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NATION: FIGHTING FOOD WASTE P.26

BEIJING REVIEW

VOL.56 NO.9 FEBRUARY 28, 2013

北京周報 WWW.BJREVIEW.COM

A CLOSE LOOK

China's top legislators and advisors ready for historic annual meetings



RMB6.00
USD1.70
AUD3.00
GBP1.20
CAD2.60
CHF2.60
JPY188

ISSN 1000-9140



9 771000 914130

邮发代号2-922 · 国内统一刊号: CN11-1576/G2

CHINAfrica

中國和非洲



12 issues a year at a subscription rate of 180 RMB

SUBSCRIPTION HOTLINES
(8610) 6831 0644, 6899 6223, 6899 5808

An Africa-oriented English monthly covering China and Africa published by BEIJING REVIEW, ChinaAfrica is the only one in China featuring news, views and analysis for an African audience.



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Beijing Review (ISSN 1000-9140) is published weekly for US\$64.00 per year by Cypress Books, 360 Swift Avenue, Suite 48, South San Francisco, CA 94080, Periodical Postage Paid at South San Francisco, CA 94080. POSTMASTER: Send address changes to Beijing Review, Cypress Books, 360 Swift Avenue, Suite 48, South San Francisco, CA 94080



BEIJING REVIEW

A News Weekly Magazine
Published Since 1958

http://www.bjreview.com

E-mail: contact@bjreview.com.cn

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International Cooperation: Zhang Yajie
Legal Counsel: Yue Cheng

North America Bureau
Chief: Huang Wei
Deputy Chief: Xu Tao
Tel/Fax: 1-201-792-0334
E-mail: wei298@hotmail.com

General Editorial Office
Tel: 86-10-68996252
Fax: 86-10-68326628
English Edition
Tel: 86-10-68996259
Advertising Department
Tel: 86-10-68995813
Fax: 86-10-68329398
E-mail: ad@bjreview.com.cn
Distribution Department
Tel: 86-10-68310644
Fax: 86-10-68328738
E-mail: circulation@bjreview.com.cn

Published every Thursday by
BEIJING REVIEW, 24 Baiwanzhuang Lu,
Beijing 100037, China.
Overseas Distributor: China International Book Trading
Corporation (Guoji Shudian), P. O. BOX 399,
Beijing 100044, China
Tel: 86-10-68413849, 1-416-497-8096 (Canada)
Fax: 86-10-68412166
E-mail: fp@mail.cibtc.com.cn
Website: <http://www.cibtc.com>
General Distributor for Hong Kong, Macao and Taiwan:
Peace Book Co. Ltd.
17/F, Paramount Bldg, 12 Ka Yip St, Chai Wan, HK
Tel: 852-28046687 **Fax:** 852-28046409

Beijing Review (ISSN 1000-9140 USPS 2812) is published weekly in the
United States for US\$64.00 per year by Cypress Books,
360 Swift Avenue, Suite 48, South San Francisco, CA 94080
News Postage Paid at South San Francisco, CA 94080
POSTMASTER: Send address changes to *Beijing Review*,
Cypress Books, 360 Swift Avenue, Suite 48,
South San Francisco, CA 94080



EDITOR

Two Sessions to Come

The full session of the 12th National People's Congress (NPC) will kick off on March 5.

The agenda includes deliberating and approving the Government Work Report to be delivered by Premier Wen Jiabao; checking and approving reports on the implementation of the annual plan on national economic and social development in 2012 and the draft plan for 2013; checking and approving reports on budgets; and hearing and deliberating three work reports by the NPC Standing Committee, the Supreme People's Court and the Supreme People's Procuratorate.

However, the most eye-catching agenda of this year's NPC session is the election and nomination of State and ministry-level leaders. Xi Jinping, who assumed the post of general secretary of the Central Committee of the Communist Party of China (CPC) last November, and Li Keqiang, a member of the Standing Committee of the CPC Political Bureau, are expected to be elected as chairman of the country and premier of the State Council, or China's cabinet, respectively. The new leadership, supported by new faces within the ministries, will guarantee China's development in the coming five to 10 years.

Following the 18th National Congress of CPC last November, the NPC will also convene under the backdrop of China gaining a more dynamic presence on the world stage, while its reform is approaching a juncture where it will be more complicated to tackle difficult issues. It is no wonder the meeting will garner world attention.

More than 2,000 deputies will meet in Beijing to discuss state affairs, including economic growth, adjustment and control of prices—especially in the real estate sector—income distribution, reform in education and medical care, environmental protection, and urbanization, among other topics.

Meanwhile, an almost equal number of members of the 12th National Committee of the Chinese People's Political Consultative Conference will join in the discussions. The advisory body, though not participating in the election, will conduct political consultation by providing various proposals.

No matter what will be discussed at the two sessions, reform will remain the major buzzword. Based on accomplishments reached during the past 35 years since the nation adopted the reform and opening-up policy in 1978, with the wisdom of the people and the new leadership, we have every reason to be confident that China's reform will gain more momentum. ■

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TURKEY.....YTL5.00 HK.....HKD9.30 NEPAL.....RS40

北京周报 英文版 2013年 第9期 ISSN 1000-9140 广告许可证 0171号北京市期刊登记证第733号
邮发代号2-922·国内统一刊号: CN11-1576/G2 国内零售价: 人民币6.00元



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A full-page photograph of a snowy scene in Hangzhou. A person in a dark coat and hat walks from left to right, holding a blue umbrella. The ground is covered in a thick layer of snow. In the background, there are large, leafless weeping willow trees with long, drooping branches. A black park bench and a red trash can are visible on the right side of the path. The overall atmosphere is quiet and wintry.

