

WORLD: XI'S SILK ROAD JOURNEY P.16 | BUSINESS: SUNNY ECONOMIC FORECAST P.34

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ONWARD & OUTWARD

Chinese investment expands globally



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EDITOR

More Outbound Investments Expected

Against the backdrop of shrinking outbound investments around the world, China's outbound investments are increasing. China has now become the world's third largest investor, after the United States and Japan.

Chinese companies' investments can bring capital, jobs and market opportunities to destination countries—and more importantly, more vitality to local economies. According to the Pew Research Center's report issued in July, an estimated 33,000 jobs in the United States are directly offered by companies where the majority of shares are held by Chinese companies, and this number is continuing to rise. Even more jobs are indirectly provided by such companies.

Chinese companies can learn a lot in the process of investing and strengthen by getting more familiar with international rules, so as to enhance their level of internationalization and competitiveness.

In the past, Chinese investments focused on natural resources, but nowadays more attention is being paid to science and technology, food, real estate and brand management. On September 9, the U.S. Government approved the purchase by China's Shuanghui International Holdings Limited of Smithfield Foods, Inc. This was the biggest case of Chinese food companies' outbound investment.

The investment destinations are also changing. In the past, most Chinese investments headed for Africa, but in the first half of this year, mainland companies' investments to regions and countries including Hong Kong, the United States, ASEAN, EU, Australia, Russia and Japan accounted for 78 percent of China's foreign direct investment. The United States has become the second largest direct investment destination of mainland companies, after Hong Kong.

However, in recent years, Chinese companies have encountered unfair treatment, sometimes by foreign government agencies and sometimes by foreign companies. Statistics show that the successful cases of foreign investment by Chinese companies are almost equal to failed cases, which implies the unfair treatment and prevention Chinese investors are encountering in some countries.

Some failed cases should be blamed on Chinese companies themselves. Some companies' investment capability is still at an elementary level, with little economic efficiency, and thus they easily fail.

How to eradicate doubts and misunderstanding is a big subject facing Chinese companies investing in other countries. At the same time, Chinese companies' managerial and operational capabilities need to be enhanced. ■

WRITE TO US



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YINXUE

SHOWING GRATITUDE

Pupils at Nanjing Changjiang Road Primary School, east China's Jiangsu Province, embrace their teachers on September 10, when Teachers' Day was celebrated in the country. Apart from hugs, students presented songs, drawings, letters as well as souvenirs to their teachers, thanking them for their dedication and love in teaching.

New Book Launched

The English edition of *Zhu Rongji on the Record* was launched in New York City on September 9, offering readers a chance to learn more about China's reform and opening up during the former Chinese premier's tenure of office.

The four-volume Chinese edition of the book was published in 2011. It's a collection of speeches, articles, letters and instructions from Zhu when he was vice premier and premier of China from 1991 to 2003.

The English edition includes 112 articles selected from the Chinese edition, and will be



HUANG WEI

released to the global market by Brookings Institution Press, in association with China's Foreign Languages Press.

Former U.S. Secretary of State Henry Kissinger, former West Germany Chancellor Helmut Schmidt, wrote introductions for the book.

In a pre-recorded video message for the launching ceremony, Zhu thanked all the friends who have contributed their efforts to the book, with particular appreciation for Kissinger and Schmidt. He also expressed his best wishes for the American people.

Kissinger in his speech spoke highly of the role Zhu has played during China's reform and opening up. He believes that through this book, readers could understand the innovative spirit of a whole generation of Chinese people who advanced bravely with an aim to fulfill Deng Xiaoping's thought of reform and opening up.

Cleaner Air

A government plan released on September 12 says that China will take a multi-faceted approach in tackling the country's air pollution.

The government aims to cut the density of inhalable particulate matter by at least 10 percent in major cities nationwide by 2017.

PM 2.5, a key indicator of air pollution, should fall by about 25 percent from 2012 levels recorded in Beijing and surrounding provincial areas by 2017, according to the plan.

The plan also says that the Yangtze Delta and the Pearl River Delta regions in the south of China

will see reductions of 20 and 15 percent respectively, from their 2012 levels over the same period.

The plan lists strategies to cut coal use, shut down major contributors to air pollution and promote cleaner production methods.

Carrying out the plan will require an injection of funds amounting to around 1.75 trillion yuan (\$286 billion) according to estimates from the Ministry of Environmental Protection.

