

Drug Blacklist

Regulations calling for the blacklisting of manufacturers of unsafe medication will go into effect in October as part of nationwide efforts to enhance medical safety.

According to rules issued on August 15 by the State Food and Drug Administration (SFDA), information regarding the manufacturers and those found responsible for severe violations of relevant laws will be included in a blacklist that will be posted on government websites for public review.

The blacklist will include those involved in the production and sale of counterfeit or inferior drugs, as well as those who have produced uncertified medical equipment or who



LI ZHENG

BOTTOMS UP
A German waitress serves customers at the 22nd Qingdao International Beer Festival in Qingdao, in east China's Shandong Province that kicked off on August 11

have caused accidents by producing substandard equipment, the regulations state.

The regulations also call for the revocation of licenses granted to companies on the blacklist, as well as a 10-year suspension of their operations.

The blacklist should appear in a conspicuous place on the websites of local drug safety regulators and should be maintained by designated personnel in a timely fashion, the regulations state, adding that major drug safety cases will also appear on the list.

China has launched several nationwide crackdowns on counterfeit drugs in recent years after major cases in which the use of the drugs resulted in deaths. The former director of the state food and drug regulatory body was executed in 2007 for abusing his position

by approving lethal counterfeit medicine in exchange for money.

Dolphin Protection

A research institute to protect rare endangered Chinese white dolphins has been set up in southwest China's Guangxi Zhuang Autonomous Region.

The Guangxi Beibu Gulf Chinese White Dolphins Research Institute will focus on the protection of the Chinese white dolphin and other rare wild animals, as well as marine ecological monitoring and marine pollution prevention.

Known as the "maritime panda," the Chinese white dolphin is the country's most endangered marine animal and has first-class state protection in China.

The Chinese Academy of Fishery Sciences estimates that about 2,000 of the dolphins are living in China's seas.

Anthrax Cases

Seven cases of cutaneous anthrax have been confirmed in northeast China's Liaoning Province, local health authorities said on August 13.

A village in Liaozhong County where three cases were reported is under quarantine as a ban was placed on livestock and meat products entering or leaving its boundaries, the Liaoning Provincial Health Bureau said in a statement.

It said no fatal cases had been reported.

On the same day, a health ministry spokesman said in Beijing that two cases of cutaneous anthrax had been confirmed in Lianyungang in eastern Jiangsu Province.

"We will closely follow the development of these cases and make sure the disease is under control," he pledged.

HAPPY HARVEST An old Tibetan poses with her harvested highland barley and wheat along the Yalong River in Qoingyi County, Tibet Autonomous Region on August 14



DAVID HUBBARD

Forex Funds Down

China's central bank said on August 14 that yuan funds outstanding for foreign exchange fell to 25.66 trillion yuan (\$4.07 trillion) at the end of July. It was a drop of nearly 3.82 billion yuan (\$606.35 million) month on month.

The dip was the result of the country's shrinking export and foreign direct investment amid global economic woes. Trade surplus stood at \$25.15 billion in July, far less than market expectations. Export growth edged up 1 percent in July from one year earlier, but fell 1.8 percent month on month.

The decrease in yuan funds outstanding for foreign exchange is also a strong indication of speculative capital flowing out of

the country amid the sovereign debt crisis in Europe, the economic slowdown in the United States and rising expectation of a weaker yuan, analysts said.

China's slowing economy has raised concerns over its growth prospects, and has to some extent accelerated the exodus of foreign capital from the country.

No Anti-dumping Duty

The Ministry of Commerce (MOFCOM) announced that it will end an anti-dumping tax levied on dichloromethane imported from the United Kingdom, the United States, the Netherlands, Germany and the Republic of Korea starting on August 15.

MOFCOM made the decision after domestic industries failed to submit review applications with evidence sufficiently showing that the imports could inflict damage upon them.

The ministry in February asked domestic industries to apply for a review on the case to decide whether to continue the anti-dumping duty that ends on August 15.

On August 16, 2001, the ministry began levying a five-year anti-dumping tax on dichloromethane, commonly used as an industrial solvent. The tax was renewed for another five years in 2007.

Oil-Gas Discovery

China National Offshore Oil Corp. (CNOOC) announced on August 14 that it has made a major discovery in the Bohai Sea, successfully appraising two wells in the sea's Qinhuangdao 29-2 structure.

