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A TIGHT SHIP

Revamping China's struggling shipbuilding industry



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Cover Photo: Ships under construction at a shipyard in Nanjing, capital of east China's Jiangsu Province (CFP)

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EDITOR

Full Steam Ahead

Many people reckon that China is on its way to independently making an aircraft carrier. Some have even predicted a timetable for when such a carrier will be put into use. However, few have noticed that China's shipbuilding industry is undergoing a mounting challenge due to overcapacity of production. Many shipbuilding factories have shut down because they lack orders.

Against this backdrop, the Chinese Government has carried out a plan with the purpose of accelerating the restructuring of the industry and promoting the upgrade and transference of related companies. It aims to revitalize the industry within the next three years.

While decreasing overcapacity, the plan requires shipbuilding companies to enhance their technical level and build hi-tech vessels including ocean engineering ships, liquefied natural gas (LNG) carriers and so on. Also, it requires financial institutions to stop giving bank loans to projects establishing new shipbuilding factories.

Judging from the orders, unfilled orders and building quantities, China is now the world's biggest ship builder. It already possesses independent development ability in bulk cargo ships, tankers and container ships, which constitute the three major ship patterns. Also, breakthroughs have been made in hi-tech and highly value-added ships, as well as ocean engineering ships. Its building efficiency and quality management of large ships have also reached an advanced level in the world.

However, due to the negative fallout of the international financial crisis and the European debt crisis, the world's shipping industry and shipbuilding industry are sluggish. This has dealt a major blow to the Chinese shipbuilding industry and brought about a sharp decrease in the number of orders. In addition, overcapacity has become an issue in the past two years.

In the meantime, new regulations and standards are continually emerging in international shipping and shipbuilding. They have continually upgraded requirements for energy-saving, safety and environmental protection. The world shipbuilding industry is entering a new phase of profound adjustment, wherein all-around competition has become increasingly fierce.

It is thus urgent for the Chinese shipbuilding industry to accelerate its restructuring and charge forward in the new situation. Overcoming the difficulties and revitalizing the industry means that big changes will need to be made. ■

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ROMANTIC DAY

A couple weds in the Tang Dynasty (618-907)-style ceremony in Xi'an, northwest China's Shaanxi Province, on August 13.

The day marks Qixi Festival, a festival that celebrates the annual meeting of a separated young couple, the cowherd and weaver girl, in Chinese mythology. The festival later became known as the Chinese Valentine's Day. A total of 77 pairs of lovers from across the country came to the city to get married collectively on that day.

Jolly Holiday

Buddhists and tourists participate in the sacred “sunning of the Buddha” ceremony to mark the start of the annual Shoton Festival at the Drepung Monastery in Lhasa, Tibet Autonomous Region, on August 6.

The weeklong Shoton Festival, which dates back to the 11th century, was originally a religious occasion wherein local people offered yogurt to monks who had finished their meditation retreats.

Since the 17th century, the festival has become a celebration featuring both religious rituals and civic entertainment. It is now considered one of the most important festivals on the Tibetan calendar.



Judicial Justice

China's first guideline to prevent unjust or wrongful judgments was issued by the Commission for Political and Legal Affairs of the Communist Party of China (CPC) Central Committee on August 13.

Judges, procurators and police officers will bear “life-long responsibility” for their roles in wrongful judgments, according to the document.

To prevent the extortion of

confessions via torture, the guideline reiterates the articles in the Criminal Procedural Law, which was amended last year, saying all interrogations should be conducted in detention houses and recorded using audio or video equipment.

The guideline also advocates the principle of “innocent until proven guilty,” as well as calling for changes to the current judicial appraisal system, which evaluates the performance of law enforcement personnel based on the number of

criminal cases that have been solved and the number of suspects who have been detained or prosecuted.

Terrorists Sentenced

A court in northwest China's Xinjiang Uygur Autonomous Region on August 12 sentenced two men to death and another three to prison for taking part in a violent attack on April 23.

