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BEIJING REVIEW

VOL.56 NO.12 MARCH 21, 2013

北京周報 WWW.BJREVIEW.COM



PIVOTAL HANDOVER

**New generation of top leaders
takes center stage**

¥9.00/ISSUE
US\$1.70
AUS\$2.00
GBP1.20
CAD2.60
CHF2.60
JPY28

ISSN 1000-9140



9 771000 914130

12>

邮发代号3-922 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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Cover Photo: Xi Jinping (right) shakes hands with Hu Jintao at the Great Hall of the People in Beijing on March 14 (XINHUA)

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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



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Tel: 86-10-68310644
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Published every Thursday by
BEIJING REVIEW, 24 Balwanzhuang 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/FI, 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

The March Forward

In China, the month of March is marked by the opening of the nation's two monumental political sessions—the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) respectively. The annual sessions aim to deliberate and adopt important decisions regarding issues of national concern. The NPC is the country's supreme legislative organ, while the CPPCC is the top political advisory body.

This year's two sessions have attracted even wider attention than usual, as China's top state and government leadership change was discussed and passed at the sessions—including the president, premier, chairman of the NPC Standing Committee, as well as chairman of the CPPCC National Committee. Hence, the just-concluded sessions have been hailed as the nation's most significant meetings of the decade, second perhaps only to the 18th Communist Party of China (CPC) National Congress held last November, when Xi Jinping became general secretary of the CPC Central Committee.

At this year's NPC meeting, Xi was elected China's new president and chairman of the nation's Central Military Commission (CMC). Since the early 1990s, the CPC general secretaries have concurrently held the positions of president and CMC chairman, which is believed to have enabled them to handle the Party, state and military affairs more efficiently. As expected, Xi's three other colleagues on the seven-member Standing Committee of the Political Bureau of the CPC Central Committee, Li Keqiang, Zhang Dejiang and Yu Zhengsheng, respectively became Chinese premier and chairmen of the NPC and the CPPCC at the two sessions.

As the four new top leaders shook hands with their predecessors upon their election or appointment, the smooth transition of China's state power reached completion. The ambitious yet formidable missions of building a stronger and better-off country were also formally handed over to this new and younger generation of Chinese leaders. The nation's people eagerly expect this historic handover to lead China to march forward toward an even brighter future. ■

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

北京周报 英文版 2013年 第12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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FOR A GREENER FUTURE

A boy waters a newly planted sapling alongside his mother in Ji'nan, capital of east China's Shandong Province, on March 10, two days before Tree Planting Day. Volunteers planted trees that day in a bid to green the nation.

On Duty

China's marine surveillance ship *Haijian 83* arrives at the Yongxing Island, part of the Xisha Islands in the South China Sea, on March 9 for regular patrols.

Haijian 83, 262 and 263 and helicopter *Haijian B-7103* patrolled the Xisha Islands for nine days. The patrols inspected marine resources and ecology, and set up profiles of each island.

It is the first time for the Chinese marine surveillance helicopter and ships to be simultaneously dispatched to patrol the Xisha Islands since July 2012.



Integrated Mapping

China will build up an integrated mapping system to cover the ground, underground, sea, air and outer space by 2020, said a senior official of the national surveying and mapping authority.

The system, when completed, will facilitate the country's economic development, national defense and government decision-making, Li Pengde, Deputy Director of the National Administration

of Surveying, Mapping and Geoinformation, told Xinhua News Agency on March 11.

The system will also provide spatial positioning information conducive to coping with emergencies and providing people with convenience.

For this purpose, Li said, the system will adopt new-generation equipment and technologies, including surveying vehicles and vessels, medium- and low-altitude remote sensing mapping

platforms, aerospace mapping satellites and underground measuring robots.

Rating Web Games

Chinese parents are in grave need of an age-rating system for online games to protect their children, according to a study report issued by the government news portal www.youth.cn on March 9.

The country still does not have a unified content-rating system for the online games industry, which relies on individual games developers to classify their own products into suitability-related groups.

Based on its own standard, the report found that 78.5 percent of the games should be restricted to adult

players above 18, while only 2 percent were appropriate for children above 6.

However, about 80 percent of China's more than 564 million Internet users are minors, who definitely need more child- and teen-friendly games, according to the report.

China's online gaming industry took in revenue worth 24.84 billion yuan (\$4 billion) in the first half of 2012.

Cyber Threat

China's Internet security watchdog said on March 10 that a growing number of Chinese public institutions and companies have been threatened by cyberattacks from other countries or regions.

The news portal China.com.cn, people.com.cn and Tibet.cn have all been victims of attacks from foreign Internet Protocol (IP) addresses in the past two months, according to a report issued by the National Computer Network Emergency Response Technical Team Coordination Center.



HAIRCUT DAY

A barber shaves a boy's head in a kindergarten in Shandong Province on March 13, the second day of the second month of the lunar calendar. The "dragon raising head" day is auspicious for haircuts



SPRING FARMING

Farmers plant roots of kudzu vines in Qilin Township in Xingwen County, southwest China's Sichuan Province, on March 10

A total of 85 websites of public institutions and companies were hacked from September 2012 to February 2013, including government agencies, a provincial examination authority, a property insurance company and a virus research facility in central China, according to the report.

It noted that attacks on 39 of those websites were recorded from IPs within the United States.

From November 2012 to January 2013, the China National Vulnerability Database also recorded 5,792 hacking attempts from U.S. IP addresses, said the report.

Moreover, in the past two months, 6,747 overseas servers were found to use trojans or botnets to control nearly 1.9 million mainframes in China, and 2,194 of these servers were located in the United States, making it the largest point of origin for cyber attacks against China, said the report.

Bridge Renovation

More than 21,600 hazardous bridges



JIAN HONGSHANG

in China have been renovated in the past 12 years, said the Ministry of Transport on March 12.

At least 37 bridges collapsed across the country from 2007 to 2012, killing more than 180 people and injuring at least 177, according to earlier reports. A succession of high-profile bridge accidents in recent years has attracted a wave of attention and criticism from the public.

"Bridge construction and safety is an issue of public concern and one of the key tasks of transport departments across the country," said a statement published on the ministry's website.

A total of 43.88 billion yuan (\$7.05 billion), including 17 billion yuan (\$2.73 billion) from the ministry, was invested in the renovation of

21,610 hazardous bridges from 2001 to 2012, curbing the high incidence of bridge accidents, according to the statement.

Stealth Frigate

The Chinese Navy commissioned a China-developed next-generation stealth frigate on March 12.

The country's first "type 056" stealth frigate, formerly known simply as "ship 582," was named *Bengbu* at a ceremony in a naval port in Zhoushan, a coastal city in east China's Zhejiang Province.

Bengbu is the name of a prefecture-level city in east China's Anhui Province, and literally means "oyster wharf" in Chinese.

A senior navy general endorsed a PLA flag and naming

certificate to the naval unit receiving the frigate.

Type 056 frigates are developed independently by China and expected to be deployed primarily for escort missions and anti-submarine operations.

Gene Bank

Tibet Autonomous Region will start construction of its first genetic resource bank within the year, regional authorities said on March 13.

The bank will help Tibet protect its genetic resources and ensure sustainable conservation, according to the region's Science and Technology Department.

The bank will be used to preserve plant seeds, as well as DNA from animals and microorganisms.

Tibet's biodiversity is abundant, but its environment is relatively fragile, said Li Hui, a researcher with the Institute of Tibetan Plateau Research under the Chinese Academy of Sciences.

The bank will help to ensure the continuation of some species for further study, as well as aid in breeding research for endangered species, Li said.

Tibet is home to more than 9,600 plant species, including 855 species that are unique to the region. It also has 800 species of wild vertebrates, 123 of which are under national-level protection.

Tribute to Revolutionary

People pay respects to a statue at Dr. Sun Yat-sen's Mausoleum in Nanjing, capital of east China's Jiangsu Province, on March 12, in commemoration of the 88th anniversary of Sun's passing.

Born in 1866 in Xiangshan County (now Zhongshan City)

in south China's Guangdong Province, Sun is known for his leading role during the 1911 Revolution, which overthrew the imperial Qing Dynasty (1644-1911) and put an end to more than 2,000 years of feudal rule in China. He died of liver cancer in Beijing at the age of 58.



JIAN WUJING

Spring Tea Picking up

Wang Zhiying, a 37-year-old tea farmer, picks white tea in Zixi County, central China's Jiangxi Province.

The county is now harvesting its 32,000 *mu* (2,133 hectare) of white tea, which has been an economic boon to the poverty-stricken area.



Consumer Prices Up

Due to rising food prices during the Spring Festival holiday (February 9-15), China's annual consumer inflation rate rebounded to a 10-month high of 3.2 percent in February, according to the National Bureau of Statistics (NBS).

CPI rose 1.1 percent in February, according to the NBS.

Food prices, which account for nearly one third of the weighting in China's CPI, remained a key driver of inflation in February, as the Spring

Festival pushed up demand. Food prices jumped 6 percent in February, pushing the CPI up by 1.98 percentage points.

