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BUSINESS: FREEDOM OF LENDING P.32

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THE 'RIGHT' INDICATION?

What Abe's nationalist agenda means for China



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Cover Photo: Shinzo Abe points to a journalist during a press conference in Tokyo following his party's victory in parliamentary elections on July 22 (MA PING)

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↓ EDITOR

Japan at a Crossroads

The news of the Japanese parliamentary election results has been closely followed in China. That's not only because Japan is a major economic power in the region, but also because of the possible impact on bilateral ties at a time when tensions between the two countries continue to linger.

In the July 21 upper house elections, the ruling coalition led by Prime Minister Shinzo Abe won 76 of the 121 seats up for grabs, seizing an overwhelming majority in the upper house. The victory enabled Abe to control both houses of the parliament, a first for a prime minister in six years.

Japanese voters gave Abe this mandate in the hope that he will persist in his new policies designed to reinvigorate Japan's economy. Over the past years, political volatility that has been epitomized by the "revolving door" of prime ministers that has resulted in a lack of policy continuity and jeopardized Japan's economic prospects.

Alongside expectations of an economic recovery are concerns that Abe may take advantage of bicameral support to pursue a nationalist agenda. Since taking office late last year, Abe has added fuel to territorial disputes with China, gone out of his way to whitewash Japan's wartime history and vowed to amend the country's pacifist Constitution.

If he spends much of his newfound political capital in boosting these right-wing pursuits, Abe may cause a greater rift with neighboring countries, including China. Official Chinese statistics show that from January to May, China's imports from Japan fell 13.3 percent year on year. The ongoing stalemate in China-Japan relations is believed to be one of the prime reasons for the drop.

Chinese people are watching closely to see which direction Abe will take after securing his position with the election victory. They expect him to take the initiative in easing bilateral tensions, as it will be nearly impossible for Japan to achieve a full economic revival if its relations with China, its largest trade partner, remain tense. By clinging to a hard-line stance, Abe would disappoint Chinese well wishers as well as supporters of Abenomics back home. ■

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SEARCH AND RESCUE

Firefighters search for survivors among debris in a village after an earthquake measuring 6.6 on the Richter Scale hit the junction of Minxian and Zhangxian counties in northwest China's Gansu Province on July 22. The sudden disaster killed at least 95 people and injured another 1,461.

Rent-A-Bike

A bicycle-sharing pack at Qianmen Dong Street in downtown Beijing.

The city will nearly double its number of bicycles available for shared use to 25,000 this year, with plans to add more, in an attempt to cut air pollution and traffic congestion in the city.

Private automobile ownership is estimated to exceed 6 million by the end of 2016 in the Chinese capital.

Beijing's bicycle-sharing program started in 2011 and has been proven popular during its two-year trial period.



Gov't Property Ban

China's central authorities on July 23 introduced a ban on the construction of new government buildings.

The General Office of the Communist Party of China (CPC) Central Committee and the General Office of the State Council jointly issued a directive that calls for an across-the-board halt to the construction of any new government buildings in the coming five years.

The ban also prohibits governments from building expensive

structures designated as training centers or hotels.

According to the directive, the construction, purchase, restoration or expansion of office compounds done under the guise of building repair or urban planning is strictly forbidden.

It also bans CPC and government organizations from receiving any form of construction sponsorship or donations, as well as collaborating with enterprises, in developing construction projects.

While allowing restoration proj-

ects for office buildings with dated facilities, the directive stresses that such projects must be exclusively aimed at erasing safety risks and restoring office functions.

The directive stipulates that expenditures on office building restoration should be included in CPC and government budgets.

Islands Survey

China will carry out a survey of its territorial islands, the State Oceanic Administration announced on July 23.

It will be the country's second integrated survey of island resources.

The survey aims to cover China's territorial islands, which number around 10,000, in five years, according to the administration.

Data on the distribution, quantity and quality of the islands' resources and the development potential of such resources, as well as the islands' major environmental and ecological conditions will be collected.

The upcoming survey is also being carried out to formulate a strategic blueprint for maritime development and social construction on the islands in its 13th Five-Year Plan (2016-20).

New Visa Rules

The Chinese Government promulgated a new exit-and-entry regulation on July 22 that is intended to standardize the issuance of visas for foreigners, as well as related services and management.

The 39-article regulation will take effect on September 1, replacing the previous regulation promulgated in December 1986.