The confrontation between terrorists and authorities in Xinjiang's Bachu County left 21 people dead, including 15 community workers and police officers, as well as six suspects, according to local authorities.

Musa Hesen was sentenced to death for murder, organizing and leading a terrorist group and illegally manufacturing explosives.

Rehman Hupur was also sentenced to death for murder and participating in the terrorist group, according to a verdict handed down by the Intermediate People's Court of Kashgar Prefecture.

Another three members of the terrorist group were given prison sentences ranging from nine years to life, according to the verdict.

All of the defendants confessed to their crimes in court.

Admin Fee Cut

China will lower administrative fees charged by 14 government departments from October 1.

The move is expected to help enterprises and individuals save about 200 million yuan (\$32.66 million) every year, the National Development and Reform Commission (NDRC) and Ministry of Finance said in a joint statement posted on the NDRC website on August 13.

The NDRC said that charges will be reduced for 20 government services. For example, the application fee for a trademark registration will be cut to 800 yuan (\$131) from the previous 1,000 yuan (\$163) while



SUMMER FOR BOOKS

Visitors browse books at the 2013 Shanghai Book Fair, which took place between August 14 and 20



METEOR SHOWER

A shooting star soars across the sky above Shanghai on August 13. Part of the 2013 Perseid Meteor Shower, the celestial event occurs as the Earth, following its normal orbit around the sun, intersects the orbit of dust particles left behind by comet Swift-Tuttle

that for plant quarantine will be 20 percent lower.

The country will also lower government administrative fees for automobile mortgage registration, private visa re-application, notarization and the examination cost for patent agent qualification, the statement said.

Smarter Cities

More Chinese cities have completed work on digital systems and are set for an upgrade toward becoming "smart cities," according to the National Administration of Surveying, Mapping and Geoinformation.

Smart cities use the Internet and cloud computing technologies to make infrastructure and services—which include municipal administration, education, health care, public safety, transportation and utilities—more intelligent and efficient.

In 2006, China launched a



YANG SHICHANG

national initiative to build citywide digital systems. As of June, nearly 320 prefecture-level and 150 county-level cities had been involved in the digitalization process, the administration said in a statement on August 13.

Among them, more than 170 prefecture-level and 40 county-level cities have completed digital geo-systems and put them into operation.

Media Awards

China launched its annual top publication awards on August 13, which will include new media such as Internet publications.

The State General Administration of Press, Publication, Radio, Film and Television said in a statement that awards will go to 240 Chinese

publications and individuals, including books, magazines, audio and video products, and electronic and Internet-based publications.

Applicants will be judged by a panel of experts, and the appraised publications and publishers must be sanctioned by the government.

The administration will announce the results in November.

Government Lawyers

A senior official said on August 11 that 23,500 lawyers have been recruited as legal advisers for governments at all levels in China, as part of an effort to facilitate the construction of a law-based government.

Vice Minister of Justice Zhao Dacheng made the remarks at a

symposium in Beijing, adding that the figure accounted for more than 10 percent of the country's total lawyers.

Of them, more than 1,300 are employed by provincial-level governments, 8,100 are recruited by city-level and 14,000 by prefecture-level governments, according to Zhao.

They will also take part in drafting and amending governmental normative documents, negotiations on foreign-related projects as well as restructuring state-owned enterprises, he said.

No Luxurious Galas

Chinese authorities will curb extravagance in the organization of official galas and punish those who violate the regulation, a notice said on August 13.

All areas and departments should bring luxurious and extravagant galas to a halt and encourage frugal event planning, according to a notice jointly issued by the Publicity Department of the CPC Central Committee, the Ministry of Finance, the Ministry of Culture, the National Audit Office, and the State General Administration of Press, Publication, Radio, Film and Television.

No government funds should be used to hold commercial galas or invite high-cost entertainers. Funds from state-owned enterprises should not be used to give a boost to stars, the notice said.

Flood Season

Rescuers help transfer people trapped by a flood on a farm in Qiqihar, northeast China's Heilongjiang Province, on August 13.