Medical Subsidies

The Chinese Government announced on September 11 a raise in medical in-

surance subsidies for rural residents.

The annual government grant for each participant in the New Rural Cooperative Medical Program will rise from 240 yuan (\$39.22) to 280 yuan (\$45.75), according to a statement by the National Health and Family Planning Commission.

Under the program, the annual premium paid by individuals will be 70 yuan (\$11.44), 20 yuan (\$3.27) more than that in 2012.

China launched the rural insurance scheme in 2003 to ensure that the country's rural residents all have access to affordable medical treatment and to reduce poverty induced by medical fees.

The number of people covered by the program has increased from 80 million to more than 800 million, or 99 percent of the country's total rural population, the commission's figures showed.

Human Rights Forum

The Sixth Beijing Forum on Human Rights was held in the Chinese capital on September 12-13, with the theme being the building of a sustainable environment for human rights development.

The forum was co-organized by the China Society for Human Rights Studies, the largest human rights academic group in China, and the China Foundation for Human Rights Development, a major civil group. It discussed ties between human rights and the rule of law, social development, as well as regional security.

The annual event was first held in 2008 and has grown to be a key platform for human rights exchange internationally.

Diaoyu Islands Patrol

A seven-ship fleet from the China Coastguard patrolled the Chinese territorial waters surrounding the Diaoyu Islands on September 10, according to the State Oceanic Administration (SOA).

It marked the 59th Diaoyu Islands patrol by Chinese law-enforcement vessels since September 2012, when Japan announced a plan to "purchase" the islands.



LIANG XIAODONG



ART OF JADE

Visitors appreciate jade carving works competing for the 2013 Baihua Jade Award at an exhibition in Beijing on September 6. The award, launched in 1983, is the only national honor in China's jade carving industry



MARKSMANSHIP

Members of the Chinese special forces from the 15th convoy fleet participate in weapons training in the Gulf of Aden on September 11

Chinese ships have conducted regular patrols around the Diaoyu Islands and have circled the islands at a minimum distance of 0.28 nautical miles, the SOA said.

Disability Care

Nearly 12.2 million disabled people in China had received treatment and recovered from their conditions to different degrees between the 2008 and 2012, according to data released by the China Disabled Persons' Federation (CDPF) on September 10.

The federation said that 205,000 rehabilitation centers, with a total of 353,000 staff, were set up in communities in 889 cities and 1,905 counties in the period. More than 1.5 million impoverished patients requiring cataract treatment received free operations, while 189,000 blind people took directed walking training.

According to the CDPF, from 2008 to 2012, China established rehabilitation centers at both a provincial and a grass-roots level, offering rehabilitation programs concerning the hearing, language and limbs of patients. The country had improved treatment for mental patients, with 5.94 million people with severe mental illness having received treatment in the previous five years.

China has more than 85 million disabled people. The number is expected to exceed 160 million by 2050, according to estimates made by the CDPF.

Increase in Teachers

China has seen a surge in registered teachers as the country tries to improve the status and salary of the profession, the Ministry of Education said on September 9.



More than 14.6 million registered teachers were employed in about 530,000 schools to educate roughly 270 million students across the country in 2012, according to ministry figures.

Currently, one primary school teacher has to teach an average of 17.36 students, while the teacher-student ratio in middle and high schools are 1:13.59 and 1:15.47, respectively. Around 71.63 percent of middle school teachers hold a bachelor's degree or above, while more than 5 percent of all high school teachers have earned a master's or doctoral degree.

Body Measurements

The China National Institute of Standardization is preparing for a national anthropometrical survey to examine the changes in the average physical measurements of the Chinese populace since the last such

survey in 1986.

The survey will last an estimated five years, targeting Chinese citizens aged between 18 and 75 and sampling about 20,000 people in six areas with a broad geographical spread aimed at covering as much of the nation as possible, said Zhao Chaoyi, director of the institute's anthropometrics lab, in an interview with Xinhua News Agency on September 9.

Since the Chinese Government's approval of the survey in June, the institute has been working on a detailed plan for the work and expects to begin the survey in the latter half of 2014, Zhao said.

The institute did an anthropometrical survey of a much smaller scale on 3,000 people in 2009, when it found that the average measurements of Chinese citizens have changed a great deal since the last national survey.

