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DELIVERING THE GOODS

Economic rebalancing
efforts pay off
in Q1 GDP



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AUD3.00
GBP1.20
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Spring, tea, cycling, oh my!

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↓ EDITOR

Rebalancing Efforts on Track

China's economic growth has undergone significant change, shifting from one primarily dependent on investments and exports to one of consumption. According to figures from the National Bureau of Statistics, of the 7.7-percent GDP growth registered in the first quarter, more than half—or 55.5 percent—was due to consumption, while investment contributed 30.3 percent to growth. Net exports of goods and services only accounted for 14.2 percent.

In the first quarter, the service sector grew by 8.3 percent year on year. Added value by the service sector accounted for 47.8 percent of the GDP, an increase of 1.6 percentage points higher than the figure in the same period last year. All this indicates that consumption has become a major engine driving China's economic growth.

As for the country's industrial structure, added value by the hi-tech sector in the first quarter rose by 11.9 percent, much higher than that in the fourth quarter last year. During the same period, added value growth by heavy industries, especially the six industries with high energy consumption, declined 1.1 percentage points than that in the same period last year, and per-unit energy consumption by industrial enterprises with annual sales revenue of above 5 million yuan (\$802,568) dropped by 6.5 percent over a year ago. This means the Chinese economy is witnessing a transfer from extensive growth to intensive growth.

Transformation of China's economic growth model and encouraging signs of economic restructuring are consolidating sound and sustainable economic growth in China.

However, in this crucial period of economic restructuring, China should pursue a steady economic recovery. Considering China's need for mid- and long-term economic development, a growth rate between 7.4 percent and 8 percent is reasonable. Any opinion that China's economic growth has lost steam fails to understand the shift underway in the country's economic development. ■

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SANDSTORM INVADES THE NORTHWEST

Floating dust hits Shche County in Kashgar, northwest China's Xinjiang Uygur Autonomous Region, on April 16. A storm is expected to last four days according to meteorological forecasts, with visibility in some areas reduced to less than 100 meters.

Flu Patient Cured

A seven-year-old girl surnamed Yao, the first human case of H7N9 avian influenza in Beijing, holds a certificate awarded by Ditan Hospital in Beijing praising her performance during treatment while attending a press briefing along with her parents before her discharge from hospital on April 17.

The medical observation for her parents also ended, as neither of them have shown symptoms.

The National Health and Family Planning Commission said in its daily update on H7N9 cases that a total of 87 H7N9 cases had been reported in China as of 5 p.m. on April 18, causing 17 deaths.



Food Tracking

China will speed up the construction of a national electronic food-tracking system as part of efforts to boost food safety supervision, a cabinet circular said on April 16.

Featuring an agenda on food safety work for 2013, the State Council circular urged that infant formula, ingredient milk, meat, vegetables, liquor and wine, as well as dietary supplement products be made traceable.

Standards concerning the volume of pathogenic microorgan-

isms (such as bacteria), use of food additives, and levels of residue from pesticides and veterinary drugs in food products will be improved before the end of the year, the document said.

National product standards for honey and edible vegetables as well as relevant standards of testing methods will also be improved by the end of 2013.

Calling for efforts in forming a food safety credibility system, the State Council urged a "blacklist" system to be set up to publicize the names of firms that fail to be hon-

est in business operations, a move intended to promote self-discipline initiatives in the food industry.

New Discovery

Chinese scientists have made the very first experimental observation of a phenomenon known as the quantum anomalous Hall (QAH) effect, a discovery that will help accelerate the IT revolution and in developing low-power-consumption electronics, the Xinhua News Agency reported on April 11.

QAH effect is one of the most important physical effects that had remained unobserved worldwide, according to academic Xue Qikun, who has led a team working on the subject since 2008.

"The technology may even bring about a supercomputer in the shape of an iPad," predicted Xue.

The QAH effect was predicted

to occur in magnetic topological insulators by American scientist Edwin Hall more than 130 years ago. It is a kind of quantum Hall effect realized at zero magnetic field.

The quantum Hall effect describes how a voltage appears at both semiconductor edges when the electrons on a current-carrying semiconductor experience a force while being kept in a magnetic field, Xue explained.

Private Foundations

The number of private foundations set up in China reached 2,961 in the third quarter of 2012, about three times that of 2005, the Ministry of Civil Affairs said on April 16.

The number of foundations in China has continued to increase steadily in recent years, with the number of private foundations overtaking public ones for the first time in 2011, according to a report released by the ministry's Non-Governmental Organization Administration.

The total assets of foundations across the country reached 78.5 billion yuan (\$12.71 billion) in 2011, up 29.91 percent from 2010, figures from the report show.