Weeks of continuous rainfall raised water levels of several major rivers in the province, forcing the closure of six ports along the Sino-Russian border. Some

scenic spots along the rivers have been closed temporarily for the safety of visitors.

According to the provincial water resources department, 2.3 million people across the province have been affected by the flooding, which has also incurred direct economic losses of 8.4 billion yuan (\$1.37 billion).



YANG YONGGANG

Building a Petrochemical Hub

Sinopec's ethene production base located in Wuhan, capital of central China's Hubei Province, went into operation on August 13.

Ethene is an important raw material in the petrochemical industry. The Wuhan production base will bring about 120 billion yuan (\$19.62 billion) in industrial output for upstream and downstream companies and create 100,000 jobs.



Aiding Small Firms

The State Council on August 12 unveiled details of financial support for cash-strapped small businesses, which generate the bulk of employment in the country.

Small financial institutions such as village banks and credit companies, as well as private banks, financial leasing companies and consumer financial companies are encouraged to be set up in areas where small businesses are concentrated.

The State Council said credit growth to small enterprises should not be lower than total credit growth. The incremental amount should not be less than that recorded a year earlier.

Private capital should have easy access to the finance industry. Small financial institutions can provide effective services and promote fair competition.

With the economy slowing for several quarters, the government is looking to small businesses to

stabilize growth and employment.

Inflation Flat

China's consumer price index (CPI), a main gauge of inflation, grew 2.7 percent year on year in July, staying flat from the figure for June, the National Bureau of Statistics (NBS) announced on August 9.

The figure remained well below the government's full-year target of 3.5 percent.

The NBS attributed the inflation growth mainly to rises in food prices on a year-on-year basis, which went up 5 percent in July. Food prices weigh about one third of the CPI's

calculation.

Yu Qiumei, a senior statistician with the NBS, said China's consumer prices have stayed relatively stable. "Compared on a monthly basis, the July CPI grew 0.1 percent from June, and food prices in July also stayed flat from a month ago," Yu said.

China's producer price index, which measures inflation at the wholesale level, fell 2.3 percent year on year in July. The figure, down 0.3 percent from June, marked the 17th straight month of decline.

Industrial Pickup

China's industrial output growth picked up in July, according to data released by the NBS. Industrial value-added output measures the final output value of industrial production, or the value of gross industrial output minus intermediate input, such as raw materials and labor costs.

Industrial value-added output expanded 9.7 percent year on year in July, 0.8 percentage points higher than June's growth and the highest growth in the past five months.

The pick-up highlighted



CERAMIC BOOM

A craftsman marks a ceramic bowl in Kazuo County, northeast China's Liaoning Province. The ceramic industry has developed fast in the county, attracting craftsmen nationwide to open businesses there



GREEN LAMPS

A staff member from a local power company installs LED energy-saving street lamps in Shaoxing, east China's Zhejiang Province, where such lamps have reduced electricity consumption by 53 percent since June



WANG MAOCHUAN

improving market expectations amid a rebound in exports, said Zhang Liqun, an analyst with the Development Research Center of the State Council.

On a month-on-month basis, industrial output growth in July added 0.88 percent from June.

PV Exports Plummet

Exports of Chinese photovoltaic cells and components fell 31 percent year on year in the first half of 2013, due to overcapacity and trade disputes.

Export value stood at \$6.5 billion in the first six months, according to the China Chamber of Commerce for Import and Export of Machinery and Electronic Products.

Exports to the EU, which contributed more than 40 percent to the total export value, tumbled 58.3 percent and those to the United

States declined 48.9 percent in the first six months.

By contrast, exports to Asian and African countries rose 150.5 percent and 499.7 percent respectively.

Rare Earth Platform

The Baotou Rare Earth Products Exchange, China's first national trading platform of its kind, is expected to go into use on a trial basis in October, helping China gain more pricing power for the resources.

Trading systems are currently undergoing internal testing and are expected to become operational in October, said Gu Ming, general manager of the exchange, at the ongoing fifth Baotou China Rare Earth Industry Forum.

