

BEIJING REVIEW

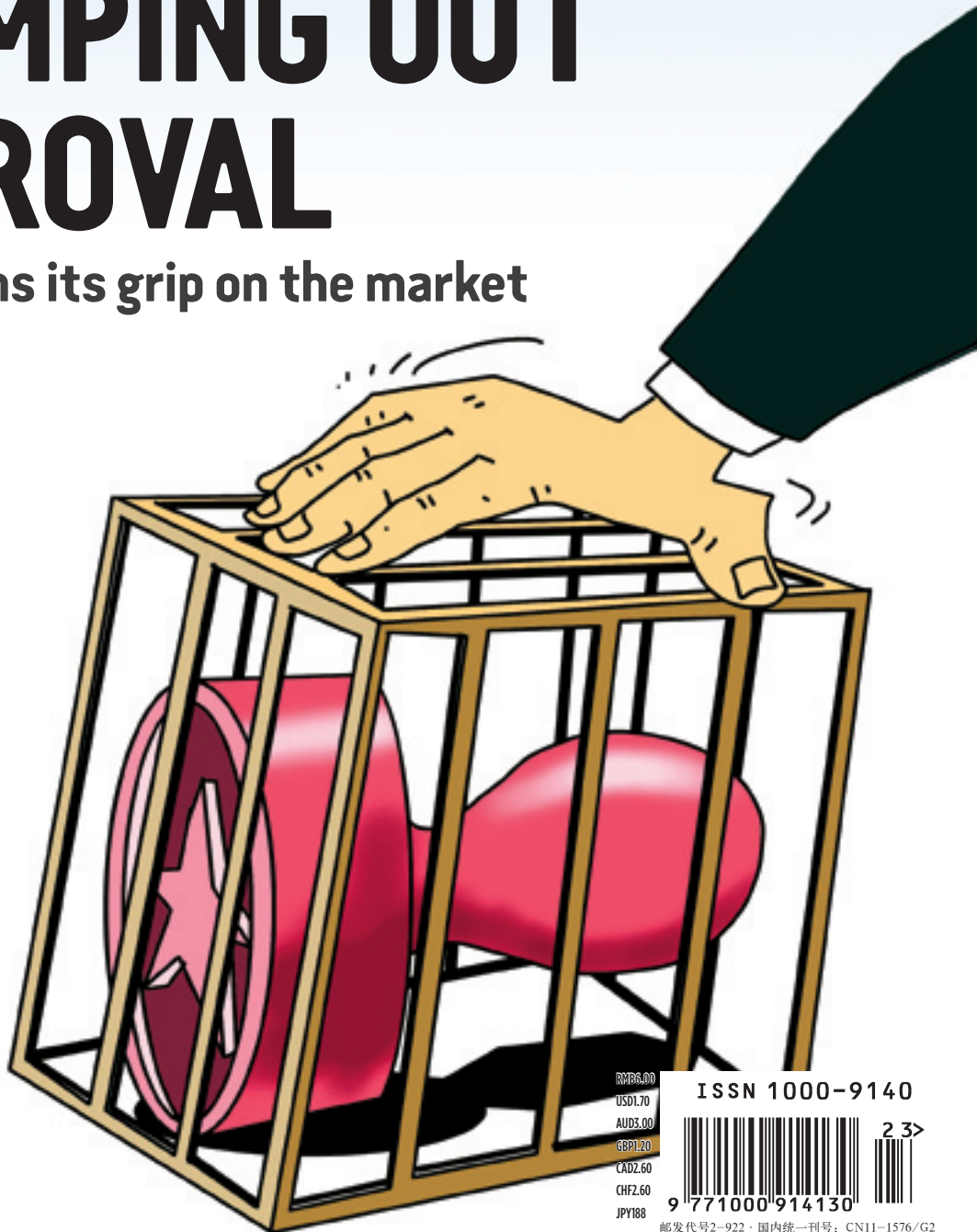
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STAMPING OUT APPROVAL

China loosens its grip on the market



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Art: Li Shigong
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Human Resources: Hou Jin
International Cooperation: Zhang Yajie
Legal Counsel: Yue Cheng