Foundations received dona-



FOLLOW THE RULES

Injured manikins and crosses with the slogan "Say no to jaywalking" remind people to obey traffic rules in Chongqing, southwest China on April 16



MOVIE FEAST

Russian director Nikita Mikhalkov addresses the opening ceremony of the Third Beijing International Film Festival at the Temple of Heaven Park in Beijing on April 16. More than 1,300 movies from 63 countries and regions were shown in the weeklong event

tions worth 40.1 billion yuan (\$6.49 billion) and spent 28.9 billion yuan (\$4.68 billion) on charity programs in 2011, according to the report.

Broadband Service

Some 18,000 rural villages and 5,000 schools in impoverished regions will enjoy broadband Internet service this year, according to an annual plan released by the Ministry of Industry and Information Technology and seven other ministries on April 17.

The government will build 180,000 base stations this year to provide 3G mobile Internet service to 100 million users. Broadband Internet services will reach an additional 25 million people and 70 percent of broadband subscribers will have access to speeds of 4M or faster.

The government also hopes to expand the fiber-to-the-home



LUD JIANG/LIAN

(FTTH) service, an integrated family broadband system, to at least 3,500 additional households this year, according to the plan.

FTTH refers to a form of fiber-optic communication delivery that reaches one living or working space. The fiber extends from a central office to the subscriber's living or working area.

By the end of January, the number of broadband users in China stood at 177.37 million, while 3G users reached 245.88 million.

Palace Preservation

A comprehensive plan to better preserve the Palace Museum in Beijing, also known as the Forbidden

City that was home to emperors of the Ming and Qing dynasties (1368-1911), has been approved by the State Council, China's cabinet, a museum official said on April 17.

Curator Shan Jixiang said that a series of projects will be carried out to enhance the protection of 170,000-square-meter wooden building complex in the museum and its more than 1.8 million pieces of cultural relics.

According to the plan, major projects include remodeling underground storehouses, restoring cultural relics and rebuilding infrastructure.

The move is meant to effectively address existing problems of insufficient storehouses and outdated infrastructure, as well as to reduce

potential risks of fires, earthquakes, natural damage and theft, Shan said.

The plan states that the Palace Museum will be built into a first-class museum by 2020, when the former imperial palace will celebrate its 600th anniversary.

"The protection project aims at handing over an intact museum to another 600 years," Shan said.

Win Model

Global management consulting firm Hay Group has unveiled a new management model to help its customers succeed.

Known as the Win Model, it identifies three key ingredients for business success: strategic effectiveness, organizational effectiveness, and leadership effectiveness. The Win Model is based on the premise that addressing any of these areas individually is not enough so the model is designed to equip companies with practical, evidence-based analytical reports to identify key areas and a roadmap for transformation.

Hay Group has chosen China as the first country to launch its Win Model owing to the increasing importance of the China market in the global economy. The company will hold the Employee Engagement Forum in four cities—Beijing, Shanghai, as well as Guangzhou and Shenzhen in southern Guangdong Province.

Service-Ready

Patrol vessel *Haixun 01* is berthed at a port in Shanghai on April 16 as the ship enters official service. The Shanghai Maritime Bureau manages the vessel.

Haixun 01 is China's largest and most advanced patrol vessel. The 5,418-tonnage ship is 128.6 meters in length and has a maximum sailing distance of 10,000 nautical miles (18,520 km) without refueling. It will carry out missions regarding maritime inspection, safety monitoring, rescue and oil spill detection and handling.



JIAN SHAN

Tomato Contest

A woman showcases tomatoes at a tomato competition held in Huainan, east China's Anhui Province, on April 16.

Judges score the tomatoes based on their shape, color and taste in an effort to improve the plantation skills of local farmers.



CHEN BIN

Growth Driver

Strong domestic demand has become a driver for the increasing growth in East Asia, according to a World Bank report.

Driven by strong domestic demand, the economies of developing East Asia and the Pacific continue to be an engine of global growth, growing at 7.5 percent in 2012—higher than any other region in the world, according to the World Bank in its latest analysis of the regional economy. As the global economy recovers, the World Bank report projects that regional growth will rise moderately to 7.8 percent in 2013 and ease to 7.6 percent in 2014.

"The East Asia and Pacific region

contributed around 40 percent of global growth in 2012, and the global economy continues to rely on the region's growth, with investor confidence surging and financial markets remaining solid," said World Bank East Asia and Pacific Vice President Axel van Trotsenburg. "Now is the time for countries to focus on helping the remaining poor, with more and better quality investments to accelerate inclusive growth."

Fiscal and monetary policies to boost consumption and investment helped sustain growth in 2012 across the region, with middle-income countries performing particularly well. Developing economies excluding China grew 6.2 percent in 2012,

up from 4.5 percent in 2011.

In China, growth slowed to 7.8 percent in 2012 due to rebalancing efforts, while the real disposable income of urban households rose by more than 9 percent, supporting household consumption, which contributed 4.4 percentage points to GDP growth. China is projected to grow 8.3 percent in 2013 and 8.0 percent in 2014, said the report.