The exchange will handle spot trading for rare earth products and

will not engage in any business related to futures at present, he said.

The exchange is located in Baotou, north China's Inner Mongolia Autonomous Region, home to more than half of the world's light rare earth output.

Previously, China's rare earth market was largely opaque, as transactions were not made in public markets and always ran in small volumes. Only limited amounts of pricing and transaction data have been made available to the public.

The exchange will help improve the price-forming mechanism for global rare earth products and strengthen China's power on the international stage, said Ma Peng, former head of the Baotou Research Institute of Rare Earths.

Fast and Economical

A tramcar network was put on a trial run on August 15 in Shenyang, capital of northeast China's Liaoning Province.

The network, the first of its kind in China, consists of four lines with a total length of 60 km.

Tramcars are favored because they require less building time and are cheaper than subways. They also carry more passengers than buses.



PAN YUJING

Numbers

8.8%

July growth of electricity consumption, a common indicator of economic activity

4.98 tln yuan

Revenue of China's e-commerce sector in the first half of 2013, up 45.3 percent year on year

1.05 mln

Number of Chinese mainlanders with wealth in excess of 10 million yuan (\$1.6 million) by the end of 2012

196.34 mln

Number of passengers that railways carried in July, marking a 10.1-percent year-on-year rise

THIS WEEK WORLD



JAPAN

A relative of an atomic bomb victim prays at the Peace Statue in Peace Memorial Park in Nagasaki, western Japan on August 9, as the city marked the 68th anniversary of the bombing



GETTY IMAGES



AFP



EGYPT

An Egyptian woman blocks a military bulldozer from running over a wounded young protester near Rabaa al-Adawiya Mosque in eastern Cairo on August 14, as Egyptian security forces broke up supporters at a huge rally in support of deposed leader Mohamed Morsi



COLOMBIA

Colombian Ana Fabiola Ramirez collects flowers for her traditional Silleta (a traditional flower arrangement) at a farm in Santa Helena Municipality, Colombia on August 10, on the eve of the traditional Silleteros Parade portion of the flower festival

XINHUA/AF





INDIA

A launch ceremony in Kochi presents India's indigenous aircraft carrier *INS Vikrant* on August 12. When the *INS Vikrant* goes into full service in 2018, India will become the fifth nation to have designed and built its own aircraft carrier



THE REPUBLIC OF TOGO

Two men stand guard near a selection of the 700 kg of ivory seized on August 6 by the Togolese police at a press event on August 9 in Lome, capital of Togo



THE UNITED STATES

A sand sculpture artist creates a work of art at Long Beach in California on August 11 during the 81st annual Great Sand Sculpture Contest

“We should learn to accept and appreciate what nature has given us and forget our obsession with physical appearance.”

Zhu Hongwen, a professor of philosophy and sociology at Beijing Normal University, in response to a survey released by *China Youth Daily* saying that more than 75 percent of young people believe that being physically attractive can give them a competitive edge in society, on August 7



“Internet celebrities, who have notable influence on public opinion in virtual society, should share more positive and constructive messages with Chinese netizens.”

Lu Wei, Director of the State Internet Information Office, on August 11



“It turns out that young people today are no less traditional than elder generations.”

Han Tingyu, Marketing Director of Touchmedia, a major taxi in-vehicle advertising screen owner, in response to a month-long survey conducted by his company, which revealed that about 60 percent of those polled expect to get married, and ideally have a child, before the age of 29



“Fingerprints can help police, institutions and citizens be sure of the cardholder’s identity, but it is not practical to ask all departments to install fingerprint devices.”

Luo Yaping, a fingerprint expert at the People’s Public Security University of China, in response to the Ministry of Public Security’s program of recording fingerprints on ID cards in order to prevent criminals using lost or stolen cards from making purchases or conducting other illegal business



RECORD-BREAKING SPRINTER



Chinese sprinter Zhang Peimeng trimmed his own national record to 10.00 seconds in the semifinal of the men’s 100-meter race at the 2013 IAAF World Athletics Championships in Moscow on August 11. He finished fifth in the group and failed to enter the final. Zhang was born in 1987 to a pole-vaulting father and a high-jump athlete mother. He won the men’s 100-meter races at the National Athletics Championships in 2007 and the 18th Asian Athletics Championships in 2009.