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

Africa Bureau
Chief: Li Jianguo
Africa Managing Editor: Francisco Little
Tel: 27-71-6132053
E-mail: casa201208@hotmail.com

General Editorial Office
Tel: 86-10-68996252
Fax: 86-10-68326628
English Edition
Tel: 86-10-68996259

Advertising Department
Tel: 86-10-68995813
E-mail: ad@bjreview.com.cn

Distribution Department
Tel: 86-10-68310644
E-mail: circulation@bjreview.com.cn

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↓ EDITOR

Decentralizing The Economy

On May 15, China's State Council issued a document saying that 133 items in terms of economy will no longer require the Central Government's administrative approval. This move is expected to stabilize the country's economic growth. It will help the local economy take a more free way in development.

China's economy has withstood the blows of the global financial crisis and realized an early recovery, but its recent sluggish performance has presented a worrying prospect. Evidence shows that a new round of reform is needed to relieve pressure from muted economic recovery.

The new round of reform should deepen the "market-oriented" system. The priority facing the government lies in dealing with both the market and society. The state is supposed to give up power in some areas while focusing on other affairs, so as to stimulate the innovation of major market participants and increase the internal driving force for economic growth.

China's market economic mechanism has only just taken shape, and is still quite immature. Moreover, the government sometimes tends to intervene in issues it should not get involved in. The result has been poor administrative efficiency, an unbalanced economic structure, environmental pollution and corruption.

Areas that no longer need Central Government administrative approval include production and business operations, as well as investment in key areas and monopoly industries. This will greatly help strengthen market competitiveness and encourage enterprises to enhance innovation and the capability to explore the market. The move to lower the threshold for investment and operation alone will greatly stimulate private investment.

Of the areas exempted from administrative approval, some include foreign investment in China and its own investments abroad. This will provide foreign investors more convenience in the local market and create a fairer environment for competition. ■

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A HAPPY DAY

A toddler plays games at a Tianjin kindergarten on May 29. To welcome Children's Day, which falls on June 1, schools across China have organized various activities and events for kids to celebrate.

No Smoking

Students at a vocational school in Hefei, Anhui Province, stick cigarette butts to an anti-smoking poster at an event on May 30 to mark forthcoming World No Tobacco Day.

China has over 300 million smokers, more than any other nation, with more than 2 trillion cigarettes sold every year.

Chinese and international medical experts have warned that second-hand smoke is among the major health threats in China.



Cyber Cooperation

China reiterated on May 29 that it is against all Internet hacking attacks and hopes to conduct dialogues and cooperate with the United States on this matter under the principle of mutual respect and trust.

The remarks, made by Assistant Foreign Minister Zheng Zeguang at a news briefing, came ahead of the summit between President Xi Jinping and his U.S. counterpart Barack Obama on June 7 and 8—the first face-to-face communication between the two leaders since Xi assumed his post in March.

China has repeatedly been

accused of being behind hacking activities. The latest accusation came from *The Washington Post* on May 29, which cited a U.S. Defense Science Board report as saying that Chinese hackers have gained access to designs of two dozen U.S. weapon systems.

Zheng said that China and the United States have agreed to set up a working team on cybersecurity issues under the framework of the China-U.S. Strategic Security Dialogue, and China is willing to conduct further talks and cooperation under the principle of mutual respect and trust.

Pension Insurance

Urban and rural pension insurance had covered 486 million Chinese people as of the end of April, an official with the Ministry of Human Resources and Social Security said on May 26.

As many as 133 million elderly people are receiving monthly pensions, according to Liu Conglong, Deputy Director of the ministry's Rural Pension Department.

The government kicked off a rural pension pilot program in 2009 and announced a pilot social pension insurance program for urban residents in 2011.

With sponsorship from the government, rural residents over the age of 60 can receive monthly endowments that are proportionate

to local income standards.

The payment for the insurance comprises two different parts: basic insurance, which is fully provided by the government, and the personal pension account, which is paid by rural residents themselves.

Terror Asset Freeze

China is seeking public opinion on a draft of a regulation to cut off funding for terrorist activities.

Funds and assets used by terrorist groups and facilitators of terrorist activity should be frozen immediately after a list of such groups or people is confirmed by authorities, according to the draft released on May 24.