Boosting Exports

The 113th Canton Fair opened in Guangzhou, south China's Guangdong Province, on April 15, with the aim of boosting Chinese exports and promoting the integration of the country's economy with the world.

The opening comes amid China's economic slowdown but a 13.4 percent growth in foreign trade in the first quarter of the year, much

higher than the growth rate of 6.2 percent in 2012.

Nearly 25,000 companies, including 562 from 38 countries or regions are attending the fair.

The fair, or China Import and Export Fair, will further promote the integration of the country's economy with the world, the stabilization of exports and expansion of imports, said China's Vice Minister of Commerce Li Jinzao.

About 200,000 overseas buyers are expected to attend the fair, which will last until early May.

Off With Barriers

During the Second China-U.S. Governors Forum held on April 16 in Tianjin, Chinese officials have called on the United States to reduce barriers to Chinese investment and turn to talks and negotiations to tackle trade disputes between the two sides.

"Protectionism has been surging recently in the United States, resulting in a tightening investment environment," Zhang Qingwei, Governor of Hebei Province, said at the forum.

The United States has launched a series of punitive measures against Chinese investors, including photovoltaic enterprises and tire manufacturers, Zhang said. "Chinese investor confidence can be dampened by America's punitive measures, and it's vital to build up a negotiation mechanism to enhance bilateral trade relations."

Similar concerns were also voiced by Su Shulin, Governor of Fujian Province.

Chinese investors have failed to enjoy equal treatment with Western companies and are facing restrictions in certain industries, Su said, adding that it is even more difficult for China's state-owned enterprises to obtain approvals from the U.S. government.

More and more Chinese firms are exploring overseas markets, and the United States should lift restrictions on Chinese investment, which, in turn, could bring jobs and growth to the target country and cre-



LIU



EV PRODUCTION BASE

Workers assemble components at a workshop of Xinneng Electrical Vehicle Co. Ltd. on April 16. The company is located in Xinxiang, central China's Henan Province



POWERING THE RURAL

Staff members from a grid company in Wuyishan in southeast China's coastal Fujian Province upgrade an electricity transmission system in local Jukou Village



ZHANG GUOLIN

ate a win-win situation, said Huang Xingguo, Mayor of Tianjin.

Visiting governors from the states of Iowa, Wisconsin and Virginia have welcomed Chinese investors and expressed their hopes that the two nations can increase cooperation in agriculture, trade, culture and education, as well as on issues like food safety and environmental protection.

"We'll continue to look at how we can bring those barriers down. Some of them need to be addressed at the national level by our federal government, but we'll do what we can to make it easier for direct investment in our state," said Governor of Iowa Terry Brandstad.

"We'll get our national government to make the process of getting a visa easier," he added.

The China-U.S. Governors Forum is a groundbreaking measure to enhance cooperation at the

provincial and state levels between the two countries. The first forum was held in Salt Lake City, Utah, in July 2011.

Aircraft Leader

The Chinese mainland led the region in possessing the number of business aircraft in 2012, with 187 aircraft, up by 103 percent from 2002, said market researchers JetNet.

The number of business aircraft in the Asia-Pacific region jumped from 947 in 2002 to 1,566 in 2012.

"The Asia-Pacific region continues to be a large growth market for business aviation, fueled by some of the most exciting economies in the world," said Ted Farid, Vice President of sales for the Asia-Pacific region

of Beechcraft Corp., a U.S. business aircraft manufacturer.

Business leaders and entrepreneurs in the region know more about the usefulness and convenience of business aircraft, he added.

Around 58 percent of the region's business fleets are jets and 42 percent are turboprops, although the latter is growing in popularity.

Slower FDI Inflow

China attracted \$29.91 billion in foreign direct investment (FDI) in the first quarter of 2013, up only 1.44 percent year on year.

In March alone, FDI growth also eased to 5.65 percent to reach \$12.42 billion, compared with a growth of 6.32 percent in February.

The Ministry of Commerce said in the first quarter, most of the FDI flocked to China's service and manufacturing sectors, which attracted 48.24 percent and 44.05 percent of the country's total FDI, respectively.

Foreign investors set up fewer new firms in the manufacturing and service sectors in the first three months, but the sectors still managed to post FDI growth.

Numbers

0.46%

Net profit growth of 1,435 Chinese companies that are listed on China's bourses, according to their annual reports filed to the Shanghai and Shenzhen stock exchanges

3.2 tln yuan

China's fiscal revenue in the first quarter of 2013, an increase of 6.9 percent year on year, slowing from the 14.7-percent rate seen in the same period last year

10 bln yuan

Losses in China's poultry industry since the first case of H7N9 bird flu was discovered

150,800 hectares

The housing land supplies promised by the government in 2013. Among them 41,500 hectares would be for the government's affordable housing program for low-income families

Lucrative Crop

Farmers in Xili Town in Yiyuan County, east China's Shandong Province, harvest peach flowers on April 15.

