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DOUBLE HAPPINESS

Xi and Obama look to the future of bilateral relations

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EDITOR

Making Each Meeting Count

The first meeting between Chinese President Xi Jinping and his U.S. counterpart Barack Obama consummated months of extensive bilateral consultations. Capping frequent exchanges on issues ranging from trade to defense since China's leadership change in March, the summit helped enhance rapport between the top leaders of the world's two largest economies.

Xi and Obama spent more than eight hours at the picturesque Sunnylands retreat in California on June 7-8 discussing topics of both long-term strategic importance and immediate concern. These included the orientation of China-U.S. relations, their interactions in the Asia-Pacific region, a fair business environment and cyber security.

Indeed, the leaders met at a time when the U.S.-dominated international system faces unprecedented challenges posed, among other things, by the emergence of major developing countries, including China. On bilateral and global issues alike, Beijing is seeking a voice commensurate with its rising status, a trend that will inevitably result in clashes with Washington's vested interests. Their contentions over rulemaking in a wide array of areas are a strong testament to the ongoing shift of the center of gravity from the West to the East.

Mutual trust is indispensable to a peaceful transition. One of the most remarkable outcomes of the summit was the affirmation from the two presidents that they are committed to constructing a new model of state-to-state cooperation based on respect and shared benefits. The commitment illustrated their political will to adapt to changes in their relationship as well as in the global structure. ■

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GO! GO! GO!

Rowers compete fiercely in a dragon boat race at Stanley Main Beach in Hong Kong on June 12, during this year's Dragon Boat Festival. More than 240 teams took part in the celebration of the traditional Chinese holiday.

Common Goal

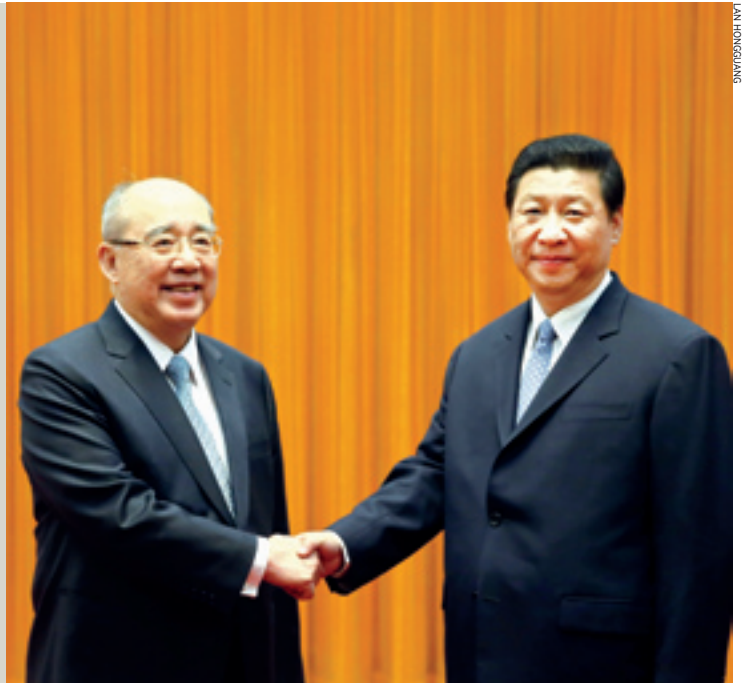
General Secretary of the Communist Party of China (CPC) Central Committee Xi Jinping (right) meets with Wu Poh-Hsiung, Honorary Chairman of the Kuomintang (KMT), in Beijing on June 13.

Xi called on the Chinese mainland and Taiwan to “heal the historical trauma” and set the rejuvenation of the Chinese nation as their common goal.

“The peaceful development of cross-Straits ties has become an important part of the great rejuvenation of the Chinese nation,” Xi said.

The CPC Central Committee will maintain consistency in existing policies toward Taiwan by promoting the peaceful development of cross-Straits ties so as to bring greater well-being to compatriots across the Taiwan Straits and the Chinese nation, according to Xi.

Wu stressed that adhering to the “1992 consensus” and opposing “Taiwan independence” are the positions of both the KMT and CPC, adding that both sides define the cross-Straits relationship within the one-China framework—not as a country-to-country relationship.



Bus Fire

A fire broke out at about 6:20 p.m. on June 7 on a BRT (bus rapid transit) bus in Xiamen, southeast Fujian Province, killing 47 and injuring 34.

The bus was near its 95-person capacity when the fire occurred. Investigators noted the tires and fuel tank of the bus were undamaged and detected traces of gasoline despite the bus being equipped with a diesel engine, leading local police to suspect arson.

Further investigation and DNA

evidence identified 59-year-old Chen Shuizong among the passengers who died in the blaze. Xiamen police found notes in Chen's house, which showed that the suspect was pessimistic about his life, and planned the arson to vent personal grievances.

Soil Pollution Survey

The Chinese Government plans to conduct a nationwide soil pollution survey, the Ministry of Land and Resources said on June 12.

Soil samples will be collected at multiple depths in order to find both the natural condition of the soil and the impact that human activity has had on it, the ministry said.

Samples taken at both deep and shallow depths will reveal how chemical elements have affected the soil, but the ministry did not give a precise date for releasing the survey results.

The ministry said that previous investigations indicate that some regions are heavily polluted, particularly near the middle and lower reaches of the Yangtze River, the country's longest waterway.