Considering the holiday effect and the increase of fuel prices in February, the rebound is largely in line with market expectations. However, the upward trend is unlikely to continue as the holiday effect fades and warmer weather starts to bolster food supplies, said Yu Qiumei, a statistician with the NBS, suggesting CPI growth will ease in March.

February's producer price index (PPI), which measures inflation at the wholesale level, fell 1.6 percent year on year, said the NBS. The drop marked the 12th straight month of decline after the PPI dropped in March 2012 for the first time since December 2009. On a monthly basis, the PPI gained 0.2 percent, the NBS data showed.

Helping Small Firms

The Ministry of Industry and Information Technology on March 8 unveiled a detailed plan to support the country's small and micro-sized enterprises, a sector that continues to face operation challenges.

Small and micro-sized companies have faced great operating pressures and rising costs, the plan notes.

It aims to promote the growth quality and efficiency of those enterprises by providing better public services, further improving financing services and alleviating their operating burdens.

The country will support more than 500 financing firms to help small enterprises get financing this year, according to the plan.

China will also provide training for 500,000 management personnel and 1,000 business leaders.

Small and micro-sized firms in China serve as a significant channel for creating jobs and spurring entrepreneurship.

Coalbed Gas Boost

China will earmark more funds to further exploit its coalbed methane reserves amid increased efforts to step up new energy exploration.

The Chinese Government will allocate more money from the central budget to encourage the inflow of private capital for this emerging energy sector, according to an industrial policy outline released



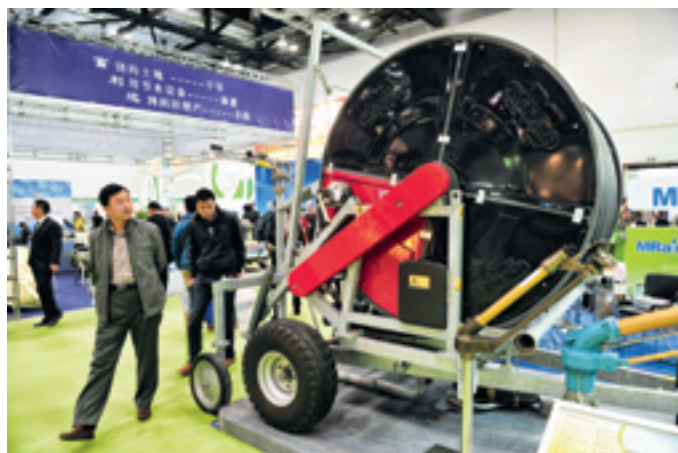
TAKE ME TO TAIWAN

A passenger checks in for the first direct flight from Urumqi, capital of northwest China's Xinjiang Uygur Autonomous Region, to Kaohsiung of Taiwan on March 12



AGRICULTURAL EXPO

People visit the China International Agricultural Equipment Exposition in Beijing on March 11, which has attracted over 400 firms from over 30 countries, demonstrating the latest plantation and gardening technology



YANG GUANG

online by the National Energy Administration on March 11.

Preferential measures include more financing for enterprises and improving gas pricing mechanisms.

China plans to complete the construction of two major production bases in the central and western regions in 2015, and increase the number from three to five in the next five to 10 years.

The Ministry of Land and Resources said previously that the country aims to produce 16 billion cubic meters of coalbed methane and put 7.4 billion cubic meters into use in 2013.

China's coalbed methane reserves are estimated at 36.8 trillion cubic meters, the third largest in the world after Russia and Canada.

30 Under 30

Forbes China, the Chinese language edition of *Forbes* magazine, has unveiled its second 30 Under 30 list of

top Chinese entrepreneurs under the age of 30. The list shows that hi-tech start-ups dominate the ambitions of the country's future tycoons.

This year's members include founders of businesses involved in everything from online advertising to Internet companies, with eight of the 30 entrepreneurs involved in Internet companies.

The southern business hub of Shenzhen is home to the most young entrepreneurs, with the city's vibrant atmosphere and entrepreneurial spirit seen as the perfect breeding ground for the next generation of business leaders.

The average age of the entrepreneurs is 27, with one third on the threshold of turning 30 next year, meaning more new faces are likely in next year's survey.

Largest Duty-Free

A massive commercial complex is being constructed in Sanya, a resort city in south China's tourist island province of Hainan, to house the world's largest duty-free shop.

The Sanya Haitang Bay International Shopping Mall project is expected to begin trial operations in 2014, said Chen Guoqiang, Assistant General Manager of the China Duty Free Group, the operator of the project.

Construction began on the 70,000-square-meter shopping mall project in April 2012. Chen said the project will combine the duty-free shop with other services, such as hotels, restaurants and entertainment venues, with the aim of creating a top international luxury consumption and experience center.

Numbers

620 bln yuan

Newly added yuan-denominated loans in February

3.78 tln yuan

Retail sales in the first two months of 2013, up 12.3 percent year on year

80.65 mln tons

Crude oil processing volume in the first two months of 2013, an increase of 3 percent year on year

104.71 mln sqm

Area of commercial housing sold in the first two months of 2013, up 49.5 percent year on year

Open Kitchen

Chefs work in a transparent kitchen of the Green Grassland Restaurant in Changsha, capital of central China's Hunan Province.

The restaurant opened up the kitchen for public observation to help satisfy food safety concerns.



LI CA

THIS WEEK WORLD



CHILE

Radio telescope antennas of the Atacama Large Millimeter/Submillimeter Array (ALMA) project stand in north Chile's Atacama Desert on March 12. The ALMA, which went online the next day, is the largest astronomical project in the world

AP/WIDEWORLD



THE NETHERLANDS

Former Dutch Prime Minister Jan Peter Balkenende (center) attends the launching ceremony of KLM airline's first transatlantic flight to run on biofuel derived from used cooking oil at the Schiphol Airport in Amsterdam on March 8



BRITAIN

A handler wearing a kilt shows his Irish wolf hound during the annual Crufts Dog Show in Birmingham, central England, on March 7

AP/WIDEWORLD





GERMANY

A girl jumps rope in a snowy schoolyard in Essen, western Germany, on March 12. Winter returned to wide parts of the country, bringing snow and cold temperatures that caused traffic chaos



BRAZIL

U.S. swimmer Michael Phelps (left) is greeted by children from the Rocinha slums by the pool at the favela's sports complex in Rio de Janeiro on March 11



JAPAN

Workers demonstrate emergency medical procedures during a drill in Tokyo on March 11 to mark the two-year anniversary of the 2011 earthquake and tsunami that left about 19,000 people dead or missing

“Whether I’m minister of railways or not does not matter. What is important is the development of the country’s railway industry.”

Sheng Guangzu, Minister of Railways, responding to the plan to dismantle the ministry into administrative and commercial arms



“If anybody knows where I can get a decent window squeegee, let me know.”

Chen Deming, Minister of Commerce, at a press conference on March 8 after recounting two unpleasant experiences of purchasing low-quality squeegees online



“China’s food monitoring system should be streamlined as the system is fractured and has many loopholes.”

Zhu Lieyu, a lawyer from south China’s Guangdong Province and a deputy to the 12th National People’s Congress, urging the government to restructure the country’s food supervisory system to restore customer confidence



“Marital problems are just like health problems. When arise, couples need to see ‘doctors’ to regain marital health.”

Chen Yiyun, a marriage researcher at the Chinese Academy of Social Sciences, speaking at the opening ceremony of the Family Harmony Project launched in Shanghai on March 6. The project is aimed at cultivating more professional counselors and psychologists to improve marriages



NEW CEO



Jonathan Lu, Executive Vice President of the Chinese e-commerce giant Alibaba Group, will become the company’s CEO on May 10, replacing Jack Ma, according to a company announcement on March 11. Lu, 43, has been working for Alibaba since 2000, a year after the company was founded. He founded the Alibaba.com sales team in Guangdong, was also the founding president of Alipay (Alibaba’s online payment service), and is currently Alibaba’s chief data officer and president of Aliyun Mobile Operating System.

Alibaba Group, founded in 1999, provides services for Internet users from more than 240 countries and regions across the world. Its relevant companies have more than 24,000 employees in more than 70 cities worldwide.



YOUNGEST CHAMPION



Fan Tingyu, a 17-year-old Chinese *weiqi* player, defeated Park Junghwan to win the seventh Ing Cup on March 6, becoming China’s youngest champion in the 2,500-year-old Chinese game, known internationally as Go. The star attributes his victory to hard work. The Ing Cup is held every four years and is the Go world’s most prestigious event.



Transforming Agriculture *China Newsweek* March 11

The Central Government encouraged the development of family farms and investment in rural areas in a document issued at the beginning of this year.

With Chinese agriculture's greatly improved productivity and the flow of rural labor into cities, the country's agriculture is going through a fundamental change from traditional to modern.

In 2012, the mechanization rate of agriculture reached 55 percent, double that of 30 years ago. This means that much less labor is needed to farm. At the same time, during the past 30 years, 250 million farmers have moved to cities, sharply reducing labor force in rural ar-

reas. Urban residents accounted for more than half the total population in 2012.

