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NATION: WHAT SARS TAUGHT US **P.28**

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CHINA'S COFFEE CRAZE

Head over beans for caffeine

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↓ EDITOR

Coffee, From the Land of Tea

For centuries, coffee has been an essential beverage in the lives of Westerners. As foreign companies, including Starbucks, Costa, Nestle and Maxwell, tumble over each other to raise their stakes in China, the predominantly tea-drinking nation is coming to grips with the brew.

In big Chinese cities like Beijing, Shanghai and Guangzhou, the image of an office worker using a laptop with a cup of coffee in hand has reached iconic status. As coffee machines invade both households and offices, Chinese can now enjoy countless fresh pots without stepping outdoors.

In sharp contrast to the per-capita consumption of 600 cups of coffee in Europe and 200 in Japan each year, a Chinese only drinks four cups a year on average.

China's coffee consumption market is currently expanding at an annual rate of 10 to 15 percent, alongside a rapidly developing plantation business. Interestingly, the major producing area of high-quality Pu'er tea, famous for its medicinal functions, in southwest China's Yunnan Province, has become the country's primary coffee growing region, increasing the incomes of local farmers and farm hands.

Global coffee conglomerates have raced to Yunnan as their raw material base. The area's Arabica coffee beans are now exported to over 20 countries and regions including Europe, the United States and Japan. Still a fledgling sector, China's coffee industry lacks large production capacity, its own branding and the ability to process raw materials. This is what makes Aini Coffee's efforts so precious. The Yunnan-based company is slowly climbing the industrial chain through brand marketing, opening an online shop and selling its brewed beverages at its coffee "experience store."

Through careful selection and processing and the advancement of its roasting technology, Aini Coffee could one day become a global hit. ■

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PAYING TRIBUTE TO GUAN GONG

Taiwanese burn incense and bow to Guan Gong's sculpture, currently touring the island after leaving its base in north China's Shanxi Province, on March 30.

Guan Gong, an ancient Chinese marshal from the Three Kingdoms Period (220-280) and a native of Shanxi, revered for his fidelity and loyalty, is believed to bring fortune to worshippers.

This is the first time the sculpture, molded in the Ming Dynasty (1368-1644), travels to Taiwan.

Disaster in Tibet

A rescuer searches for survivors at the site of a landslide in Maizhokunggar County, Tibet Autonomous Region, on March 31.

By April 2, rescuers had retrieved 59 bodies from the site of the massive landslide, which struck a workers' camp of the Jiama Copper Polymetallic Mine on March 29, burying 83 workers. More than 4,500 rescuers and 200 machines were working at the site to find the buried miners.



Spacecraft Ready

China's newest manned spacecraft, *Shenzhou-10*, arrived in Jiuquan, northwest China's Gansu Province, on March 31 after passing pre-delivery tests. It will blast off in early June, reported Xinhua News Agency.

The vessel's carrier rocket is undergoing various pre-delivery preparations, Xinhua said. The mission will carry three astronauts and dock with the *Tiangong-1* orbital lab module.

Tiangong-1 was sent into space in September 2011. It docked with the *Shenzhou-8* unmanned spacecraft

in November 2011 and the manned *Shenzhou-9* in June last year.

The mission will, for the first time, see astronauts deliver a science lecture to young people from space. New experiments will be conducted in orbit.

China has launched four unmanned and five manned *Shenzhou* spacecraft and the unmanned *Tiangong-1* space module since starting its manned space exploration program in 1992.

Deadly Flu

Health institutions in China have

been ordered to step up monitoring of H7N9 bird flu after the total number of infections in the country reached seven.

On March 31, the first three human infections of the H7N9 bird flu strain were reported. The two in Shanghai died and the one from Anhui Province is in critical condition and under treatment in Nanjing, Jiangsu Province, said the National Health and Family Planning Commission of China.

Four more patients from four cities in Jiangsu are in critical condition and under emergency treatment, the Jiangsu Provincial Health Bureau said on April 2.

A Chinese expert team is working to study the toxicity and human-

infection capacity of the virus.

The virus shows no signs of being highly contagious among humans, according to clinical observation of the patients' close contacts.

There is no vaccine against the H7N9 bird flu virus.

Cabinet's Rules

New detailed working rules of the State Council, China's cabinet, were published on March 28 to push for the establishment of a clean and efficient service-oriented government.

Adopted at the first full meeting of the State Council on March 20, the 58-article document highlights a series of rules designed to regulate the practices of provincial-level governments, ministries, commissions, and departments directly under the State Council.

The State Council should promote the transparency of government affairs and improve information release systems to make sure that the government exercises its power openly and transparently, according to the document.

Rural Poverty Relief

The Ministry of Finance said on



LUXURY FASHION

Models take to the catwalk at the opening ceremony of the China Fashion Art Show in Beijing on March 30



CHEER UP KIDS

A mom and her autistic son take part in a kite-flying activity in Harbin, Heilongjiang Province, to mark World Autism Awareness Day on April 2



March 29 that its spending on poverty relief in rural areas for 2012 surged 31.9 percent from a year earlier to 299.6 billion yuan (\$48 billion).