The document, jointly drafted by the People's Bank of China (PBOC), the Ministry of Public Security and the Ministry of State Security, will remain open to public discussion until June 23.

The draft rule is intended to put into practice a decision on strengthening counter-terrorism efforts adopted in October 2011 by urging improvements to the process of freezing terrorist-related assets, according to a PBOC statement.

Migrant Population

China had nearly 263 million migrant workers at the end of 2012, up 3.9 percent from the previous year, according to official data released on May 27.

The National Bureau of Statistics (NBS) reported that last year more than 163 million migrant workers sought jobs away from home lasting at least six months, marking a year-on-year increase of 3 percent. Most of these workers were from less developed central and western regions.

The per-capita monthly income of migrant workers stood at 2,300 yuan (\$375) at the end of 2012. It rose 11.8 percent from the previous year, but the growth was 9.4 percentage points lower than in 2011, said the NBS.

The transportation and construction sectors offered higher salaries, while migrant workers with



CLOSE TO THE MOON

A visitor spins a moon globe whose image was pictured by China's *Chang'e-1* lunar orbiter at an exhibit on lunar exploration in Guiyang, Guizhou Province, on May 24



MATCH-MAKING DAY

A mother looks at marriage-seeking leaflets during a “blind date” event in Hangzhou, Zhejiang Province, on May 25. The event attracted more than 5,000 participants, including young singles and their parents



jobs in the service, catering and manufacturing sectors earned less, according to the report.

The average age of Chinese migrant workers stood at 37 in 2012, and male workers made up 66 percent of the total.

The survey covered about 200,000 rural laborers in more than 7,500 villages around the country, said the NBS.

Remote Sensing

A satellite data receiving station was launched on May 24 enabling China to observe the South China Sea.

The Institute of Remote Sensing and Digital Earth under the Chinese Academy of Sciences set up the station in Sanya, south China's island province of Hainan.

China will be able to obtain satellite remote sensing data of the country's southern territorial waters for civil use directly from its ground-based receiving facilities, according to a statement from the institute.

The station has two sets of data receiving and transmission systems to communicate with more than 10 satellites.

A research center based at the Sanya station has also been launched, which will conduct scientific research in disaster monitoring, marine sciences and of the environment.

Boilers to Close

Beijing vowed to eliminate most coal-fired boilers in the city center by the end of 2015 to reduce pollution from fine particulate matter,

especially during the heating season.

After reducing coal use by 700,000 metric tons last year, Beijing plans to cut another 1.4 million tons this year. According to a plan released by the city's Environmental Protection Bureau and Commission of Development and Reform, Beijing will use no more than 21.5 million tons of coal in 2013.

Beijing still has a large number of coal-fired central heating boilers that produce large amounts of coal dust and noise during winter.

H7N9 Findings

A new report by 30 hospitals in seven Chinese provinces shows 90.1 percent of 111 H7N9 avian influenza patients developed coughs, while all

exhibited symptoms of fever. Men and the elderly are more likely to be infected.

According to the report, published recently on the website of the New England Journal of Medicine, one of the world's most prestigious peer-reviewed medical journals, 76.6 percent of the studied patients were admitted to an intensive care unit while 27 percent died.

The median age of the patients was 61 years, and 42.3 percent were 65 years or older.

Research Performance

Research papers published by China-based authors in *Nature*-branded journals in 2012 increased by 35 percent on the 2011 figure, according to the *Nature* Publishing Index 2012 (NPI) China shows.

The report, published on May 29 as a supplement to *Nature*, shows that authors from institutions in China contributed 8.5 percent, or 303 papers, of all research papers published in *Nature* journals in 2012, up from 7.0 percent in 2011 and 5.3 percent in 2010. In 2000, just six articles published in *Nature* journals had co-authors from institutions in China.

The NPI also provides indicators that China, traditionally strong in physical sciences, is making gains in high quality life sciences research.

Pour Down

A fisherman catches floats against the rainstorm by the seaside in Yantai, east China's Shandong Province, on May 27.

Torrential rains battered many parts of China in late May. Thirty-four local monitoring stations reported record-

breaking rainfall.