Based on one's purpose of entry, the regulation categorizes ordinary visas into 12 types, with the new R-visa to be issued to high-level foreign professionals.

Another new visa type, the Q-visa, is introduced for foreigners



FLOW OUT

Floodwater is discharged from the Three Gorges Dam, a gigantic hydropower project on the Yangtze River, near Yichang City, Hubei Province, on July 22. Water flow into the reservoir of the dam reached 49,000 cubic meters per second on the previous day



GOING ALL OUT

An all-terrain vehicle rider races during the China ATVs and International Invitational Tournament on July 21 in Dongying City, Shandong Province



who come to China to visit relatives.

According to the regulation, financial, educational, medical and telecommunications institutions, when necessary, can verify foreigners' identities with the exit-entry management agencies of local public security organs.

The regulation is also designed to address illegal entry, residence and employment in line with the exit-entry law.

Elder Care Lottery

The Chinese Government will allocate 1 billion yuan (\$163 million) this year from a special fund raised from lottery sales to improve elderly-care services in rural areas.

The money will be used in 33,300 under-construction and existing nursing homes and other senior-care facilities in the countryside to provide meals and recreational services for elderly people, according to a statement issued by the Ministry of Civil Affairs on July 24.

Each project will receive 30,000 yuan (\$4,884) in allowances to

construct, renovate or equip facilities, the statement said.

It added that the program should expand the proportion of rural elderly people who have access to senior-care services by 10 percent.

Farmer Education

The Ministry of Education (MOE) said on July 22 that it will accelerate the development of vocational education for professional farmers in order to safeguard food security and promote agricultural modernization.

Vice Minister Lu Xin said at a symposium that the focus of the work will be training foregoers and production management.

A joint study by the MOE and the Ministry of Agriculture found that China's rural labor force is both shrinking and aging.

The study also revealed that 70 percent of rural laborers have a primary and junior middle school education. The number of junior and senior high school graduates who choose to study agriculture is declining sharply.

Plateau Reserves

A sassaoul forest on west China's Qinghai-Tibet Plateau was designated as a national nature reserve, local officials said on July 21.

"The 370,000-hectare forest plays a primary role in stabilizing the ecosystem of the desert in Qinghai Province's Qaidam Basin," said Zheng Ze, forestry and animal protection chief of Haixi Mongol and Tibetan Autonomous Prefecture, Qinghai.

Studies show the sassaoul works efficiently in slowing winds, blocking sand and improving moisture.

The Qaidam Basin covers an area of 258,000 square km and is rich in oil, natural gas and metals.

Save Theaters

China on July 24 announced a program to help endangered traditional performing troupes.

The Ministry of Culture will select 40 troupes this year and sponsor performances and training of their artists over the next five years, said a ministry statement.

The program is aimed to protect traditional drama and musical the-

aters that are struggling to survive competition with modern entertainment, the ministry said.

A 1983 survey showed that China had about 370 active traditional theaters, mostly having regional influences.

The number dropped to about 280 in 2012 and 74 of them only have one professional troupe each.

Language Swap

The Chinese mainland and Taiwan are to jointly publish a report on their respective use of the Chinese language and its differences and evolution across the Taiwan Straits, the Ministry of Education said in a statement on July 23.

The two sides have agreed to improve the linkage of websites and network resource sharing, enhance the cross-Straits language exchange mechanism, and strengthen cooperation between young people on joint promotion of Chinese-language classic works, the statement said, adding that all these initiatives would be completed within 2013.

With deepening of cross-Straits cultural exchanges, the two sides have jointly worked on compiling Chinese language reference books, including those of technical terms, and opened a Chinese Language Repository website, the statement said.



Seaplane

The first China-made amphibious aircraft, *Haiou 300*, completed its maiden flight in Jingmen City, Central China's Hubei Province, on July 24.

The China Special Vehicle Research Institute has independent intellectual property rights

for developing the aircraft.

At 8.9 meters long and 12.46 meters wide, the aircraft can achieve a cruising speed of 231 km per hour and is able to take off and land on water or ground at altitudes below 3,500 meters.

Smart Grid

Workers build a smart power grid in an underground tunnel in Chongqing on July 24.

The grid will be completed in October 2014, meeting the power demand of the city's biggest business center for the next 20 years.