The funds were used to enhance agricultural production, improve people's living standards and support education, health care and social security, the ministry said.

In December 2011, China released a guideline for rural poverty relief and development during the 2011-20 period in an effort to accelerate the development of the impoverished.

Drought Response

A drought that has lingered since October 2012 has affected 23.7 million people living in Yunnan, Gansu and Sichuan provinces to date, causing economic losses of more than 6.8 billion yuan (\$1.1 billion), according to civil affairs authorities.

The National Disaster Reduction

Commission and the Ministry of Civil Affairs have activated an emergency response plan and sent work teams to aid in disaster relief.

Authorities said that the drought may last, as heavy rain is not expected in April.

Antarctic Research

China is planning to build two new research stations in Antarctica by 2015 and site inspections are already being conducted by an expedition team, the State Oceanic Administration (SOA) said on March 28.

A summer station that can be used from December to March will be set up between existing Zhongshan and Kunlun stations to

provide replenishment and other logistical support, the SOA said.

The station will be used to study geology, glaciers, geomagnetism and atmospheric science in Antarctica.

A perennial station will also be built in Victoria Land by 2015. The station will allow researchers to carry out multi-disciplinary research on bio-ecology and satellite remote sensing.

China's three existing Antarctic research stations are the Great Wall, Zhongshan and Kunlun stations.

HIV-Infected Students

The number of Chinese students

registered as infected with HIV is on the rise, an official said on March 30.

A total of 1,700 students were reported HIV positive in 2012, a 24.5-percent increase from 2011, said Yu Jingjin with the National Health and Family Planning Commission.

Yu said that 87 percent of the total HIV/AIDS cases in 2012 came via sexual transmission.

In total, China has reported more than 7,000 students living with HIV. The first AIDS patient in China was found in 1985.

Smog Fight

Beijing will tighten restrictions on car use to reduce air pollution, local authorities said.

"We are considering launching the policy in particular areas and periods to control the number of cars on roads, as well as managing the use of cars from other cities," said Fang Li, Deputy Director of Beijing's Environmental Protection Bureau.

With a population of about 20 million, Beijing had more than 5 million vehicles at the end of 2012.

But authorities have been encouraging people to use public transportation.

The capital city will also continue to control vehicle emissions using the policy that restricts private cars from being driven one day of the week.

Apple's Mea Culpa

Customers try latest iPad products at the Apple store in Wangfujing Street in downtown Beijing on January 25, Asia-only "Red Friday."

Apple on April 1 issued a public letter of apology to Chinese consumers over the company's warranty policies in the country.

In the statement, Apple said that the company is making four

major adjustments to improve its after-sales services for Chinese consumers, including improving its warranty for iPhone 4 and iPhone 4S, enhancing supervision over and training for authorized service providers.

Apple was told earlier by the China Consumer's Association to equalize local warranty periods with other countries.



Here Comes The 1,000th

A Boeing 737-800 displayed in Seattle during the celebration of the delivery of China's 1,000th such plane on March 28.

Boeing forecasts that China would need 5,260 new aircraft, valued at \$670 billion, in the next 20 years.



Detailed Curbs

A month of heated debate, guesswork and worrying has ultimately come to an end as cities across China confirmed details of property curbs created to tame an overheated market.

On March 30, Beijing, Shanghai and Chongqing, along with Hefei of Anhui Province and Xiamen of Fujian Province announced precisely how they will implement the Central Government's regulatory plan set earlier this month.

With no firm timeline set for the imposition of the measure, which is designed to cool the red-hot property sector, many are racing to sell.

South China's Guangdong Province was first to detail its implementation of the measures on March 26.

Beijing ruled that single adults with permanent local residence, and who have not made purchases in the city before, are allowed to buy only one apartment.

Shanghai said banks would be banned from giving loans to local

residents who are buying a third apartment or more.

The two cities both vowed to strictly implement the 20-percent tax on capital gains from property sales.

Chongqing pledged that the growth rate for home prices would be lower than growth in per-capita income in order to make homes more affordable for purchase.

Upbeat Outlook

Despite moderation in the Chinese economy, U.S.-based companies remain upbeat on the near-term outlook of their businesses in the country.

Over three quarters of respondents indicated that they are

optimistic about how their companies will perform over the next two years, according to the Business Climate Survey conducted by the American Chamber of Commerce in China.

U.S. companies turned out strong performances in China last year, as 71 percent of respondents said they posted sales growths in 2012 and 44 percent reported better operating margins in China than the global average, according to the annual survey conducted among 325 member companies of the chamber.

More U.S. businesses are oriented toward selling in the Chinese market, rather than seeing the country only as a processing and export hub. The percentage of respondents who said their goal this year is to sell directly to China reached a record high of 71 percent.

However, the percentage of respondents who plan to increase investment by 21-50 percent dropped from about 30-18 percent over the past four years.