SNOW BEAUTY

A pedestrian walks along the West Lake after heavy snow blanketed Hangzhou, capital of east China's Zhejiang Province, on February 19.

Many cities in eastern and central parts of the country received heavy snowfall, starting in the late evening of February 18, as a cold front moved in from the north.

As a result, the first day of school was postponed and many flights and trains were cancelled or delayed.

Quake Warning

People survey the aftermath of an earthquake in Yaoshan Township in Qiaojia County, southwest China's Yunnan Province, on February 19.

The 4.9-magnitude earthquake injured 10 people, toppled 139 houses and damaged more than 4,200 others.

China is planning to build a national earthquake monitoring and warning system in five years, said the China Earthquake Administration.

A trial program including nearly 100 monitoring stations is being carried out in southeast China's Fujian Province and has proven successful.



Groundless Accusation

Chinese military authorities said on February 20 that the country's armed forces had never backed any hacking activities, denouncing the U.S. cybersecurity firm Mandiant's report as groundless both in facts and on a legal basis.

Chinese law forbids any activities disrupting Internet security and

the Chinese Government sternly punishes all cybercrimes, said Geng Yansheng, a spokesman for the Ministry of National Defense, at a briefing.

Mandiant on February 18 released a report, alleging that a secret Chinese military unit in Shanghai was behind years of cyberattacks against U.S. companies.

Geng said that Mandiant's report was groundless in fact because the report came into the conclusion

that the source of attack came from China only with the discovery that attacks were linked to IP addresses based in China.

Mining Halted

China's safety watchdog said on February 19 that it will suspend or shut down operations in more than 5,000 non-coal mines that do not meet safety standards in 2013.

The government will take steps to reduce the death toll of accidents in non-coal mines below 900 this year, according to a statement released by the State Administration of Work Safety.

The administration said that it will order mines to enhance safety

measures, improve their emergency response mechanisms and build monitoring systems.

China's hundreds of thousands of non-coal mines, most of which are operated at a small scale with poor safety conditions, are major targets of work safety campaigns.

Overseas Adoptions

More than 3,000 Chinese mainland children were adopted by overseas parents in 2012, according to figures from the Ministry of Civil Affairs.

Citing adoption registration statistics, the ministry said on February 20 that a total of 24,635 Chinese mainland children were adopted in 2012.

Of the adoptees, 87 percent were adopted by people on the mainland, while the remaining 3,311 children were adopted by Hong Kong, Macao or Taiwan residents, Chinese nationals living in foreign countries or foreigners.

The ministry added that around 74 percent of children adopted by overseas parents in 2012 were disabled or older children.



OVERSEAS DISPLAY

Abu Dhabi's Crown Prince Sheikh Mohammed bin Zayed al Nahyan (first right) visits the booth of China North Industries Corp. during the Defense Exhibition and Conference 2013 in Abu Dhabi, the United Arab Emirates, on February 18



JOLLY FESTIVAL

Ethnic Tibetans in Baoping County, southwest China's Sichuan Province, celebrate Shangjiu Festival, a local event held on the ninth day of the first month in the Chinese lunar calendar to pray for good harvest, on February 18

Grain Acreage

China plans to secure more than 111.27 million hectares of land for grain farming before the end of this year, a senior official said on February 17.

Minister of Agriculture Han Changfu said at a work conference that the country will put forth every effort to ensure that the grain-growing acreage for the spring planting season remains over 61.33 million hectares.

Different regions will take advantage of their respective agricultural features to increase the acreage of high-yield crops, Han said.

China's grain output rose 3.2 percent to a record high of 590 million tons in 2012, marking the ninth consecutive year of growth.

Wildlife Protection

More than 200 wildlife product trafficking cases were cracked and more than 100 criminal suspects apprehended in a multinational crackdown, China's wildlife watchdog said on February 17.



JIAN HONGJING

China led the operation involving 22 Asian and African countries from January 6 to February 5, according to the State Forestry Administration.

Through "Operation Cobra," forestry authorities confiscated 6.5 tons of ivory, 1.6 tons of Tibetan antelope wool, 22 rhino horns, 10 tiger hides, as well as other protected animal and plant species and products derived from them.

The operation marked the first time for China to lead a cross-continent joint crackdown on such crimes.

Yin Hong, Deputy Director of the administration, said that the operation shows the country's resolve

and capability to push forward multilateral cooperation to crack down on the trafficking of illegal wildlife products.

Free Schooling

China will beef up support for secondary vocational education by expanding the coverage of free schooling for all students, authorities said on February 20.

The Ministry of Education said that it is an "irresistible trend" to offer free schooling to all students at secondary vocational schools.

The ministry said that the policy to exempt students at secondary vocational schools from tuition fees

has been adopted in nine provincial-level regions.

According to a national regulation, urban students majoring in agriculture-related subjects or having financial difficulties and all rural students have been exempted from tuition fees at secondary vocational schools since the autumn semester of 2012.

The ministry also said that insurance should be provided for students who intern before graduation to ensure their personal safety.

Culture Inheritance

The Chinese Government has approved a plan to protect and showcase cultural resources in northwest China's Gansu Province as part of efforts to promote cultural prosperity and support economically underdeveloped regions.

The project is primarily inspired by the Silk Road that once spanned the entire province from east to west, as well as abundant resources related to ancient civilizations in Gansu, according to Minister of Culture Cai Wu.

Gansu officials said that the project will focus on the protection of cultural heritage, the inheritance of cultural traditions, collating and publishing ancient books, and organizing contests and exhibitions.

New Criteria

Culture and Internet authorities are planning to develop China-specific criteria for diagnosing minors' addiction to online gaming, according to a workplan jointly issued by 15 ministry-level authorities on February 17.