At least 50 mm fell in nine provinces in central and south China overnight, with some areas recording as much as 100 mm. Weather authorities said it is rare to see such strong rains in May.



Seed Expo

A visitor snaps a photo with her phone in a plantation area at the China Seed Expo 2013 on May 28, Nanning, capital of the Guangxi Zhuang Autonomous Region.

The three-day event attracted over 500 domestic and foreign seed companies to showcase their latest products.



Surging Insurance

The gross revenue of China's social insurance funds increased 20.2 percent year on year to 2.89 trillion yuan (\$467 billion) in 2012, the Ministry of Human Resources and Social Security said on May 27.

The gross expenditure of social insurance funds increased 22.9 percent from 2011 to reach 2.22 trillion yuan (\$362.3 billion), said the ministry.

China's social insurance funds contain five parts, the basic endowment insurance for senior citizens, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

By the end of last year, a total of 304.27 million working people, retirees and beneficiaries were covered by the basic endowment insurance

for senior citizens, an increase of 20.36 million from a year earlier, said the ministry. Among them, 45.43 million were rural migrant workers, an increase of 4.03 million from 2011.

Solar Action Plan

China will take steps to defend its national interest if the EU were to impose provisional anti-dumping duties on Chinese solar panels and investigate wireless communications networks, said Zhong Shan, Chief International Trade Representative of China, on May 27 in Brussels.

Zhong led a government delegation to the EU headquarters to meet EU Trade Commissioner Karel De Gucht and Jean Luc Demarty, Director General for Trade.

Zhong said the EU's anti-

dumping and countervailing duty investigation into Chinese solar panels and the looming action on wireless telecommunications networks would hurt the Chinese industries and workers concerned, and seriously sour the climate for bilateral trade and economic engagement.

Such practices of trade protectionism are not acceptable to China, and the amplification and escalation of trade disputes would serve neither party well, he said.

The European Alliance for Affordable Solar Energy estimates that more than 200,000 jobs will be lost as a direct consequence of the European Commission's punitive plans.

By the end of 2013, EU member states will vote to decide on the imposition of trade penalties.

Anti-Dumping Issue

China's Ministry of Commerce (MOFCOM) announced on May 27 that it will levy provisional anti-dumping duties on pyridine imported from India and Japan.

After a preliminary investigation that began in September last year, the MOFCOM determined that Indian producers had sold pyridine in China at dumping margins ranging from 24.6 percent to 57.4 percent, and Japanese producers sold the product at a 47.9-percent dumping margin.

Starting from May 28, Chinese entities importing pyridine from the two countries will be required to pay deposits with Chinese customs calculated according to the dumping margins, said the MOFCOM.

Pyridine is an organic compound used as an important raw material and solvent in the production of pesticides, drugs, animal feed, food additives and other chemicals.

Financial Reform

China will steadily push forward market-oriented reform regarding its interest rates and exchange rates this year, according to a central bank report.

The People's Bank of China, the country's central bank, has pledged to further improve the issuance of credit to allow the financial sector to better serve the real economy, according to the report on China's financial stability.

It calls for market-led steps to carry out innovation to make the country's financial sector more diversified and efficient, while stepping up regulatory controls to guard against possible risks.

China will make solid moves to build a deposit insurance system to prevent systematic and regional financial risks, according to the report.

The central bank sets benchmark interest rates for the market and only allows them to float within the floor of lending rates and the ceiling of deposit rates. The central bank expanded the range



BEIJING FAIR OPENS

Visitors participate in the China Beijing International Fair for Trade in Services, which was held from May 28 to June 1. Over 1,900 domestic and foreign companies attended the event



ENSURING THE POWER SUPPLY

A staff member from the electricity bureau of Huzhou, east China's Zhejiang Province, expands the capacity of a local transformer substation to prepare for the upcoming summer, a traditional peak season for electricity consumption



twice in 2012.

Currently, banks can set deposit rates as high as 110 percent of the benchmark and offer loans at a 30-percent discount.

Offshore Yuan Bonds

Two major international lenders launched the first batch of offshore yuan-denominated bonds in Singapore on May 27, making the country the third offshore hub for such notes and consolidating its standing as an international financial center.