The results reflect a slightly more conservative business outlook amid China's focus on promoting higher-quality economic expansion



LOGISTICS COMPETITION

Contestants compete against each other on how to best operate a forklift at the 2013 Jiangsu modern logistics skill contest held on March 30



BRAND-NEW AIRPORT

The expansion of Guiyang Longdongbao International Airport was completed on March 30. The airport, located in Guiyang, capital of southwest China's Guizhou Province, has a new 110,000-square-meter terminal

in an era of rebalancing, the chamber said.

A Drawn-out Lawsuit Ends

Qihoo 360, a leading Chinese antivirus software developer, lost a lawsuit that it filed against Tencent, the country's biggest Internet company, over the latter's abuse of its dominant market position, according to a court ruling issued on March 28.

Tencent did not create a monopoly and all of Qihoo 360's appeals have been rejected, according to a ruling from the Guangdong Provincial Higher People's Court. Qihoo 360 was also ordered to pay 790,000 yuan (\$125,912) in legal fees.

Qihoo 360 sued Tencent in October 2011 for hindering market competition and abusing its position. It also asked for 150 million yuan (\$24.15 million) in compensation from Tencent. The court had tried to mediate between the two sides but



failed.

Qihoo 360 claimed that QQ, an online chat program developed by Tencent that has more than 780 million active users, has a 76.2-percent market share.

But the court said users have multiple choices for similar instant messaging products.

A survey from the China Internet Network Information Center showed that 63.4 percent of users had used more than two different types of instant messaging software within six months.

Tariff Exemption

China began dropping import tariffs and import-related value-added taxes for a range of advanced components and raw materials for

making sophisticated equipment on April 1, according to the Ministry of Finance.

Items that enjoy tax exemption include high-speed railway signal systems, garbage sorting systems, solar cells, integrated circuits and manufacturing equipment for flat-panel displays.

Importers of said components and raw materials should register with customs and taxation authorities for tariff exemption review between April 1 and April 30.

Nonferrous Metals Slump

Despite an increase in production of nonferrous metals, the sector's profits declined markedly in 2012.

Combined profits of nonferrous enterprises with annual revenues of more than 20 million yuan (\$3.22 million) reached 166.6 billion yuan (\$26.82 billion), a year-on-year decline of 16.3 percent, according to the China Nonferrous Metals Industry Association (CNIA).

Jia Mingxing, Vice Chairman of the CNIA, said the industry is still facing challenges regarding environmental protection, energy conservation, resource guarantees and excess production capacity.

The 10 major nonferrous metals monitored in China are copper, aluminum, lead, zinc, nickel, tin, antimony, magnesium, titanium and mercury.

Numbers

50.9%

China's purchasing managers' index (PMI) for the manufacturing sector in March, the sixth consecutive month that the PMI figure stayed above 50 percent, which demarcates expansion from contraction

1.32 tln yuan

Online retail sales in China in 2012, a jump of 64.7 percent from the previous year

10

Number of Chinese mainland companies that went public in the first quarter. All were listed on the Hong Kong Stock Exchange

159 mln yuan

Amount netted by China's first online judicial auction of land use rights

Green Bus

Passengers disembark from a bus entirely powered by electricity in Shanghai.

A total of 120 electric buses, which were used during the World Expo in 2010, have been put into daily operation to reduce carbon emission in the city.



THIS WEEK WORLD



CENTRAL AFRICAN REPUBLIC

Child soldiers of the Seleka rebel coalition sit on a pickup truck in Bangui, capital of the Central African Republic, on March 25. UN statistics show armed conflict in the country has affected about 600,000 children

XINHUA/AFIP



YE JINGFAN



BELGIUM

Children collect Easter eggs during an egg hunt event in a Brussels park on March 31



NORTH KOREA

People gather at Kim Il Sung Square in Pyongyang on March 29, the day before Pyongyang issued a statement announcing that it is in a state of war with South Korea



XINHUA/AFIP



JINHUA/AP



INDIA

Forest guards carry a tranquilized adult leopard caught in a residential area in Guwahati on March 30. The leopard was wandering through a part of the densely populated city when curious crowds startled the animal



PALESTINE

A Palestinian holds the national flag over his head during a Land Day rally in Beit Hanun in the northern Gaza Strip on March 30. Land Day commemorates the six Arab Israeli protesters killed by Israeli troops during mass protests in 1976 against the Israeli Government's land confiscation plans



GEO/ING



FRANCE

A police car blocks access to the Eiffel Tower in Paris on March 30 after the landmark monument was evacuated following a bomb threat

“People should take good care of their parents and elders while they are alive. We do not suggest people spend too much on funerals and graveyard space purchases.”

Lu Ning, Deputy Director of Xiaoshushan Cemetery in Hefei, capital of Anhui Province, speaking to *China Daily* on March 29



“Cities with poor economic development are blessed with better air conditions.”

