

**WORLD: LESSONS FOR NORTH KOREA P.18 | BUSINESS: CHINA & THE GLOBAL 500 P.36**

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## ON THE HORIZON

China looks to a healthier growth model  
by overhauling its economy

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**E-mail:** hw@bjreview.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

# Taking the Long View

There is no free lunch. The saying may be another explanation for China's economic slowdown in the first half of the year. The economic transformation is proceeding at the cost of economic acceleration in order to obtain sustainable development in the long term.

To shake off the energy-consuming and high-polluting development model of the past, China began its economic transformation as early as a decade ago. Since the new government came into power in March, economic transformation has become a top priority.

In the past four months, the new government has unveiled an array of policies and measures to spur changes to the economy. Reforms have been pushed forward in administration, taxes, finance and investments. The current unreasonable system has resulted in the current problems facing China. To change the system, China should seek new growth points, speed up the modernization of its industries, restrict local government investment and put a curb on the blind expansion of real estate.

Transformation is clearly underway. Imports and exports only contributed 0.9 percent to the growth rate in the first half. In contrast to the trade-driven economic growth model of the past, such a fact indicates some positive signs for China's economic facelift.

Such transformation, in turn, has reduced the economic growth rate. China's economy is experiencing some major woes while getting rid of its old growth model.

It is necessary to sacrifice rapid growth for the sake of reforms. The outside world should not doubt the development potential of China's economy, for the Chinese Government would control the pace of the economic transformation in case of a "hard landing." It is reasonable and controllable as long as economic growth ranges within 7 to 8 percent.

On the other hand, to overcome the difficulties of economic transformation, efforts should be made to stabilize growth during restructuring. In the end, the world should not lose faith in China's economic prospects due to the current slowdown. ■

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# ROBOT COMPETITION

The Second National Robot Design Creative Competition was held at the Harbin Far East Institute of Technology on July 15. The two-day event saw contests involving robots singing and playing sports.



## Out of Danger

Relief workers carry a child to a helicopter in Caopo Township in Wenchuan County, southwest China's Sichuan Province, on July 16 after a flood inundated the region.

The provincial government reported on the day that rainstorm-triggered floods and a landslide in the previous week had claimed 58 lives and left 175 people missing in Sichuan.

The Ministry of Finance said on July 17 that 250 million yuan (\$41 million) from the central budget had been allocated to Sichuan for rebuilding damaged homes and as allowance for flood victims.



## Legal Aid

A volunteer legal aid campaign has benefited more than 17 million people over the past year, one of its co-organizers revealed on July 15.

In the 1+1 Volunteer Legal Aid Campaign, launched by the Ministry of Justice and the Central Committee of the Communist Youth League in 2009, about 180 volunteers have handled 13,280 cases and helped solve 2,600 disputes in the past year, according to the China Legal

Aid Foundation.

The campaign aims to provide legal services in areas lacking lawyers. Lawyers and law students are sent to the regions to provide assistance for a year at a time.

More than 100 Chinese counties still have no lawyers working in them. The absence has caused a bottleneck in economic and social development of these areas. This year's campaign will see more than 200 volunteers sent to 123 counties across China to dispense legal

advice and assistance to those in need.

## HK Suffrage

Zhang Xiaoming, Director of the Liaison Office of the Chinese Central People's Government in Hong Kong Special Administrative Region (HKSAR), said on June 16 that the Central Government's sincerity toward universal suffrage in Hong Kong is undoubted, and the whole process must follow the course set in 2007 by the HKSAR Basic Law and the National People's Congress Standing Committee.

"We should get to know clearly the terms and regulations of the Basic Law concerning the Chief Executive and Legislative Council elections

to find what problems are yet to be solved and what problems have already been tackled," Zhang said.

"Then we should concentrate on studying those unsolved problems, explore their possible solutions and finally have a concrete solution plan. That would be the right approach," he said.

Zhang stressed that the HKSAR's approach to universal suffrage must be compatible with its administrative status, comply with the principle of "one country, two systems" and respect the relationship between Hong Kong and the Central Government, adding that the electoral setup must ensure state sovereignty and the Central Government's lawful rights.

## Voc-Ed Employment

The employment rate for graduates of higher vocational schools in China rose slightly from 2010 to 2012, according to a report released on July 16.