The public has asked authorities to issue soil pollution data, as well as detailed measures to handle the

problem, after a recent food safety scandal involving cadmium-tainted rice in south China's Guangdong Province.

Giant Water Project

Water from the lower reaches of the Yangtze River converged with the lower reaches of the Yellow River, China's second longest river, on June 10 thanks to the progress of China's South-North Water Diversion Project.

This marks a landmark success of the first phase of the eastern route of the water diversion project, which is expected to begin supplying water to thirsty parts in the north later this year.

The project, with an estimated total cost of 500 billion yuan (\$81 billion), was launched in December 2002. It plans to divert 44.8 billion cubic meters of water annually from the Yangtze through eastern, middle and western routes to relieve water shortages in north China by 2050.



COFFEE TIME

A contestant competes in the Second Fushan Cup International Barista Championship in Chengmai, south China's Hainan Province, on June 9, which saw 24 baristas from 12 countries and regions participate

Groundwater Monitoring

China has set up a preliminary



AUCTION SEASON

A visitor looks at auction items during a preview of the 2013 Spring Auction of the International Auction Co. of China in Beijing on June 12

groundwater monitoring network as part of the country's effort to preserve its groundwater resources, said the Ministry of Water Resources.

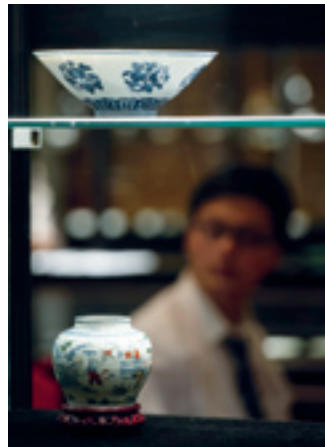
So far, 24,417 groundwater monitoring sites have been built, 10 percent of them capable of monitoring water quality, according to statistics released on June 7.

The majority of these monitoring sites are located in north China, the country's breadbasket where most water is polluted to varying degrees.

The National Development and Reform Commission, China's top economic planner, said in a statement issued in November 2010 that a total of 1.7 billion yuan (\$277 million) would be invested to build and renovate 20,445 groundwater monitoring sites covering nearly one third of the country's territory.

Tax Control

The government is likely to bring individuals under stricter control in



accordance with a draft amendment on the Law on the Administration of Tax Collection, which calls for including all individuals in a compulsory taxation category.

In China, compulsory individual taxation currently targets people who run profitable businesses.

Once the amendment is adopted by the legislature, tax collection authorities will monitor all individuals, business people and otherwise, to see if they have been engaged in any activity that should be taxed.

Under the amendment, employers and banking institutions will be obliged to report the incomes of their employees to taxation departments, while people who fail to pay due taxes on time could have to pay a fine equal to 20 percent or less of the unpaid part of their income.

Cross-Straits Justice

The Chinese mainland and Taiwan have made notable progress in joint law enforcement, said a mainland spokeswoman on June 9.

The two sides of the Taiwan Straits have together cracked more than 10,000 cases of phone fraud and arrested about 4,700 suspects since a cross-Straits agreement on judicial cooperation was signed in April, 2009, said Fan Liqing, spokeswoman for the State Council Taiwan Affairs Office, at a press conference.

Police from both sides have also worked together in several big drug trafficking cases, leading to the seizure of about 1,720 kg of narcotics by mainland police over the past four years, according to Fan.

Under the judicial cooperation agreement, the mainland and Taiwan agreed to jointly crack down on severe crimes such as murder, smuggling, human trafficking, money laundering and terrorist activities.

Peace Vessel

The Chinese People's Liberation Army Navy's *Peace Ark* medical vessel set off on June 10 for a Harmonious Mission to eight Asian countries and the Gulf of Aden.

The 103 doctors and nurses on board the vessel are able to perform

more than 30 different types of surgery and treat 130 common diseases.

The vessel will take part in multi-national disaster relief and reduction drills as well as cross-border naval medical services. It will also provide medical services to foreign soldiers and officers on patrolling missions in the Gulf of Aden.

It is the third time that the *Peace Ark* will go on a Harmonious Mission. The previous missions were carried out in Asia, Africa and Latin America.

Plant Conservation

Forty-eight botanical gardens in China have established an alliance to protect the country's indigenous plant species.

China has more than 200 botanical gardens nationwide but no mechanism to facilitate their coordination, said Chen Jin, president of the new alliance.

Only 66 percent of China's indigenous plant species and 34 percent of rare and endangered plant species are being conserved in China's botanical gardens, according to Chen.

The alliance aims to ensure the conservation of 80 percent of China's indigenous plant species and 70 percent of its rare and endangered plant species within five years.

Care for Tibet

A Tibetan man gets his blood pressure tested at a hospital in Lhasa on May 15.

China's Ministry of Finance announced on June 8 that a total of 797 million yuan (\$130 million) from lottery sales will be used

to improve social welfare, sports and the well-being of physically and mentally challenged people in Tibet Autonomous Region.

China regularly uses money from lottery sales to help fund local welfare.



Peak Season

Consumers shop for souvenirs at the Xinjiang International Grand Bazaar in Urumqi, capital of northwest China's Xinjiang Uygur Autonomous Region, on June 12.

Summer is the high tourist season in Urumqi.



Inflation Down

China's consumer inflation growth for May fell below market expectations, driven down by slumping vegetable prices.

The consumer price index, a main gauge of inflation, grew 2.1 percent year on year in May, down from 2.4 percent in April, the National Bureau of Statistics (NBS) said.