Standard Chartered PLC announced that it had raised 1 billion yuan (\$163.36 million) through the offshore bonds. The three-year senior unsecured issuance was priced with a coupon of 2.63 percent after generating more than 3 billion yuan

(\$487.81 million) in orders from 75 investors across Asia.

HSBC said it had issued 500 million yuan (\$81.6 million) of two-year fixed rate notes on the market, with yields of 2.25 percent. The funds will be used to finance the bank's expansion of yuan-based lending assets, said Matthew Cannon, head of global markets at HSBC Singapore.

"We see this as another milestone for Singapore in the development of its status as an offshore yuan hub," said Ray Ferguson, CEO of Standard Chartered Bank Singapore.

Guy Harvey Samuel, Group General Manager and CEO at HSBC Singapore, said apart from the historic bond issue, the bank has

also completed a number of other yuan transactions for its customers in Singapore through the new yuan-clearing facility.

According to the Society for Worldwide Interbank Financial Telecommunication (SWIFT), in terms of the value of offshore yuan payments outside Hong Kong and the Chinese mainland, Singapore ranked second in April after the United Kingdom.

The yuan has become the 13th most-used currency overall with an all-time high market share of 0.74 percent, and payments denominated by the currency grew in value by 32.7 percent, in comparison with the average increase of just 5.1 percent across all currencies, according to the SWIFT.

Numbers

4.1%

China's urban unemployment rate in 2012

3,700

Number of firework plants that China shut down since local governments tightened safety regulations

194,200

Number of China's passenger vehicles exported in the first four months, up 24 percent year on year

Lucrative Caps

Staff produce bottle caps in a workshop of a processing company in Guhetao Village, Ganyu County, Jiangsu Province.

The village now has over 80 bottle cap manufacturing companies, with an annual output of over 900 million and 6,000 related jobs.



THIS WEEK WORLD



BRITAIN

Demonstrators rally in Newcastle, northern England, on May 25 in a protest against the killing of an active-duty soldier in London three days earlier, calling on the government to step up efforts to curb violence and extremism



INDIA

A young man bathes at a roadside tap while a woman fills a dish in Allahabad on May 25. Temperatures in the northern Indian city soared to a high of 47 degrees Celsius



ISRAEL

A girl walks among battered dolls on display at an exhibition designed to raise public awareness about child abuse in Tel Aviv on May 23





ESTONIA

Blacksmiths forge iron at a castle in Narva, northeastern Estonia, on May 25. Blacksmiths from a number of European countries gathered there to demonstrate the time-honored skills dating back to the Middle Ages



HUNGARY

Miklos Vincze, a student of Hungary's Obuda University, celebrates after winning the World Championship in Spaghetti Bridge Building in Budapest on May 24. His construction finally broke under a weight of 570.3 kg, setting a new world record



THE UNITED STATES

New Yorkers linger at a bike docking station in Manhattan on May 27. New York City launched the United States' largest bike-share, with 6,000 bicycles available at more than 300 stations

“Although the overall quality of children’s clothes has improved in recent years, safety problems still exist and pose potential health hazards.”

Gao Huaiyou, Deputy Director of the Department for Law Enforcement and Supervision at the General Administration of Quality Supervision, Inspection and Quarantine, on May 24. Less than 20 percent of parents in cities are aware of the potential hazards of children’s clothing, according to a survey by the administration



“Having policewomen patrolling on horseback is just for show—it would be more practical for them to patrol on motorcycles or bicycles.”

Zhao Ming, a retired policeman, suggesting disbanding the costly female police unit in Dalian, northeast China’s Liaoning Province, on May 26



“Beijing’s living environment is now the top challenge in retaining foreign workers, as opposed to salary or career development.”

Adam Dunnett, Secretary General of the European Union Chamber of Commerce in China, citing research by the chamber on May 29



“It means far more than an exam. It is hope for my family and a chance to change my future.”

Zhao Xijun, a student at Guyuan No. 1 High School in Guyuan, Ningxia Hui Autonomous Region who was to take this year’s national college entrance exam, scheduled for June 7-8



WRITER’S WIDOW



Yang Jiang, late writer Qian Zhongshu’s wife, expressed disapproval over an auction of a collection of Qian’s letters and manuscripts. Born in 1911, Yang is a renowned writer, translator and researcher of foreign literature. She studied in Britain and France from 1935 to 1938, taught at Tsinghua University and subsequently worked at the Chinese Academy of Social Sciences. Her writing includes plays, novels and essay albums as well as her Chinese translation of *Don Quixote*, of which 700,000 copies were printed.