The report, jointly conducted by the Shanghai Academy of Educational Sciences and educational research company MyCOS Institute, said that the employment rate of vocational graduates increased to 90.4 percent



## CULTURAL MEETING

The International Youth Summer Camp on Chinese World Heritage opens in Suzhou, Jiangsu Province, on July 17. Teenagers from 21 countries and regions spent eight days visiting world heritage candidate sites in China



## YELLOW HARVEST

A villager gathers corn in Yixu Village, Guangxi Zhuang Autonomous Region on July 15. About 108,000 hectares of summer grain in Guangxi are entering the harvest season



HUANG ZHAOBANG

in 2012, just below the 91.5-percent employment rate for college graduates in the same year.

Researchers surveyed about 200,000 graduates of higher vocational schools in the 31 provincial-level regions on the Chinese mainland over the past few years.

According to the report, more than 40,000 technical courses were jointly developed by vocational schools and companies, and 1,318 majors were created in higher vocational education. The survey also shows that the incomes of higher vocation school graduates rose 120 percent from 2009 to 2012.

## Space Research

Scientists from all over the world will conduct advanced interdisciplinary studies at a Beijing branch of the International Space Science Institute (ISSI).

Launched on July 16 by the ISSI, based in Bern, Switzerland, and Beijing-based National Space

Science Center of the Chinese Academy of Sciences, the Beijing institute will contribute to a deeper understanding of the results from different space missions, ground-based observations and laboratory experiments.

The newly established ISSI-Beijing will advance the internationalization of space science research, and provide an important window on Chinese space science to the scientific community, according to a statement of the branch.

This year, ISSI-Beijing will support one international team and four forums on science topics, including x-ray timing and polarization, as well as solar polar orbit observation.

The ISSI was established in 1995 and funded by agencies including the European Space Agency, the

Swiss Federal Government and the Russian Academy of Sciences.

## Air Delay Payoff

China's civil aviation authority is considering a standardized national compensation scheme for delayed flights, according to a Chinese media report.

The plan, likely to follow an EU model basing compensation on the length of the delay, is expected to reduce mass claim disputes, the *21st Century Business Herald* reported on July 15, citing an anonymous insider.

Under the country's current guideline for flight delay compensation, each airline is allowed to set its own compensation standards, often fueling the discontent of passengers.

Data published by the Civil Aviation Administration of China (CAAC) in May showed that more than 500,000 flights were delayed across the country in 2012, the worst record in the past five years.

## Deep Exploration

China's *Chang'e-2* deep space probe has reached a distance 50 million km away from Earth, said the State Administration of Science, Technology and Industry for National Defense.

The probe, now "in good condition," set a "new height" in the nation's deep space exploration at 1 a.m. on July 14, said an administration statement.

*Chang'e-2* will be able to travel to a distance as far as 300 million km away from Earth, according to calculations of scientists at the Beijing Aerospace Control Center.

The probe was launched on October 1, 2010 from the Xichang Satellite Launch Center in southwest China and later orbited the moon.

After finishing its lunar objectives in June 2011, the probe left its lunar orbit for an extended mission to the Earth-Sun L2 Lagrangian point.

On December 13, 2012, it flew by Toutatis, an asteroid about 7 million km away from Earth, making China the fourth after the United States, the EU and Japan to be able to examine an asteroid by spacecraft.

## Urban Drainage

A guideline for upgrading drainage systems has been developed for cities across China, the Ministry of Housing and Urban-Rural Development said on July 13.

According to the guideline, drainage facilities in downtown areas in 36 large cities should be upgraded to handle heavy rain and prevent floods from occurring.

The ministry requires municipal authorities to submit compiled construction plans in accordance with the guideline before mid-2014.

A heavy downpour that occurred in Beijing last July paralyzed the city, prompting authorities to reflect on poor drainage systems.

## Graduation

Principal Zhukang Tubdain Kaizhub (right) confers a graduate diploma to a student at the Tibet Buddhist Theological Institute in the township of Nyetang, Quxu County in Tibet Autonomous Region, on July 15.

The first batch of 150 students came from 128 monasteries in Tibet. They began their studies in October 2011 when the institute opened.

The institute is Tibet's only regional-level Buddhist theological academy.



YIYINXU



## Time-Saving Connection

The Jiaxing-Shaoxing River-Crossing Bridge is opened to the public on July 19.

The bridge, linking two cities in east China's Zhejiang Province, is connected to several expressways in the Yangtze River Delta, halving the travel time from Shaoxing to Shanghai.

Construction of the bridge started in 2008, with a total investment of 13.9 billion yuan (\$2.27 billion).