The rise was below market forecasts of around 2.5 percent, according to Wang Jun, an analyst

at the China Center for International Economic Exchanges, a government think tank.

The NBS mainly attributed the slowdown to falling vegetable prices, which shrank 13.8 percent in May from April.

Production activity remains sluggish.

The producer price index, which measures wholesale inflation, fell 2.9 percent year on year in May, marking the steepest drop since September last year and pointing to continued weak market demand.

Tapping African Market

Chinese solar panel makers may bulk up in Africa after China finishes building one of the biggest solar power stations on the continent.

Chinese solar panel makers will supply most of the \$140 million needed to build a solar power station in Garissa, Kenya, according to state-owned China Jiangxi Corporation for International Economic and Technical Cooperation, the deal's coordinator.

The coordinating company said that the project will serve as the base for China's biggest solar panel makers to expand their presence in Africa.

The solar power station can generate 76 million kilowatt hours

of electricity annually and provide power for about 350,000 people, or half of Garissa's population.

Chinese solar companies, mired in debt and overcapacity, are in great need to find alternative markets, as their biggest importer will probably buy less due to the duties.

Potential Inclusion

Morgan Stanley Capital International (MSCI) has started to review China A-shares for a potential inclusion in its emerging markets index.

The possible inclusion was "driven primarily by a series of positive market opening measures and strong regulatory momentum," MSCI said in its 2013 annual market classification review.

"Such an inclusion is expected to increase investors' attention on China's stock markets," Lian Ping, chief economist at Bank of Communications, told Xinhua News Agency.

Over the past year, Chinese regulators have made strides in opening the mainland market. They increased the total quota limit for the qualified foreign institutional investor (QFII) program, relaxed QFII entry requirements and sped up the



AUTO FANFARE

People snap pictures of cars displayed at the 2013 Xi'an International Automobile Industry Exposition in Xi'an, capital of northwest China's Shaanxi Province, on June 12



INTELLIGENT POWER

Technicians check a 500-kilovolt intelligent substation, the first of its kind in central China's Hubei Province, in Wuhan on June 11



application and license-granting process. Regulators also removed several restrictions for the renminbi qualified foreign institutional investor program.

MSCI benchmarks are closely followed by most of the world's large investors.

NYSE Listing

In a bid to boost profitability a Chinese online retailer that sells to overseas customers has made its debut on the New York Stock Exchange (NYSE).

The initial public offering (IPO) of Beijing-based LightInTheBox on June 10 was the first Chinese company IPO in the United States this year.

The firm sells clothes, electronics, toys, sports goods as well as gadgets among other products. As China witnesses a period of slow trade growth, retailers have turned to online platforms to access overseas markets.

According to data from the National Development and Reform Commission, cross-border online trade volume surged 33 percent year on year to 1.6 trillion yuan (\$260 billion) in 2011. It increased 25 percent year on year to 2 trillion yuan (\$325.6 billion) in 2012, far exceeding the total trade growth of 6.2 percent.

Metro Export

A Chinese manufactured stainless steel metro vehicle began its journey to Turkey from central China's Hunan Province on June 9, the first of its kind to be exported to the European market.

Liu Youmei, an official with CSR Zhuzhou Electric Locomotive Co. Ltd., said the vehicle, which consists

of three carriages, is being taken to Shanghai Port, where it will be shipped to Turkey's capital Ankara on June 11, arriving by mid-July.

Another 107 stainless steel metro vehicles will be sent to Turkey, Liu said.

With a speed of 80 km per hour, the vehicle holds a maximum of 1,008 passengers. The interior has been made higher to accommodate taller European people, Liu said.

In April, CSR Zhuzhou and Turkish companies in Ankara set up joint ventures in the production and maintenance of urban rail vehicles, electric locomotives and high-speed trains.

CSR Zhuzhou Electric Locomotive Co. Ltd. is a subsidiary company of CSR Corp. Ltd., China's largest train manufacturer.

Numbers

100,000

Number of yachts expected in China in 2020 from about 3,000 last year

23 bln yuan

Amount of yuan-denominated treasury bonds China's Ministry of Finance plans to issue in Hong Kong

10-15%

Market share of private healthcare firms in the country's medical check-up market

9.8%

Auto sales growth rate in May, down from April's 13.4 percent

Fishery Thrives

A farmer feeds fish in Xunhua, Qinghai Province, the country's only Salar autonomous county, on June 13.

The county has been developing its fisheries, drawing upon its high-quality water source from the Yellow River.



THIS WEEK WORLD



SOUTH AFRICA

A family places messages of support for 94-year-old former President Nelson Mandela outside his Johannesburg home on June 9. South Africans prayed for Mandela after he was hospitalized with a lung infection

AP/WIDEWORLD



XINHUA/AFIP



SOUTH KOREA

A staff member removes a carpet at the venue slated to hold the planned inter-Korean talks in Seoul on June 12 after their cancellation. The meeting was called off at the last minute because of a dispute over the status of their respective chief delegates



GREECE

ERT employees broadcast news about the Greek Government's decision to close the public television and radio broadcaster in Athens on June 11. The move, as part of Greece's fiscal austerity plan, could affect nearly 3,000 jobs

XINHUA/AFIP





THE UNITED ARAB EMIRATES

The 310-meter-high Cayan Tower, the world's tallest high-rise building with a twist of 90 degrees, opens in Dubai on June 10



INDIA

A member of the Bathini Goud family administers "fish medicine" to a patient in Hyderabad on June 9. The medicine, which has been offered by the family for the last 162 years as a cure for asthma and other breathing disorders, is placed in the mouth of a live murrel fish and then slipped into the mouth of the patient



ISRAEL

Pedang, a 14-year-old male Sumatran tiger suffering from chronic ear infections, is given acupuncture treatment at the Ramat Gan Safari zoo near Tel Aviv on June 9

“Many international schools recruit teachers independently and don’t check if they are suitable for the profession or have criminal records or tendencies.”