With the reduced rural population, per-capita arable land has increased, making it possible for one family to farm a larger area. According to statistics from the Ministry of Agriculture, the number of family farms that till land of more than 100 *mu* (about 66,600 square meters) had reached 2.7 million by the end of 2012.

However, problems remain in developing family farms. Many rural cooperatives are not playing their due functions in supporting family farms while clarification of rural land use rights is in slow progress.

More Flexible Taxation Policy *Beijing Business Today* March 8

Responding to the public call for raising the individual income tax threshold, Song Lan, Vice Minister of the State Administration of Taxation, said recently that it is impossible to further raise the threshold as increasing it to 3,500 yuan (\$563) in 2011 has already reduced the number of tax payers from 90 million to 30 million.

Is the 3,500 yuan threshold low? There is no standard answer to this question because China is a vast country with imbalanced economic and social development across regions. In Beijing, 3,500 yuan is low for middle and upper-middle income groups because, although these people make more money, they have to sustain a high living cost in the big city. Raising the threshold can leave them more money to support themselves. However, in most northeastern cities, the 3,500 yuan threshold means that most middle and upper income groups are exempt from individual income taxes. Further raising it will have limited benefit to society.

The threshold should be set by local governments according to local conditions, because it's hard to come up with a threshold that suits all provinces.

Adjusting Population Policy *YNET.com* March 9

Premier Wen Jiabao said in the government work report delivered at the First Session of the 12th National People's Congress that China will stick to its family planning policy and in the meantime work to improve its overall stance to suit the change in demographic structure and promote long-term and balanced development.

The one-child policy came into being un-

der particular historical conditions. The Central Committee of the Communist Party of China issued an open letter in 1980, stating that a different approach could be adopted 30 years later, when population growth slowed down. Now, after 30 years, the effect of the policy in controlling population growth is evident. However, as China is facing different economic and social situations, it's time to adjust and improve.

The shortcomings of the current population policy are increasingly obvious. For example, aging is a serious issue, the demographic dividend is disappearing and only-child personality problems are emerging. Families that have lost their only child also have pressing social problems. In Shanghai alone, 1 million families have no children, which is very shocking. Slightly loosening the family planning policy will not lead to a

population explosion as cities that have allowed a second child haven't had a birthrate rebound. However, the growth rate of population should be kept lower than that of the economy to ensure that living standards are not dragged down.

The adjustment of population policy should take into consideration common people's opinions. This year's government report on further improving population laws reflects an active response to common will. Accordingly, the function of population and family planning departments should be transformed. Besides, these departments should provide reproductive services to the people, and respect and guarantee their rights to give birth. Only by doing so, can they steadily push forward the betterment of population policy and solve the problems of population size, structure and distribution.

Prescriptions by Bill Gates *Caixin*

February 25

On February 12, *Caixin* magazine interviewed Bill Gates in Mexico City. He talked about how to make charitable organizations more effective and programs he had carried out in China.

As founder and former CEO of Microsoft, Gates topped the *Forbes* rich list for 13 years from 1995 to 2007. The Bill & Melinda Gates Foundation is one of the largest private charity foundations. By December 2012, its total assets had reached \$36.2 billion.

Ever since the foundation set up an office in China in 2007, it had invested more than \$200 million in such programs as HIV/AIDS and tuberculosis.

Talking about China's charity causes, Gates said the number of foundations is small and charity is at a starting stage, with most programs focused on disaster relief. The government can effectively push forward charity by helping entrepreneurs establish organizations and offer tax incentives.





COVER STORY

LEADING FROM THE

Top leadership formally assumes duties and stands poised to turn dreams into



GENERATION SHIFT: State and Party leaders (from left, front) Jia Qinglin, Wu Bangguo, Hu Jintao, Xi Jinping, Wen Jiabao and Li Keqiang, (from left, back) Zhang Gaoli, Liu Yunshan, Zhang Dejiang, Yu Zhengsheng and Wang Qishan attend the opening meeting of the First Session of the 12th National People's Congress in Beijing on March 5



FRONT

reality By Yin Pumin



LAN HONGGUANG

The First Session of the 12th National People's Congress (NPC), China's top legislature, ended in Beijing on March 17 after a successful leadership transition.

Xi Jinping, General Secretary of the Communist Party of China (CPC) Central Committee and Chairman of the CPC Central Military Commission, was elected president and chairman of the Central Military Commission of the People's Republic of China at this NPC session. Zhang Dejiang was elected chairman of the NPC Standing Committee and Li Keqiang, premier of the State Council, China's cabinet.

Meanwhile, the 12th National Committee of the Chinese People's Political Consultative Conference (CPPCC) held its first plenary session on March 3-12. Members of the national advisory body elected Yu Zhengsheng as its chairman.

Analysts believe that the power transition promises forceful leadership, as well as organizational and personnel guarantees, for China's development over the next five years.

"The new leadership is a group that is well-educated and has experienced the entire process of reform and opening up," said Xie Chuntao, a professor at the Party School of the CPC Central Committee. "It will further push forward the implementation of major policies and principles proposed during the 18th CPC National Congress, which was held last November and established the new CPC leadership."

The 18th CPC National Congress said that at this stage, the CPC's task should be ensuring the construction of a moderately prosperous society in all respects by 2020, placing high importance on the next five years.

A pragmatic generation

Xie observed that the new generation of leaders have shown "capacity in controlling overall situations and tackling complicated emergencies," and "are well prepared for challenges and ready to seize opportunities."

All of them boast rich governing experience, having climbed the Party cadre echelon step by step.

Born in the 1940s and 1950s, the new lead- ►►



TWO SESSIONS CLOSE-UP

GREETINGS: Xi Jinping talks with female deputies to the 12th National People's Congress on March 8, International Women's Day



HUANG JINGYUAN



ers generally hold a realistic attitude of the world and China's development.

"They grew up in a totally different historic and social environment from their predecessors, which will, to a great extent, lead to a different conceptual approach to administration," said Dai Yanjun, another professor at the Party School of the CPC Central Committee.

Unlike the founding fathers of the People's Republic of China and previous generations of leading officials who grew up during wartime, the new leaders, mostly born around the founding of the new China, grew up in peacetime.

This allowed them to have a relatively complete and systematic education in mainstream socialist ideology, shaping their worldview and orientation of values.

The turbulent "cultural revolution" (1966-76) was a difficult time for them. Xi,

Li, Zhang and several other newly appointed officials toiled in the countryside, when millions of teenagers were sent to live and work in rural areas.

"They had the experience of working hard in rural areas," Dai said. "They witnessed the ups and downs of China's development and the success of the national renewal. They are firm supporters of reform and opening up."

It was during their rural work period that Xi and Li received their first official titles. Acting as the Party branch secretaries of their respective production brigades in Shaanxi and Anhui provinces, they had the opportunity to learn administration at the grassroots level.

Zhang spent years working in a small village in northeastern Jilin Province, while Yu worked as a technician at a radio factory in the city of Zhangjiakou in north China's Hebei Province for

several years.

"Such experiences are valuable," Dai said. "They give them a full understanding of society and the country, so that they will address state issues from the viewpoint of common people and focus more on improving people's livelihood."

Xi once said that he received a great deal of guidance from two groups of people: the old generation of revolutionaries and villagers in Shaanxi, his ancestral home where he worked on a farm for seven years.

"Officials should love the people in the way they love their parents, work for their benefit and lead them to prosperity," Xi has often said.

Before he was promoted in 2007, Xi held leading Party and government posts in both the comparatively underdeveloped inland and rural areas, such as a village in Shaanxi and



EXERCISING YOUR POWER: A deputy casts ballots at the fourth plenary meeting of the First Session of the 12th National People's Congress at the Great Hall of the People in Beijing on March 14.

LAN HONGJIAN

After assuming the posts of minister of construction and Party chief of Hubei Province, Yu succeeded Xi as Secretary of the CPC Shanghai Municipal Committee in 2007.

"Such experiences have enabled them to understand what the people need most. This ability cannot be learned from books and is also their big advantage," Dai said.

Another feature of the new leadership is that they have abundant learning experience and sound professional backgrounds.

Many of them studied in the best colleges in China, and some others attended in-service educational programs.

Their academic and educational backgrounds better meet the requirements of contemporary economic and social development, Dai said.

A feature of their academic backgrounds is that many studied humanities and social sciences while others majored in political science, law and management, giving them confidence in pushing forward reform in all respects, said Cheng Li, Director of Research at the John L. Thornton China Center of the Brookings Institution.

Xi studied chemical engineering at Tsinghua University and Li holds a doctorate in economics from Peking University. Both studied law in their respective academic institutions. Zhang also possesses a degree in economics, and Yu is the only one among the top leaders who majored in a technology-related field.

Xie said that the new leaders are not rigid or conservative, and they will guarantee adherence to reform and opening up and the path of socialism with Chinese characteristics.

"They participated in, witnessed and benefited from reform and opening up, and know what it was like before, so none of them want to turn back," Xie said.