Ma Zhong, a professor at the School of Environment at Renmin University of China, revealing a report based on research conducted since 2005 in 281 cities



“The smell makes me feel uncomfortable and I’m scared people may drop food or spill a drink on me every time they eat breakfast next to me because it’s so crowded.”

Wu Yizhong, a regular Shanghai Metro commuter, in response to the Metro’s newly released draft on increasing penalties for people eating on trains. The draft is open for public comment until April 30. If approved, all food and drinks will be banned from carriages and platforms



“I still remember when we won that first world championship in 1981. Despite injuring your wrist, you insisted on pushing through the pain to finish all five sets. Your fighting spirit will inspire me forever. I miss you so much. We will be teammates again in the next life.”

Lang Ping, a renowned Chinese volleyball player and coach, expressing her sorrow on her microblog at the news that Chen Zhaodi, a former member of the Chinese championship volleyball team, died from cancer at the age of 58 in Beijing on April 1



FASHION DESIGNER



Ma Ke, chief designer for the domestic Wu Yong brand, achieved recent fame for designing dress for Peng Liyuan, wife of Chinese President Xi Jinping, during her first foreign tour.

Ma has won many costume design awards for her hard work and talent. At the age of 24, she won the title of Top 10 Chinese Fashion Designer. In the following year, she established her own fashion brand, Exception de Mixmind. In 2007, she became the first Chinese designer to release her designs on Paris Haute Couture, publishing her brand Wu Yong.



GENOMICS SCIENTIST



Wang Jun, Director of BGI-Shenzhen (BGI), a leading international genomic organization based in Shenzhen, won You Bring Charm to the World Award on March 30.

Born in 1976, Wang received a doctor’s degree from Peking University in 2002. He has been leading BGI genomic and informatics research since 2002, results of which have been published in *Nature* and *Science* magazines.

His work has brought hope to cure such ailments as cancer and high blood pressure. In addition, Wang’s research can be applied to agriculture and environmental protection.



Another Channel for Chinese Public Diplomacy

NF People
April 1

During Chinese President Xi Jinping's recent visit to Russia and three African countries, his wife Peng Liyuan accompanied him all the way, including visiting an orphan school and making a public speech in the process.

From simply showing up out of courtesy and taking part in some international social activities to now shouldering diplomatic tasks, China's first lady is playing an increasingly important role.

During the recent four-nation visit, Peng has received increasing attention for not only her attire but also her good-will activities, seen as a soft-toned diplomatic gesture. With her reputation as a celebrated artist and her active participation in public service programs, the

Chinese public expects Peng to usher in a new era of public diplomacy.

Born in 1962 in east China's Shandong Province, Peng was a successful folk song artist long before she became first lady. She joined the People's Liberation Army at the age of 18 as an artistic soldier before assuming her latest title equivalent to major general. In 1990, she received a master's degree in vocal music from the China Conservatory of Music, becoming the first in China to acquire such a degree. Peng has performed for soldiers and civilians alike, from cities to remote areas, garnering enormous popularity and admiration among the Chinese public.

Can Price Rise Cure Taxi Woe?

Jinan Daily
March 29

It is reported that the cost of taking a taxi in Beijing is likely to increase a lot over the coming months. The starting price within 3 km might rise from 10 to 15 yuan (\$1.59 to 2.38) and that per km from 2 to 2.4 yuan (\$0.32 to 0.38). On hearing the news, many say they would not be able to afford such high prices.

For a long time, it has been increasingly difficult for Beijingers to take taxis during rush hours. The possible price hike could ease the pressure of taxi services to some extent with some turning to other means of transport such as subways and buses. However, this in turn could lead to system overload and an increase in the amount of privately owned vehicles on the road, which would up the scale of traffic congestion and pollution.

In fact, taxi woes stem from monopoly of the market rather than prices. For example, taxi rent per shift is often as high as 5,000 yuan (\$805) per month, which accounts for nearly half the salary of drivers. Furthermore, the government implements strict controls on taxi market access, causing supply to fall short of increasing demand. The number of taxis has been around 66,000 since the 1990s.

Due to monopolies, difficulty in taking taxis exists in many cities across China. On the one hand,

it is hard for passengers to take a taxi; on the other, it is difficult for taxi drivers to earn money. Without doubt, no matter how much prices rise, it cannot address the problem if the government doesn't take market reform seriously.

Downtrend Not Bad

Xinmin Evening News
March 29

According to the National Bureau of Statistics, domestic consumption growth in January and February has met a sudden decline.

The rise in total retail sales of consumer goods dropped while the revenues of high-end restaurants decreased 3.3 percent year on year. Furthermore, many high-end alcohol and tea brands have cut prices.

The reason seems obvious. The Central Government issued eight mandates at the end of last year banning banquets and entertainment at public expense and encouraged economical governance. As a result, the booming high-end food and beverage market, backed mostly by public funds, experienced a slump.

Some experts have revealed concerns regarding reduced prices that influence consumption, though their fears are unfounded. Previous booms in high-end products have always been unreliable. Further more, prosperity based on consumption has created a huge loss in national wealth. Domestic demand will never be stimulated by corruption and

the waste of public funds. Therefore, in this light, sluggish demand is positive.