## Soaring FDI

China's foreign direct investment (FDI) jumped surprisingly in June, growing 20.12 percent from a year earlier to \$14.39 billion, the Ministry of Commerce (MOFCOM) announced on July 17.

The June FDI data did not include overseas fund influxes in banking, securities and insurance sectors but still marked a significant upsurge from a 0.29-percent year-on-year increase seen in May.

The figure marked the fifth consecutive monthly increase since

February, when China reported an FDI recovery after seeing monthly declines since June 2012.

"But we cannot conclude that China's FDI has rebounded simply by looking at just a single month's data. We expect the FDI in the second half to grow steadily," MOFCOM spokesman Shen Danyang said at a press conference.

During the first half of the year, China approved the establishment of 10,630 foreign-invested enterprises, down 9.18 percent from a year earlier. FDI totaled \$61.98 billion, up 4.9 percent year on year.

Nearly half of the FDI in the January-June period went to the service sector, Shen said.

FDI from the EU and the United States jumped 14.68 percent and 12.29 percent, respectively, to \$4.04 billion and \$1.83 billion in the first half.

China's western regions saw strong growth in FDI, with an increase of 32.54 percent, compared with a 15.75-percent gain for central regions and a 1.69-percent gain for the east.

## Hydropower Operational

China's second largest hydropower station with a capacity of 770,000 kilowatts came into operation on July 15.

The No. 13 generating unit at the Xiluodu hydropower station began providing electricity to the China Southern Power Grid, said its operator China Three Gorges Corp.

With a total generating capacity of 13.86 gigawatts, the station is the world's third largest after the Three Gorges and Brazil's Itaipu hydroelectric project.

Construction of the Xiluodu hydropower station, located at the Jinsha River, a major headstream of the Yangtze River in southwest China's Yunnan and Sichuan provinces, started in 2005. It is expected to be completed in 2015 with 18 power-generating units.

## Uranium Mine Drilling

China National Nuclear Corp. (CNNC), the country's largest atomic energy developer, said on July 17 that it has achieved a record drilling depth of 2,818.88 meters in uranium mining.

CNNC announced the technological breakthrough in uranium-rich Fuzhou, capital of southeast China's Fujian Province.

China's uranium prospecting has typically been carried out at



## DEEP-SEA EXPLORATION

Residents in Xiamen, southeast China's Fujian Province, observe the *Jiaolong* submarine on July 17





## ENSURING POWER SUPPLY

Staff members from a local power company examine transmission lines in Tianjin to check for adequate electricity supply during the summer, a traditional peak season for power demand

depths less than 500 meters. Its previous record drilling depth reached 1,200 meters.

CNNC said the new drilling technology can help boost China's domestic uranium supplies and ensure the key energy source for developing nuclear power.

In addition to the drilling depth, the company said it has independently developed drilling equipment and hyperspectral identification technology that would facilitate uranium exploration.

## Software Center

American IT heavyweight Hewlett-Packard (HP) signed an agreement with Jining City, east China's Shandong Province, on July 16 to build international software training centers with an investment of \$2 billion.

Under the deal, a software talent training center, software-testing outsourcing service facility and an IT



CHEN JIN

resource service base will be built.

The project will be situated in the Jining National High-tech Industrial Development Zone. The talent training center will train up to 10,000 IT professionals each year.

The centers will equip students with skills and training on HP software that companies need to make the most of their IT investments, said HP.

## Land Prices Surge

The second quarter of this year witnessed hefty rises in land prices, as developers pinned their hopes on surging house prices, official data showed on July 16.

According to the Ministry of Land and Resources, an abnormal price increase had been found in

115 land deals during the April-June period, with the premium rates averaged at 142 percent above the base price for bidding, 22 percentage points higher than the previous quarter.

Land prices in major cities monitored by the ministry stood at 3,226 yuan (\$520.32) per square meter, with commercial land priced at 6,044 yuan (\$986), residential land at 4,799 yuan (\$783) and industrial land at 684 yuan (\$112).

Prices have been climbing for three consecutive quarters and have entered a relatively high range, according to the ministry.

The more developed Pearl River Delta region in south China posted the most drastic price increase, compared with the Yangtze River Delta and the Beijing-Tianjin-Hebei cluster.

## Numbers

### \$1.3 tln

China's holdings of U.S. treasuries by the end of May, a historic high

### 39

Number of trade investigations targeting China in the first half of 2013

### 5.8 bln yuan

Amount of money that 82 Central Government departments spent on official receptions, vehicles and overseas trips in 2012, or 420 million yuan below budget

## 3D Experience

A staff member introduces customers to 3D printing technology. The first such printing store was opened in north China's Tianjin on July 15.