OFFICIAL SACKED



Liu Tienan, former Vice Minister of the National Development and Reform Commission, China’s top economic planning body, has been expelled from the Communist Party of China (CPC) and removed from public office for discipline and law violations, according to a statement released by the CPC Central Commission for Discipline Inspection on August 8. The statement said Liu “took advantage of his position to seek profit for others, and both Liu and his family accepted huge amounts of money and property.” Liu’s alleged actions constitute serious crimes and disciplinary offenses and his case will be transferred to judicial organs. Born in 1954, Liu was dismissed from his post for suspected involvement in serious disciplinary violations in May.



Rescuing Handicrafts

Oriental Outlook August 5

In the process of modernization and industrialization, many traditional handmade products have gradually lost their market and disappeared. In the meantime, core handicraft techniques and cultural essence involved in the process are also missing.

Fortunately, Chinese people are starting to realize that traditional handicraft techniques embody the marrow of traditional local culture and the wisdom of their ancestors formed over thousands of years. In 2004, China joined the 2003 Convention for

the Safeguarding of Intangible Cultural Heritage passed by the UN Educational, Scientific and Cultural Organization. Intangible cultural heritages, including handicraft techniques, cannot only cultivate identification among groups who own them, but also improve cultural diversity and human creativity.

However, the road toward traditional handicraft rescue is still long and arduous because first, in an age when money and efficiency matter so much, many craftsmen would rather pursue quick material returns than waste their time in the slow handmade process; second, there are inadequate laws protecting handicraft techniques when faced with intellectual property right infringements.

Children in Libraries

people.com.cn
August 13

On August 8, a library in Zhengzhou, capital of central China's Henan Province, went into trial operation. Since then, many visitors have complained about noisy children. As it is summer vacation now, many children go to the library every day, making it something like a children's playground rather than a quiet place to read. Thus, the library decided not to allow children under 14 years old to enter before officially opening to the public. And it established a special children's reading area.

This act guaranteed adults' right, but in some way harmed that of the children. In fact, the library is not the only one to have taken action to drive children away.

But one of the functions of libraries should be to cultivate the children's interest in and ability of reading.

There should be a special area for children to read in libraries, or children's libraries are established instead. Libraries should also change the current policy of waiting for children to read voluntarily by encouraging them to read. The government should increase investment in this regard, helping libraries to complete the change. In this way, children can really find a place where they love to read and will not be hampered.

Illegal Construction

China Youth Daily
August 14

A giant villa, built with artificial rocks, a greenhouse and trees on the top of a 26-story park-view residential compound in Beijing, looks like a garden in the air. It is not a new scenic attraction, but an illegal structure that

has existed for six years.

On August 12, Beijing authorities eventually gave the owner an ultimatum stating that if the construction is not demolished within 15 days, it will be torn down.

But why has Beijing law enforcers taken so long to act? The rooftop creation has not only violated the rights and interests of residents living in the building, but also changed its original structure and produced many troubles.

It is strange that the rooftop structure has survived for so long despite repeated complaints by neighbors to the property management company, local urban management officials and even the police since 2007. Even though local authorities urged the owner to dismantle the villa in 2008, construction has never stopped.

Right and wrong is very clear in this case. The public hopes to learn the real reason behind slack law enforcement.