Who Should Pay for Failed Attraction?

Rednet.cn
April 2

The Epang Palace Park, a replica of a royal building from the Qin Dynasty (221-206 B.C.) on the outskirts of Xi'an in northwest China's Shaanxi Province, is about to end its 13-year life due to illegal procedures. The project cost over 200 million yuan (\$32.26 million) during its five-year construction. It is reported that a new, larger-scale relic park will be built on the current site.

The question is how the once prosperous zone fell into disrepute. Its short life can be associated with the historic Epang Palace, built during the rule of China's first emperor Qin Shi Huang (259-210 B.C.). The palace eventually succumbed to fire during a war waged against Qin's tyranny.

In 1995, local authorities decided to build a scenic park over the Epang Palace relics without preservation and protection approval from the Central Government. With large debts to be paid, who will bear the brunt?

Overall, the problem occurred largely due to near-sighted development planning regarding land and tourism resources.

COVER STORY

A BIGGER PIECE OF THE BEAN

China's coffee market is dominated by foreign brands, but that could soon change **By Zhou Xiaoyan**

DRYING UP: A woman rakes fresh coffee beans at the Aini Pu'er factory as they dry in the sun before being shipped off to Starbucks in Seattle for roasting

Having worked for over 45 years in the industry, Jeremy Wakeford is widely recognized as a coffee-quality expert. In 2011, Starbucks sent him to China at a rate of \$500 per hour to oversee quality control for Starbucks' potential partner Aini Coffee, China's biggest coffee bean processing and exporting company based in Pu'er, southwest China's Yunnan Province.

Wakeford worked for half a year with Aini, observing plantation gardens and tasting different types of coffee that Pu'er, widely known for its variety of teas, offers. In January last year, Wakeford gave Aini's coffee a score of 81.5, a mark reserved for coffee considered world class.

"If you put Manzhongtian coffee beans in an oak barrel, nobody can tell the difference from the blue mountain coffee in Jamaica. Manzhongtian is one of the few superb types of coffee I've ever tasted," said the coffee master.

Following Wakeford's run at Aini, Starbucks set up a joint venture with the company in February 2012 to purchase coffee beans from Pu'er coffee farmers to ship to the Seattle-based company for roasting.

"China is now a vital supplier of coffee beans

to foreign companies" such as Starbucks and Switzerland-based Nestlé, Zhu Zhihong, head of Aini's Pu'er factory, told *Beijing Review*.

Chinese consumers are addicted to foreign brands when it comes to coffee. What they may not know is that foreign brands often use China-produced coffee beans, he said.

In recent years, more local farmers have turned to the more lucrative (although not always) coffee crop, which thrives in the mountainous areas of Yunnan.

"Coffee planting has become one of the pillar industries in Pu'er," said Peng Yuanguo, Vice Mayor of Pu'er, a remote southwestern city near the borders of Laos and Myanmar named after one of China's most famous teas.

According to the Coffee Association of Yunnan, the province produced 65,000 tons of coffee in 2012, 98 percent of the total in China.

Pu'er alone produced 36,500 tons of coffee beans in 2012, more than half of Yunnan's total output, according to Peng.

In the next five to 10 years, the Pu'er Municipal Government plans to expand its coffee plantation area to over 1 million *mu* (66,667 hectares), with a market value of over 10 billion yuan (\$1.61 billion).

Five years from now, over 100,000 jobs will be related to the coffee sector, said the city's former mayor Li Xiaoping.

In January 2013, Pu'er was given the title of Coffee Capital of China by the China Fruit Marketing Association.

An upbeat trend

The enthusiasm of local coffee producer is spurred by China's growing caffeine addiction.

The value of coffee sales in China increased by 20 percent in 2011 from a year earlier, reaching 6.25 billion yuan (\$995 million), according to the market research firm Euromonitor International.

The alluring and more-promising-than-anywhere-else market has attracted Western coffee chains.

Starbucks was one of the first to seize the opportunity by opening its first Chinese mainland store in Beijing in 1999. The company—with 18,000 outlets in 62 countries and regions around the world—now has more than 800 stores in 58 cities on the Chinese mainland, and it aims to have



A JOINT VENTURE: A truck is parked in front of the Starbucks Aini Coffee production unit, a joint venture set up to purchase coffee beans grown by local Pu'er farmers



Zhu Zhihong

more than 1,500 stores in 70 cities by 2015.

The Chinese mainland now ranks as Starbucks's fourth largest market. The company had nearly 12,000 outlets in the United States, 1,175 in Canada and 975 in Japan by the end of 2012.

Announcing the company's record revenue for 2012 of \$13.3 billion on March 20, Starbucks CEO Howard Schultz said the company has achieved stunning success in China.

"It's no doubt that one day China will become our second largest market after the United States and it's possible that, over many years, potentially the largest one," he told *China Daily*.