ZHAI JIANLIAN

### 16 tln yuan

Credit balance of small and micro-sized enterprises by the end of May, accounting for 22.22 percent of the total

# THIS WEEK WORLD



## PANAMA

A North Korean cargo ship allegedly loaded with weapons docks at the Manzanillo Port in Colon on July 16. The vessel, which set off from Cuba, was stopped by Panamanian authorities



## THE UNITED STATES

Supporters of shooting victim Trayvon Martin rally in Times Square in New York City on July 14 after a jury in Florida acquitted George Zimmerman, a neighborhood watch volunteer who shot and killed Martin, an African American teenager, last year



## INDIA

A customer fills in a telegraph form at the Central Telegraph Office in Kolkata on July 14, the last day that messages were accepted. India has disbanded its telegram service after 162 years







XINHUA/APP



## BOSNIA AND HERZEGOVINA

A survivor of the 1995 Srebrenica massacre mourns near the casket of his relative in the Potocari Memorial Center on July 10. A total of 409 newly identified victims were buried there on the 18th anniversary of the massacre, putting the number of gravestones to over 6,000



## CANADA

Children take part in a paper plane contest at the Vancouver International Airport on July 12



XINHUA/APP



XINHUA/APP



## RUSSIA

Russian President Vladimir Putin submerges on board *Sea Explorer 5* near the isle of Gogland in the Gulf of Finland off Saint Petersburg on July 15, visiting the *Oleg* frigate that sank in 1869

**“You know what’s happening with your food. There are no pesticides or herbicides—nothing that will negatively affect your health.”**

Dannan Hodge, co-founder of the urban farming company High Rise Homestead in Beijing, on July 13. Urban farming is slowly gaining popularity in Chinese cities



**“Money can’t buy love and care between family members. Hiring someone else to visit parents goes against traditional Chinese culture and is too commercial.”**

Yuan Xin, an expert on aging population studies at Nankai University, responding to a new parent-visiting service on taobao.com, one of China’s major online retail platforms, on July 14



**“I have to say calling for a taxi has been easier after the fare went up and no taxi drivers have refused me.”**

Cui Shaoyu, 25, said in response to the Beijing taxi price increase introduced at the beginning of June



**“Shengnu, a Chinese term for unmarried women that literally means ‘leftover women,’ are being demonized. Parents are pressuring us, the media label us, there’s a whole industry of matchmakers and others out there telling us it’s a problem to be single.”**

Sandra Bao, who founded a social group called Leftover Attitude in Shanghai to support unmarried professional women



## FILM DIRECTOR TO HELM TV GALA SHOW



Feng Xiaogang, a well-known Chinese director, was invited by China Central Television (CCTV) to direct its Spring Festival Gala 2014 on July 12. The event, launched in 1983, is an annual variety show aired on the eve of the Spring Festival. Watching the show on TV has become a key part of the Lunar New Year celebrations for many. The gala has been directed by CCTV staff for 30 years and Feng was surprised by the invitation. The director, 55, has worked on the Chinese smash hits *If You are the One* and *Back to 1942*. Also invited to plan the show includes veteran comedian Zhao Benshan, actor/director Zhang Guoli and TV drama director Zhao Baogang.



## YOUTH ATHLETE CREATING HISTORY



Athlete Mo Youxue, 17, won the showcase 100 meters at the 2013 IAAF World Youth Championships in Donetsk, Ukraine, on July 14, the first time a male sprinter from China has won an international event of this caliber. His winning time, 10.346 seconds.



## Wahaha's Diversification Strategy

**Caixin Magazine**  
June 24

Since Hangzhou Wahaha Group Co, one of China's largest beverage producers, has reached its peak, what will happen next? Its chairman Zong Qinghou gave an answer: adopt a diversification strategy.

Wahaha has been at the top of China's beverage industry since 1999. Among the top 20 beverage producing companies in the country, its output makes up 25.6 percent, sales volume 43.3 percent and profit 53.8 percent. Once listed, it will have the highest market value in the beverage industry.

However, Zong insists controlling Wahaha with his own hands. In 2012, stock

held by Zong's family increased from 60 percent several years ago to 80 percent, making him the richest person on the Chinese mainland according to both Hurun Research Institute and *Forbes* magazine.

Increasingly fierce competition in the beverage industry forced Wahaha to choose diversification. The areas Zong dabbled in include electro mechanics, bioengineering and retailing.