China's online gaming industry took in revenue worth 24.84 billion yuan (\$4 billion) in

the first half of 2012.

However, minors' addiction to online gaming has caused serious social problems, which sometimes lead to juvenile crimes, said officials with the Ministry of Culture.

Approximately 150 million of China's Internet users are believed to be below the age of 19.



LI WEN

Spring Tea

Tea farmers pick early spring tea leaves in Zhaoping, Guangxi Zhuang Autonomous Region.

Zhaoping is renowned for its spring tea. The county has a total of over 100 tea companies, with a production value of nearly 800 million yuan (\$128.24 million) every year.



Opposite Investment Trend

Foreign direct investment (FDI) inflow into China shrank by 7.3 percent year on year to \$9.27 billion in January 2013, the Ministry of Commerce (MOFCOM) said on February 20.

The pace of decline quickened from the 4.5-percent drop registered in December. The country's FDI inflow has been dropping since June 2012 as the global economy falters and China's labor costs increase.

In January, the manufacturing sector received the largest share of FDI, which reached \$4.43 billion, down 5.8 percent year on year.

FDI for the service sector witnessed a greater decline. The sector saw \$4.03 billion of FDI in January, down 9.8 percent year on year. Particularly, FDI in the property sector dipped 14 percent from a year ago.

Although the January FDI figures have dropped, there is some positive news, said MOFCOM spokesman Shen Danyang. In

January, the EU set up 140 enterprises in China, with a total investment of \$820 million, up 30.8 percent and 81.8 percent, respectively, year on year.

Compared with the lackluster FDI figures, Chinese outbound direct investment (ODI) in non-financial sectors amounted to \$4.91 billion in January, an increase of 12.3 percent year on year.

The Chinese invested in 777 foreign companies in 123 countries and regions.

Chinese investment in ASEAN, Australia, EU and the United States even doubled compared with January 2012.

Among all regions, Shandong, Guangdong and Jiangsu provinces as well as Beijing were top outbound investors.

More U.S. T-bonds

China remains the largest foreign U.S. creditor after increasing its holdings of U.S. Treasury bonds by \$19.7 billion in December 2012, data released by the U.S. Treasury Department showed on February 15.

December 2012 was the third consecutive month in which China increased its holdings of U.S. Treasury securities.

A total of \$1.203 trillion in U.S. Treasury bonds were held by China at the end of 2012.

Japan, the U.S.'s second largest creditor, also increased its holdings of U.S. Treasury bonds to \$1.12 trillion in December.

At the end of December 2012, U.S. Treasury bonds held by major foreign creditors totaled \$5.56 trillion, higher than the \$5.54 trillion in November, and an increase for 12 consecutive months.

First Profits

Hong Kong Disneyland announced on February 18 that it earned a profit of HK\$109 million (\$14.06 million) in the fiscal year ending September 29, 2012, the first time the park recorded a profit since its opening in 2005.



BACK TO ANXIETY

After the Spring Festival, job hunters crowd a job fair held in Shijiazhuang, north China's Hebei Province



ACCESS TO ESSENCE

A craftsman adds color to a cloisonné bottle in Beijing. The Cloisonné Museum of the Beijing Cloisonné Factory is holding free workshops during February and March, allowing visitors to observe the ancient decoration technique

The park generated record revenues of HK\$4.27 billion (\$550 million), up 18 percent from the previous fiscal year.

A record 6.73 million people visited the park during the fiscal year, up 13 percent. Chinese mainland and overseas tourists accounted for two thirds of the total attendance.

Andrew Kam, Managing Director of Hong Kong Disneyland Resort, said the result was encouraging, adding that the attendance, hotel occupancy and guest spending levels continued to smash records.

Made-in-China Titanic

Australian billionaire Clive Palmer plans to build a modern replica of the *Titanic*, in cooperation with state-owned CSC Jinling Shipyard, based in east China's Jiangsu Province.

Interest around the world in Palmer's *Titanic II* is growing, with passengers willing to shell out big bucks to hop on board.

"We've probably had half a



dozen people already offering more than \$1 million to get on the maiden voyage," said James McDonald, global marketing director of Palmer's Blue Star Line.

But the company won't reveal how much the *Titanic II* will cost.

According to the Blue Star Line, construction on the *Titanic II* is scheduled for February 26, and its maiden voyage from England to North America will begin in late 2016.

The *Titanic II* will stay true to the design of the ill-fated original, but with more focus on a safety deck.

Selling Cars Abroad

Chinese carmaker Geely will start selling its Belarus-assembled cars in the eastern European country in February and in Russia this spring.

Set up in 2011, the Belarusian-

Chinese joint venture BelDzhi will first launch the Geely SC7, a sedan that will cost approximately \$12,990. The company can assemble 10,000 cars a year.

BelDzhi's assembly facilities are located in Zhodino and Borisov.

Plans are to market the Belarusian-Chinese vehicles in Kazakhstan and the EU in the future.

Slow Production

China's non-ferrous metal production expanded at a slower pace last year compared with a year earlier.

The total production of 10 kinds of non-ferrous metals grew 9.3 percent year on year to 36.91 million tons in 2012, down 1.3 percentage points, according to the Ministry of Industry and Information Technology (MIIT).

A total of 8,057 major non-ferrous metal producers tracked by the ministry cumulatively saw their profits decline 8.9 percent to 155.8 billion yuan (\$24.81 billion).

The MIIT explained that the sector was confronted with excessive production capacity, rising production costs and weak market demand in China and the rest of the world.

The sector's total production is expected to continue to grow at a moderate pace this year, and there is still no sufficient impetus to support a strong rebound in market demand due to a faltering economic recovery around the world.