As peach flowers blossom in the spring, local farmers harvest, process and sell them for tea drinking as a new means to increase income.



ZHAO DONGSHAN

THIS WEEK WORLD



HUNGARY

A woman lights candles on the bank of the Danube River in Budapest on April 16 during a memorial event remembering those killed in the Holocaust during World War II



THE UNITED STATES

Runners stand for the U.S. National Anthem before a race held in Miami, Florida, on April 16, to honor the victims of the Boston Marathon bombings. The bombings left three people dead and more than 180 injured



COLOMBIA

A police officer walks past seized cocaine packages in Cali on April 15. The Colombian National Police seized 5.3 tons of marijuana and 877 kg of cocaine during an anti-drug operation





ISRAEL

Children watch an aerobatic performance above the Mediterranean Sea near Tel Aviv on April 16 during a celebration of Israel's Independence Day



IRAN

Iranian Red Crescent workers erect tents for earthquake-affected residents in Saravan, southeastern Iran, on April 16. The massive quake, which measured nearly an 8.0 magnitude, ravaged the border areas of Iran and Pakistan

JOHNS/ATP



HAN CHONG



JOHNS/ATP



SOUTH KOREA

A special team of firefighters stage a drill to prepare for disasters such as a toxic chemical leakage from a power plant in Seoul on April 16

“It should be noted that although the spread of infectious diseases such as SARS and the current H7N9 bird flu draws most of the public’s attention, the biggest disease burden for Chinese people actually comes from non-communicable and chronic diseases, and the threat is mounting.”

Yang Gonghuan, a professor with the Chinese Center for Disease Control and Prevention, speaking at a medical symposium in Beijing on April 15



“Maritime garbage is constantly on the move and is therefore likely to be spread around the world, which is why there is an urgent need for it to be curbed and treated.”

Peng Zaiping, Director of the Maritime Management Bureau of Beihai in Guangxi Zhuang Autonomous Region, highlighting the need to reduce maritime pollution on April 12



“What I have learned most from Tai Chi is philosophical insight, such as the notion of *yin* and *yang*, which is a theory stating that things will develop in opposite directions when they become extreme and that people should learn to be moderate.”

Jack Ma, founder of Chinese e-commerce giant Alibaba Group, who is actively engaged in spreading Chinese Tai Chi, expressing his understanding of the martial art at an entrepreneur exchange activity held in Beijing on April 12



“I don’t speak Chinese, and I absolutely cannot read it, except for the word kungfu, but I don’t mind reading subtitles. I can read very fast.”

Jonathan Breedveld, a 20-year-old man from the Netherlands, expressing his love for Chinese martial arts TV dramas



RAPE VICTIM’S MOTHER



Tang Hui, a woman from south China’s Hunan Province who had sued a local re-education through labor commission for putting her into a labor camp, had her request for compensation denied.

The mother had petitioned in front of local government buildings for a harsher punishment for those guilty of raping her daughter and forcing the girl into prostitution. She was then put into a labor camp in 2012. She was sentenced to 18 months in the camp, but was released eight days later amid a public outcry.



BEST ACTOR



Hong Kong actor Tony Leung Ka-fai receives his fourth Best Actor award at the 32nd Hong Kong Film Awards on April 13 for his role as a deputy police commissioner in the *Cold War*.

Leung has been active in the film industry for more than 25 years. His previous best actor awards came from starring roles in *Reign Behind the Curtain* (1983), *92 Legendary La Rose Noire* (1992) and *Election* (2005).

In 1991, Leung made his foray into the international film industry by appearing in the French movie *The Lover* directed by Jean-Jacques Annaud.

财新 新世纪 Caixin Century Weekly



China Charged for Vitamin C *Caixin Century Weekly* April 8

The Brooklyn Federal Court of the New York State ruled on March 14 that two Chinese vitamin C producers pay \$153 million in fines for colluding to raise prices for exports to the U.S. market and limit exports of raw vitamin C between December 2001 and December 2006, which is illegal under the U.S. anti-trust law.

China has issued a declaration stating that the verdict of the U.S. court was unfair. The two Chinese companies have announced plans to appeal. If they fail, however, they will have to pay around 1 billion yuan as compensation.

Vitamin C produced by China has occupied more than 80 percent of the U.S. market share for a long time. Since 2001, the China

Chamber of Commerce for Import & Export of Medicines and Health Products, which is affiliated to the Chinese Ministry of Commerce (MOFCOM), has convened Vitamin C producers to set prices and limit production.

During the eight-year lawsuit, MOFCOM has briefed the court on three occasions to clarify that the Chinese companies involved acted according to official requirements. This was an attempt to exempt local enterprises from legal responsibilities under the principle of state immunity and enable Americans to understand the complexity of China's transition from a planned economy to a market one. Government control of the economy, which is normal in China, has formed the main reason for the huge fines.