CHEN CHENG

Telecoms Boost

In the first half of the year, telecommunications revenue increased by 8.9 percent year on year, and the number of 3G users reached 319 million, said the Ministry of Industry and Information Technology (MIIT) on July 24.

From January to May, the information consumption scaled up to 1.38 trillion yuan (\$224.9 billion), up by 19.8 percent year on year. The number of WeChat users exceeded 400 million, driving the revenue growth from mobile traffic up by

56.8 percent, said Zhu Hongren, chief engineer of the MIIT.

WeChat is a text and voice message app of the Chinese technology company Tencent.

In the first half this year, the market scale of the e-commerce industry reached 5.4 trillion yuan (\$880.04 billion), surging 38.5 percent. Sales volumes of smart phones and TVs both went up by more than 25 percent. The investment in telecommunications infrastructure was 129.7 billion yuan (\$21.14 billion).



WU YINQI

Loosening Controls

China will expedite foreign exchange (forex) transactions in the services trade by cutting more red tape, the State Administration of Foreign Exchange (SAFE) announced on July 24.

Under the new rules, which will be effective from September 1, a forex payment or settlement transaction in the services trade that is equivalent to \$50,000 or less can proceed without having its transaction documents verified, the SAFE said in an online statement.

The simplified procedure is expected to benefit about 88 percent of China's services-trade-related forex transactions, according to the SAFE.

Other measures include allow-

ing services trade forex transactions to be handled directly at financial institutions and to permit companies in the services trade to deposit their foreign currency earnings overseas.

More Competition

Upcoming reforms will completely open China's railway construction market and invite more competition to the sector.

Reforms concerning investment and financing in the sector will be sped up, covering the areas of planning, multi-channel investment, market-based operations and policy coordination, said the State Council.

A railway development fund will be established using government investment and social capital while local regions and social capital will have ownership and management rights for inter-city railway links and municipal rail links.

Multiple reforms are being made in the sector following the separation of the Ministry of Railways in March into administrative and commercial arms, a move that was made to reduce bureaucracy and improve efficiency.

Government investment and the



POPULAR FINE CHINA

Staff from Jinchang China Co. Ltd. in Beiliu, Guangxi Zhuang Autonomous Region, organize chinaware in a workshop on July 24. Facing fierce competition, the city in southwest China has turned to producing high-end fine china



OUTDOOR SHOW

A woman sits inside a tent at the Asia Outdoor Trade Show 2013. The four-day show, opened in Nanjing, capital of east China's Jiangsu Province, on July 24, and attracted over 610 companies from 22 countries



railway system's financing have long been the primary sources of capital for railway construction. However, these limited channels have become increasingly unable to meet demand for capital.

Analysts said the sector should diversify and attract more social capital for construction projects by breaking up monopolies and investment barriers.

Aiding Small Firms

China will suspend the value-added tax (VAT) and turnover tax for small businesses with monthly sales of less than 20,000 yuan (\$3,226) starting from August 1, a move aimed at supporting the country's fledgling small businesses amid an economic slowdown.

The move will benefit more than 6 million small companies and boost the employment and income for tens of millions of people, according to a statement from the State Council.

VAT refers to a tax levied on the difference between a commodity's price before taxes and its cost of production. Turnover tax refers to a levy on a business' gross revenues.

More efforts should be made to create a fair, open and convenient market environment, motivate market players and enhance construction in weak areas of the economy.

Investment Fair

The 17th China International Fair for Investment and Trade (CIFIT), themed on Reconstructing Global Value Chain and Innovation, will be held from September 8-11, in Xiamen, southeast China's Fujian Province.

The annual event has become a

pivotal platform to promote a more efficient flow of global capital.

"CIFIT is an effective and globally influential platform to connect investors and potential investment projects," said MOFCOM spokesperson Shen Danyang. "It used to emphasize the introduction of foreign investment to China, while now it also focuses on booming outbound Chinese investment."

The U.S. embassy in China will hold an investment promotion activity named Invest in the United States at the 2013 CIFIT. South Africa will also set up its national pavilion to display the country's investment environment, host an investment matchmaking symposium and showcase its unique culture.

Numbers

\$216.6 mln

Investment in Taiwan from the mainland in the first half, up 77.32 percent year on year

3.84 bln

Number of packages delivered by major courier companies in the first half, up 61 percent year on year

54%

Profit drop of China's 80 major shipbuilders in the first half

Eco-Travel

A child picks an eggplant at a farm in Haikou, capital of south China's Hainan Province.