Ye Qin, whose 8-year-old daughter goes to an international school in Shanghai, on June 7, after a foreign teacher in Shanghai was arrested on suspicion of molesting six students a day before



“Going to college through the examination may change your life and help you realize your dream, but everyone has his or her own track in life as well as path toward success. Neither school nor score makes the key to success, but courage, ambition and spirit.”

Yu Minhong, co-founder of private education company New Oriental, commenting on the just finished national college entrance exam in China, on June 7



“One-child families follow the family planning policy and sacrifice their own interests to decide family size, so those who lost their only child should be compensated by the government both financially and psychologically.”

Yuan Xin, a professor of population studies at Nankai University in Tianjin on June 6. By the end of 2012, 355,000 parents aged 49 or older had lost their only child, according to the National Health and Family Planning Commission



“With more people dying from overwork, we suggest authorities enact a law to treat such cases as work-related deaths to better protect workers’ rights and legal interests.”

Huang Leping, Director of Beijing Yilian Legal Aid and Research Center of Labor, on June 10



FORMER MINISTER ON TRIAL



China’s former railways minister Liu Zhijun stood trial in Beijing on June 9, charged with bribery and abuse of power.

According to the indictment, Liu had taken advantage of his position and helped 11 people gain promotions and win project contracts, accepting 64.6 million yuan (\$10.53 million) in bribes from them between 1986 and 2011. Liu’s malpractices have led to huge losses of public assets, and he should be subject to criminal liabilities for bribe taking and abuse of power, the indictment says.

Liu, 60, became the railways minister in March 2003.



ACTRESS-TURNED DIRECTOR



Zhao Wei, also known as Vicki Zhao, an actress-turned director, has seen her debut production *So Young* reaping a box office revenue of more than 700 million yuan (\$114.2 million) on the mainland since its release on April 26. The film has been shown in Hong Kong since June 13. Zhao, 37, gained nationwide popularity in 1998 for her starring role in the TV drama *Princess of Pearl*. She has since performed in many dramas and films, alongside several music album releases.



Giving More Power to Local Governments *Oriental Weekly* June 3

The first session of the 12th National People's Congress in March passed a proposal to transform the function of the State Council in order to properly deal with the relationship between government and market, government and society and the Central Government and local governments. In short, the State Council should give more power to the latter.

Song Xiaowu, Director of the China Society of Economic Reform, said canceling the State Council's administrative examination and approval function or transferring it to local governments reflected the government's determination to reform. It will help to improve its management ability and efficiency.

Zhou Hanhua, researcher at the Law Institute of the Chinese Academy of Social

Sciences, said the first group of administrative examination and approval functions to be canceled or transferred centers on the economic field, which means that the goal of reform is to reduce restraint for the development of enterprises and make the market play a bigger role.

At present, the relationship between the central and local governments on the whole suits the demand of social and economic development. However, in some areas, the State Council has interfered too much, to some extent impeding local government's activeness. Transferring power to local governments will allow the State Council to pay more attention to macro management in order to provide more and better public services for society.

Heritage of Traditional Festivals

Beijing Youth Daily
June 9

During this year's Dragon Boat Festival, sky-high priced rice dumplings, a traditional food associated with the event, didn't attract as much attention as usual. This year, such gift packages were rarely seen at supermarkets and shopping malls. Instead, packages at a more reasonable price took the center stage.

This shows increased public awareness about the festival as an opportunity to develop cultural identity and not only a chance to eat rice dumplings and give out presents to family members and friends.

Traditional festivals are purveyors of Chinese cultures and cannot be left to commercial activities alone.

To maintain the root and seed of our culture requires continuous efforts. The Dragon Boat Festival is not only a national holiday, it is more about cultural identity. It should become common sense in Chinese society to uphold cultural values above commercial interests.

A Fair Exam

People's Daily
June 7

For high school graduates and their parents in China, the most nerve-racking days of the year usually center on the *gaokao*, or the college entrance examination, which falls on June 7 to 8. During these two days, the whole country is mobilized to serve examinees, who even enjoy police escorts. Any news or events related to the *gaokao* triggers a heated buzz among the public.

In China, the education of children is one of the most important elements affecting a family. The exam determines whether a high school graduate

can enter a university, which has enormous implications for his or her future. It also offers families the chance to change their fates.

For this reason, it is easy to understand why parents are hypertensive over the *gaokao* and why society offers it such respect and protection. The exam has the ability to aid the pursuit of a better life via the culmination of knowledge.

Today, despite multiple channels to success, se-

lecting qualified youth still relies heavily on the *gaokao* system, before which all people stand equal.

Currently, the *gaokao* is facing reform, with many universities deciding to increase the recruitment of students from poor families to ensure the inclusion of "lower-class" groups within the educational sphere.

To most youngsters from ordinary families, the *gaokao* is still the most important way to protect educational equality and alter destiny.