As witnesses and participants in ongoing globalization, the new leaders also have a broad vision and know how to deal with the international community.

Xi made a successful visit to the United States last February while still serving as China's vice president. "The vast Pacific Ocean has ample space for China and the United States," Xi told *The Washington Post* in a written interview before his tour.

As vice premier, Li visited the three European nations of Spain, Germany and Britain in January 2011. Prior to his visits, he wrote three articles that were published in mainstream

newspapers in those countries stating China's development orientation.

The Chinese dream

During the more than 100 days since being elected as top Party leaders at the 18th CPC National Congress last November, the new leadership has impressed many with their closeness to the people and their forceful, pragmatic, efficient, self-disciplined and sober demeanors.

Early in his "inaugural speech" in front of reporters after being elected general secretary of the CPC Central Committee on November 15 last year, Xi spoke about the important role of the people and their desires for a better education, more stable jobs, higher incomes, better medical care, improved housing conditions and a better environment. "Meeting their desires for a happy life is our mission," Xi said.

Xi vowed to rally and lead the Party and all Chinese people in carrying the "relay baton" passed on to the new leadership by history, as well as in continuing efforts to achieve the great renewal of the Chinese nation.

Fifteen days later, when Xi and the other six members of the Standing Committee of the CPC Central Committee Political Bureau visited *The Road Toward Renewal* exhibition in Beijing, he further explained the ambitious goal of national renewal.

"The Chinese dream is about solving China's problems," said Zheng Bijian, former Executive Vice President of the Party School of the CPC Central Committee.

The Chinese can neither afford to dream of consuming 25 barrels of oil per person each year like the Americans, nor can they pursue their dream of development by colonization, he said.

"Fundamentally, the Chinese dream is about using a peaceful, civilized method to realize national development and the modernization of a socialist country," Zheng said.

"The Chinese dream has its own timetable and will be realized step by step," said Fan Peng, a research fellow with the Gansu Provincial Academy of Social Sciences.

"Looking toward the future, all Party officials have to keep in mind that to turn blueprints into reality takes a long time and it also demands long and hard efforts," Xi said at the exhibition.

According to Xi, China will achieve the goal of building a moderately prosperous society in all respects by 2020, before the CPC marks its 100th founding anniversary.

Zhengding County in northern Hebei Province, as well as the more prosperous coastal Fujian and Zhejiang provinces and the country's economic hub, Shanghai.

Like Xi, Li also has rich governance experience at local levels. Aside from being secretary of a village CPC branch in east China's Anhui in the mid-1970s, Li served as secretary of the Communist Youth League of China (CYLC) Committee of Peking University. He was a member of the Secretariat of the CYLC Central Committee and the Party chief of central China's Henan Province and northeast China's Liaoning Province.

Zhang served as Party secretary for four provincial-level regions from 1995 until late last year. These regions included the provinces of Jilin, Zhejiang and Guangdong as well as Chongqing Municipality.



TWO SESSIONS CLOSE-UP



ADVISORY MEETING: Members rise for the national anthem at the opening of the First Session of the 12th National Committee of the Chinese People's Political Consultative Conference on March 3

By the 100th founding anniversary of the People's Republic of China in 2049, the goal of building an affluent, strong, democratic, civilized and harmonious modern socialist country will be fulfilled, and the dream of the great renewal of the Chinese nation will be accomplished, Xi said.

"Making empty talk is harmful to the nation, whereas doing practical work can help it thrive," Xi added.

In a little over three months Xi has presided over four meetings of the Political Bureau of the CPC Central Committee respectively on implementing the guidelines of 18th CPC National Congress, trimming bureaucracy, fighting corruption and optimizing Party membership.

The CPC adopted measures for Party members to tighten bonds with the people on December 4, 2012, such as holding more grassroots meetings, traveling light with a small entourage, using fewer motorcades and shortening meetings and speeches.

Xi also led a campaign against pomp and extravagant banquets. Curbing "waste at the tip of the tongue" has become a catchphrase in China amid an intensified fight against wasted food. The "clean-your-plate" drive is gradually

evolving into a trend among both officials and the general public.

The new leadership also adopted an unusually tough tone pinpointing the urgency of fighting corruption.

Xi vowed to unswervingly battle against graft, saying that "Power should be restricted by the cage of regulations," at a CPC disciplinary meeting on January 22.

The Party should swat "tigers" and "flies," meaning that it should deal with officials' illegal activities on one hand and on the other tackle more trivial malpractice that nevertheless exerts a great impact on the people, he said.

Xi promised to fight against privilege, and to grant "no exceptions" when it comes to Party discipline and law. "We must not relax the use of penalties if we want to rule Party members strictly," he said.

Meanwhile, Xi chose south China's Guangdong Province, which served as the testing ground for reform and opening-up policies more than 30 years ago, as the destination of his first inspection tour outside of Beijing after he assumed the top CPC post, assuring there would be no stop in reform.

In early January, then Vice Premier Li defined reform as "the biggest bonus" for China,

and said that the ultimate goal of the reform is to benefit the people.

"Reforms in many respects are pressing. If pursued, they may cause some contradictions, but if not, more contradictions will be inevitable," said Chi Fulin, President of the China Institute for Reform and Development based in Hainan Province.

Chi said that he hopes the new leadership will speed up reform, and via the reform, release the country's potential more forcefully.

Xie noted the new leadership had produced impressing new remarks, policies and strategic deployment in its first 100 days.

"The core of these new moves is emancipating the mind, and seeking truth from facts. With the things they've done and their easy-going, practical and self-disciplined style, the new leaders have set themselves as role models in pushing forward reform, shunning empty talk," Xie said. ■



yinpumin@bjreview.com



Governing Body



National People's Congress,
the national legislature

Presidency



President: Xi Jinping
Born in June 1953
Holds a doctorate in law
General Secretary of the Central
Committee of the Communist Party of
China (CPC)
.....
Vice President: Li Yuanchao

Standing Committee of the National People's Congress

Chairman: Zhang Dejiang
Born in November 1946
University educated
Member of the Standing
Committee of the Political
Bureau of the CPC Central
Committee



.....
Vice Chairpersons: Li Jianguo, Wang Shengjun,
Chen Changzhi, Yan Junqi (female), Wang Chen,
Shen Yueyue (female), Ji Bingxuan, Zhang
Ping, Qiangba Puncog (ethnic Tibetan), Arken
Imirbaki (ethnic Uygur), Wan Exiang, Zhang
Baowen and Chen Zhu
.....

Secretary General: Wang Chen (concurrently)

State Council



Premier: Li Keqiang
Born in July 1955
Holds a doctorate in economics
Member of the Standing
Committee of the Political
Bureau of the CPC Central
Committee

Central Military Commission



Chairman: Xi Jinping
.....
Vice Chairmen:
Fan Changlong, Xu Qiliang

Supreme People's Court



President: Zhou Qiang
Born in April 1960
Holds a master's degree in law

Supreme People's Procuratorate



Procurator General:
Cao Jianming
Born in September 1955
Holds a master's degree in law



National Committee of
the Chinese People's
Political Consultative
Conference, the national
advisory body

Chairman:

Yu Zhengsheng
Born in April 1945
University educated
Member of the Standing Committee
of the Political Bureau of the CPC
Central Committee



Vice Chairpersons: Du Qinglin, Ling Jihua, Han Qide, Pagbalha
Geleg Namgyai (ethnic Tibetan), Tung Chee-hwa, Wan Gang, Lin
Wenyi (female), Luo Fuhe, Edmund Ho Hau Wah, Zhang Qingli,
Li Haifeng (female), Su Rong, Chen Yuan, Lu Zhangong, Zhou
Xiaochuan, Wang Jiarui, Wang Zhengwei (ethnic Hu), Ma Biao
(ethnic Zhuang), Qi Xuchun (ethnic Manchu), Chen Xiaoguang,
Ma Peihua, Liu Xiaofeng and Wang Qinmin
.....

Secretary General: Zhang Qingli (concurrently)



LESS IS MORE

A new round of cabinet restructuring heralds a more efficient and service-oriented government By Zhou Xiaoyan

The State Council, China's cabinet, unveiled a new plan to further carry on its institutional reform and transformation of government functions during the First Session of the 12th National People's Congress (NPC), the country's top legislature. The plan is the country's seventh restructuring attempt in the past three decades. The number of ministries under the State Council will be cut to 25 from the current 27, while several departments and agencies will be reorganized.

"The most important task of the reforms is to transform and streamline government functions, with a special focus on handing down power to the market and to society and reducing government intervention on micro issues," said State Councilor Ma Kai when deliberating the plan to the legislative body.

The reshuffle

According to the plan, the Ministry of Railways (MOR), which has long been at the center of controversy for being both a policymaker and a service provider, will be broken up into administrative and commercial arms—namely the State Railway Administration and the China Railway Corp. The MOR has long been criticized for its bureaucracy and poor services.

The Ministry of Health (MOH) and the National Population and Family Planning Commission will be merged into a new organ combining their functions.

The status of the existing State Food and Drug Administration will be elevated to a general administration in order to improve food and drug safety, a top concern among the public.