The Happy Farm, located in the city's suburbs, invited 40 children to ride horses, make tofu and pick vegetables on July 24.



THIS WEEK WORLD



MONGOLIA

Models show off traditional Mongolian gowns during the National Costume Festival in Ulan Bator on July 20



THE UNITED STATES

Tourists explore the Packard Plant, an abandoned auto factory, in Detroit on July 19, a day after the famed Motor City filed for bankruptcy



THE UNITED ARAB EMIRATES

A woman registers for the Your Weight in Gold program in Dubai on July 19. Contestants who lose a minimum of 2 kg in a month will be awarded with 1 gram of gold for each kg of weight lost





BRITAIN

Prince William holds his newborn baby boy outside St. Mary's Hospital in London on July 23. The baby is directly in line to inherit the throne after Charles, Queen Elizabeth II's eldest son and heir, and his eldest son William



FRANCE

A polar bear refreshes itself with a strawberry syrup ice cube on July 23 at the La Fleche Zoo in western France. Zookeepers prepared frozen treats for animals to give them respite from the hot weather

SHUTTERSTOCK



XINHUA/AFIP



JINJIANG



AUSTRALIA

A worker drives a cotton picker at a farm of the Chinese cotton trader Chinatex Corp. in Moree, northern New South Wales, on July 17. The 5,200-hectare farm produces 2.7 million kg of cotton a year

“I feel isolated and lonely. There’s not much to read during my half-hour subway ride to work. I feel lost and a bit frustrated.”

Chen Zidan, a 28-year-old insurance company worker in Shanghai, responding to the temporary loss of service on WeChat, July 22



“I am very enthusiastic about the proposed new visa policies, as this will make it much easier for my family members to visit me. This is especially important for me as I am permanently established in China and wish to remain in my adopted country.”

Robert Barsby, a British citizen who has been living in China for 20 years and now works as a hotelier in Chengdu, Sichuan Province, in response to China’s new visa policy released on July 22



“The greatest health risk concerning hepatitis B is long-term liver disease, including cirrhosis, or scarring of the liver, and liver cancer. But many people are not aware of this, and do not intervene to prevent progression.”

Xiu Dianrong, a liver-disease specialist and surgeon at Peking University’s No. 3 Hospital, warning of hidden dangers regarding hepatitis B ahead of World Hepatitis Day, which falls on July 28



“I normally only see disaster news on TV and cannot help. But as a local, I felt committed to aiding victims this time because the earthquake happened in my hometown.”

Ren Feng, a medical student of Fudan University in Shanghai, who headed to the quake-hit Hetuo region in northwest China’s Gansu Province on July 23 to help with disaster relief work

↓ EX-CHONGQING PARTY CHIEF CHARGED



Bo Xilai, former Communist Party of China (CPC) chief of southwest China’s Chongqing Municipality, has been charged with taking bribes, embezzlement and abuse of power, according to the Jinan City People’s Procuratorate in Shandong Province. Bo’s indictment was delivered to the Jinan City Intermediate People’s Court on July 25.

Bo took the advantage of his position as a civil servant to seek gains for others and accepted large amounts of money and property as bribes, according to the indictment.

Bo, 64, was suspended from membership in the CPC Central Committee Political Bureau and the CPC Central Committee in April 2012 on suspicion of involvement in serious discipline violations.

↓ RICHEST CHINESE FAMILY



Ma Huateng, Chairman and CEO of Shenzhen-based Tencent Holdings, a leading Internet company, topped the 3,000 Rich Chinese Family List released by *Money Week* magazine on July 22 with a wealth of 46.7 billion yuan (\$7.6 billion). The businessman, 42, co-founded Tencent in 1998. The company’s first product, an instant message tool named Tencent QQ, boasted a total 784 million active users by the end of September 2012. Tencent’s WeChat mobile community, released in 2011, reached 400 million active users at the end of June 2013.



Challenges to Telecom Operators

Caijing Magazine

July 15

As one of the greatest inventions in this age, Internet technology has transformed many industries including that of mobile phones, publishing, and retailing. In this issue, *Caijing Magazine* focuses on the Chinese telecom industry, which used to enjoy a monopoly and protection from the government, but is now facing competition pressure not from foreign counterparts such as AT&T and Verizon, but from domestic Internet companies like Tencent and Alibaba.