Working Together to Combat Air Pollution

Phoenix Weekly
June 2013

To combat serious air pollution in Beijing, cities like Tianjin and those in Hebei Province also need to make an effort. Even if Beijing gets rid of all its traffic and industrial pollution, the problem will still be serious with helps from neighboring regions.

Take the emission of sulfur dioxide for example. Beijing's sulfur dioxide emission comes mainly from coal burning in the winter. However, in the summer, sulfate still constitutes 20 percent of Beijing's PM2.5—or airborne particles measuring less than 2.5 micrometers in diameter. These sulfates are all transmitted from nearby cities.

Satellite monitoring indicates that Beijing's sulfur dioxide in the upper air is increasing but that in the lower parts is decreasing. Such a result is not contradictory because Beijing's sulfur dioxide does not come from emissions in the lower air, but from nearby cities.

If Beijing, Tianjin and Hebei Province want to curb air pollution, none of them can solve the problem on their own. If the three parts do not cooperate with each other, air pollution will never be solved.



SUNNY SUMMIT: Chinese President Xi Jinping and U.S. President Barack Obama attend a joint press conference after their meeting at the Sunnylands retreat in California on June 7



COVER STORY

SETTING THE TONE

Informal summit bears unique significance for Sino-U.S. relations By Yu Lintao

If U.S. scholars and officials had any lingering misunderstandings about building a “new type of major power relations” between China and the United States as proposed by China a year ago, they should have been answered at the informal summit of the two countries’ leaders at the Sunnylands estate in California in early June. During this unusual personal meeting in the desert resort, Chinese President Xi Jinping and U.S. President Barack Obama pledged to try to build the new type of bilateral ties based on mutual respect and win-win cooperation.

After the summit, the U.S. side commented that the meeting was “positive and constructive.” Obama’s National Security Advisor Tom Donilon said during a press briefing that the two presidents “had very good discussions in a uniquely informal atmosphere,” adding that their discussions were “wide-ranging and quite successful in achieving the goals that we set forth for this meeting.”



DAVID DIAZ

Meanwhile, Chinese observers remarked that Xi's first face-to-face meeting with Obama as China's president was a good start for Sino-U.S. relations after the completion of the latest leadership transitions in both countries. The summit, which set the tone for Sino-U.S. relations over the next four to 10 years, was of strategic significance for bilateral ties and the world at large, they said.

"If we call former U.S. President Richard Nixon's China visit 41 years ago 'the handshake across the Pacific Ocean,' then the Xi-Obama Sunnylands meeting can be seen as 'a strategic dialogue across the Pacific Ocean,'" said Ruan Zongze, Vice President of the China Institute of International Studies (CIIS).

Casual atmosphere

The Xi-Obama meeting was originally scheduled to take place at the G20 Summit in Russia's Saint Petersburg this September.

"In view of the importance of Sino-U.S.

relations, the initially scheduled meeting might be a little late," said Qu Xing, President of the CIIS. "China has been very active in diplomatic activities since its new leadership took office in March. Considering President Xi's Russia and Africa trip and Premier Li Keqiang's Asia and Europe trip in recent months, an absence of state-level interaction between China and the United States would seem unusual as the Sino-U.S. ties are presently the most important bilateral relationship."

"Though there have been intensive visits to Beijing by high-ranking U.S. officials in the past several months, they cannot substitute meetings between heads of state. Summit meetings have played a crucial role in the history of Sino-U.S. relations. They usually set the tone for and invigorate bilateral ties," said Tao Wenzhao, a researcher with the Institute of American Studies at the Chinese Academy of Social Sciences.

Against this backdrop, the summit was

scheduled under the invitation of the U.S. Government. Xi and Obama chose to meet informally at Sunnylands, a 200-acre (81-hectare) Annenberg estate near the U.S. West Coast for the first time as heads of state.

The arrangement, Qu said, has somewhat of a special meaning in that the dialogue faced the Pacific Ocean and concerned cooperation across the ocean.

"The cozy and leisurely environment was helpful for the two leaders to establish a close personal friendship and good working contact. And the approximately eight hours of talks between the two presidents were conducive to fully exchanging in-depth views on bilateral ties and deepening mutual trust," said Qu.

Jin Canrong, Associate Dean of the School of International Studies at Renmin University of China, argued the informal meeting showed the confidence of the new Chinese leadership.

"Xi's acceptance of an informal meeting style at an estate lacking ceremonies reflected the self-confidence and pragmatic style of China's new leadership," Jin said.

In addition, Jin said that the estate meeting also reflected the Sino-U.S. relations' growing maturity. By avoiding complicated protocols, the relaxed meeting could help the two leaders focus more on substantive issues.

New type of relations

In 2010, the Obama administration announced its "pivot to Asia" strategy. China, surpassing Japan in 2011, has since become the world's second largest economy. And many analysts claimed the world has shifted its focus from Europe to the Asia Pacific. In this context, as the two most important Asia-Pacific countries and the world's first and second largest economies, China and the United States should find a way to get along well with each other, observers said.

Ancient Greek historian Thucydides claimed it was the Spartans' fear of the growing power of Athens that made war inevitable. Based on this perception, U.S. scholar John J. Mearsheimer wrote in his political treatise *The Tragedy of Great Power Politics* that established and

emerging powers are doomed to confrontation and war.

From a historical standpoint, the world has indeed suffered much pain in the vicious cycle of power struggles. In the 20th century, the most prominent confrontation was between the United States and the Soviet Union during the Cold War, which lasted for more than four decades and only ended after the disintegration of the Soviet Union in 1991.