CNOOC said that it has discovered 218.4 meters of oil pay zones in the Qinhuangdao 29-2E-4 well, with a thickness of up to 133.7 meters.

The well is capable of producing 6,600 barrels of crude oil and 4.5 million cubic feet of natural gas per day.

The Qinhuangdao 29-2 structure is located in the central and northern part of Bohai, with an average depth of 27 meters.

NASDAQ De-listing

Focus Media Holding Ltd., a Chinese digital media company, is planning to de-list itself from NASDAQ in the largest ever such move.

The decision follows a series of attempted management buyouts of Chinese companies in recent months, many of which had seen their accounting practices questioned and their valuations take a hit as a result.

China's top private equity funds, including FountainVest Partners Co. Ltd. and China Everbright Ltd., and the U.S. buyout fund Carlyle Group LP, are offering \$3.5 billion



MORE EFFECTIVE A worker operates a multi-cored forging hydraulic press in Tangshan Hi-tech Zone in north China's Hebei Province on August 14. The assembly, with a capacity of 4,000 tons each year, is the first of its kind in China and is able to increase material utilization ratio by 30 percent

Numbers

10.7%

China's real GDP growth between 2003 and 2011 was 10.7 percent on a yearly basis, said the National Bureau of Statistics on August 15.

6.3482

The central parity rate of the yuan against the U.S. dollar stood at 6.3482 on August 15, skidding to an eight month low, according to the China Foreign Exchange Trading System.



TAPPING WORLD MARKET A woman of the Salar ethnic minority group inspects products in Qinghai Yijia Ethnic Commodities Co. Ltd., the world's largest manufacturer of Muslim products

to take Focus Media Holding Ltd. private and are working toward that goal with Jiang Nanchun, CEO of Focus Media.

Wal-Mart's Stride

MOFCOM approved plans by Wal-Mart to increase its stake in a holding company of Chinese e-commerce website Yihaodian to 51.3 percent from 17.7 percent.

The deal was granted with restrictive conditions that will prevent Wal-Mart from entering China's value-added telecommunications service market through Yihaodian's business, which MOFCOM feared may impede market competition.

The transaction still needs further regulatory approval and has to meet other final conditions to be completed, said Christina Lee, senior director of Wal-Mart China's cor-

porate affairs.

If successful, the acquisition will allow Wal-Mart to gain control of China's largest online supermarket and grab a bigger slice of the country's booming online shopping market.

Canton Fair

The 112th China Import and Export Fair will be held from October 15 to November 4 this year, according to a press conference co-organized by the Consulate General of China in New York City and China Foreign Trade Center (CFTC) on August 14 in Manhattan, the United States.

The fair, also known as the Canton Fair, is held biannually in Guangzhou, capital of south China's Guangdong Province, every spring and autumn. It has been held uninterrupted since 1957. As the largest trade fair

New Financial Head

Chinese banker **Cai Jinyong** was announced as the new executive vice president and CEO of the International Finance Corp. (IFC), a member of the World Bank Group, on August 10.

Cai will become the first Chinese to take over the position in the history of IFC. Following Justin Yifu Lin, he is another Chinese finance professional to hold a senior position in the World Bank Group. His appointment will come into effect on October 1.

"I am pleased that a world-class financial and development professional like Cai has decided to bring his considerable talent to the work of the IFC," said World Bank Group President Jim Yong Kim.

Cai has more than 20 years of experience in the financial services industry and related development.

IFC is the largest global development institution focused exclusively on the private sector.

It is dedicated to helping private sectors in developing countries achieve sustainable growth and reduce poverty for the betterment of people's living conditions.



in China, it attracts over 200,000 buyers from more than 200 countries and regions in the world to participate annually.

"The upcoming fair will provide a unique platform for international commercial exchange, as well as sharing knowledge and information," said Xu Bin, Deputy Director General of CFTC.

4.5%

Power consumption growth, dragged down by a surprise industrial output slowdown, slowed to 4.5 percent from a year earlier to 455.6 billion kwh in July, said the National Energy Administration on August 14.

51%

Anhui Conch Cement Co. Ltd., the country's biggest cement producer, said its net profit plunged nearly 51 percent year on year in the first half of 2012.