Poisoning Tragedy *The Beijing Times* April 17

Shanghai police have detained a postgraduate student, surnamed Lin, of Fudan University, after his roommate was found poisoned by water from his room's drinking dispenser. With investigations still underway, the true cause of the incident remains unclear.

If found guilty, Lin will face dire consequences while his family bares the brunt of society's ridicule. Many have blamed the so-called "failure of the Chinese education system" for the suspected murder.

It is conjectured that, while academic performance is often overemphasized, little attention is paid to personality and moral schooling.

Personal gain and fierce competition currently underscore psychological problems among students, making it difficult for them to deal with interpersonal relationships and associated fall-outs.

Entrance Fee to Ancient Town *Workers' Daily* April 17

Fenghuang Ancient Town, also known as Phoenix City, a tourist attraction famous for its outstanding natural beauty and primitive architecture in central China's Hunan Province, recently introduced a visitor charge of 148 yuan (\$23.50). The policy has triggered much anger among tourists. In the past, entrance fees were limited to only a few scenic spots and not the entire city. Local shops have also expressed dissatisfaction, arguing that charges might affect visitor numbers to the area and subsequently business. However, the local government has argued that the entrance fee will generate revenue, which can be invested toward improving the local environment, the standardization of the tourism market and the prevention of unjust competition.

While Phoenix City is not the first to charge tourists, protecting public interests has become a key concern, especially since no one was consulted before the fee was introduced.

Besides, past experience tells us that an increase in fee charges or fines seldom leads to a fundamental solution to environmental protection.

The truth is that during February, the local

government set up a joint tourism management business with a local firm, with a share holding of 49 percent. Thus, for every 148 yuan ticket that sells, the local authority pockets 60 yuan (\$9.52).

The commercialization of tourism resources has been a growing concern in recent years. While some companies and local governments are making money, public interests have taken a backseat.

Appraising Ecology *Outlook Weekly* April 15

Discussions on ecological progress have been increasingly hot and the endeavor to build a beautiful China has carried much public anticipation.

However, the reality is not optimistic. With continuing economic development, the conflict between humans, resources and the environment is increasingly poignant. On the one hand, the country is facing difficulties transforming its economic growth model and adjusting its economic structure; on the other, air and water pollution are frustrating the public.

For a long time, the environment has been deteriorating, a heavy price that China has paid for its fast economic progress. Under such situations, building a beautiful China is not only the country's blueprint, but also meets the urgent needs of reality. At present, the solution is to include resource consumption, environmental damage and ecological benefit into the economic and social evaluation system.

The system that measures official achievements by the GDP should be broken. Only if ecological progress is considered, can the economic development model be transformed fundamentally.

People not only want to enjoy abundant material wealth, but also want to drink clean water, eat safe food and breathe fresh air. Their need for the latter is even stronger than the former.

In addition, it should be noted that realizing ecological progress is not only a government responsibility but also one of enterprises, citizens and social organizations. Only if the call for low-carbon travel and resource saving is turned into individual, concrete action can a real beautiful China be built.





肯尼亚航空公司

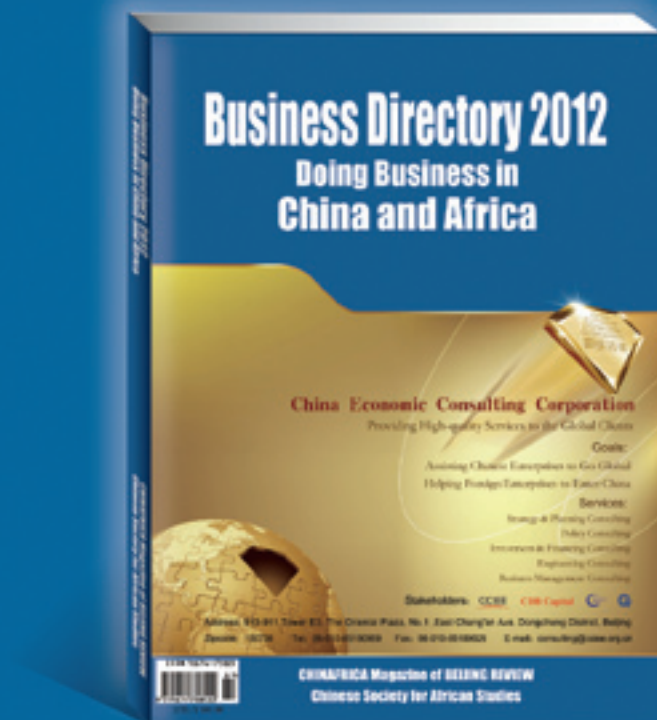
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JOSTLING THRONG: Travelers queue up to check in at the railway station in Shenyang, northeast China's Liaoning Province, on February 15, during the weeklong Chinese New Year holiday. The tourism industry has witnessed unprecedented growth in recent years

COVER STORY

A STEADY START TO THE YEAR

China's first-quarter economic figures are in line with its restructuring aims
By Lan Xinzen



LAO YAN

It looks as though the Chinese economy will continue its stable growth trend this year. According to statistics released by the National Bureau of Statistics (NBS) on April 15, China's GDP totaled 11.89 trillion yuan (\$1.9 trillion) in the first quarter and registered a 7.7-percent year-on-year growth, above the 7.5-percent full-year target for 2013 set by the government last month. First-quarter GDP rose 1.6 percent from the last quarter of 2012, maintaining a rebound trend that began in August 2012.