But in the 21st century, an era with highly interdependent relations among countries, observers believe a new type of relations between major countries is not impossible.

The new type of relations between major powers, first raised by former Chinese President Hu Jintao at the China-U.S. Strategic and Economic Dialogue in 2012, is an attempt of China to break the vicious circle and get along well with all other major powers. Its significance was further highlighted when it became a national strategy and was written into a report delivered to the 18th National Congress of the Communist Party of China held in November.

During the summit with Obama, President Xi summarized the concept in three phrases—"no conflict and no confrontation," "mutual respect" and "cooperation toward win-win results."

Observers said the building of a new type of relations is based on the highly interdependent relations and common interests among major powers.

"The current Sino-U.S. relationship, especially when it comes to economic and cultural exchanges, has far exceeded any bilateral relations between major powers in history. The incredible width and depth of this relationship have laid a solid foundation for this new type of relations," said Wang Jisi, Dean of the School of International Studies at Peking University.

Wang said the prospect of bilateral economic relations is quite promising as the two economies are highly complementary. He predicted the two countries would become the largest trade partner of each other within eight to 10 years.

Currently, the two countries are each other's second largest partner with bilateral trade amounting to about \$484.7 billion in 2012.

Meanwhile, a joint research report titled U.S.-China Economic Relations in the Next Decade released in May said the milestone would be reached in 2022. One of the authors of the report said if the United States eases its restriction on exports of hi-tech products, oil and gas to China, its exports to China would increase more swiftly.

"The bilateral economic relationship has great potential. For instance, about 1.5 million Chinese tourists visited the United States in 2012. But if the U.S. side issues more visas to Chinese people, the number could reach 10 million in 10 years, which could bring in at least \$5 billion for the United States," said Wang.

Wang added that potential bilateral economic cooperation in the agricultural sector is even greater, noting China is a huge market with a large population but less arable land,

"The current Sino-U.S. relationship, especially when it comes to economic and cultural exchanges, has far exceeded any bilateral relations between major powers in history."

—Wang Jisi, Dean of the School of International Studies at Peking University

while the United States has a large arable land area and higher agricultural productivity.

Former U.S. Treasury Secretary Henry Paulson also stressed the common interests and highly intertwined economies of the two countries in an article on the Xi-Obama meeting titled *The Path to Double Happiness* recently published on the website of *The Wall Street Journal*, saying, "It is important that the two presidents seize this moment to reinvigorate their shared economic agenda."

Paulson noted that China is America's fastest growing export market. When worldwide U.S. exports plummeted almost 18 percent during the 2009 financial crisis, exports to China dropped only about 2.5 percent. The figures demonstrate China's potential to become a demand driver for U.S. products over the long haul and the degree to which their economies are intertwined. He said the highly mutual interdependence has deeply touched the lives of ordinary Americans and Chinese.

Ruan claimed the fundamentally changed global situation also pushed China and the United States into a community of shared interests.

Ruan said that in the current world, neither China nor the United States can settle all international problems. Only by joining hands can they overcome difficulties, address crises and create opportunities for their common development.

During the summit, Obama told Xi the U.S. side is willing to construct a new state-to-state cooperation model with China based on mutual benefit and mutual respect, so as to jointly

meet various global challenges.

From another perspective, Ruan noted, the driving force for closer Sino-U.S. relations has undergone fundamental changes.

"Nixon's ice-breaking visit to China, which helped the two countries reengage with each other, was initially driven by outside pressure, including the international strategic structure and the threat of the Soviet Union," said Ruan. "But now Sino-U.S. relations are increasingly driven by domestic demands of the two countries, such as economic cooperation."

An arduous path

Analysts said that gaps, differences and disputes undeniably persist between China and the United States, such as trade friction, discriminatory and opaque investment policies of the United States and cyber security issues. Therefore, they claimed it would be a long, arduous and complicated task for the two countries to build a new type of relations. However, most observers are not pessimistic.

"There are disputes, but we can see in the summit that both leaders agreed to settle the problems through negotiations. I think it is a very important consensus they have reached," said Qu.

Ruan said disputes could also be turned into cooperation opportunities, noting that both China and the United States are trying to turn the common challenge of cyber security into an area of cooperation.

At this summit, Xi told Obama that cyber security should be a new highlight of bilateral cooperation instead of a source of suspicion and friction. They agreed to strengthen dialogue, coordination and cooperation through the already established cyber working group.

During their talks, the two presidents also pledged to strengthen military cooperation. It was agreed that the Chinese defense minister will visit the United States and China will attend the U.S.-hosted Rim of the Pacific exercises in 2014.

"The military relationship is a weak point in bilateral relations. It is a positive signal that Obama proposed this time to institutionalize bilateral military communication," said Tao.