CHINESE DIRECTOR AWARDED



Chinese film director Jia Zhangke’s film *A Touch of Sin* won the Award for Best Screenplay at the 66th Cannes Film Festival on May 26.

The film tells the stories of four individuals, based on recent events that have been widely discussed in China, especially via microblogging platforms. In straightforward and clear-cut cinematic language, the director presents the brutal reality of life where violence has become the last resort for ordinary people to resolve their troubles in life.

Jia’s films have been recognized internationally, notably winning the Venice Film Festival’s top award for *Still Life*.



A Report on Judicial Corruption *Caijing Magazine* May 27

In a transitional period of society and the judicial system, corruption is inevitable. Compared to similar problems among other government officials, judicial misconduct is not serious. However, corruption among judges will harm social justice and authority of the law.

Newly elected president of the Supreme People's Court Zhou Qiang recently stressed on many occasions the importance of building a fair judicial system and strengthening of the judicial team.

In addition, courts at different levels have

worked to improve morals among judges and enhance punishment of the corrupt. The procuratorial and disciplinary inspection organs have also played a role in supervising their work. However, these measures are not enough to ensure a clean judicial system.

The cover story published a report on the characteristics of judicial corruption and main rent-seeking fields in a bid to raise some constructive suggestions on combating judicial misconduct.

Tourist Scrawls Arouse Criticism

People's Daily
May 27

A scrawl including several Chinese characters on a wall of the world famous Luxor Temple in Egypt was recently photographed and posted online by a Chinese traveler.

For a long time, Chinese tourists have engraved their names on walls or pillars at scenic spots or historic relics at home. With Chinese tourists abroad having rapidly increased from 10 million in 2000 to 83 million in 2012 over the past decade, the problem has become international.

Chinese tourists have additionally been criticized for spitting on the ground, jumping queues and quarreling for seats. Such behavior not only stains local cultural heritage, but damages the reputation of Chinese people.

What makes people optimistic is that instances of misconduct offer the chance for improving personal behavior and apology, as was the case in Egypt.

Modernization and increased affluence in China should not come at the expense of civilization. The incident in Egypt should teach every Chinese to behave in good manner both at home and abroad.

Shortage of Doctors

Jiefang Daily
May 28

Many hospitals in Shanghai face a shortage of doctors in varying degrees, a reason why it is difficult for citizens to receive medical services. Nevertheless, the total population of qualified doctors in the city is not small. Every thousand people in the city are allocated 2.23 doctors on average. This figure not only leads in China, but also reaches the level of other moderately developed countries. So where does the shortage come from?

The demand for public medical care in Shanghai has seen rapid growth in recent years. On the contrary, doctor training has remained insufficient. Since 2010, the number of doctors has not increased, while outpatients at hospitals have increased by 60 percent.

Experts say sharp increase of patients can be attributed to an aging population and more patients from outside of Shanghai traveling to the city for better medical care.

Furthermore, the structure and allocation of doctors among hospitals and clinics are imbalanced due

to obvious differences in location, salary and working conditions. Compared to a few famed large hospitals, many community clinics in Shanghai suburbs are urgently short of doctors.

Enhancing fundamental medical services is an important objective of China's current medical care reform. The challenge concerns community clinics finding it difficult to appeal to medical graduates. The government needs to make a comprehensive plan of cultivating more doctors and establish a sound system to allocate medical resources and improve services at community clinics.

Anxious About Breasts

China Newsweek
May 27

American star Angelina Jolie's preventive double mastectomy has had an impact on the Chinese public. She underwent surgery because she carries the BRCA1 gene that increases a woman's risk for breast and ovarian cancer.

Li Chen, a graduate student at the Breast Center of Beijing Cancer Hospital, has constantly received phone calls during the past week asking whether his center could detect the BRCA1 gene and how much it cost.