Numbers

20,000

Number of pirated books that were confiscated by local authorities in Zhoukou, central China's Henan Province when authorities raided a publishing house suspected of printing phony books

33%

Year-on-year growth rate of the value of overseas bankcard transactions made by Chinese tourists during the Spring Festival holiday

1.3 tln yuan

Profits of centrally administered state-owned enterprises in 2012, up 2.7 percent year on year

832.18 tons

Amount of gold bought in China in 2012, an increase of 9.35 percent

Connected to The Grid

The No. 1 generating unit of Hongyanhe Nuclear Power Plant, located in northeast China's Liaoning Province, is put into use on February 17.

The picture shows ancillary facilities of the No. 1 generating unit.

After the plant's construction will be fully completed in 2016, it is expected to generate 45 billion kilowatt hours of electricity a year.



THIS WEEK WORLD



INDIA

Workers participate in a rally during a two-day strike called by trade unions opposing the current government's economic policies in Hyderabad on February 20. Financial services and transport were hit by the nationwide strike of millions of participants



THE PHILIPPINES

A resident walks over debris of destroyed homes near a collapsed roof after an overnight fire in a slum area in Manila on February 19. Almost 500 houses were destroyed, leaving 2,000 residents homeless



EUROPE UNION

An inspector from the Netherlands Food and Consumer Product Safety Authority checks meat products in Utrecht on February 15. The authority is now in charge of slaughterhouses due to the horse meat scandal in Europe





FRANCE

A sculpture made of oranges and lemons under the theme "80 days around the world" is placed in Menton on the French Riviera on February 15 ahead of the start of the Fete du Citron, or lemon carnival, that runs from February 16 until March 6



VENEZUELA

Supporters of Venezuelan President Hugo Chavez celebrate Chavez's return home on February 18 in Caracas after nearly 70 days of cancer treatment in Cuba



RUSSIA

Workers repair a power line near the wall of a local zinc plant which was damaged by a shockwave from a meteor in the Urals city of Chelyabinsk, on February 15. A meteor strike in central Russia left over 1,000 people injured

“What matters are the wishes you send, not the money you put in an envelope.”

Wang Zuoyi, a folklore expert in Beijing, commenting on *yasuiqian*, cash sealed in a red envelope given to children during the Spring Festival



“Fireworks add to the festive spirit and entertain children in particular. The biggest occasion for Chinese people would be dull without them.”

Shen Yongqiang, a 65-year-old villager in Jiangxi Province, speaking on February 18. In China, the Spring Festival is traditionally celebrated by fireworks, which is believed to ward off evil spirits, but some have complained that the tradition has come at the expense of air quality



“For young people who are smothered by their families, there must be a channel for them to voice their anxieties and troubles.”

Zhang Qi, Deputy Director of the Psychological Counseling Center at East China Normal University, stressing the importance of providing psychological counseling to young people on February 18



“Nepotism and restrictions on *hukou*, or household registration, are obstacles deterring some overseas students from returning to China.”

Wang Huiyao, Director General of the Center for China and Globalization based in Beijing, speaking to *China Daily* on February 19



PING-PONG DIPLOMAT



Zhuang Zedong, former world *ping-pong* champion, died of cancer at the age of 73 in Beijing on February 10.

The star played a pivotal role in “*ping-pong* diplomacy” that led to the thaw in Sino-U.S. relations during the 1970s.

Zhuang was born in Yangzhou, east China’s Jiangsu Province, and became one of the world’s top players in the 1960s, when he claimed three single world titles in a row.



MYSTERIOUS MICROBLOGGER



Zhang Hongming, who started the “Study Xi Fan Club” microblog on Sina during November 2012, has grabbed national attention.

The microblog details the movements of Xi Jinping, who was elected general secretary of the Central Committee of the Communist Party of China last November, via photos provided by both the public and journalists. On February 10, Zhang posted a notice claiming to be the microblogger.

Zhang, a Sichuan native, was born in the 1980s and works as a painter in Wuxi, Jiangsu Province.



DISAPPEARING LOCAL FLAVOR

Lifeweek
January 31

In China, traditional handmade food is gradually being replaced by streamline produced products.

For example, Nanjing salted duck, a famous local dish, used to sell out immediately after preparation. In the past, visitors to the city would often take some of the well-known duck home to share with their families. However, today, salted duck is vacuum packed and sold in almost every outlet in train stations and airports. It has lost its original flavor and tastes similar to packaged Dezhou braised chicken and Beijing roast duck.

Although vacuum packed food is easy to produce and convenient to carry, people miss traditional handmade food, which is tastier, but takes more work to prepare due to the intricacies of working with fresh ingredients.

The difference in personal dispositions between various regions can be partly attributed to the diversity of local cuisine.

Social Trust Declines

China Youth Daily
February 17

A blue paper released by the Institute of Sociology at the Chinese Academy of Social Sciences showed that social trust in China has fallen, based on a survey carried out in seven major Chinese cities including Beijing, Shanghai and Guangzhou. Less than half of the respondents believe the majority of people are trustworthy while fewer than 30 percent said they have faith in strangers.

The survey included detailed interviews with more than 1,900 residents. Results showed that trust among people has declined sharply and that more than 70 percent of the respondents do not trust strangers. Of all sectors of society, the public is most distrustful of businesses. Meanwhile, trust among people of different social groups is weakening. The distrust on the part of the public toward officials and the police, patients toward doctors, as well as consumers toward businesspeople is further deepening.