At present, it's hard to say if Zong's diversification strategy is successful because the Wahaha controlled by him has little advantage to diversify except for money. Anyway, Zong is



good at adjusting his strategies according to different situations.

As diversification begins, he is considering building a management team because he has realized he cannot expand business on his own.

He is looking for a successor. Although he is giving his daughter Zong Fuli the

opportunity to develop new industries, he said less than half of second generation private company owners can successfully take over. He added he will give his management team stock to stimulate them to manage the company well.

## Inequality in Raising a Child

**Xinhua Daily Telegraph**  
July 16

A recently released list showing the costs of raising a child in 10 big Chinese cities has spread like wildfire on the Internet. The average cost of the 10 cities was 1.881 million yuan (\$306,603). Widespread complaints among young urban parents once again added a sense of urgency to the Chinese society. But when urban citizens complain about the high cost of raising a child, rural children's aspiration for equal education opportunities is more touching.

The study showed that the cost of raising a child is becoming more diversified in cities. It includes nanny fees, early education, medical expenses, toys, school tuition, private teachers, as well as extracurricular activity costs. These expenses present a major burden for ordinary families. However, children in rural areas have few of these opportunities. For them, college tuition is the major cost of living.

The cost of education has been identified as the biggest factor in the rising cost of living. In the competition for better educational opportunities for their children, urban parents spare no efforts. Despite the cost, only a small percentage of children in cities go on to attend elite universities, not to mention children in rural areas.

In recent years, the proportion of rural students in renowned universities is on the decline. Even though some universities tend to give more opportunities to rural students, rural students still find it hard to get in because of low incomes and the challenging education conditions in rural areas.

To combat the cost gap of raising a child in urban and rural areas, both society and families should change their thought patterns. After all, the key to a child's success is not money but

their own efforts. And the government should share the investments in children with the families. In the meantime, it should carry out more favorable policies in rural areas, because the rural families don't even have the opportunity of complaining about the high cost.

## The Museum of Counterfeits

**The Yangtze River Daily**  
July 16

A museum located in Jizhou, north China's Hebei Province, recently became a hot topic. The items on display there are either cheap copies or inferior counterfeits, but the museum holds a number of honors authorized by the local government, including certificates as a national AAA scenic spot and science education base for students.

The museum was established by a local vil-

lage. Wang Zongquan, its director, additionally holds a post in the village committee. Over the past years, Wang has over 40,000 "curios" and displayed them in the museum. Most of these were bought at very cheap prices of between 100 and 2,000 yuan (\$16.3-326). Thus, people can imagine how inferior they are, let alone what artistic and historical value they can provide visitors with.

Many villagers have suspected Wang of embezzling collective village funds to build the museum and of laundering money by buying cheap copy curios. Yet no investigation has been made. Instead, the museum has been bestowed with a number of official honors, which is to say, it was supported by local government.

Local authorities recently announced the closure of the museum and revoked its certificate of registration. The public is waiting for a further investigation.

## Philippine Ambitions

**Oriental Outlook**  
July 18

As the main participant in the biggest South China Sea dispute in 30 years, Philippine military forces and high ranking military officials constantly put their tough attitude on display. A Philippine coast guard vessel even attacked a Taiwanese fishing boat and killed one crew member on May 9. The strength and development of the Philippine military force is mysterious.

It should be noted that contrast in military strength between China and the Philippines has never been the core of the disputes. The big powers behind the Philippine troops, which rank 31st in the world, are the root cause for the continuous disputes.





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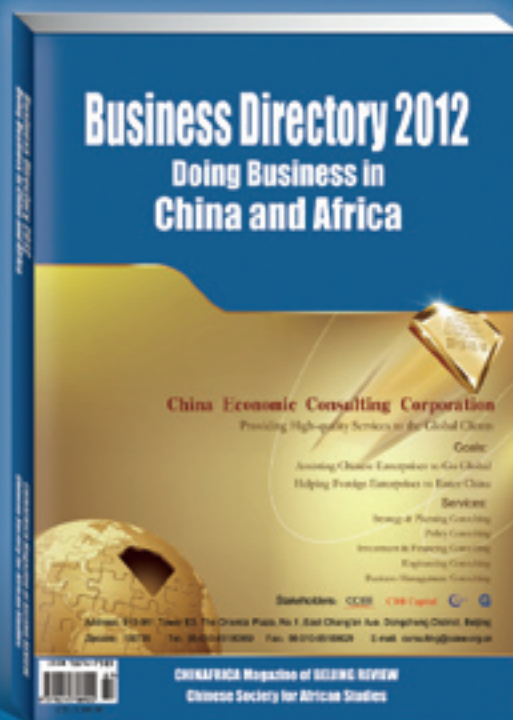
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COVER STORY