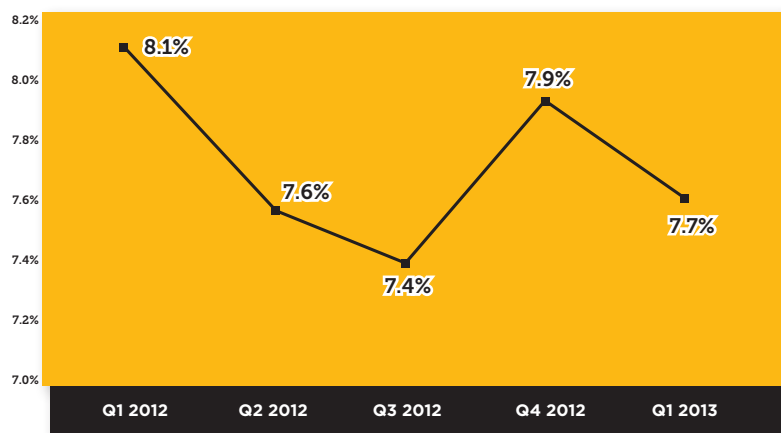
The GDP data, the first of its kind after the new government took office in March, attracted wide attention as they serve as a weather vane for the country's future development.

A stabilizing growth trend

"The 7.7-percent rate indicates steady growth,"

<http://www.bjreview.com>

China's GDP Growth



(Source: National Bureau of Statistics)

said Zuo Xiaolei, chief economist with China Galaxy Securities, headquartered in Beijing.

"China now emphasizes steady growth. Any man-made growth, such as deliberate investment in real estate or sectors with excessive capacity to make growth data look better, is meaningless," Zuo said.

Sheng Laiyun, a spokesman of the NBS, said the first-quarter GDP growth exceeds the 7.6 percent recorded in the second quarter last year and the 7.4 percent registered in the third quarter last year. "Generally speaking, any growth rate from 7.4 to 7.9 percent can be labeled as stable growth," said Sheng.

In an effort to steer the economy away from a previous growth pattern focused on sacrificing the environment in exchange for high GDP growth, China continues down a path of economic restructuring, which began in 2007. The country is entering a key phase for this strategy. Instead of pursuing unbridled growth, the Chinese Government is now pushing for a quality-based approach to growth. Besides the GDP, other economic figures released by the NBS are all in line with this shift.

The agricultural, industrial and service sectors all recorded steady growth in the first quarter. Industrial enterprises enjoyed steady growth as well. In the first quarter, industrial enterprises above the

designated size—enterprises with annual sales exceeding 20 million yuan (\$3.16 million) nationwide—registered a 9.5-percent year-on-year growth.

The service sector witnessed fast growth in the first quarter, as shown with an 8.3-percent year-on-year growth. Output from the sector accounted for 47.8 percent of growth, up 1.6 percentage points from last year, illustrating that China's plans for service sector growth are being realized.

There was also a rebound in foreign trade. China's foreign trade received a heavy blow from the 2008 financial crisis, with consecutive fall-back in some months. To this end, the Chinese Government in 2012 unveiled several measures to prop up foreign trade. China registered \$974.7 billion in foreign trade in the first quarter, rising 13.4 percent year on year. Among the total, exports stood at \$508.9 billion, surging 18.4 percent year on year. Imports amounted to \$465.8 billion, up 8.4 percent year on year. The country had a trade surplus of \$43.07 billion in the first three months.

Zheng Yuesheng, spokesman of the General Administration of Customs (GAC), said that first-quarter foreign trade growth far exceeds the annual rate in 2012.

"China's economic fundamentals have remained strong. The domestic economy is expanding steadily and export companies have stronger confidence. This trend will ►►



IN THE PLANT: Workers run a wheel production facility in Qinhuangdao-based CITIC Dicastal Co. Ltd., north China's Hebei Province, on March 5. The company has witnessed increased profits after altering its product line

continue," said Zheng.

The 7.7-percent GDP growth in the first quarter is a slight fall from the 7.9 percent recorded in the last quarter of 2012, leading some to claim that the Chinese economy lacks impetus. In response, Sheng said that the new government emphasizes quality economic development and is carrying out measures conducive to that end.

"The 7.7-percent GDP growth in the first quarter is within our expectations, and is not a slowdown amid a lackluster global economy. It provides a good opportunity for Chinese enterprises and local governments to transform their growth patterns and adjust their growth structure," Sheng said.