Wang Junxiu, an associate research fellow with the institute and editor in chief of the blue paper, said distrust has grown given flaws in China's economic and legal systems and the poor implementation of laws during the country's social transformation, which occasionally bring about fraudulent conduct. Meanwhile, the malpractice, corruption and dereliction of duty by government officials further deteriorate the trust of the public toward local governments and businesses.

"Without common values shared by members of society, the moral system would col-

lapse; mutual trust among members cannot be reached; and ultimately, society will make no progress in this regard," Wang warned.

Pay After Treatment

Yangtze Evening Post
February 19

The Ministry of Health has called on hospitals to implement the "pay after treatment" system on a trial basis. Patients in China are now expected to pay their medical expenses first and then apply for health insurance reimbursement following treatment. The new initiative requires hospitals to advance treatment fees so that patients will

only need to pay their own part of the fees above the expected reimbursement. The remainder will be paid by health insurance providers directly to hospitals. In addition, patients will no longer need to pay a deposit in order to receive medical treatment.

The new system has so far been piloted in some hospitals in Shandong Province. Hospital staff members say the system helps patients receive more convenient medical treatment, but added that it also places a higher demand on hospitals. Also, it is limited by region because there is still not a nationwide medical insurance settlement system. Supporting measures are therefore needed to guarantee its effectiveness.

FATTER CHINESE

Oriental Outlook
February 7

Chinese people are becoming increasingly fat. In 1985, the average waistline of China's urban males was 63.5 cm, but now the figure has reached nearly 76.2 cm. In other words, waistlines have expanded more than 15 percent in the past 28 years.

The World Health Organization predicts that China's overweight rate will increase to between 50 and 57 percent in 2015.

There are two main reasons for gaining weight: eating too much and exercising too little. Most Chinese young people today eat at cafeterias at work or at restaurants, with only a few cooking at home. Normally, such facilities serve food with a high oil and sugar content, which leads to obesity.

At the same time, people exercise less and less. According to a survey, in 2007 people sat for 3.8 hours a day on average, however, the figure rose to 4.8 hours in 2010.

The obesity problem needs urgent attention as it puts a huge burden on the country's medical service. Overweight people have a higher rate of contracting diabetes, cardiovascular diseases, and cancer. Obesity has become the fourth biggest medical concern after HIV/AIDS as well as drug and alcohol addiction and the fifth mostly likely cause of death.



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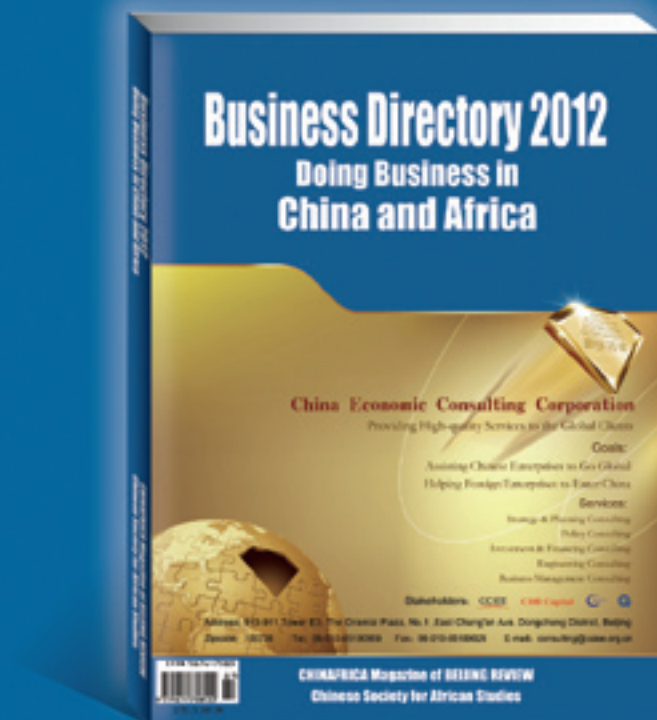
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COVER STORY

From the Editor: The first plenary session of the 12th National People's Congress and the 12th National Committee of the Chinese People's Political Consultative Conference are set to convene in March. *Beijing Review* has asked three of its special commentators—An Gang, Mei Xinyu and Kerry Brown—to present a series of analytical pieces covering topics related to the “two sessions,” including leadership transition, reform, economic growth, social issues and China's diplomacy. Following are the articles.

AN UPCOMING SPRING FOR REFORM

China prepares to fulfill its leadership transition and pursue its most crucial national goals

By An Gang

The upcoming First Plenary Session of the 12th National People's Congress, China's top legislature, and the First Session of the 12th National Committee of the Chinese People's Political Consultative Conference, the country's top advisory body, will finally complete the country's leadership transition.

The job performance of the new leadership of the ruling Communist Party of China (CPC), headed by Xi Jinping as general secretary of its central committee, in the past months has been described as a “dream start”—the Chinese public has clearly seen the emerging fresh look of the new leadership in governing a state, deeply sensing a promising future for China as well as an exciting and beautiful “China dream” for the people.

New start for reform

It is undeniable that Chinese society underwent a period of anxiety and fickleness marked by a public full of complaints, soaring grievances, acting on one's own will and rebuking government aimlessly. All these signs pointed to the rapidly growing rich-poor wealth gap and the damaged state of social

justice. It is an unavoidable winding step in the course of China's development, however, which originated from the variety of reform bottlenecks and the emerging middle-income trap, as well as being directly related to the economic downturn worldwide.

Chinese leaders do not evade any problems or block the public from expressing their will. By discussing openly the major policies and theories as well as frequent base-level field investigations and public opinion surveys, they fully demonstrate the resolve for top-down reform.

The series of moves of the new leaders after the 18th CPC National Congress have instilled in the public a vivid feeling of the rhythms of reform from the top level.