Tencent's WeChat mobile community has over 300 million registered users, while Alibaba's Alipay has 800 million. The two companies are providing better telecom services than traditional counterparts and are called light operators. They don't have basic telecom networks, but achieve much higher profits than traditional operators. What's more, as the government is determined not to support monopolies, light operators will spring up in large numbers. The future telecom market will be divided up by traditional and light telecom operators.

If telecom giants China Unicom, China Mobile and China Telecom don't want to be reduced to mere data transmission passages in the future, they have to reform. However, the resources they hold impedes their progress. What they lack is not technology, but new thinking, which requires a new system and institutions.

Is Luxury Hotel Needed?

People's Daily
July 23

It was reported that the local government of Xinye County in central China's Henan Province plans to remove a public park that costs over 10 million yuan (\$1.63 million) and build a five-star luxury hotel as well as apartment buildings in the county. Local officials said the luxury hotel will become the first in the area.

Is building a luxury hotel for a small county appropriate? In the view of local officials, they would like to spend as much as it took to construct the hotel.

How important is having a five-star hotel? In fact, the construction of a luxury hotel would neither promote the development of a city nor improve the living standards of local people. To some extent, a public park is more needed by people.

However, the luxury hotel is necessary to local officials. In their eyes, it is the symbol of a prosperous city, and also reflects the achievement of their careers.

Consequently, it makes sense that the local government spare no effort to construct the luxury hotel and residence buildings to bring in more revenues. Probably, this is the real reason some local governments remove public infrastructure and farm land to develop real estate.

In February, the State Council issued a degree, demanding that governments at all levels shall build more leisure facilities, including parks and scenic areas, and provide convenient conditions for the public to enjoy leisure time. Obviously, the construction project of a luxury hotel in the county is a violation of the Central Government's mandate.

Behind Urban Inland Inundation

Xinhua Daily Telegraph
July 23

Sudden heavy rain recently turned Kunming, capital of Southwest China's Yunnan Province, into a bath.

More than 2,000 travelers were delayed at the airport, while over 10,000 citizens suffered from a power outage.

The city's poor performance against heavy rain exposed its weak administration. Just last year, it invested in upgrading 40 roads. However, Kunming is not the only example. Currently, extreme weather occurs frequently. Against this backdrop, urban inland inundation has become a significant problem faced by many Chinese cities. Chengdu, Wuhan,

Guangzhou, amongst others, have all suffered accordingly.

On the one hand, heavy rain and weak urban drainage systems are to blame. On the other, shoddy engineering has caused a lot of trouble.

Faced with frequent urban inland inundation, the focus normally falls on the conflict between rapid urban development and backward infrastructure, while corruption and moral integrity are neglected.

Xinjiang Policy

Oriental Outlook
July 25

Governing the country by law is a basic strategy in China, which includes the management of urban communities in Xinjiang Uygur Autonomous Region in northwest China. To maintain stability in Xinjiang's minority areas, laws should be introduced.

First, the following principles should be abided by. Different ethnic groups' awareness of their identity should be weakened and their awareness of their identity as a Chinese citizen should be strengthened; information concerning people's welfare and social security should be made public and transparent; the well-being of people comes first.

Second, the quality of law enforcement should be improved, the sense of service should be increased and the ability to solve disputes upscaled.

Third, citizens' sense of law should be improved and their self-governing awareness enhanced.

In a word, governing by law is the basic method of maintaining stability in urban communities in Xinjiang's minority areas. Sound and improved laws and regulations can provide a legal basis and direction to maintain stability in the region and regulate law enforcement behavior. In the meantime, citizens can supervise community stability according to law. A legal atmosphere provides support to Xinjiang's economic development as well as its peace and stability.