The country's top oceanic administration will be restructured to bring its maritime



TO BE MERGED: The outside of the General Administration of Press and Publication, which is to be merged with the State Administration of Radio, Film and Television into a single authority

law enforcement units, currently scattered throughout different ministries and departments, under unified management.

The National Energy Administration (NEA) will be restructured to streamline the administrative and regulatory systems of the energy sector. The new NEA will incorporate the functions of the State Electricity Regulatory Commission, which will be dissolved.

Two media regulators—the General Administration of Press and Publication and the State Administration of Radio, Film and Television—will be merged into

a single entity, a move meant to promote the country's cultural institutions at home and abroad.

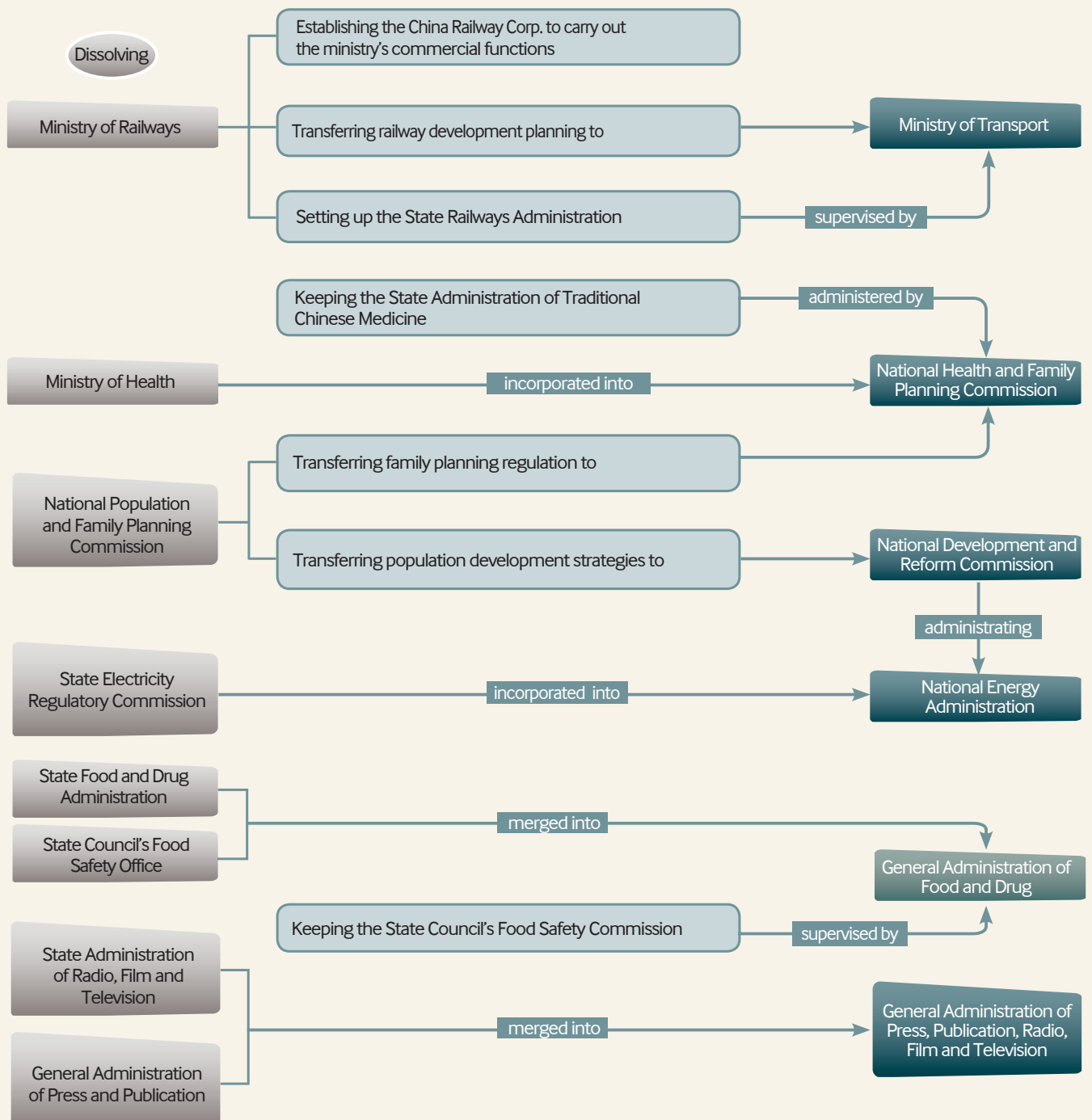
"In all, 18 organizations under the State Council are involved in this round of reform and will adjust their functions accordingly," said Wang Feng, Vice Minister of the State Commission Office for Public Sector Reform.

The goal

The transformation of government functions is the core of the reform, said Wang.



Function Adjustment





"In the past, when people talked about China's institutional reform, they would only think of merging, dismantling or dissolving departments. That's a misunderstanding," he said. "Those are only measures and the ultimate goal is to transform government functions."

Ma also made this point quite clear when deliberating the plan to lawmakers during the annual session of the parliament.

"The cabinet reorganization plan aims to create an efficient and law-based government with a clear division of power, reasonable distribution of labor and well-defined responsibilities," said Ma.

Having gone through restructuring six times, the State Council has established a framework that meets the needs of market economy but still has notable shortcomings, he said. "Departments of the State Council are now focusing too much on micro issues. We should attend to our duties and not meddle in what is not our business," Ma said.

The Central Government is troubled by the duplication of functions, overlapping management, low efficiency and bureaucracy, while supervision over administrative power is lacking, said Ma, adding that this has somewhat led to corruption and dereliction of duty. "Some departments have more power than necessary, while in some aspects of governance, they are not in a position to act," Ma said.

While delivering his last government work report to the 12th NPC on March 5, Premier Wen Jiabao acknowledged that the transformation of government functions has not been fully carried out and some government departments are prone to corruption.

To build a well-structured, clean, efficient and service-oriented government, he said the government should continue transforming its functions and separate government administration from the management of enterprises, state assets, public institutions and social organizations.

Xue Lan, Dean of the School of Public Policy and Management at Tsinghua University, told Xinhua News Agency that the role of the government should be shifted from that of a player to a regulator.

"Currently, we stress the quality of economic growth, instead of the speed. To realize quality growth, we need enough room to release the creativity of all sectors



under a proper market order," he said. "What the government should do is to set the rules and act as a judge."

Also, there is huge potential for non-governmental organizations to supplement the government in public services, he added. In the restructuring plan, the State Council pledged to ensure the market's fundamental role in allocating resources and let social organizations play a greater role in managing social issues.

Chen Yulu, an NPC deputy and President of Renmin University of China, said that the reforms are moving toward a limited government.

"This round of reform, together with the previous six rounds since 1982, aims at building a limited government that is in line with socialism with Chinese characteristics. A limited government is one that should be restricted by the law and society in terms of its

scale, functions, power and behavior. A limited government should be an effective one ruled by the law," Chen told *People's Daily*.

Challenges

Zhu Jiali, a professor at the Chinese Academy of Governance, said that relevant laws should be formulated in case of setbacks in China's institutional reform.

For instance, after the institutional reform in 1982, the number of departments under the State Council was slashed from 100 to 61. However, the number rebounded to 71 in 1988, he said.

"It's quite necessary to formulate a law in this aspect," Zhu told *The Beijing News*. "Seeing from the international trend, government organizations are divided into two types: One for formulating policies and one for implementing those policies. The former



WANG SHEN

TIME TO SAY GOODBYE:
People take photos at the front gate of the Ministry of Railways, after learning that the ministry is to be dismantled

on adjusting the functions of ministries.”

Chen from the Renmin University of China said that when delegating power to lower levels, there might be a vacuum of government work.

“The government should be highly cautious on the potential short-term risks. When handing down power to lower levels or reorganizing departments, there might be an intermission of work. Also, it will be unlikely for some civil servants to focus on their work during the chaos. We should take this into consideration,” he said.

Xue from the Tsinghua University pointed out that there is more to be done to better China’s administrative system.

“To establish a sound administrative system, China still has a lot of work to do,” he said.

“For instance, the government will need to build a modern civil servant management system and create a platform where different interest groups can exchange ideas and reach consensus before the government makes decisions,” he said.

Another thorny issue is avoiding financial disorder after dissolving the MOR, as its mounting debt has aroused fears of a default.

According to a financial report from the MOR, its debt-to-asset ratio climbed to 61.81 percent at the end of September 2012. Its debts amounted to 2.66 trillion yuan (\$427.1 billion) against total assets of 4.3 trillion yuan

(\$691.9 billion) at that time.

MOR is also China’s biggest issuer of corporate notes. It sold bonds worth a total of 164 billion yuan (\$26.4 billion) in 2012 to support the development of the country’s rail network.

Liu Shiyu, Vice Governor of the People’s Bank of China, pledged to keep the credit rating of the bonds issued by the MOR intact after restructuring. Liu made the remark at a press conference on the sidelines of the NPC session on March 13.