Apart from Starbucks, other players are trying to wrestle their way in this big market. British company Costa Coffee plans to have 500 cafés in the country by 2016, while Hong Kong-based chain Pacific Coffee Co. said that its aim is to overtake Starbucks in China.

Instant coffee, which is abhorred by some Westerners, is more accepted by the Chinese for its convenience and ease of use, and has become a boon for Nestlé, the world's largest food company by revenue and a major instant coffee producer.

China is now the fifth biggest global coffee market for Nestlé measured by sales. The Switzerland-based company said it expects the tea-drinking country to become its biggest market by 2020. Nestlé's Nescafé brand has captured more than two thirds of the Chinese market, thanks in part to its instant coffee blends of powdered creamer and sugar.

Nestlé China's food and beverage sales have risen by a compound annual growth rate of 16 percent since 2008, and coffee sales have grown faster than that, says Roland Decorvet, head of Nestlé China. With China's per-capita coffee consumption only four cups per year compared with 400 in Japan, the potential is obvious, he says.

China's coffee consumption totaled 120,000 tons in 2011, a mere 6 percent of that of the United States. Analysts from Barclays expect the country's coffee demand to grow nearly 40 percent every year until 2015, according to a report from the *Los Angeles Times*.

Moving on up?

Domestic companies and Chinese farmers are benefiting from this growing trend by supplying coffee beans, but they are hardly satisfied with relatively lower profit margins and are struggling to move up the industrial chain.

With 20 years of experience in China's coffee sector, Aini has now expanded its operations, running the gamut from coffee plantations, to processing, to brand marketing, to its first coffee "experience store."

Aini has an annual production output of 15,000 tons and a plantation area of 9,070 *mu* (604.67 hectares), where 33 types of coffee are cultivated. The company plans to invest another 1 billion yuan (\$161 million) and expand its annual production to 5 billion

yuan (\$805 million) by the end of 2015.

"We just bought the highest-quality German-made coffee processing machine, which will help enlarge our capacity in down-stream processing," said Zhu, the Aini factory head.

The company plans to produce 3,000 tons of roasted coffee beans, 5,000 tons of roasted coffee powder and 20,000 cans of bottled coffee each year, he said.

"Enhancing brand recognition is a big issue for the company," Zhu said. "When it comes to coffee, homegrown brands might hit a few rough patches if they want to be recognized by Chinese people."

"We opened an online shop to sell coffee beans, which proved to be a huge success. Also, Aini will invest more in branding," Zhu said, adding that the partnership with Starbucks provides a significant boost for the Aini name.

At the end of 2012, Aini Coffee established its first coffee "experience store" in tiny Pu'er Simao Airport, marking the company's formal entry into the Chinese coffee retail market and placing it in potential competition with Starbucks, which is also fighting Costa Coffee in airport retail space. The store, Aini says, isn't meant to be a full-fledged coffee shop—at least not yet—but an outlet to sample the company's various coffee-based beverages.

"We don't expect the coffee stall in the airport to be profitable in the short term. It is a pilot run for our future expansion," said Zhu. ■

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COVER STORY

THE GOOD LIFE

As the coffee industry grows, farm workers are witnessing a drastic increase in their quality of life **By Elvis Anber**

For seven hours a day, Fu Xiufang picks raw coffee beans from the bushes on the Manzhongtian plantation high in the mountains of southwest China's Yunnan Province, close to the border with Laos.

"The ones with a reddish outer shell are the good ones. The blackened ones have been out too long. They'll be used for instant coffee," said Fu,

cupping a batch of coffee beans to be deposited into a bucket nearby his feet.

Fu's hands are thick and coarse, his skin darkened from decades of work as a potato farmer under the sun. His few remaining teeth are yellowed and rotting. He's 38 years old but looks well beyond his age.

Still, life couldn't be better.

China's coffee industry is booming, and the potential to expand in a market still in its infancy is breathtaking. The Aini Group—China's largest coffee company—hires local Yunnan farmers and workers, like Fu, to help the industry grow.

"When I was working on a potato farm, I earned a few hundred yuan a month. Now I earn 1,000 yuan (\$161)," said Fu. "I live with my parents here. They work on the plantation too and earn 700 to 800 yuan (\$113-129) each."

The blistering growth of the industry has left Aini unable to keep up with demand and the company is short of hands to harvest its coffee crops and maintain its Manzhongtian plantation, located roughly 60 km east of the city of Pu'er, famous across China and the world for its tea. The worker shortage means plenty of coffee cherries aren't picked in due time and are left to burn in the sun.

"We recruit farmers and workers from as far away as 1,000 km within Yunnan to come to the fields here," said Bai Yingpei, who manages the plantation.

Sixty farmers and their families call the plantation home, and many arrived through word of mouth from relatives and friends recruited by Aini.

Fu is from Zhaotong, a city over 900 km away in northeast Yunnan, close to the border with Sichuan Province. Zhaotong is a poor jurisdiction in already one of China's most impoverished provinces and is an easy target for recruits.