During a visit to an exhibition on China's development since 1840 in Beijing last November, Xi said, “Realizing the great renewal of the Chinese nation is the greatest dream for the Chinese nation in modern history.” He also emphasized that spouting empty talk is harmful to the nation, while doing practical work can help it thrive. Xi's remarks highlighted that people's prosperity and a strong country are the two

greatest common goals of Chinese society. He also spoke of restoring the social cohesion of Chinese society.

A commentary article on the British website *Ftchinese.com* remarked on the new look of Chinese politics that the right perception is a precondition for the right action. It is true that the new leadership has already taken action. On December 4, 2012, the Political Bureau of the 18th CPC Central Committee held its first meeting after taking office. The meeting adopted a document making explicit requirements on how Political Bureau members should improve their work style in eight aspects, including reducing meetings, getting rid of superfluous language, shortening traffic control during officials' visits, and exercising thrift. The new regulations have sent a clear signal that the top leadership sets itself as an example.

From December 7 to 11, 2012, Xi went to Shenzhen, Zhuhai, Foshan and Guangzhou in southern Guangdong Province for field investigations, dubbed the “new southern tour,” signaling a continuation of the great course of China's opening up and reform started by former leader Deng Xiaoping in the late 1970s.

Prior to Xi's tour, during a meeting on November 21, 2012, Vice Premier Li Keqiang, who is expected take over the premiership next month, said that opening up and reform is the biggest dividend of China's development, in addition to being warmly welcomed by the public. The moves of the new-generation leaders demonstrate clearly they will waste no time knocking down barriers and deepening the reforms in important areas with greater political



FIELD SURVEY: Xi Jinping, General Secretary of the Central Committee of the Communist Party of China, visits the home of impoverished villager Ma Maizhi on February 3. Xi presented school supplies to Ma's children in the Bulenggou Village of the Dongxiang Autonomous County, northwest China's Gansu Province

courage and wisdom.

Within China, the public has keenly caught on to the political signals by top-level officialdom and echoed it with action. Now, a new environment for reform with the positive interaction between the public and high-level officials is taking unprecedented shape. Many greedy officials have been ousted by an online anti-corruption campaign launched by the public.

Xi said openly that the Party should remain tough on corruption and crack down on malfeasance by both low- and high-ranking officials. In the meantime, Xi ordered enhanced restraint and supervision on the use of power. Power should be limited within the cage of regulations, Xi said.

A discussion about the direction of China's reform is underway nationwide, which will help to reach consensus on promoting the steady progress of the reform. The discussion has underlined the importance of political restructuring and drawn an outline for improving the style of the leadership and the ruling mode of the Party, assuring effective governance of the country under the leadership of the Party and safeguarding the rights and freedom people enjoy according to law.

In the new decade, China will abandon the "GDP first" principle and pay more attention to people's livelihood. A more comprehensive, balanced and sustainable development pattern will reconsolidate Chinese society and stimulate the development vitality and innovation capacity of China, setting a new path for China's development and reform.

Commitment to peace

At a group study session held on January 28 with members of the CPC Central Committee Political Bureau, Xi said that China will remain on a path of peaceful development and explained how to pursue that path. Xi stressed first and foremost that China should run its own affairs efficiently and rely on its own strengths. Xi also said that the country will never surrender its legitimate rights or sacrifice its core national interests.

"No country should presume that China will engage in trade involving our core interests or swallow the 'bitter fruit' of harming our sovereignty, security or development interests," he added.

China's core interests are both multifaceted and wide-ranging. Raising and defining explicitly the conception of China's core interests is one of the major achievements in the theory and practice of Chinese diplomacy. A whitepaper entitled *China's Peaceful Development* released by the Chinese Government in September 2011 said that China is firm in upholding its core interests: state sovereignty, national security, territorial integrity and national reunification, China's political system established by the Constitution and overall social stability, and the basic safeguards for ensuring sustainable economic and social development.

China is at a special and crucial juncture approaching the great renewal of the Chinese nation, during which the most important thing is maintaining a trend of peaceful development. As China develops, it is increasingly necessary to show its determination and effectiveness in safeguarding its core interests. Meanwhile, safeguarding the core interests of the country relies on national strength and will, the solidarity

and maturity of the nation and the firmness and wisdom of its diplomacy. Not a single aspect can be ignored.

With the growth of China's national strength and the advancement of social transformation, Chinese diplomacy has to take into consideration many more factors to maintain its core national interest. The country's diplomatic efforts must rise to its defense. A grand strategy with a comprehensive approach is needed, with a healthy dose of caution when pitting core interests against the overall development objectives of China. Its diplomatic approach is not an either/or question between perceived "softness" and "toughness."

Handling disputes over territorial sovereignty and maritime rights properly is not contradictory to China's adherence to peaceful development. On the one hand, China firmly opposes any behavior that impairs its territorial sovereignty and maritime rights; on the other hand, China works actively to create a favorable atmosphere and conditions for peaceful solutions to relevant disputes through dialogue and consultation.

From China's reaction to the disputes over the Huangyan Island in the South China Sea and the Diaoyu Islands in the East China Sea in 2012, we can conclude that China has held consistently to the principle of shelving disputes in favor of joint resource development.

In the new era, peaceful development is still the banner of Chinese diplomacy and the extension of domestic development and reform. China will unswervingly pursue the road of peaceful development, with its growing overall strength as a solid backing force. The fact that China has become increasingly powerful shows that it has more capacity to maintain its core and major interests and prevent wars, which should not be misinterpreted to suggest that China's diplomacy will be tougher or even go to war. ■

The author is an op-ed contributor to *Beijing Review*

dingzhitao@bjreview.com

COVER STORY

EXPECTATIONS ON THE COMING SESSIONS

China's development is far from complete. So what more must be done?