According to the 2009 research, the average weight of Chinese older than 35 had notably increased and the average waistline of an adult man had grown by 5 cm since 1986.

Besides recording people's basic measurements as the last survey did, researchers will also collect data on muscle strength, visual and hearing acuity and fingertip tactility.

Algae Control

Chinese scientists announced on September 9 that they have developed a type of nano-material that can catalyze algae masses growing on water surfaces into soil.

Chinese lakes are often plagued by catastrophic outbreaks of blue-green algae. Triggered by vast amounts of sewage water drained into rivers and lakes, it can exude bad odors, suffocate fish and turn the water a milky green shade. Algae pollution has been a severe problem particularly in three of China's major freshwater lakes—Chaohu in Anhui Province, Taihu in Jiangsu Province and Dianchi in Yunnan Province.

Scientists with the Chinese University of Science and Technology said that laboratory tests had showed a single gram of the new nano-material can kill algae floating in an area equal in size to a basketball court.

Fan Chongzheng, who led the research, said that the catalyst leads to the biodegradation of the algae into an inorganic soil-like substance.

On the Way

Passengers wait to board a train at a railway station in Jinan, Shandong Province, on August 29.

China had 236 million "floating people"—those who left their places of origin to seek employment or education elsewhere—in 2012, said the National Health and Family Planning Commission on September 10.

More than half of the floating population of working age were born after 1980, according to the commission.

It also said that 75 percent of those floating people born after 1980 had left their hometown before turning 20, and more than 70 percent expect to settle down in big cities.



Advocator of Reforms

Chinese Premier Li Keqiang addresses the opening ceremony of the Annual Meeting of the New Champions 2013, also known as Summer Davos, in Dalian, northeast China's Liaoning Province, on September 11.

"As long as the economy runs within a reasonable range, we will keep macro-economic policies generally stable and focus on shifting our growth model and on structural readjustment," Li said.

The range is marked by a lower limit designed to ensure steady growth and job creation and an upper limit meant to avert inflation.



Treasury Futures

China re-launched trade of its Treasury bond (T-bond) futures on September 6, 18 years after banning it following a multi-billion-yuan trading scandal.

Three five-year T-bond futures contracts were traded on the Shanghai-based China Financial Futures Exchange (CFFEX), and closed higher during the first trading day.

The nation introduced T-bond futures in 1992 on the Shanghai Stock Exchange. The trading

was halted in 1995 after Wanguo Securities, then the nation's largest brokerage, conducted illegal trading of a government bond futures contract, which led to multi-billion-yuan losses and the bankruptcy of the company.

CFFEX Board Chairman Zhang Shenfeng told Xinhua News Agency that the re-launch came at a time when institutional investors have greater demand for risk-hedging tools amid more frequent fluctuations of interest rates.

It marked the second financial future product on the CFFEX after

the exchange launched stock index futures trading in April 2010.

China's outstanding T-bonds stand at around 7 trillion yuan (\$1.14 trillion), ranking second in Asia and sixth worldwide.

Analysts said the reintroduction is part of government efforts to encourage the development of the T-bond market, offer protection against market volatility and advance interest rate reform.

Solar Power Giant

China is expected to overtake Germany to become the world's largest generator of solar power this year, said Zhang Xiaoliang, Vice Minister of the National Development and Reform

Commission, at the Summer Davos forum held in Dalian, Liaoning Province, on September 11.

The nation's installed photovoltaic power capacity as of December 2012 was 6.5 million kilowatts (kw), according to the China Electricity Council. China will add at least 10 million kw of capacity every year from 2013 to 2015, according to the State Council.

The rapid growth will enable China to have a total installed solar capacity of 35 million kw by 2015.

Zhang also said that the country's wind power capacity has grown rapidly. Last year, wind power generation exceeded that produced by nuclear reactors, and it ranked 10th worldwide.

Emerging Tourists

The number of inbound tourists from emerging markets surged year on year in July, while visitors from developed countries continued to decline, according to National Tourism Administration (NTA) data.

The number of visitors from Viet Nam, Thailand and India grew 13.86 percent, 11.29 percent and 10.78



EYE-CATCHING

The SUV CS75, the first mid-sized car model by Chinese auto maker Chang'an Automobile, is on display at the 65th Frankfurt Auto Show on September 11, in Frankfurt, Germany. As the only Chinese auto maker at the show, Chang'an showcased six car models during the two-day event



TIME TO HARVEST

Workers harvest cotton in Tarim, Xinjiang Uygur Autonomous Region, on September 11. By the beginning of September, the 586,667 hectares of cotton planted in the region had ripened



CHEN JIANSHENG

percent, respectively, in July. Tourists from Mexico grew 6.42 percent, according to the NTA.