"I believe the living standards in the dormitory are better than the dwellings in their hometowns,



RAW AND READY: Fu Xiufang hunches over as he cups dozens of pure beans from a coffee plant



A FAMILY AFFAIR: Yang Shengmen, his wife and two of their children stand amid coffee crops on the Manzhongtian plantation

which are shabby,” said Bai. “Second, the climate is much better—it’s like spring all year round. In their hometowns, it’s very cold. Sometimes the snow is so bad they can’t even work and earn money.”

For 45-year-old Yang Shengmeng, the decision to relocate his wife and five children to Manzhongtian was a chance to drastically improve their quality of life.

“My hometown is in a mountainous area. The snow is so high, we don’t have electricity and the transportation is inconvenient. It was an easy choice to come here.”

Fu, Yang and the other workers live in Aini-provided dormitories, single-level blocks common on farms and plantations across China that house workers who come from elsewhere. Inside are bunk beds and a rudimentary kitchen to prepare breakfast and dinner (lunch is eaten out in the fields and normally consists of a pack of rice or a few potatoes). Outside the dorms, motorcycles and other all-terrain vehicles sit parked in front of clotheslines. Chickens mill about the rocky mountainous roads. Toilets are outside too. The women, sporting sun hats, rake freshly picked beans as they dry in the sun before being shipped off to Aini’s processing plant in Pu’er.

Every morning, Fu and Yang wake up at 6 a.m. and head to the fields. If it’s harvesting season, they pick coffee beans from the several thousands of plants scattered across the plantation. Otherwise, they fertilize the fields and perform overall maintenance work.

“The toughest part is fertilizing—I have to carry heavy equipment to the mountains and the fields,” said Fu. “The easiest part is picking the beans,” add-

ing that he much prefers working on the coffee plantation because he doesn’t have to “haul sacks of potatoes” all day.

Although the workers earn more than ever in a business that has dramatically improved their livelihoods, they aren’t trained as farmers, who earn substantially more—several or even tens of thousands of yuan more a year—growing coffee crops. Fu said he knows many farmers from across Yunnan who have switched to coffee from tea or other crops in hopes of earning higher profits.

“I’ve been here for one year but haven’t received any training to become a farmer,” said Fu. “I would like to learn how to grow coffee rather than just pick the beans off the plants and trim the bushes.”

Bai, the plantation manager, entered the coffee business in the 1990s at a time when coffee shops in China were scant and few thought the industry would take off in the predominately tea-drinking nation.

Educated at an agricultural university in Pu’er, Bai began to manage coffee fields in 1996 before overseeing the 6,000 *mu* or 400-hectare plantation at Manzhongtian.

“First, the price of coffee beans is relatively high,” said Bai when explaining why he chose coffee farming over growing tea. “Second, so few people chose coffee, but I



Bai Yingpei

did, and I think it’s a wise choice.”

Despite the higher wages for plantation workers and an enthusiasm for coffee from Yunnan to Beijing, it remains to be seen whether the crop—which fluctuates in price from year to year and could be higher or lower than competitor tea crops grown in the region—will be the cash cow many anticipate. Not to mention the hesitation many Chinese have toward consuming locally grown coffee over beans from Africa or South America.

Fu nonetheless remains hopeful.

“As China’s economy continues to grow, more and more people will drink coffee,” he said, adding he likes his coffee black with sugar.

“The coffee industry is strong,” said Yang, as his wife, several meters away and hunched over, tossed a handful of raw beans into a tin bucket.

“I want to do this for the rest of my life.” ■

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COVER STORY

A COFFEE BOOM IN YUNNAN

Beijing Review recently went to the city of Pu'er in southwest China's Yunnan Province and a coffee plantation in the mountains nearby for a close-up look at China's fast-developing coffee industry. Below are more photos of that trip:



COFFEE TREE LADDER: Coffee trees are planted in the terraced fields



STACKING THEM UP: A worker delivers goods at an Aini Coffee storage facility



(All photos by Wei Yao)



MAGIC BEANS: A coffee farmer holds ripe coffee beans in his hands in Pu'er



VISITORS: A local family shops for roasted coffee at an Aini compound



BEANS ON DISPLAY: Different types of roasted coffee beans are on display in a factory belonging to Yunnan-based Aini Coffee

COVER STORY

IS COFFEE A THREAT TO CHINESE CULTURE?

As the number of cafés continues to grow in China, could the teahouse become a thing of the past? By Elvis Anber

At a teahouse in west Beijing, cigarette smoke and middle-aged men playing mahjong fill the rooms as the shells from sunflower seeds spill off the table and onto the floor. A man enters and lays down a tray of four cups and a teapot. Another man sits on a sofa reading a newspaper—he's sitting out this round.

The scene is a common one across the city and China, where tea drinking and teahouses have become synonymous with the Chinese way of life.

"People come here because they like the culture of drinking tea," says Lian Shichuan, who greets guests and serves drinks and snacks at the Baxiang Teahouse. "Few people come

here to do business. They come here to be social, to play mahjong," a four-player tiled-based game popular in China.