# SLOWLY BUT

Despite more slumping growth in China, economic restructuring is progressing as planned By Lan Xinzhen





# SURELY



**DEVELOPED TRANSPORTATION:** Jiaxing-Shaoxing River-Crossing Bridge, Hangzhou-Ningbo Expressway and Shangyu-Sanmen Expressway get crossed at Guzhu in Shangyu, east China's Zhejiang Province, on July 6, 2013

**F**or the past two years, China's economy has slowed down. According to statistics released by the National Bureau of Statistics (NBS) on July 15, China's gross domestic product (GDP) grew by 7.6 percent in the first half of the year. In the second quarter, the GDP growth was a mere 7.5 percent, the second lowest showing since the fourth quarter of 2010.

But skeptics be warned: The slower growth doesn't mean you can dismiss China's economy just yet. NBS spokesman Sheng Laiyun says China's economic growth is stable and economic restructuring—that is, shifting China toward more consumption—was progressing steadily.

China is trying hard to reduce its dependence on investments and shift its economy to a growth mode that is more sustainable in the long run. Its growth rate is in line with the Central Government's expectations and plans to transform the economy.

Liu Yuanchun, Associate Dean of the School of Economics at Renmin University in Beijing, suggests that the harm to China's economy does not stem from a slowdown but comes from rapid growth during the restructuring phase. Therefore, the slowdown is a good thing for China's long-term plans. Skeptics should look beyond the slowdown and pay more attention to the government's ambitious economic reforms and restructuring instead.

## A temporary slowdown

Statistics from the NBS show that China's agricultural output experienced a steady increase in the first half year, and food security was secured by a summer grain crops harvest, which witnessed a 1.5-percent increase from the previous year. Industrial manufacturing saw steady growth; and corporate profits continued to increase. These figures suggest that China's economy rests on a solid foundation.

Statistics also show that during the same period, the per-capita disposable income of China's urban residents registered a nominal in-►►

crease of 9.1 percent year on year and the per-capita income of rural residents increased 11.9 percent, a clear indication that slower growth hasn't dragged incomes down.

Lian Pingyan, chief economist at the Bank of Communications, noted that concerns over a slowdown are exaggerated because figures like the employment rate and commodity prices were normal.

Zhang Liquan, a research fellow from the Development Research Center under the State Council, China's cabinet, believes that China had entered a period of moderate economic growth, one that is moving at an appropriate pace. "China's economy is bottoming out and seeking a new balance," said Zhang.

Zhang said he is confident in the economy in both the short and long term since China is still in the midst of high-speed industrialization and urbanization.

## Throes of transformation

China has been harassed by environmental pollution and resource waste during the past three decades of unbridled economic growth. Since the new government came into power in March, plans for more sustainable economic development and upgrading have assumed more focus.

As a result, plenty of red tape has been cut in a push to create more efficiency in the economy. In two meetings held in April and May, the Central Government decentralized its power and put more decision-making capability in the hands of provincial and municipal governments.

Three economists at Barclays Capital coined the term Likonomics named after Premier Li Keqiang's bold initiatives designed to maintain steady and healthy economic development, with less focus on raking in high GDP growth. Likonomics is composed of three parts—ending stimulus policies, deleveraging and structural reforms.

Pursuing the above three won't be easy, and the road to economic transformation could be a bumpy one, if it isn't already, with plenty of sacrifice to be made. When the transformation finally ends, China's economy will obtain healthier and more sustainable development, says Zhang.

On June 20, the overnight interbank repo rate shot up to over 30 percent, and the overnight Shanghai Interbank Offered Rate surged 578 points to 13.44 percent, which caused a panic in the capital market. Rumors of a "cash

crunch" spread far and wide, and China's stock markets slumped the next day. Unexpectedly, the People's Bank of China didn't come to the rescue, a strategic choice on its part.

As the American economy shows signs of picking up, the Federal Reserve has begun to shake off quantitative easing monetary policies, and the world economy is speeding up its deleveraging. The central bank's refusal to infuse more money into the banking system brings an end to expansionary monetary policies.

In fact, the Central Government has laid emphasis on steady credit growth for the real economy. Recently, Premier Li has reiterated "activating the stock of money and credit," implying an intention to cease the use of expansionary monetary policies.