On April 15, the World Bank lowered its growth forecast for the world's second-largest economy to 8.3 percent in 2013, slightly lower than its previous prediction of 8.4 percent. The World Bank attributed

the lower prediction to the Chinese Government's rebalancing efforts.

Quality growth

The NBS said that the government would continue with its fiscal and monetary policies and plans to rebalance the economy despite a complex and volatile global economic situation, saying the "economy has been kept generally stable in the first quarter" as a result of the government's ongoing efforts.

The job market is another sign of a stable economy. According to the Ministry of Human Resources and Social Security, there were over 3 million new jobs created in the first quarter in urban areas. A survey by the NBS also showed the number of rural migrant workers has increased 1.7 percent year on year during the first three months of the year.

"These two facts show that China has a sound employment condition, a sharp contrast to what's happening internationally, especially in Europe and the United States," said Sheng.

The country is facing easing inflationary pressures. The consumer price index, a main gauge of inflation, rose 2.1 percent year on year in March, and 2.4 percent in the first quarter, both lower than the same period last year.

The structure of economic growth is witnessing great change. China's growth used to be driven mainly by investment. As local governments at all levels made intensified efforts to rebalance the

economy, domestic consumption is now the leading driver of growth.

Of the 7.7-percent GDP growth, 4.3 percentage points were due to consumption, roughly 55.5 percent of the total. Fixed-asset investment contributed 2.3 percentage points out of the growth, down from 3.9 percentage points of the 7.8-percent growth in 2012. Net export of goods and services contributed 1.1 percentage points, accounting for 14.2 percent of the total, said the NBS.

The service sector expanded 8.3 percent in the first quarter, 0.5 percentage point higher than growth in the industrial sector. Hi-tech industries expanded 11.9 percent in the first quarter, much higher than the growth in the last quarter of 2012 and the same period of last year.

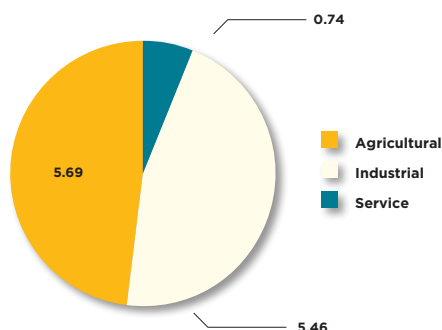
"A conclusion can be made on the structure of the GDP growth in the first quarter: China's economic growth is now mainly driven by domestic consumption," said Sheng.

Future trend

"Judging from economic fundamentals, there are a lot of advantageous conditions for China to maintain steady growth," said Sheng.

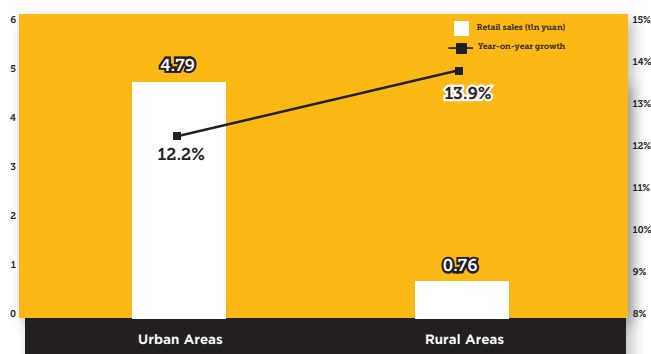
First, China is still in the midst of industrialization and urbanization, as well as undergoing agriculture modernization and IT upgrading. The development of the Chinese market and these sectors will unleash a massive potential for consumption and investment. Second, as a vast nation, China has less-developed central and western regions, which are full of growth potential. Third, private spending

GDP by Sector, Q1 2013 (tln yuan)

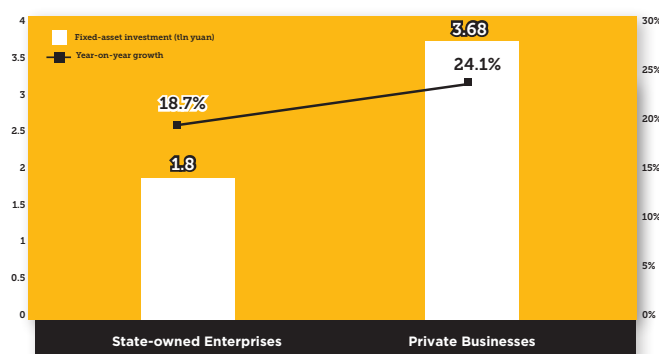


(Source: National Bureau of Statistics)