Language Crisis

Lifeweek
August 12

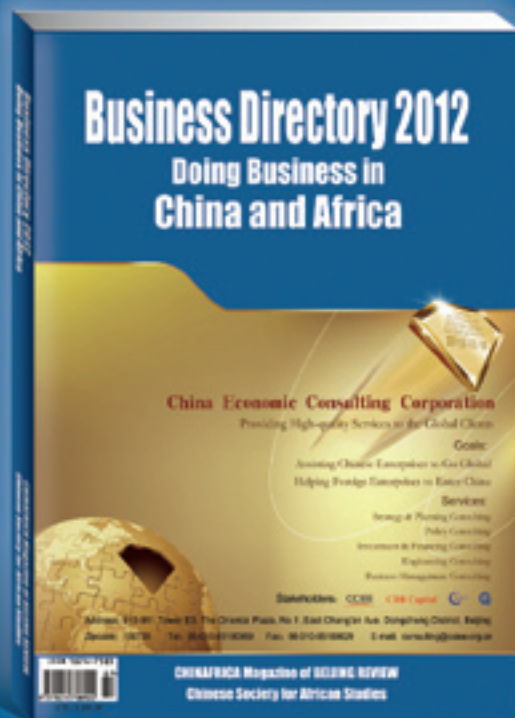
The Chinese language is facing unprecedented challenges in the modern age.

First, many people, even those who have received a higher education, often forget how to write even some of the most common characters, because they type words into computers or mobile phones using a keyboard rather than writing on a piece of paper. It is only over a decade since keyboard writing was popularized in China and locals are starting to complain that they have forgotten how to write. Imagine that in 50 years, there may be a generation of master's degree holders who are unable to write.

The second challenge is that Internet buzzwords are weakening the beauty of the Chinese language. In the Internet age, new words created by netizens gain popularity without cultural connotations.

The third challenge is how Chinese, the world's most difficult language in the eyes of many foreigners, should adapt to the needs of international communication in a globalized world. Such an economy has forced many Chinese to learn foreign languages, including English, to facilitate communication. If such a trend continues, Chinese may one day give up their own language and embrace alphabetic foreign languages.





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COVER STORY

ABANDON SHIP?

China is set to revitalize its beleaguered shipbuilding sector By Lan Xinzhen



NOT SO FAST



FLOATING GIANT: A ship is under construction at the yard of Tianjin Xingang Shipbuilding Heavy Industry Co. Ltd.

PHOTO: JIN

The Hengfu Shipyard, headquartered in east China's Zhejiang Province, used to be an industrial heavyweight with an annual production capacity of 1 million deadweight tons of vessels. However, the ship producer declared bankruptcy in 2011 due to a lack of orders and mounting debts. Zhejiang Province is clustered with many ship builders operating within private shipyards. But since 2009, many of them have gone belly-up like Hengfu.

Government-backed shipyards are facing tough times, too. The CSSC Jiangnan Heavy Industry Co. Ltd., one of the top five state-owned shipyards in China, recorded a severe loss of 60.31 million yuan (\$9.85 million) in the first half of 2013, while its business revenue plunged 39.49 percent year on year. In 2012, the company registered a loss of 97.37 million yuan (\$15.91 million).

The combined profits of 80 major ship builders monitored by the Chinese Association of the National Shipbuilding Industry nose-dived by 53.6 percent in the first half of the year to 3.58 billion yuan (\$584.1 million), while business revenues plunged 18.5 percent to 120.3 billion yuan (\$19.66 billion).

The shipbuilding sector is closely related to 113 other industries, including iron and steel, petrochemical engineering, equipment manufacturing and digital information. The Central Government has expressed deep concern over the industry's woes.

China grew to become the world's leading ship builder over the last decade as hundreds of private yards opened to compete with state-run companies. Now, the government is poised to regain control as the industry heads for consolidation.

To this end, the State Council issued a support plan on August 4 aimed at keeping the shipbuilding sector afloat. The three-year plan for the industry includes controlling capacity, upgrading shipbuilding standards and developing higher value-added products.

Capacity glut

The shipbuilding sector is capital-, technol-▶▶



MASTERING THE TECHNOLOGY: Staff members from the China State Shipbuilding Corp. piece together an LNG ship

ogy- and labor-intensive, with an extremely long industrial chain. It has been a highly competitive industrial field that major global powers have participated in. China is no exception. The export-oriented economy took off in China after the country entered the WTO in 2001, leading to a boom in the country's shipbuilding sector.