Although the transformation underway has led to slower growth, the government has no intention of changing course. On July 9, at an economic symposium in Guangxi Zhuang Autonomous Region, Li said, "Macro-control should focus on the pursuit of long-term benefits and ensure the economy is fluctuating within a reasonable range. That is to say, indexes like the economic growth rate and the employment rate shouldn't break the bottom line, and price rises shouldn't exceed the upper limit."

Although Li didn't offer specifics, experts say his "bottom line" refers to a minimum of 7.5-percent annual economic growth and at least 9 million new jobs for rural and urban residents. His "upper limit" refers to no more than a 3.5-percent rise in the Consumer Price Index (CPI) this year, as laid out in former Premier Wen Jiabao's government work report in March.

At present, employment and consumer prices are stable. Statistics from the Ministry of Human Resources and Social Security showed the market offered 107 jobs per 100 job hunters in the second quarter, slightly lower than the 110 jobs in the first quarter. According to statistics from the NBS, the CPI rose 2.7 percent year on year.

There are concerns over whether China's economy can stay above the "bottom line," since the 7.6-percent growth in the first half is very close to it. Zhang Monan, associate researcher with the Economic Forecast Department of the State Information Center, suggests the 'bottom line' indicates the government is more tolerant of a slowdown.

"Some people may ask whether the new government can help keep China's economy

above the "bottom line." It's difficult to give an answer. But one thing is for sure: Reform means pain," said Zhang Monan.

Guan Qingyou, Deputy Director of Minsheng Securities Research Institute, argued that China should maintain its "bottom line" well into the future. "It's of significance to stabilize growth during economic transformation."

## Difficulties ahead

The first half of 2013 has been one of significant changes—some good, some bad—as China continues to upgrade its economy. For instance, many energy-consuming and high-polluting industries are undergoing technical renovations to prepare for the new economy. On the flip side, domestic consumption hasn't been as robust as the government expected despite plenty of effort over the past few years to get Chinese consumers to open their wallets.

According to the NBS, total retail sales of consumer goods in the first six months grew 1.7-percent slower than in the same period last year. Weak domestic consumption could put a dent in the country's plans to build an economy more dependent on domestic spending.

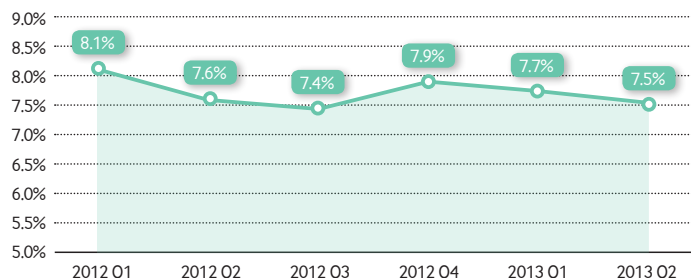
In addition, import and export figures are hardly inspiring. Statistics from the NBS hint China's import-export trade is also in the midst of a slowdown. In the first quarter, imports and exports totaled \$975.25 billion, up 13.5 percent year on year; in the second quarter, it was \$1.02 trillion, up 4.3 percent year on year, although in May, imports and exports only grew 0.3 percent. In June, the figure even slid to negative 2 percent.

Zheng Yuesheng, spokesman for the General Administration of Customs, said gloomy foreign markets cramped China's export growth, and the substantial appreciation of the yuan in combination with rising labor costs made exports more expensive.

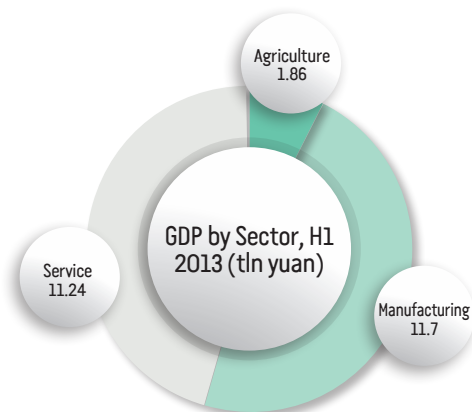
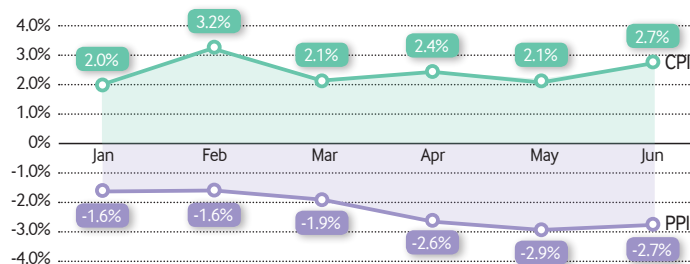
Statistics from the Bank for International Settlements showed that the yuan's real effective exchange rate was 116.3 in late May, up 5.6 percent from the end of last year. At the same time, domestic labor costs keep going up. Several provinces and cities have increased their respective minimum wage standards so far this year. Of the 2,000 enterprises that participated in a monthly customs survey, at least 70 percent regularly said they were under mounting cost pressure, and the competitiveness of their products was eroding.