But the teahouse—or *chaguan*—once so unrivaled and embedded in the national fabric here, could find itself scrambling for its own survival. From first-tier wealthy cities like Shanghai and Shenzhen down to the country's slower

AFTERNOON TEA: Folks gather at a teahouse in Taiziwan Park in Hangzhou, capital of east China's Zhejiang Province



developing and poorer third-tier cities, cafés are sprouting up everywhere.

What does it all mean for the teahouse in China?

The coffee appeal

According to research by Mintel, a UK-based market research company, the number of cafés in China has risen to 31,783 in 2012, double the 15,898 in 2007. That's about 1,025 cafés for each of the Chinese mainland's 31 provinces and municipalities.

To be sure, there are more teahouses in the country with 50,984, but the number of teahouses has only risen by 4 percent from five years ago. If coffee houses are playing catch up, they're doing a good job.

"Café chains only really began to appear in China in the late 1990s, and have since grown very rapidly in number," Matthew Crabbe, Director of Asia-Pacific Research at Mintel, said in a company press release. "Meanwhile, the teahouse sector has struggled to find a response in terms of a successfully organized, branded, franchised chain—remaining focused on either tourists or low-spending older people looking for traditional places to relax and becoming less relevant to younger Chinese consumers."

Part of the appeal of a café for young people is the exclusivity it offers, as a place to spend money and be seen doing so, something not often possible in a teahouse where private rooms are the norm.

"Coffee is expensive. It's a luxury," Xu Shuyuan, a university English instructor in her 30s, said at a Costa Coffee shop in Beijing. "People like to sit here and feel good about themselves. They feel they are wealthy and can afford these expensive drinks."

Expensive they are. A regular black coffee runs in the \$3 to \$4 range or even higher compared to the \$2 cost common in North America. Anything fancier could set you back double.

One chain looking to cash in on China's growing obsession with a cup of joe is Maan Coffee. Originally begun by a Korean expatriate in Beijing, the chain has 13 shops in the capital and over 40 across the country.

One two-story mammoth of a branch in central Beijing can seat over 300 people. Most customers are the young and the well dressed, a combination of students, urban professionals crowded around a laptop brainstorming



BUSINESS IS GOOD: Customers fill a Maan Coffee branch in central Beijing

the next big thing, and a few expats. The folks who come here are often referred to as *xiaozis*, loosely translated as yuppies.

"For now, most coffee drinkers are young people," said Jiao, the coffee shop's manager. "They take it as a foreign culture, like learning a foreign language like English."

The association that coffee has with Western culture is one reason why Zhou Cong, a municipal government employee, visits Maan on a routine basis.

Coffee is "like red wine. We can learn a lot: How to make it, where it's from," he said one afternoon sipping his cappuccino. "The same with coffee ... we can see the wider world through it."

Tea time, or not?

Teahouses often cater to an older clientele, and there's no guarantee that the current café-going younger generation will file into teahouses in the future.

"The lack of strongly branded chains among the traditional teahouses means the sector has so far failed to meet the challenge posed by the rise of the café chains, while the few existing chains have focused on a very narrow, higher-end, generally older consumer segment," said Crabbe.

That older segment is an association that could be off-putting for China's *à la mode*.

"Teahouses and coffee shops represent tradition and a new trend," says 31-year-old Pei Jia who works in marketing for a multinational company and drinks coffee two or three times a week, but is also a daily tea drinker. "Obviously the younger generation doesn't want to be tagged with the older."

Peng Moxie, 25, who regularly visits cafés but makes his own coffee at home every morning, said he doesn't visit teahouses "because

they feel too serious to me. I feel like the atmosphere is more formal than at a café."

For Xu, the English instructor, the reception she receives at a coffee shop is what keeps her coming back.

"I think the service in coffee shops is better than in teahouses ... Generally speaking, coffee shops are Western culture influencing Chinese culture. The waitresses are trained well and the atmosphere is warm. The service at teahouses—with the exception of some—is not good."

While coffee shop food and drinks don't come cheap, they pale in comparison to the offerings at some teahouses with hourly room rates and minimum consumption requirements. Teas too can be remarkably expensive, even for China's ready-to-spend urban middle class. At Baxiange, the priciest green tea is 108 yuan (\$17) a cup. Black tea, 280 yuan (\$45) per cup.

With a slow growth rate and uncertain business model, could teahouses become a thing of the past, replaced by the country's burgeoning café scene?

"I don't think cafés are a threat," says Song Maimai, 31, a landscape designer in Beijing and regular coffee drinker. "More or less, they're good for teahouses to think about how to develop their businesses."

A shopkeeper at Wuyutai, a chain shop selling a range of low to high-end packaged teas, says, "Chinese have been drinking tea for a lifetime—and they will continue to do so."

For Peng, whoever comes out victorious in the tea-coffee wars is anyone's guess, but he's certain of one thing.

"Teahouses might be challenged by coffee shops, but the tea culture will always be there." ■

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