In response to Jolie's brave move, Li Huiping, a doctor at the hospital, cautioned the public to be careful in undergoing a mastectomy because there are many other ways of reducing the risk of breast cancer. She said even if a new pair of breasts are reconstructed afterward, a woman might have psychological problems due to the possible loss of identity.





COVER STORY

CUTTING BACK ON

RED TAPE

The Chinese Government places more power in the hands of the market and enterprises
By Lan Xinzheng



BUILDING MORE AIRPORTS: Passengers step off a plane at Mohe Airport, Heilongjiang Province. Private enterprises are now allowed to invest in airport expansion without Central Government approval

streamlined the central authority and delegated more powers to lower-level governments.

Two days before the cabinet announced its decision, Premier Li Keqiang said the government had three goals in mind for its streamlining reforms: to ensure economic growth, to facilitate changes in the country's growth model and to increase employment.

He stressed that transforming the

government at the very top is urgently needed for maintaining the healthy development of the economy.

Song Xiaowu, Vice President of the China Society of Economic Reform, says China is in a crucial period of economic development, whereby the economy is shifting from an export-oriented one to a consumption-driven one. Therefore, cutting back on Central Government red tape is quintessential during this time of economic transition. Gao Xiaoping, Executive Vice President of the Chinese Public Administration Society, says the changes will

help break up monopolies and put more power in the hands of the market.

For economic growth

Why has the Chinese Government chosen to reduce red tape now?

Song says this is related to current conditions in the economy. After the 2008 global financial crisis, the Chinese economy became the first to bottom out, attracting global attention. However, its economic growth is beginning to be stagnant this year, and the recovery of the real economy is weak. It would be difficult for the Chinese economy to return to the days of 10-percent or even higher growth merely driven by investment, he says. A high growth rate is no longer a priority, as increasing employment and maintaining social stability have become top concerns.

"China must both ensure stable growth and improve the quality of growth. Hence it is particularly significant for the government to cut and ease administrative powers, which will encourage society and enterprises to be more creative in solving problems," said Song.

A series of reforms have already been carried out during the transformation from a planned economy to market economy. Currently, the most important reform is to change the way resources are allocated, with the market instead of the government playing the leading role. In a planned economy, the government decided all corporate affairs. Since the policy of reform and opening up was introduced some 30 years ago, especially after ►►

China has moved once again to cut the number of items that require Central Government approval, in a move some say will help create a more efficient and friendly environment for business and help boost economic growth.

On May 15, the State Council announced reforms of 133 items that require top-level approval, including rights on investment and production in the economy, which will be delegated to lower-level governments. Just 58 days after being elected, the new cabinet has heavily

THE CHANGES

● **The National Development and Reform Commission:** Approval of 14 items removed and 12 items delegated away, including corporate investment in expanding civil airports, corporate investment in trains, signal systems and drive and control systems for urban rail transportation.

● **The Ministry of Industry and Information Technology:** Approval of six items removed, including the confirmation of corporate qualifications for telecom and information network integration.

● **The Ministry of Agriculture:** Approval of four items removed, including the names of deep-sea fishing vessels, fishing research vessels and vessels for teaching purposes.

● **The Ministry of Communications:**

Verification or approval of three items removed, including the verification of mergers in international shipping.

● **The Ministry of Culture:** Approval of three items removed and one item delegated away, involving the approval of commercial performances by foreign troupes at non-entertainment sites.

● **The Ministry of Commerce:** Verification of two items removed, including the approval of foreign cooperation contracts involving petroleum, natural gas and coal-bed gas

● **The State Administration for Industry and Commerce:** Verification of two items removed, including the registration of resident representative offices of foreign companies

● **The Ministry of Public Security:** Approval of one item removed, involving the travel of foreign individuals in China with their own vehicles.

China's accession to the WTO in 2001, the Chinese Government has cut or eased many items subject to Central Government approval. But it wasn't nearly enough. Premier Li once saw a letter describing the over-elaborate procedures for investment approval: If a company plans to invest in a project, it must go through approvals from 27 departments, which may take six to 10 months. This will not only dampen corporate enthusiasm, but may also cause a loss in business opportunities. Moreover, among the huge number of cases subject to approval by the ministries and commissions, some are difficult to comprehend. For example, private investment in urban rail transportation and the names of fishing vessels all need government approval, matters that should have been decided by companies themselves but were all monopolized by the government.