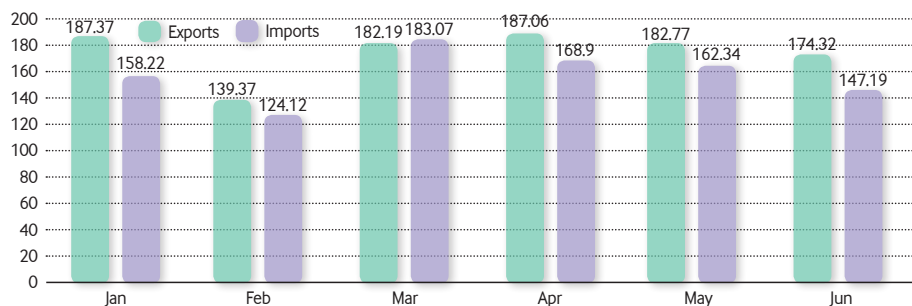
Quarterly GDP Growth



Consumer Price Index (CPI) and Producer Price Index (PPI), H1 2013



Foreign Trade, H1 2013 (\$bln)



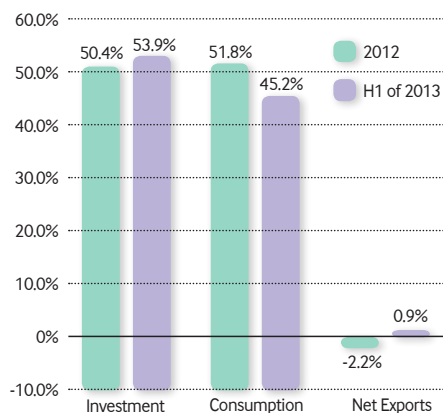
What's worse, China's trade environment is deteriorating due to frequent outside frictions. According to the Ministry of Commerce, 18 countries launched 22 anti-subsidy investigations against China in the first quarter. In May, the European Commission declared an anti-dumping and countervailing probe into some of China's telecom equipment makers. On June 6, the commission announced an 11.8-percent anti-dumping duty on China's photovoltaic products. All these investigations and duties slapped on Chinese products have greatly undermined the country's international competitiveness.

## Economic outlook

The Central Government is scheduled to hold a series of symposiums to gather economic data in July and unveil a number of reform policies in September. In the meantime, the outlook of China's economy over the next six months is mixed.

Economists predict growth of China's GDP in the second half of the year will remain more or less the same as the first. Li Daokui, Director

The Three Contributors



(Source: National Bureau of Statistics)

of the Center for China in the World Economy at Tsinghua University predicted that the economy would grow 7.8 percent in the second half, a slight increase over the first half. A report released by China Investment Consulting on July 1 stated that China's GDP would grow 7.5 percent

and 7.3 percent in the third and fourth quarters respectively, and the growth rate for the whole year would be 7.5 percent.

But Anbound Consulting, a renowned think tank for public policy in China, says in a report that the three pillars of the country's—investment, consumption and net exports—have not shown signs of any rebound.

In terms of investment, tight policies, high local debt and declining corporate profits will not get the economy back on a track of rapid growth. Additionally, great employment pressures, poor income prospects and restrictions on government spending have dimmed investment as a strong driver of economic growth. Finally, external demand for Chinese-made products is still weak.

"Given the above-mentioned reasons, the economic outlook for the second half is not so optimistic," reports Anbound. ■

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### WEEKLY WATCH WORLD PHOTO NEWS



#### Left: CHILE

Overseas Chinese and Chilean performers play traditional Chinese gongs and drums in downtown Santiago on August 8 (YE SHU BONG)

#### Right: COLOMBIA

Farmers carrying flower arrangements participate in a parade in Medellin on August 7. Colombia is one of the world's major flower producers and exporters (XIN HUA/AFP)

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