THIS WEEK WORLD



People prepare giant flower carpet at the Grand Place in Brussels, capital of Belgium, on August 14. The biennial flower carpet, made up with about 600,000 begonia and dahlia flowers, debuted on that day

BELGIUM



Navy cadets march at the mausoleum of the founder of Pakistan, Muhammad Ali Jinnah, during a ceremony to mark the country's 65th Independence Day in Karachi on August 14

PAKISTAN



Two gazelles square off in the Rabat Zoo on August 8



Survivors mourn over the covered bodies of earthquake victims in East Azerbaijan Province on August 12. By August 15, the death toll had risen to more than 300 people with thousands more injured following twin earthquakes that struck northwest Iran on August 11

IRAN



A re-enactment group dressed as French army soldiers ride horses in Slakov, Czech Republic, on August 11 during the traditional Napoleonic Days, marking the 243rd anniversary of the birth of Napoleon Bonaparte and the 200th anniversary of the French-Russian War in 1812

CZECH REPUBLIC



College students wearing traditional Punjabi clothing dance during Teej festival celebrations at Khalsa College for Women in Amritsar on August 11. The Teej festival marks the start of the rainy season

INDIA

MOROCCO



COVER STORY

NEW CONTROLS IN

After sending out state inspectors, a new round of housing price regulation may be implemented By Liu Xinlian



THE MAKING

RISING UP: A construction site in Beijing in June

China's housing sector is waiting for the second shoe to drop. Last month China sent eight teams of central government officials to 16 provinces to check on the implementation of its property curbs. With the Central Government's inspection team returning to Beijing at the beginning of August to submit reports that will be used to determine future property policy changes, speculation has arisen that China may set new property controls as early as this month.

New price-control measures may soon hit China's property market, which just began to show signs of a rebound following government measures to stimulate the slowing economy, said the state-run Xinhua News Agency.

Yang Hongxu, Vice President of E-house China R&D Institute, said the housing market currently faces pressures of price rebounds. If no new control policy is rolled out, market expectations for home price hikes will be reinforced in the second half of 2012.

Inspectors' mission

The inspection comes as home prices are rebounding.

In June, more major Chinese cities saw home price rise from May, according to government statistics. It was also the first time since September 2011 that the number of cities with price increases exceeded that of cities experiencing price drops.

In July, the average new home prices in 100 major cities rose for the second month by 0.33 percent month on month, and the price rise was 0.05 percent in June, according to data from the China Index Academy.

A report by SouFun.com, a real estate website, said in July new home prices showed their biggest gain since June 2011.

First-tier cities, such as Beijing and Guangzhou, have seen a much faster recovery in house turnover. During the first three weeks of July, turnover in first-tier cities grew 29 percent compared to last year to hit 1.8 million square meters, while third-tier cities grew only 1 percent, according to Centaline Group, a Hong Kong-based property agency.

Although the warming of the realty sector was said to be the result of bigger discounts and interest rate cuts this year, the sales and price surges in some cities have caused alarm in the Central Government which fears its recent macroeconomic easing policies may

have sent the wrong message to the market.

The eight teams were tasked with tapering property speculation and evaluating the effects of the curbing measures that have been introduced so far, the Central Government said.

This is the biggest inspection team sent by the Central Government in recent years, according to China Central Television (CCTV), the national broadcaster. The participation of high-rank officials from key government departments added to the inspection's leverage. The inspection team to Fujian and Zhejiang provinces was led by Mu Hong, Vice Chairman of the National Development and Reform Commission, the country's top economic planner. The team to Sichuan Province and Chongqing Municipality was led by Wang Bao'an, Vice Minister of Finance.

The government envoy visited local housing projects and talked to government officials, developers, home buyers and housing agents.

In his inspection in Fuzhou, Mu asked a staff member in a house registration department how to define the second home buyer. He also urged Fuzhou Mayor Yang Yimin to release the house transaction data in July as soon as possible.

Although the State Council's inspection teams provided positive feedback on the implementation of housing control policies in the 16 provinces and municipalities they visited, Hunan, Hubei and Hebei provinces were asked to promptly impose "corrective measures" as local home prices look likely to rebound.

A local and central game

While Mu was inspecting Zhejiang, the province's third-tier city Yiwu was reported by *China Securities Journal* to have cancelled the home purchase limit from the beginning of this year.