Ruan claimed the U.S. move for military cooperation reflected a new way of thinking, indicating there would be new steps to be taken in bilateral military relations. An institutionalized military relationship would provide a guarantee for the new type of bilateral ties. ■

COVER STORY

PARTNERS IN DEFENSE

Understanding the risks and rewards of closer Sino-U.S. military ties

By Yao Yunzhu

The author is major general of the PLA and director of Center on China-America Defense Relations, Academy of Military Science



One of the fruits to have emerged from the first summit between Chinese President Xi Jinping and U.S. President Barack Obama is the official acceptance of the U.S. invitation to the People's Liberation Army (PLA) Navy to participate in the 2014 Rim-Pac exercise. It will provide the Chinese and American navies with a rare opportunity to cooperate in a multilateral setting. However, past experience warns against high expectations. The Chinese military has been invited to some U.S.-sponsored multilateral exercises in the past, but was categorized as a non-ally and given observer status or allowed only limited participation. The Rim-Pac exercise consists of a wide range of scenarios, typically lasting more than two months. The PLA Navy expects its participation to be more substantial than a merely symbolic appearance. It is hoped that China's participation in the largest regional maritime exercise could be a model for positive and constructive engagement between the two militaries and a real effort to share common interests and responsibilities.

Compared to relations in economic, political, social and cultural aspects, the China-America military relationship has lagged behind for more than two decades. It has been plagued by deep-rooted distrust, which to some degree, reflects the hard reality of conflicting strategic interests.

From the Chinese perspective, the U.S. policy of rebalancing toward the Asia-Pacific region can be naturally interpreted as efforts to prevent the rise of China. The military part of the "rebalance" includes deployment of up to 60 percent of naval and air assets to the region, the redeployment of forces withdrawn from Iraq and Afghanistan to the region, the strengthening of military allies and the closer ties with

regional partners, and the joint development and deployment of ballistic missile defenses in East Asia. All these have been interpreted as measures taken against a modernizing Chinese military. Some operational concepts such as the "AirSea Battle" developed by the U.S. Navy and Air Force are tailored for operational scenarios against China. It is inevitable for the PLA to draw the conclusion that the United States is preparing for military operations against it.

In addition, there are some enduring issues, such as U.S. arms sales to Taiwan, the arms embargo imposed on China since 1989, the frequent maritime/air surveillance and reconnaissance activities against China and a set of discriminating laws concerning military-military exchanges. One seemingly minor issue which carries strategic impact is the release of an annual report on China's military and security developments. China is one of four countries that the U.S. Congress has requested the Department of Defense to conduct annual assessments of their military power. This serves to reinforce the belief that China is defined somewhat as an enemy.

U.S. involvement in China's territorial disputes with neighbors in the South China Sea and the East China Sea is another obstacle to a healthy military-military relationship. Former U.S. Secretary of State Hillary Clinton asserted in July 2010 that freedom of navigation, a U.S. national interest, was threatened in the South China Sea, and voiced her support for multilateral approaches to solving the disputes, which contradicts China's long held position to solve territorial disputes bilaterally. And the U.S. Government has repeated its defense obligation to protect the so-called Japanese administration over an island chain in the East China Sea, although its official stand is not to take a position on its sovereignty.

Now that both leaders have agreed to positively construct better military ties compatible with the new model, it is high time for the two militaries to find ways to turn their national leaders' consensus into concrete actions.

Given the trust deficit between the two militaries, it will take a great amount of patience

and political will to build trust and provide mutual strategic assurance. A shared belief that "cooperation is better than confrontation" could motivate efforts to better understand each other, to positively engage each other, and to earnestly accommodate each other's interests and responsibilities through high-level visits, institutionalized dialogues and informal discussions between defense leaders and strategic planners.

Furthermore, a clear-headed realization that the two militaries share a huge stake in controlling differences, avoiding crises and managing risks would help to stimulate joint efforts to prevent mistakes from happening. Both militaries can work together to set up rules of the road for ships and airplanes while operating in close proximity in and above international waters, establish a mechanism of communication to reduce the risk of miscalculation, and discuss ways to deescalate a crisis if one does occur. However, to move the military-military relationship in a more positive direction, the two sides need to do more. High-level visits are most important in trust building and tone setting, and can be enhanced by informal meetings between senior defense leaders to discuss strategic issues in an extensive and in-depth way. Institutionalized talks are crucial mechanisms to address each other's concerns and share deliverable results. They must be fleshed out with specialized working groups, greater coverage of topics and more frequent meetings. Functional exchanges make up the substance of a robust relationship. They should be expanded to cover not only military medical teams, army bands and ship port calls, but also training, logistics and joint exercises.

The Chinese PLA would seek cooperation with its American counterparts in building a new model of military-military relations, for it is the best and only way to serve the grandest national interests of both countries, to contribute to regional stability and prosperity, and to benefit global peace. ■

COVER STORY

FOSTERING COOPERATION AND DIALOGUE

The Xi-Obama summit provides a chance for frank discussion on how to improve bilateral ties

By Jon Taylor



The author is chair of the Department of Political Science at the University of St. Thomas in Houston and a professor of political science

The meeting between President Xi Jinping and President Barack Obama at Sunnylands, the former Annenberg estate in Rancho Mirage, California, on June 7-8 was unprecedented in its relatively informal format. More importantly, the meeting was a significant step forward in the process of forging a new type of great power relations between China and the United States.

Informal format

While an informal meeting between Chinese and American leaders is not without precedent—President Jiang Zemin visited U.S. President George W. Bush at his ranch in Texas before they both attended the Asia-Pacific Economic Cooperation meetings in Mexico in 2002—the scope and tone were unique for a meeting of Chinese and U.S. presidents. Such a casual setting, encouraged by the informality of both men (be it Xi's call to serve only "four dishes and a soup" at official banquets or Obama's

"beer summits"), showed their willingness to apply that informal approach to bettering China-U.S. relations.