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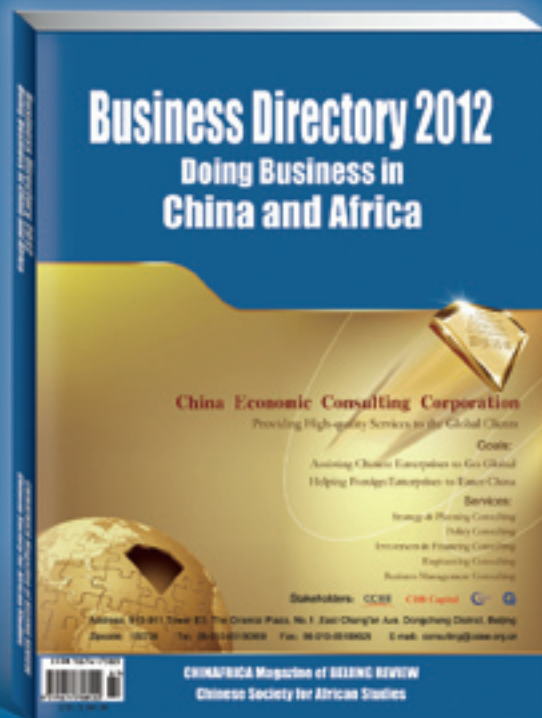
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COVER STORY

A VEXING VICTORY

Abe's ruling coalition wins parliamentary elections amid lingering concerns over Japan's rightward shift By Ding Ying

Pace, power, and politics—the three forces make for a delicate balance.

Japanese Prime Minister Shinzo Abe put an exclamation point on his political comeback since resigning from the post in September 2007, leading his party to a landslide victory in Japan's upper house elections on July 22. As the ruling coalition took a majority in both houses, Abe will become the most powerful Japanese prime minister in the last six years. But whether his newfound power will be used to raise Japan out of its economic recession or to lash out against its neighbors has yet to be determined.

Triumph

After running through seven prime ministers in the past seven years, Japan is set to end the string of power shifts—for now, at least. Japan's ruling coalition, the Liberal Democratic Party (LDP) and the New Komeito Party, won 76 of the 121 seats up for grabs in the upper house election. Along with the uncontested 59, the ruling bloc has a total of 135 seats in the 242-seat chamber. The ruling camp also holds an

overwhelming majority in the more powerful lower house. The elections put an end to the so-called "twisted parliament" and cemented a solid base for Abe's long-term administrative goals. With the ruling coalition's overwhelming majorities in parliament, Abe is unlikely to face another election until 2016. Chinese observers credited the election results to voters' hopes for an economic recovery.

Wang Taiping, a research fellow with the China Institute of International Studies, said voters turned out to support the LDP in the upper house elections after a poor performance by the Democratic Party of Japan on domestic and diplomatic affairs during its ruling term from 2009 to 2012. Moreover, Abe has pressed hard on territorial disputes with China to win right-wing and conservative voters. Wang noted that Abe had been campaigning on an economic revival plan known as "Abenomics," which rapidly gained the support of voters.

Abenomics is essentially made up of "three arrows": pressuring the Bank of Japan to launch unprecedented monetary easing and setting a target of 2 percent inflation to support a target of 2 percent real GDP growth (4 percent nomi-

nal growth); a deficit-financed supplemental government budget filled with new public works spending; and a host of reforms to achieve growth through stimulating private investment.

The ruling coalition's victory can be traced to before the elections, as the Abe administration's approval rating reached a record high of 60 percent, said Zhang Hong, a researcher with the University of International Business and Economics in Beijing. She added that after seven years of revolving-door-like power shifts between a series of prime ministers, Japanese voters are desperate for a lasting and powerful government.

Liu Rui, a researcher on Japanese economic studies with the Chinese Academy of Social Sciences (CASS), noted the impact of the LDP's message to voters during the election campaign: Abenomics, the party said, aims to stimulate the economy and combat long-term inflation. He said the first two "arrows" can stimulate consumption and investment quickly by spurring demand. Though they fall short of promoting long-term growth, they win time for Abenomics' third policy tool—the economic growth strategy, said Liu. With Abenomics' im-



THE ONE LAUGHS TO THE LAST: Shinzo Abe, Japanese Prime Minister and President of the Liberal Democratic Party, attaches a red paper rose to a candidate's name to indicate an election victory at the party's headquarters in Tokyo on July 21

fact on market confidence and public support, the LDP gains at least three years for the Abe administration to implement the full economic stimulus package.

Wu Huaizhong, a Japanese political studies researcher with the CASS, claimed the election results cemented the country's rightward trend, providing a relatively stable political basis for the Abe administration to implement its conservative policies. "Abe has a historic opportunity to realize Japan's political and economic revival

and adopt aggressive domestic and diplomatic policies," Wu said. "The success or failure of these policies will greatly influence Japan, the greater region and even international society."