“After the restructuring, MOR’s commercial loans will be transferred to the proposed China Railway Corp.,” he said.

“Chinese banks will continue to extend financial support to railway investment and will work out more comprehensive measures to support railway construction and investment,” he said.

Zhang Jianguo, President of the China Construction Bank Corp., said among MOR’s liabilities, nearly 2 trillion yuan (\$321.8 billion) is from bank loans.

“The government must keep close watch over the debt to guarantee the stability of the financial markets after MOR’s restructuring.” ■

zhouxiaoyan@bjreview.com

type is more stable while the latter one is relatively more flexible. There should be a law to specify functions and power of the former type and how the latter type should change according to the times.”

How to relocate staff is another tough test for reform. After the 1998 institutional reform, concerned civil servants were given three options: retiring before the legal age for some older civil servants, returning to school at the government’s expense, or working in state-owned enterprises or public institutions.

“As long as there are dissolved or merged departments, there will be the problem of relocating personnel. It should be handled properly,” said Wang Yukai, a professor from the National Academy of Governance. “According to my estimation, there won’t be large-scale layoffs during this round of institutional reform because it’s mainly focused

Highlights of the State Council Institutional Reform

According to the restructuring plan, the government will:

● **Cut, reduce or simplify** the review and approval of investment projects. This is in order to minimize the inconveniences and high costs involved when enterprises and individuals are trying to obtain the services they require and boost their independence to start a business or make an investment;

● **Separate** industrial associations and chambers of commerce from administrative departments, and **introduce** competition through multiple associations in the same industry to boost their inde-

pendence and vitality;

● **Integrate** identical or similar institutional functions into a sole government department, such as the registries for housing, forest, grassland and land, which currently fall under different government agencies;

● **Break** industrial monopolies and administrative hurdles that hamper the circulation of goods and services, and **maintain** an open and unified domestic market to ensure fairness and orderly competition;

● **Increase** the government procurement of services and **give** fair treatment to social organizations in supplying medical, health, education, culture and community services.

(Source: Xinhua News Agency)



ALL-ROUND DIPLOMACY



Foreign Minister **Yang Jiechi** illustrated China's foreign policy and external relations at a press conference on March 9 during the First Session of the 12th National People's Congress, the nation's annual parliamentary session. Edited highlights follow:

International Effort

As world multi-polarity, economic globalization and scientific and technological advancement gather momentum, countries have become more interdependent as their interests more closely entwine. We all live in a global village. As we travel along, we must sit together as passengers in the same boat rather than trying to crowd each other out.

Compared with what we had last century, we believe that the international multilateral system in the 21st century should become more representative, more just and more result-oriented. China has participated in and contributed to the building of the international system, and we will be more actively involved in international affairs.

China supports multilateral meetings to be held this year, including the Group of 20 (G20) Summit in St. Petersburg, Russia, and the APEC Economic Leaders' Meeting in Bali, Indonesia.

We hope the G20 and its summit will focus on growth and employment, continue to push forward reforms in the international financial system, improve the multilateral trading regime and address development issues on a priority basis.

We are optimistic that the APEC Economic Leaders' Meeting will make committed efforts to promote sustainable and fair growth, push forward regional connectivity and advance trade and investment liberalization and facilitation, as well as economic and technological cooperation, in a balanced manner.

Sino-Russian Potential

China and Russia are each other's biggest neighbors, seeing in one another significant opportunities for development and a priority partner for cooperation.

We would like to join hands with Russia, and take the opportunity presented by the upcoming visit of China's new president to Russia to inject a strong impetus to the comprehensive Sino-Russian strategic partnership.

Disputes With Japan

A long-term, sound and stable China-Japan relationship serves the fundamental interests of both nations. We are willing to promote strategic and mutually beneficial China-Japan ties on the basis of the four political documents signed by both countries.

We have urged Japan to make concrete efforts to improve its relations with China and play a positive and responsible role to maintain peace, stability and development in the region.

Diaoyu Island and its affiliated islands have been China's inherent territory since ancient times. The root cause of the Diaoyu Islands issue lies in Japan's illegal seizure and occupation of China's territory. The current situation has been single-handedly caused by the Japanese side. The actions of Japan have violated China's territorial sovereignty, posed a challenge to the outcome of the victory of the World War II and the postwar international order, greatly damaged China-Japan relations and undermined stability in the region.

The firm measures taken by the Chinese side have shown the will and resolve of the Chinese Government and the Chinese people to defend our territorial sovereignty. The Japanese side needs to face the reality, take real steps to correct its mistakes and work with China to properly handle and resolve the relevant issues through dialogue and consultations to prevent the situation from further escalating or even getting out of control.

Japan should correctly recognize and reflect on its history and take that as an important foundation for China-Japan relations. The war of aggression waged by Japanese militarists brought untold suffering to the people of China and other victimized Asian countries. Only by respecting history and showing remorse regarding that episode of history can Japan develop good relations with its Asian neighbors.



Working With the United States

The Sino-U.S. relationship has on the whole maintained a momentum of steady development in recent years thanks to the joint efforts of both countries.

We welcome a constructive role of the United States in the Asia Pacific, but at the same time the United States needs to respect China's interests and concerns in the region. The U.S. side, in particular, needs to properly handle Taiwan and other sensitive issues.

We hope the United States will work with China to build a new type of major-country relationship between the world's two biggest economies. Today, in the 21st century, our world is confronted with many problems and challenges. It is all the more important now for China and the United States to show big vision and strong courage, seek common ground while shelving differences and work together to build a relationship that is inspiring for the next generation and for generations to come.

Korean Peninsula Tensions

The third nuclear test by North Korea and the once again heightened tensions on the peninsula are not something we want to see.

China holds that sanctions are not the end of the UN Security Council's actions, nor are they the fundamental way to solve the Korean Peninsula nuclear issue. The only correct solution to the issue is to hold negotiations and resolve all parties' concerns in a comprehensive and balanced way.

The proper handling of the nuclear issue, safeguarding peace and stability and preventing turmoil or even a conflict on the peninsula serve the common interests of all parties. They are also the shared responsibilities of all involved. We call on all parties concerned to bear in mind the larger interest, remain calm, exercise restraint, and refrain from making any moves that may further worsen the situation.

EU Partnership

The relationship between China and the EU is one of the most important bilateral relationships in the world today. This year marks the 10th anniversary of the establishment of the comprehensive strategic partnership between China and the EU. In the latter half of this year, the two sides will hold the 16th China-EU Summit and discuss an institutional framework for their medium- to long-term cooperation. We will also step up collaboration in areas such as urbanization, new energy sources, scientific and technological innovation and green development.

China is opposed to trade protectionism. It opposes the EU's anti-dumping and countervailing duty investigation against Chinese photovoltaic products. We urge the EU to properly handle related issues through dialogue and consultation.

We have full confidence in the future of Europe. China has been a firm supporter of Europe's efforts in dealing with the debt crisis. We hope and believe that Europe can turn the crisis into opportunities and make new progress in its development.

The Developing World

The strategic partnership between China and Africa has developed quickly over the years, and the two sides are now actively implementing the follow-up actions to the Fifth Ministerial Conference of the Forum on China-Africa Cooperation.

China and Africa will particularly focus on promoting cooperation in such fields as investment, finance, assistance, African integration, cultural exchanges and peace and security in Africa.

We hope that all parties can view China-Africa cooperation in an objective manner, and respect African friends' choices in terms of their cooperative partners. Many other countries are advancing their cooperation with Africa, and China welcomes such cooperation.

China is devoted to the establishment and development of comprehensive and cooperative partnerships with Latin American and Caribbean countries. It is willing to develop cooperation of all kinds with regional blocs like the Community of Latin American and Caribbean States, and promote the establishment of a forum on China-Latin America cooperation.

Neighboring Ties

The situation in China's neighboring regions, though becoming increasingly complex, has remained generally stable, and relations between China and its neighbors are continuing to develop.

China has established strategic partnerships with most neighboring countries, making more than 100 high-level official visits last year. It would not be surprising to see 200 or even 300 such visits next year. As neighbors, our relations will become closer with greater exchanges.

China's trade with neighboring countries exceeded the total that China had with Europe and the United States to reach \$1.2 trillion last year, and it could further increase in the future.

China will continue to follow the policy of building good neighborly relations and partnerships and foster amicable ties and mutual benefits with its neighbors. Many Asian countries are well aware that cooperation with China will bring mutual benefits.

It is our common wish to further cooperate and jointly work for a stable and prosperous regional environment. China and ASEAN countries have launched the largest free trade area among developing countries in the world, while the Shanghai Cooperation Organization has formed its initial strategy for medium- and long-term development. Negotiations for the free trade agreement among China, Japan and South Korea as well as the Regional Comprehensive Economic Partnership have been officially launched.