The informal setting, which will be repeated at a future Xi-Obama summit in China, began the process of building a more personal, more cooperative and more sincere relationship between the two leaders. The ultimate beneficiary is China-U.S. relations, as well as the world, largely through an improved level of trust, openness and cooperation between the world's two preeminent powers.

Xi and Obama held eight hours of talks—including roughly 50 minutes one on one, with no aides other than their interpreters—that covered a range of bilateral, regional and global issues of common concern. While their talks on the first evening explored security and geopolitical issues, the meetings on the second day focused primarily on economic and trade issues.

What was notable about this summit is that American and Chinese presidents had never sat down outside Beijing or Washington for a wide-ranging dialogue that continued for many hours, unconstrained by the formalities that come with an official visit. While the meeting lacked most of the usual White House ceremonial honors reserved for a visiting leader, the lack of pomp and circumstance began a new, and promising,

phase in China-U.S. relations, one not seen since President Richard Nixon's meeting with Chairman Mao Zedong in 1972.

The informal setting provided Xi and Obama with the opportunity to begin an ongoing and constructive dialogue between the two nations that will avoid confrontation and foster genuine cooperation on a range of shared economic and diplomatic issues. While some important issues were raised in the summit, it will probably be best remembered as the "shirt sleeve summit," where the leaders of the world's two most important nations got to know each other just a little bit better. The fact that Xi agreed to meet Obama in the United States (technically, it was Obama's turn to visit China) was a positive sign in China-U.S. relations. It signaled to the world the significance that both nations place on healthier China-U.S. relations.

The summit was the culmination of a series of recent high-level China-U.S. meetings that have emphasized a new tone of cooperation between the two nations. And just in time, considering that the state of China-U.S. relations over the last few years has been one of growing distrust on the part of both nations over long-term goals and intentions. Continuity and change in both Beijing and Washington, with Obama's re-election last November and the confirmation of President Xi and his leadership team in March, have provided the two nations with an opportunity for closer cooperation on a host of issues of mutual interest and concern.

Critical juncture

The last few years have been difficult for China-U.S. relations. Distrust has grown on both sides. China's rise raises a host of issues for the United States and for China. Now that a new leadership team has taken over in China and Obama has begun his second term, the potential to encourage opportunities for cooperation has arrived. The summit was a first step, one that began by the United States recognizing a rising China with the care and respect that it deserves as a great power.

China and the United States enjoy an immensely profitable trade and investment relationship. China is the second largest U.S. trade partner, its third largest export market and its biggest source of imports. The United States is expected to replace the EU as China's largest trade partner this year. The rapid pace of economic cooperation between China and the United States, while mutually beneficial, have made trade rela-



MEETING OF THE MINDS: Chinese President Xi Jinping holds talks with U.S. President Barack Obama at the Sunnylands estate in California on June 8

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tions an increasingly complex issue. Ongoing issues over market access, intellectual property, security reviews of investments and restrictions on technology exports continue to complicate their burgeoning trade relations. All were recognized and discussed during the summit.

There were a number of expected topics, some of concern to China, some to the United States and some of mutual concern. For example, the cyber security issue, which most Western media played up and oversimplified before the summit, was actually an issue where both China and the United States demonstrated that they are in the process of trying to turn an issue of common challenges into an area of cooperation. Xi told Obama that cyber security should be a new highlight of bilateral cooperation, rather than a source of suspicion and friction.

Some have downplayed the “shirt sleeve summit,” arguing that it was long on expectations, but short on specifics. Expectations aside, the goal was never about achieving checkmarks on a list of specific policy outcomes (although agreement was reached on working together to phase down the consumption and production of hydrofluorocarbons). Rather, the goal was to develop a degree of trust and familiarity between the two leaders that will allow them to

tackle mutual challenges in a more direct and productive manner.

And that goal was met. The summit was a success. No matter how informal, the Sunnylands summit demonstrated the recognition on the part of both nations that China-U.S. relations are at a critical juncture. Ultimately, what came out of this meeting will set the tone for China-U.S. relations, and particularly presidential interactions, for the next 10 years.

New relationship

The Xi-Obama summit provided a unique opportunity for both presidents to lay the foundations for a new, more mutually productive relationship, one that can weather what may be turbulent decades ahead. Both Xi and Obama sent a clear message about the importance of China-U.S. relations by carving out an opportunity to meet early in the new Chinese leadership's tenure and to set the tone for engagement during the second term of the Obama administration. By laying the groundwork for a new type of major power relations, antiquated, Cold War-era thinking regarding China-U.S. relations can be avoided through candid discussion and mutual cooperation.

Xi and Obama have seized upon this opportunity to improve China-U.S. relations. The two

presidents addressed areas in which greater cooperation can yield mutually beneficial results, as well as candidly noting where potential areas of conflict still remain. This summit presented China and the United States the opportunity to adopt a long-term perspective on relations, one that will lead to sustained, high-level dialogue on the core threats that will shape the world of the future and the potential roles of China and the United States, both separately and collaboratively in such a world.

The Xi-Obama summit has set the tone for a new type of bilateral relationship that features reciprocal recognition of China and America's role as world powers, mutual trust, cooperation and shared economic prosperity.

While it may not always be easy for either Xi or Obama to avoid misinterpreting the other's intentions, the spirit of the “shirt sleeve summit” has created momentum to accommodate each side's views. Although the two nations may well disagree on issues, both sides agreed to avoid conflict, enhance engagement, and deepen cooperation. As President Xi noted: “When China and the United States work together, we can be an anchor for world stability and the propeller of world peace.” ■

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