By Mei Xinyu



The author is an op-ed contributor to *Beijing Review* and a researcher with the Chinese Academy of International Trade and Economic Cooperation

Two decades ago, economists, especially those outside China, could accurately anticipate global economic trends without paying much attention to the sessions of the national congress of the ruling Communist Party of China (CPC), the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC). Today, however, these sessions could be hardly ignored by any acute market watchers.

China alone contributed half of global GDP growth in 2011 and 2012. According to World Economic Outlook issued by the International Monetary Fund in April last year, China accounted for 14.3 percent of the world's real GDP in 2011, almost the same as that of the eurozone. All this indicates that the NPC and CPPCC sessions, which are set to convene early next month, will not only decide the layout of China's economic and social development in the coming years, but will also influence world economic trends.

Leadership transition

Leadership transition, which began at the 18th CPC National Congress in November last year,

would be completed smoothly. That will be a big comfort to the world.

The European sovereign debt crisis doesn't look like it will end any time soon. The U.S. economy has just managed to get over the fiscal cliff. Emerging economies began to suffer turmoil since the second half of 2011.

A turbulent economy usually calls for strong government intervention to prevent disaster. There have been many lessons in this aspect, one of which is Japan. The former high-flying economy was set to surpass the U.S. economy in the 1980s, but after its economic bubbles burst, the country fell into depression and hasn't emerged from its two "lost decades." Economic factors of course were to blame, but frequent central government changes played a key role. Similarly, a commonly acknowledged reason for the European Union's inability to cope with its debt crisis is the lack of strong leadership. Having seen these lessons, many nations are pinning hopes on China's smooth leadership transition and the country's stable economic growth so as to help stabilize the global economy.

The leadership transition will ensure China's long-term political stability and policy continuity. The country has made impressive economic achievements after the founding of the People's Republic of China in 1949, particularly since the launch of reform and opening-up policies in the late 1970s. China now is the world's second largest economy measured by GDP.

However, past achievements do not

provide an absolute guarantee for future development. In the 20th century, many developing countries saw their economies take off, but only a limited number of them rose to developed-nation status. Of the 108 countries whose per-capita income was lower than \$7,000 in 1970, only four of them had become high-income countries by 2010 according to World Bank standards. Among them, Antigua and Barbuda, Equatorial Guinea and Malta are island economies with small populations and territories. Equatorial Guinea is also rich in oil. However, Antigua and Barbuda and Equatorial Guinea have been plagued by many flaws in their social development. Only South Korea, with a comparatively large population and a territory of nearly 100,000 square km, has witnessed sound social development alongside economic growth.

Internal political turmoil has been a major factor halting the progress of many developing nations, and leadership transitions often ignite social and political conflicts. China has had its own bitter experience in this respect. Therefore ensuring the stability of its political system and allowing a smooth leadership transition are preconditions for the country's sustainable economic and social development.

Continuity and changes

Frequent self-inflicted setbacks are the source of calamities and chaos in big nations. Compared with other major economies, a big advantage of China's political system is its ability to guarantee a consistency of major policies.



WORKING FOR THE FUTURE: Workers operate on lines producing truck components in Baotou, Inner Mongolia Autonomous Region, on October 26, 2012

In 2012, the CPC realized a smooth leadership transition. It is of little doubt that the same will happen during the upcoming NPC and CPPCC sessions.

Maintaining continuity, however, does not mean ignoring the need for change. China's sustainable economic development increasingly relies on the transformation of its economic growth pattern and social stability based on a fair income distribution. "The key point in studying national development and national strength is not to look at indicators such as GDP, but at where the profits go and how the profits are distributed among laborers," said Zhang Wenmu, a professor with the Strategy Research Center at the Beijing University of Aeronautics and Astronautics.

Problems to be tackled

The 18th CPC National Congress put forward a plan to transform China's economic growth

pattern and set the goal of doubling per-capita GDP and individual income by 2020 from 2010 levels. These are admirable goals. However, transforming the country's growth pattern will bring about profound adjustments, which will affect the lives of many people. The impact will not be completely positive. We should be fully prepared to manage the consequences. High-income Chinese should not expect to continue enjoying incomes that are disproportionately higher than those of the majority of the population. Even the so-called middle class should not expect to gain without giving. Take a simple example. For at least a dozen years, China's urban middle class has been used to hiring cheap hourly household workers and going to restaurants priced in the mid-range because labor costs were low. As wages—especially those of the vast low-income group—are bound to increase, the middle class will certainly have to spend more to maintain the same comforts. In

fact, the rapid increase in the costs of household services and the catering industry in recent years have proved this.

China is also facing other severe problems, such as a regional development disparity, corruption and environmental pollution. And none of these problems can be easily solved. However, there is reason to be fully confident in its chosen path of development. It is believed that the participants of this year's NPC and CPPCC sessions and the soon-to-be elected leadership will be more prepared than ever to stand up to the challenges. ■

COVER STORY

CHINESE LEADERSHIP GRIPS FUTURE

The National People's Congress looks to address growth, education and other important challenges **By Kerry Brown**



The author is an op-ed contributor to Beijing Review and executive director of the China Studies Center at the University of Sydney

The political calendar in China is something that most non-Chinese don't understand that well. Part of that is due to a lack of knowledge about the structure of governance in the country. They know there are ministries and they know there is the Communist Party of China (CPC). They may well have followed the buildup and outcome of the 18th CPC National Congress late last year and assumed that this was when all leadership changes were made. But if you were to point out to many in Europe or North America that there are still important government changes to be made at the National People's Congress (NPC), this would no doubt cause confusion. The quickest way to explain the function of the NPC is to refer to it acting like a parliament.