MACROECONOMY UNDER

At the sidelines of the First Session of the 12th National People's Congress held from March 5 to 17, **Zhang Ping**, Minister of the National Development and Reform Commission, **Chen Deming**, Minister of Commerce, and **Zhou Xiaochuan**, Governor of the People's Bank of China, answered questions on economic and financial issues at separate press conferences. Edited excerpts of their answers follow:



Zhang Ping

Going Ahead With Reforms

Reform and opening up are fundamental forces that drive China's development and progress. Over the past three decades, China has made significant achievements in improving people's livelihood, increasing overall national strength and raising productivity. Without a doubt, credit should go to China's reforms.

The 18th National Congress of the Communist Party of China put forward the goals of finishing its plans to build a moderately prosperous society and having a relatively complete socialist market economy in place by 2020. To achieve these goals, China will continue to focus on reforms.

The focus of restructuring the economic system should be on managing the relationship between the government and the market. That is to say, the market should play a more profound role in resource allocation and the government should further improve macroeconomic control.

As Premier Wen Jiabao pointed out when

delivering the government work report on March 5, reforms should be carried out in the following aspects. We need to improve the economic system by consolidating and developing the public sector and supporting and guiding the development of the private sector. We should deepen reform of state-owned enterprises, fiscal and taxation systems, financial system, investment and financing systems, pricing mechanism, public institutions and income distribution.

Boosting Consumption

Expanding domestic demand will remain China's long-term strategy for economic development. China will stimulate domestic consumption and improve the efficiency of government investment in order to expand demand.

Consumption has played an increasingly important part in economic growth. In 2012, consumption contributed 51.8 percent to the country's GDP growth, overtaking the 50.4 percent contributed by investment.

The government will work to create more jobs in cities and boost salaries in a way that won't damage enterprises' efficiency.

In rural areas, the government will raise the state purchase price of farm produce this year and make it easier for rural residents to work in urban areas.

More public spending on education, social security and healthcare will reduce the need to

maintain large savings accounts and increase people's will to spend.

The government will also focus on infrastructure that benefits people's lives, such as public housing, hospitals, schools and the renovation of dilapidated houses in rural areas.



Chen Deming

Embracing the Outside World

Opening up must benefit China's efforts to transform its economic development pattern and adjust its economic structure. It must also facilitate China's development, reform and innovation.

Opening up is meant to bring the global market to China, and our companies will encounter a more heightened market competition in the process. But such competition will increase our strength and enable us to better participate in global cooperation.

To further open up, priorities will be given to the following. China will open up new sectors, such as the service sector, and open up more



MICROSCOPE

regions, including inland areas and border areas; it will balance foreign trade by stabilizing exports and expanding imports; it will open up its capital account to attract foreign investment, while paying particular attention to the "going out" strategy (overseas investment).

In addition, China will participate in global economic governance to preserve a multilateral trading system, establish free trade zones and institute a fair and open international trade environment.

Currently, China is negotiating with the United States on a bilateral investment protection agreement. It is pressing forward in free trade zone talks with the Regional Comprehensive Economic Partnership, which involves the 10 ASEAN member states, as well as China, India, Japan, the Republic of Korea and Australia. China is also engaged in free trade zone talks with Australia and six Gulf nations, and it has nearly completed negotiations on free trade agreements with Iceland and Switzerland.

Outbound Investment

When assessing investment by Chinese companies, a small group of lawmakers in some developed countries still have a Cold War mentality.

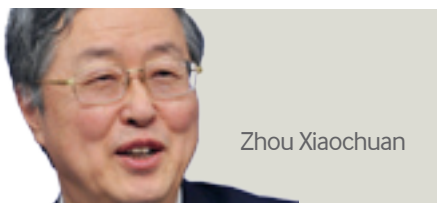
For every \$3 planned for investment in the United States, only \$1 is approved by the U.S. authorities. But this is not the mainstream. Chinese investment is increasingly welcomed around the world.

The Chinese Government requires businesses investing overseas to abide by local laws, respect local cultures and traditions, and shoulder social responsibility.

The Chinese Government also supports Chinese enterprises to safeguard their legal rights in overseas markets, and would push host countries to create a more transparent and just environment to boost the confidence of foreign investors.

U.S. scrutiny over China's investment is understandable, and China is establishing its own system to examine foreign investment at home and hopes to learn from experiences in the United States.

Meanwhile, such examinations should be open and transparent in a way that can make overseas investment more predictable. For example, a foreign company may be asked by U.S. authorities to suspend or terminate its business three years after the start of operations, which can result in heavy losses.



Zhou Xiaochuan

Money Supply and Inflation

The People's Bank of China has stressed a need to control consumer prices. The broadest measure of money supply, M2, is closely linked to nominal GDP growth. When there is an oversupply of money, inflation may rise; when money supply is insufficient, economic growth will be frustrated.

We have done a good job on this front during the SARS epidemic period in 2003 and the global financial crisis in 2008. Some people tend to fix M2 according to GDP. However, in terms of the M2 to GDP ratio, Japan has higher ratio than China, but it suffers from deflation rather than inflation.

China has a higher savings rate than most countries. According to past experience, countries with high savings rate and hefty indirect

financing activities usually have high M2 growth. Nevertheless, as long as we keep M2 growth at a proper level, drastic consumer price hikes will not happen.

Risks of Local Gov't Debt

We should not underestimate risks in local government financing vehicles, nor should we overestimate them. According to the categorization of local government financing vehicles by the China Banking Regulatory Commission, a large number of local government financing vehicles are funding projects including urban infrastructure and public services, and these projects are largely safe from insolvency if banks deal with them properly.

Another category of lending is based on mortgages, and the risks are controllable as long as mortgaged goods do not change remarkably.

But about 20 percent of local government financing vehicles are funding projects which are largely non-profitable and thus the debts have to be paid with other income.

More attention should be paid to the risks. Further reforms are needed to introduce new financing tools so as to ensure financial support for the country's urbanization.

At the same time, some local governments lacked proper financing channels when they launched projects amid urbanization. We should carry out more reforms, introduce more financial tools and make some adjustments to support the financing of projects which are likely to bring social benefits. ■



PURSUING THE CHINESE DREAM

National political advisors discuss the future at annual meeting
By Shen Xiaoning, Wang Zhongyi & Duan Feiping



‘Realizing the nation’s great renewal is the greatest dream in the modern history of the country,” said Xi Jinping, General Secretary of the Communist Party of China (CPC) Central Committee on November 29, 2012.

Xi made the comment while visiting the exhibition *The Road Toward Renewal* at the National Museum of China with other members of the Standing Committee of the Political Bureau of the 18th CPC Central Committee.

The exhibition illustrates how the country has gained independence and become prosperous and strong in the past century.

“Everybody has one’s own ideal and pursuit as well as one’s own dream. History tells us that everybody has a future and destiny closely connected to that of the country and nation,” Xi said.

Five months later, the 12th National Committee of the Chinese People’s Political Consultative Conference (CPPCC), the country’s national advisory body, held its first session on March 3-12. Members selected from all walks of life gathered in Beijing, with proposals bearing their interpretations of the Chinese dream.

Renewal of the Chinese nation has been

the greatest Chinese dream in modern time since the First Opium War (1839-42). In the latter half of the 19th century, China, then under the rule of backward and corrupt feudal Qing regime (1644-1911), was invaded by Western imperialist powers. Its people lived in misery and the nation was ridiculed as “the sick man of East Asia.”

Successive generations of Chinese people with lofty ideals rose up against invading Western powers and feudal rulers in pursuit of their dreams. Although the 1911 Revolution led by Dr. Sun Yat-sen ended more than two millennia of feudalism, nonetheless, the country plunged into another dark period when it was fragmented by bellicose warlords, weakened by rampant corruption and invaded by foreign powers.

Achievements

History took a turn in July 1921, when the CPC was founded. It shouldered the responsibility to change the destiny of the nation and the people, and after 28 years of hard struggle, founded the People’s Republic of China on October 1, 1949. China entered a new period

along the road to renewal.

Many important decisions on establishing the People’s Republic of China were made at the First Session of the CPPCC, which convened in Beijing in September 1949.

At the session, participants adopted the Common Program of the CPPCC, which served as a provisional constitution of the People’s Republic of China, and created the Central People’s Government.

It selected Beijing as the capital, made the five-star red flag the national flag, chose *March of the Volunteers* as the national anthem and adopted the Gregorian calendar.

In 1954, the National People’s Congress (NPC) was established as the country’s formal legislature. That December, the CPPCC passed a charter stating it would no longer serve as a legislature, but instead would be a key mechanism for multi-party cooperation and political consultation under the leadership of the CPC.

The NPC and CPPCC are the two basic platforms through which the Chinese people participate in discussion and management of state affairs.

“The CPPCC embodies consultative democracy. Although its decisions do not have binding



SPLENDID OPENING: Fireworks light up the Beijing sky as the 29th Summer Olympic Games begin on August 8, 2008

power, it is nonetheless very influential. It is a democratic political system that suits China's cultural background," said Chen Xiaochuan, editor in chief of Beijing-based *China Youth Daily* and CPPCC National Committee member.

"China's growth, especially its achievements in the past three decades, proves the path we have taken, the system we have adopted and the theories that we have formulated are correct," he said.