Uncertainties

Abe is now preparing to address three major tasks: economic revival, constitutional revision and foreign policy. His administration is at a crossroads that might determine Japan's fate. Depending on the course chosen, Abe could either resume Japan's economic revival or steer the country toward dangerous right-wing territory.

At a press conference on July 22, Abe said that he will try to make Japanese people feel the recovery of the nation's economy. He promised that he and his ruling LDP are resolute in implementing economic policies to revitalize the stagnant economy.

The third Abenomics "arrow" of stimulating economic growth packs the most punch, said Liu. With Abe's plans to conduct the second round of his economic growth strategy set for September, the coming few months will be a crucial period that may determine Japan's economic and political future. Liu said the Abe administration is adopting quantitative easing to stimulate the economy in addition to deregulation and economic restructuring. However, the LDP's victory brought an increased proportion of parliamentarians representing privileged

interests, which could resist economic structure reforms and cause divergence inside the ruling coalition, he added.

Constitutional revision is another key issue in the pipeline. The LDP needs to first amend Article 96 of the Constitution, which states that a constitutional amendment must be initiated by the parliament if two thirds or more of all members of the upper and lower houses vote for it.

Observers worried that the LDP's ultimate goal in the constitutional revision process is to alter Article 9, which prohibits Japan from declaring war. Doing so would radically alter Japan's post-World War II political and military status quo. However, some senior politicians—including those in the LDP's partner, the New Komeito Party—have admitted that the time is not right to pursue such an agenda. Abe's tough stance on territorial and historical issues for the past few months has put a strain on Japan's relationships with its neighbors—China, Russia and South Korea.

Zhang Yong, a researcher on China-Japan relations at the CASS, asserted that constitutional revision is among the stated goals of the post-election Abe administration. With the ruling coalition's majorities in both houses, the issue of amending Japan's Constitution is set to reemerge. "Amending the Constitution poses a question that tests the Japanese leadership's wisdom," said Zhang. He added that if the LDP insists on denying history, it is certain to meet with problems in the future.

Yang Bojiang, a senior research fellow on Japanese studies with the CASS, said Japan will try to strengthen itself under the framework of the U.S.-Japan alliance. "Although conservatives in Washington and Tokyo agreed on strengthening Japan's defensive strength, their focuses are quite different," said Yang. While the U.S. side requires Japan to better coordinate with U.S. strategic concerns, Japan stresses its self-defense capability. Abe's aggressive policy could lead to a deep rift with Washington. Furthermore, the United States will not allow Japan to scrap the history and status of the post-war political system. The two sides also disagree on other issues such as agricultural subsidies and tariffs in Trans-Pacific Partnership free trade

negotiations and U.S. military bases in Okinawa.

Observers believe relations with China will be a crucial part of Abe's diplomatic policy. After the elections, Abe said he hoped to see both countries work together to overcome difficulties by carrying out high-level talks. However, he set a precondition that China must deny there are disputes over the sovereignty of the Diaoyu Islands, which the Chinese side will never accept.

Wu said Abe's China policy will not change much anytime soon. First, Abe will not easily compromise on the Diaoyu Islands issue, because he needs the excuse of the "China threat" to push forward his political agendas like constitutional revision and military normalization. Moreover, he believes the Diaoyu Islands can be used as a strategic chip against China. "Abe is aware that Japan's economic revival greatly relies on economic cooperation with China. To sustain a long-term administration, Japan must maintain stable bilateral relations, especially in the economic area," said Wu. "He will try to balance cooperation and containment as his China policy, so there will not be a true relaxation of bilateral relations."

Chinese observers will be keeping a close eye on Abe's words and actions on August 15, the day marking Japan's defeat in World War II. However, the hawkish prime minister said recently that he will show his respect to those who fought for the country, referring to the issue of visiting the controversial Yasukuni Shrine, which honors Japanese war dead and 14 war criminals of World War II. Some Japanese politicians opposed the risky act. Natsuo Yamaguchi, leader of the New Komeito Party, said that Abe should refrain from visiting the shrine and recognize the sentiment of Japan's neighboring countries.

"China and Japan are approaching the Yasukuni Shrine very cautiously. But if Abe pays worship at the shrine on August 15, it will have a strongly negative influence on China-Japan relations," said Yang.

Political power is now firmly in the hands of Abe. Whether he will use it to stand for peace is a question yet to be answered. ■



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