From 2002 to 2010, the number of shipyards with a production capacity of 300,000 deadweight tons or above increased from five to 33, while the number of yards with a capacity of 100,000 deadweight tons or above surged from 13 to 59. The number of shipyards in China has swollen to over 1,600, among which 60 percent were built after 2001.

In 2010, China overtook South Korea to become the world's largest ship builder after it outdid its rival on new orders and shipbuilding capacity. Just when China's shipbuilding sector embarked on a fast track of development, the global financial crisis erupted, resulting in falling new ship orders.

"The dilemma of China's shipbuilding sector is a result of sluggish foreign trade, but also a result of earlier rampant expansion," said Li Zuojun, a research fellow at the Development Research Center of the State Council.

Li attributed the heavy losses in the shipbuilding industry to "crazy expansion" over the past several years, when bank loans and private capital flocked to the sector. "Many shipyards produced vessels even before receiving orders,

resulting in severe excess capacity. Later, the downturn in the global economy made things worse."

"Chinese ship builders lack strong innovation, while overcapacity persists and ocean engineering equipment development lags far behind," said Li.

To boost the sector, the Ministry of Industry and Information Technology issued a support plan in June 2009 to ensure shipyards have easier access to credit. Thus, local banks gave the green light to private yards, intensifying the overcapacity problem. The production capacity of shipyards soared to 50 million deadweight tons in 2011.

But only 50 percent of the capacity was eventually utilized in 2012. "A reasonable rate of capacity utilization should be over 85 percent," said Li. Chinese-made ships are mainly bulk freighters, tank ships and container ships, while high-end technology is lacking. "Excess capacity persists in lower value-added products," he said.

Time to upgrade

The newly released three-year support plan is targeted at an industrial upgrade to make China a shipbuilding and maritime power, said Li Yanqing, President of China Shipbuilding Information Center. "An outdated development model will only cause further harm to shipyards. Only by accelerating structural adjustment and industrial upgrade can they effectively face new competition and find a way forward," he said.

Wang Jinlian, Secretary General of

the Chinese Association of the National Shipbuilding Industry, said the new plan not only regulates the control of capacity, but also specifies how the industry can upgrade and become stronger.

"After several years of development, China's shipbuilding industry has accumulated competitiveness in raw materials and labor. Global shipbuilding is gradually being transferred to China, which has the ability to push its shipbuilding sector to a new level," said Wang.

The global shipping market has been mired in a continuous slowdown after the global financial crisis and falling new orders have dragged down the price of new vessels. This has intensified the overcapacity issue, posing significant challenges to the sector's development. "But we should also bear in mind that China has already built an array of high-level shipbuilding infrastructure, with complete upstream and downstream industries, abundant labor resources and a potential domestic market," said Wang.

Wang said Chinese-made vessels are



still mainly low value-added ones, while Japan and South Korea have a lead in new technology. According to global shipbuilding standards, new-generation shipbuilding technology is mainly focused on saving energy, reducing emissions, information technology and smart designs.

"Chinese vessel makers should have the faith to seize global trends, which entails severely adjusting their industrial structure," said Wang.

Forward and beyond

The 2009 support plan for the shipbuilding sector didn't help the sector escape the dilemma but instead exacerbated overcapacity. Can this new plan succeed in bringing changes?

Li Yanqing said the new plan has given powerful shipyards more incentive to upgrade. "In the future, China's shipbuilding industry will come up with more innovations in shipbuilding technology, develop more higher-end and green shipbuilding and expand overseas," he said.

Li Yanqing predicted changes in the sec-

tor in the next several years—for instance, outdated and excess capacity will gradually be phased out and investment will flow to higher-end fields. Even before the new plan was rolled out, most shipyards realized their high numbers were a disaster for the sector and began to upgrade.