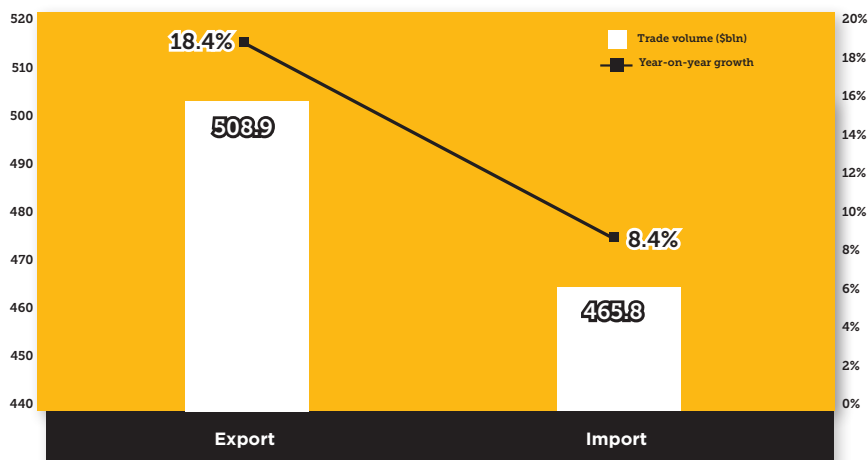
Retail Sales of Consumer Goods, Q1 2013



Fixed-Asset Investment by Source, Q1 2013



China Foreign Trade, Q1 2013



(Source: National Bureau of Statistics)

is transforming from basic consumption, such as food and clothing, to higher-level consumption, such as education and travel. Finally, the Central Government has accumulated plenty of experience in macro regulation. The country's ongoing reform and opening-up efforts will yield further economic growth.

"China has much in hand to maintain long-term, continuous and healthy development. We have full confidence in that," Sheng said.

"We are optimistic," he said, about achieving an annual GDP growth target of 7.5 percent.

Guo Tianyong, Director of the Banking Research Center at the Central University of Finance and Economics in Beijing, said that first-quarter figures are generally satisfying. "We have a stable start. There will be a slight rebound in the GDP growth in the second quarter. A stronger rebound might occur in the second half of this year."

Liu Shucheng, a researcher with the Chinese Academy of Social Sciences, is not that optimistic.

"We should be quite cautious when using

first-quarter data to infer growth for the whole year. China faces many challenges in investment, domestic consumption and exports—the three major drivers of economic growth—such as restrictions on property buying and issues of overcapacity in a number of sectors. It's hard to predict future trends," said Liu.

Challenges

"The increasingly fierce quantitative easing monetary policy in many developed economies added currency appreciation pressure and reduced exports in emerging economies," he said.

In March, Chinese export increased 10 percent year on year, a marked fall from the 13.6-percent year-on-year increase recorded in the first two months of the year.

Spokesman Zheng of the GAC agreed, noting that no sign of an increase in external demand is in sight.

"As a result of a rise of labor costs, yuan ap-

preciation and financing difficulties, many Chinese export-oriented companies, especially small and medium-sized ones, now suffer from quite high operation costs," said Zheng. "In addition, the competitiveness of products from China's neighboring countries is increasing, leading to a shrink of the proportion of Chinese products in developed markets, Japan and the EU in particular."

China is also facing a complex international trade environment. The country has become the most frequent target of trade frictions for 17 consecutive years. Since last year, Chinese photovoltaic and iron and steel products have been levied with anti-dumping and anti-subsidy taxes by the United States and the EU. Increasing trade protectionism is hitting Chinese exports hard.

Overcapacity is another thorny issue for the nation.

"Excessive capacity mainly exists in traditional industries. Although the Chinese Government has paid much attention to it, no well-functioning mechanism has been established to solve the problem of excessive capacity," said Sheng.

Governments at all levels are accelerating structural adjustment and industrial upgrade, especially by propping up emerging industries.

"I believe that the overcapacity issue can eventually be solved," said Sheng.

Guo said that in order to maintain steady growth, two things should be considered.

"First, the government should take a firm grip on macro policies, and never loosen regulations on the property market and inflation. Second, the quality of the GDP growth should outweigh speed. The previous growth pattern should be transformed," said Guo. "We hope that more reforms can be carried out, so as to unleash more potential for healthy and steady growth." ■



中国世界贸易组织研究会
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BEIJING REVIEW

High-Level China-Africa Investment Forum

One of the three high-level forums to be held during the Second China (Beijing) International Fair for Trade in Services from May 28-June 1, 2013

Date: May 30, 2013

Venue: China National Convention Center

Hosts: China Society for World Trade Organization Studies
Beijing Review

A business forum focusing on the themes:

- Prospects and Risks for Chinese Businesses Investing in Africa
- China's Policies and Environment for African Enterprises Doing Business in China

Objectives:

- » To further partnerships at both business and government levels in the area of trade in services;
- » To promote mutual investment opportunities;
- » To provide insight into challenges facing Chinese and African businesses making overseas investments; and
- » To establish a platform for interaction between Chinese and African business people, discussing bilateral investment trends in trade in services and offering suggestions for improving investment environments