What helps even more is to explain that the NPC is in fact speaking directly to the government through the State Council, which collects the heads of ministries and executive government bodies. That means that when the NPC sits down each year it is primarily discussing government plans for the coming year. That supplies the parallel to a parliament in other systems. It is there to scrutinize and discuss proposals, and give some idea about what public

opinion and government intentions might be about issues that need to be decided.

Government changes

The main issue for the NPC this year is to reveal a bit more about what the new leadership will look like in policy terms. The transition from the last CPC Central Committee with Hu Jintao as general secretary to the new one under Xi Jinping occurred during the CPC National Congress in November last year. But that was part of what we can call a longer transition. Now the main Party positions at the Standing Committee of the Political Bureau, the full Political Bureau and the Central Committee have been completed, it is time for government changes. They will occur in the NPC. A new premier will be announced, and some new ministers and vice ministers. We can say by the end of this that full Party and government changes, at least centrally, will have been made. From the day the NPC closes we will have a largely new team to get to know.

And getting to know them is important. The euro crisis might be receding, and the U.S. economy growing a bit, but globally development remains sluggish. The tough times since 2008 are continuing. China's role as an economic stabilizer during much of this is as necessary now as it was back in the days when Lehmann Brothers shocked the world by collapsing and heralding the start of a major financial implosion. China has continued to account for a large proportion of global GDP growth. The decisions that the new government team make on the

economy, on the housing market and interest rates in China will be as much international as domestic in their significance.

During this NPC too we will want to see what sort of specific reforms the government will want to embrace socially as well as economically. We know that the 12th Five-Year Plan (2011-15) is the overarching macroeconomic blueprint, and that it contains the key promises the government has made up to 2015. But from this point, we will also start to look at clues for what might be formulated in the succeeding plan. The 12th one was called the greenest that China has ever produced. But China's water and air quality, its reliance on fossil fuels and its energy efficiency are going to remain huge issues. Investment in clean and renewable technology likely needs to go up sharply.

So is investment in education. The previous five years saw the proportion of GDP spent on education increase, with rural schooling in particular getting attention. At the tertiary level, a rising proportion of Chinese are now going to universities. But the challenges of providing education across society from primary up to tertiary level are going to persist, simply because without this investment in human capital, the desire to shift to a more service-oriented economy, and one where manufacturing is more specialized and in the higher value-added sectors, will not be possible. The need for an increasingly well-educated workforce is going to intensify in the coming years. It is likely therefore that this NPC will have to look at committing more resources to this critical area.

The 12th Five-Year Plan and the previous



SERVE THE PEOPLE: Gui Qianjin, a 26-year-old college graduate working as a village official in the Zhangping She ethnic minority group town of Guixi City, Jiangxi Province, conducts a field survey in a local village on February 19. The young village official was elected deputy to the upcoming 12th National People's Congress in March

NPC session also looked at social management. Expenditure on public security like police is high, with the costs of arbitration between different contesting groups rising as their claims on land, or public goods, or other material assets increase. Investment in social infrastructure and ways of delivering social cohesion will need to continue. The creation of a stakeholder society where people are able to take responsibility increasingly for their affairs is part of the journey toward middle-income status for the country and a doubling of per-capita GDP by 2020.

But having systems in society that can mediate between different income groups and create harmony among them is something that takes time. In particular, the discussions this NPC has about increasing land rights, pensions or household registration reforms will be important. Each of these poses major policy challenges, which have been heavily discussed in the past. The main issue now is to get some sense of where the new leadership might wish to go with these reforms and how they build on the legacy of the last group of leaders.

Austerity politics

One of the moves made by the new leadership in the Standing Committee of the CPC Central Committee Political Bureau since last November is to cut down on official expendi-

ture. Officials have been told to restrict how much they spend on entertainment and banquets. They have been told to economize on travel, domestically and overseas.

Austerity politics have been in existence in Europe and North America now for over five years. Here, governments, whatever their political complexion, have a common problem. In the United States, fights are looming over the deficit between the president and Congress, with the government due to spend over \$3.5 trillion, and revenues from tax and other income sources only coming in at \$1 trillion less than this. Funding this massive shortfall has become a political time bomb. In the UK, public spending continues to rise way beyond government predictions, with a \$90-billion increase this year, at a time when tax revenues are going down.

The Chinese Government's finances are not in this position, but there is a sense in which a more frugal period is here and in which the government has to become more fiscally efficient and focused on economizing. What will be of most importance in the NPC for many observers therefore will be some idea of where resources and expenditure are likely to be committed in the coming year, in which areas there are likely to be increases, and in which (for instance capital investment) there are likely to be reductions, or at least a freeze. This is different this time because it will be seen as representative of

what a new and still largely little understood leadership is aiming to do in the longer term.

Finally, there is the issue of how the new leadership in the NPC communicates both domestically and internationally. We are used to the ways in which those leaders now retiring spoke and the sorts of messages they conveyed in their public language. During the NPC we are likely to see, for the first time, the new leadership speaking at length about their ideas for the future and where China now needs to go, and see where these remain the same as the previous leadership and where there might be developments or differences of emphasis.

Presentation is often dismissed too easily, with people being keen to say how much they value substance. But at the end of the day, presentation does matter, in intellectually and, to some extent, cognitively persuading people to accept an argument or at least think about it. The ways in which the NPC shows us officials, leaders and influential figures prioritizing challenges, seeking new ways to approach issues and revealing something about their attitude toward policy innovation are important. After all, a lot has changed since last year, and this will be as good a chance as any to assess what has happened, where we all stand, and in which direction we, China and the world, are likely to go. ■

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