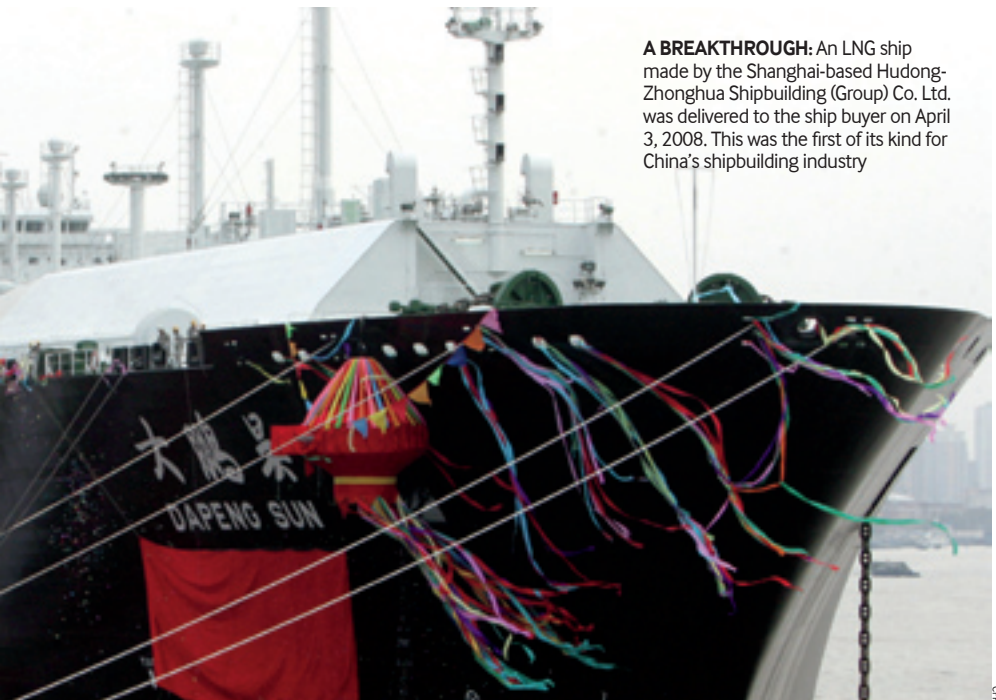
One example is the China State Shipbuilding Corp., which has invested heavily in research and development and adjusting its product portfolio. The proportion of high-end vessel orders has increased tremendously, including large container ships, multi-functional ocean engineering ships and large LNG ships.

Li Yanqing said that under the new plan, capital and the markets will favor shipyards manufacturing higher value-added products.

"China State Shipbuilding Corp. has turned to high-end and green production. More and more Chinese yards will follow suit." ■

 lanxinzhen@bjreview.com

A BREAKTHROUGH: An LNG ship made by the Shanghai-based Hudong-Zhonghua Shipbuilding (Group) Co. Ltd. was delivered to the ship buyer on April 3, 2008. This was the first of its kind for China's shipbuilding industry



Major Tasks in the Plan

- Accelerate technology innovation and realize innovation-driven development;
- Improve production levels for key equipment and materials;
- Adjust and optimize the layout of vessel production;
- Facilitate the development of high-end products;
- Stabilize the industry's international market share;
- Urge more military-civilian cooperation in vessel design and development;
- Strengthen company management and services.

Shipbuilding H1 2013

The completed orders, new orders and total orders in Chinese shipyards accounted for 39.1 percent, 44.2 percent and 43.1 percent of the world total, respectively.

Chinese shipyards built 20.6 million deadweight tons of vessels, down 36 percent year on year. They received new orders for 22.9 deadweight tons of vessels.

Completed vessels for exports were 17.28 deadweight tons, down 34.4 percent, and new orders for vessel exports were 21.04 million deadweight tons, up 163.3 percent. At the end of June, total orders for vessel exports were 95.14 million deadweight tons, down 11.3 percent year on year. Completed orders, new orders and total orders for vessel exports accounted for 83.9 percent, 91.9 percent and 87.3 percent of the national total, respectively.

(Source: Chinese Association of the National Shipbuilding Industry)



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