Speaking of the responsibilities of the CPPCC, Bai Yansong, a news anchor and com-

mentator with national broadcaster CCTV and CPPCC National Committee member, said, "CPPCC members should not only put forward proposals, but also speak at seminars and communicate with reporters. They should constantly conduct a large amount of research and think about the development of the country and society. I propose to publicize the performance of deputies to people's congresses and CPPCC members each year in order to put them under public supervision."

In the 63 years since the founding of the

People's Republic of China, especially in the more than three decades since the implementation of the reform and opening-up policy, China has continuously made breakthroughs in socialist construction, and Chinese people's dreams have been realized one after another.

In 1964, then Premier Zhou Enlai set forth the goal of "Four Modernizations" to advance development in sectors of industry, agriculture, national defense, and science and technology. In 1979, Chinese leader Deng Xiaoping specified the goal to increase ►►



Chen Xiaochuan



Bai Yansong



Zhou Mingwei



Yuan Longping



Yao Ming



Zhou Youma



TWO SESSIONS CLOSE-UP

per-capita gross domestic product to \$1,000. The country reached that goal in 2003.

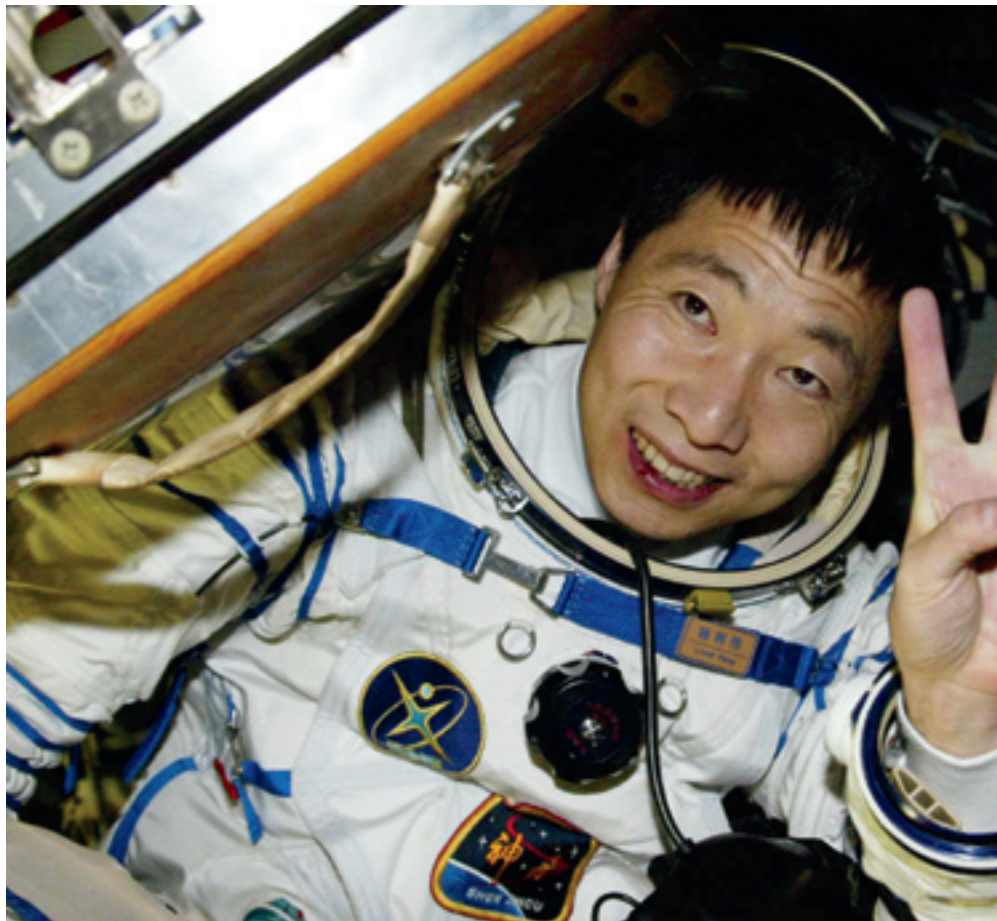
In 1997 and 1999, Hong Kong and Macao respectively returned to China, which marked a piece of great progress in upholding the country's sovereignty and territorial integrity.

In October 2003, Chinese astronaut Yang Liwei traveled to space in the *Shenzhou-5* spaceship. Before that, the Chinese dream to go to space was nothing more than a fantasy.

In August 2008, the 29th Summer Olympic Games were successfully held in Beijing under the slogan of "One World, One Dream." Chinese people's century-old dream to host the Olympic Games came true.

"Given China's past economic condition and the current complicated international situation, China's achievements are hard-won. We should be proud of these accomplishments, from which every one of us has benefited. In the process of making these achievements, we have encountered setbacks and challenges, all of which are the foundation of the Chinese dream," said Zhou Mingwei, President of the China International Publishing Group (CIPG) and CPPCC National Committee member.

As old dreams have been realized one after another, Chinese people begin to pursue new dreams.



Ambitions

At the First Session of the 12th CPPCC National Committee, 2,237 members submitted more than 1,000 proposals covering a wide range of areas, including national development strategies, policies related to people's livelihood and industry-specific suggestions.

Yuan Longping, known as "the father of hybrid rice" whose high-yield crop accounts for 20

percent of global rice production, spoke about his dream at the session.

"I have two dreams. One is to relax in the cool shade of rice as tall as sorghum with grains as big as peanuts. The other dream is to develop a rice species that can yield 15,000 kg per hectare as soon as possible, and I also wish to train younger people to develop higher-yielding rice species," Yuan said.

Former NBA star Yao Ming called for efforts to boost physical education. "Physical education should not only be about competitive sports, rather it should be part of a school curriculum that helps students build a strong body and mind," he said.

Zhou Youma, Director of the George Hatem (Ma Haide) Foundation that mainly assists leprosy patients and their families, said that



Shi Jie



Chi Fulin



Mo Yan



Jackie Chan



Feng Yuan



SPACE TRAVEL: Astronaut Yang Liwei greets crew and onlookers as he emerges from the return capsule of the *Shenzhou-5*, China's first manned space vehicle, on October 16, 2003



REUNION: Hong Kong residents hoist the flags of China and Hong Kong Special Administrative Region side by side on July 1, 1997, in celebration of the region's return to China



he wishes "China and other countries in the world will help each other and walk into a more beautiful future together."

Shi Jie, a lawyer and Vice President of the Sichuan Provincial Lawyers Association, said that he wishes to safeguard social justice and protect the environment. He submitted proposals calling for revision of environmental protection laws to impose harsher penalties



Wang Gengnian



Huang Youyi

on enterprises and individuals damaging the environment.

In addition to advancing proposals to improve people's livelihood, members also deliberated on the country's development strategies.

At the 18th CPC National Congress held in Beijing last November, the Party set the goal to build China into a moderately prosperous society in an all-round way by the year 2021, and a strong and modern socialist country that is democratic, culturally advanced and harmonious by the year 2049.

Chi Fulin, President of the China Institute for Reform and Development based in Hainan Province, said that transformation of the growth pattern and deepening reform are crucial to the realization of the Chinese dream.

Chi said that in the next decade, while China will continue to grow, it should avoid the "middle-income trap" and seek equitable and sustainable development. He suggested consumption should be an endogenous factor that drives economic growth, and more people

should be able to share the fruits of prosperity. He said that the market should be kept competitive and efficient, and the government should be focused on public services.

CPPCC members also shared their ideas on how to promote cultural development. Mo Yan, the 2012 Nobel laureate in literature, said that arts groups and artists should be given greater incentives so that they will produce creative and internationally advanced works.

Hong Kong filmmaker Jackie Chan said, "Many of my foreign friends like traditional Chinese arts and crafts very much, and every time they come to China, they will bring odds and ends back including chopsticks and spoons. Their popularity testifies to the glamour of the country's 5,000-plus-year-old culture."

Yet, Chan warned, "If the Chinese culture is not presented to the world, it will never be understood."

Feng Yuan, Vice President of the China Federation of Literary and Art Circles, suggested that China should have world-class designers and a steady stream of talented persons in reserve to make the country's cultural products more competitive and influential in the world.

The Chinese dream is the aggregate wish of generations of Chinese people and a vivid depiction of the country's future, said CIPG President Zhou Mingwei. "By telling the world about their dreams, Chinese people wish to clear up misunderstandings, and seek common prosperity and progress with other nations through more cooperation," he said.

Wang Gengnian, Director General of China Radio International, said that China seeks peaceful and harmonious development, and China's development will benefit the world.

As for how to precisely present the Chinese dream to the world, Huang Youyi, Vice President of the CIPG, said, "On one hand, we should have a devoted and skillful cross-cultural communication team; on the other hand, we should make more foreign friends who understand Chinese culture, so that they can help us tell the world about China's unique culture and core value of peaceful development." ■

(Wang Zhenhong, Xiao Bing, Chen Weisong, Sun Penghao, Hou Ruili, Xu Xun, Duan Wei and Zhao Xi contributed to this story)

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