"I did read relevant media reports and will discuss it with my team," Mu told CCTV.

Many local governments have tried to boost the housing market by not strictly implementing property control policies, such as providing incentives to home buyers and lifting the public housing fund and loan caps.

According to Yu Fenghui, a senior financial commentator, since tightening curbs on the property sector in 2010, 33 Chinese cities have issued easing policies going against the Central Government's property restriction policies.

On February 9, 2012, Wuhu in east China's Anhui Province released a housing policy, offering subsidies to first-home buy-

ers. In October 2011, Foshan in southern Guangdong Province said it would allow residents to buy a second home.

In May housing regulators in Yangzhou in east China's Jiangsu Province announced the beginning of an incentive policy for new home buyers.

"For years, China's housing sector has been a game between local and central governments," said Yang, Mayor of Fuzhou.

The housing boom in the past decade has caused local governments to rely heavily on land sales. The sale of land now accounts for more than 60 percent of local governments' total revenue, according to the *2011 Blue Book of Real Estate* released by the Chinese Academy of Social Sciences.

"The local governments have become the biggest beneficiary and driving force of housing price increase," said Ma Guangyuan, a senior financial commentator.

With home prices soaring beyond the reach of average wage earners, the Central Government implemented tightening measures in 2010 to bring home prices down, including restricted home purchases while requiring higher down payments and introducing property taxes.

Last year more Chinese cities witnessed much higher unsuccessful land auctions than the previous year.

"Failed land auction has surely added pressure to local governments' fiscal conditions," said Song Huiyong, an analyst with Centaline.

When Mu asked why Fuzhou has not released its latest property market data, Yang said the information would cause more harm than good.

"The outlook of China's realty sector has become even more complicated than before in that the game playing between local governments and the Central Government is getting

HOME IS THE BEST: Harbin of Heilongjiang Province will have completed construction of 39,000 subsidized housing units like this community by the end of this year



more and more intense,” Yang said.

The Central Government pledged to keep the curb policies firmly in place, while local governments expected property market easing in hopes of improving their fiscal situation and boosting weaker local economies, according to Yang.

“Sending the inspection team demonstrated the Central Government’s determination to urge the local governments to implement tightening policies,” Yang added.

The central authorities have reiterated their firm stance on property market regulation many times this year. Premier Wen Jiabao said earlier in July the government must make unswerving efforts to ensure house prices return to reasonable levels and block a price rebound that would undermine the effects of previous efforts.

In the notice jointly released by the Ministry of Land Resources and the Ministry of Housing



HIGH ABOVE GROUND: Construction workers work on scaffolding at a housing project in Nanjing, Jiangsu Province, on June 30

and Urban-Rural Development in July, the Central Government showed its determination to maintain a firm grip of the real estate market and consolidate previous achievements in bringing down home prices to prevent a rebound.

“Local authorities must strictly implement property control policies,” according to the notice. “Those that have loosened up controls must set straight the policies.”

Chen Guoqiang, Vice Chairman of the China Real Estate Society, said it is necessary for the Central Government to urge local governments to be fully responsible for price control efforts and ensure the implementation of previous policies.

Room for control

New restrictions on China’s real estate market may be on the way as soon as this month, reported *China Securities Journal*.

“If the housing market isn’t cooled, new tightening measures may be released soon,” said Yang.

According to Yang, the new policies could include raising the transaction tax on existing homes, expanding a property tax trial, raising the transaction tax on second-hand homes and launching accountability measures against local governments.

The new measures may be implemented in August to avert further increases in property prices as the market enters the traditionally high price season of September and October, said Zhang Dawei, Director of the Market Research Department with Beijing Centaline Property Co. Ltd.

Details and timing of the new policies will largely depend on the report produced by a government inspection team, which just concluded a nationwide check on the implementation of local property rules, said *China Securities Journal*.

Many economists also called for further improvement in the taxation mechanism to regulate the market, which will not only cover transactions but also possession of real estate.

Chinese policy makers have clearly stated that property tax trials will be expanded, according to Jia Kang, Director of the Research Institute for Fiscal Science under the Ministry of Finance.

China introduced property tax trials in the cities of Shanghai and Chongqing at the beginning of last year as part of efforts to curb runaway home prices. ■

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