"Market access requires approval from the government. Without a government permit, no company can enter a sector even if it has capital. This restrains the vitality of economic growth," Song said.

Arouse policy dividend

Cutting back on red tape will stimulate the creativity of various market players and facilitate stable economic growth, which is undoubtedly a "good recipe," said Yi Peng, a researcher with

the China Center for Urban Development.

According to figures from the National Bureau of Statistics (NBS), the purchasing managers' index dropped to 50.6 percent in April. In the meantime, the producer price index declined by 2.6 percent from a year ago and went down by 0.6 percent against the previous month, a decline for the third straight month. In March, corporate profits only grew by 5.3 percent, while in the fourth quarter last year, corporate profits increased by an average 20 percent each month.

Furthermore, college students find it difficult to get a job. Figures from the Ministry of Education show that in 2013 there will be 6.99 million college graduates, the highest since 1949. However, the Ministry of Human Resources and Social Security says job opportunities for college students will fall by 15 percent this year.

Yi says when the 4-trillion-yuan (\$647.25 billion) stimulus package had been carried out years ago and the current amount of M2 (broad money) reached 100 trillion yuan (\$16.18 trillion), merely depending on investment will do little to stimulate economic growth. Reducing red tape and relying on the market to stimulate the Chinese economy will help accelerate the country's economic transformation.

Two sectors best illustrate the impact of slashing away red tape to spur economic activ-

ity, according to Yi. The first is in the service sector. Currently, the proportion of the service sector to the overall economy is below 50 percent, but in Western countries, the number is above 70 percent. An important reason for the big gap is that too many items in the service sector are subject to government approval. The other is in the e-commerce sector. Since there are few items subject to government approval, the e-commerce industry has grown rapidly. In 2012, the number of online users in China reached 560 million, and the sales volume of the e-commerce industry surpassed 8 trillion yuan (\$1.24 trillion). In the first quarter, its sales volume totaled 2.4 trillion yuan (\$390 billion), surging 45 percent, much faster than the growth of the retail sector during the same period.

The cutting and easing of government approvals effectively address corporate concerns and are in respect of market rules, said Gao. The recent government action to reduce red tape will produce positive changes in two respects: In the investment sector, decision-makers will be better able to make decisions by themselves only if the projects do not involve national and public security; on the production and business side, items will be exempted from government approval only if they can be effectively regulated by the market. Reducing red tape overall will make corporate operations more flexible.





OUT TO SEA: Fishing boats stop at Sanya, Hainan Province. The naming of fishing vessels now falls in the hands of lower-level governments

“China is now in a decisive stage of accelerated industrialization and urbanization with a broad space for economic development. Reducing red tape will better integrate enterprises with the potential for economic growth, which will be a powerful impetus for sound and sustained development,” said Gao.

Problems

After reducing red tape, the government must still fulfill its oversight role or else face market chaos, such as redundant and blind investment, said Song. An important aim for the government in delegating as many powers as possible to lower-level governments is to create an environment conducive to fair competition. Only when a fair environment is established, can true competition be realized. At present,

China’s market economy has a long way to go in this regard, with rampant fake products and a widespread infringement on intellectual property rights in the country. This is unfair to those businesses that operate honestly and will discourage foreign companies from investing in China.

Reducing red tape will actually make the Central Government’s work a lot tougher and require that it be a lot more attuned to what’s happening on the ground, said Song Shiming, an associate professor with the Chinese Academy of Governance. There are a few things the government must pay attention to, he said.

First, oversight and macro-controls should be strengthened. The Central Government delegating more powers to lower levels means local governments will have more decision-making powers regarding investment projects.

Since economic growth is the most important indicator in evaluating an official’s performance, we could see more redundant projects and disorderly competition.

Second, because the changes put more power in the hands of provincial and municipal governments, corruption—already a major problem in the country—could surge. The government will no doubt have to toughen its current crackdown on corruption.

For Song Shiming, the latest reforms offer no guarantee. “If these problems are not prevented or properly resolved, the much desired changes from reducing red tape will be hard to come by.” ■



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