Visitor numbers from the United States, Japan, South Korea, Australia and Canada dropped, NTA data showed. The slow economic recovery in developed countries led to decreasing tourist numbers from these nations.

Tourism industry experts said China should work harder to attract visitors from emerging markets, including the other four economies of the BRICS group—Brazil, Russia, India and South Africa.

Geely Jobs in the UK

The London Taxi Co. restarted production of the famous black cab on September 11, six months after the business was rescued by China's Geely Group.

Following improvements to London Taxi Co.'s manufacturing facilities in Coventry and the creation of around 66 new jobs, the company has once again commenced the building of new TX4 models on its

production line.

Geely Group Chairman Li Shufu and Britain's Business Secretary Vince Cable were present to officially start production.

Since Geely Group acquired the company in February 2013, it has cleared the inventory of vehicles that remained following the closure of the production facilities in 2012.

Once fully up and running, the production line will complete around 10 new taxis a day, five days a week, and the vehicles will be the most sophisticated ones produced by London Taxi Co. with additional quality improvements, said Geely.

Siemens' New Plant

Siemens' first overseas digital factory began operating in Chengdu, capital of southwest China's Sichuan Province, on September 11, produc-

ing goods for worldwide markets.

The Siemens Electronics Works Chengdu (SEWC), built in the Chengdu Hi-Tech Zone, is highly digitalized from product design to manufacturing, said Anton Huber, CEO of Siemens AG Industrial Automation Division.

"The investment shows our confidence in further growth in China," said Marc Wucherer, President of Industry Sector Siemens North East Asia.

He said SEWC will raise the R&D and production efficiency of Siemens automation products, and "shorten the time-to-market."

SEWC mainly manufactures simatic industry automation products, providing control systems and solutions for industrial firms ranging from automobile, metallurgy, petrochemical, food and beverage, to infrastructure.

Numbers

858.8 bln yuan

China's fiscal revenue in August, up 9.2 percent year on year

66%

Market share of Google's Android mobile operating system in the Chinese market in the first half of 2013

\$375 bln

Value of China's cross-border e-commerce transactions in 2012, up 31.5 percent

\$28 mln

Value of deals signed between Chinese and Nepalese businesses at the 14th China-Nepal Economic and Trade Fair, which ended on September 9 in Tibet Autonomous Region

A Shipbuilding Breakthrough

A 180,000-ton deadweight super-large bulk cargo ship is pulled out of a shipyard in Tianjin on September 11.

The ship, 292 meters long and 45 meters wide, is so far the one with the largest deadweight in the history of Tianjin's shipbuilding industry. It's expected to be delivered to a French buyer by the end of 2013.



XINHUA

THIS WEEK WORLD



THE UNITED KINGDOM

U.S. mezzo-soprano Joyce DiDonato performs at the Royal Albert Hall in west London on September 7 during the Last Night of the Proms, which boasts a 118-year history



ROMANIA

Protesters light candles in memory of a 4-year-old who was killed by stray dogs, during a rally organized to demand that authorities come up with a solution to the stray dog population on September 6



INDONESIA

Miss Venezuela, Karen Soto, poses before her Miss World preparation ceremony on the Nusa Dua resort island of Bali on September 8

XINHUA/AP





Kazakhstan

A Russian spacecraft lands in Kazakhstan on September 11. Three astronauts returned to Earth after a half-year mission on the International Space Station



THE UNITED STATES

Ruth Lamagne remembers her son, Port Authority police officer David Lamagne, at the 9/11 Memorial during ceremonies marking the 12th anniversary of the attacks on the World Trade Center in New York City



NORTH KOREA

A military parade is held at Kim Il Sung Square in Pyongyang on September 9, marking the 65th anniversary of the founding of the Democratic People's Republic of Korea

“The games were initiated to encourage public sports participation, but they have evolved into a fierce battle between local sports authorities as they chase after medals.”

Yi Jiandong, a sports researcher and Vice President of the Jiangxi University of Finance and Economics, in response to scandals surrounding the 12th National Games, including allegations of biased judges



“Parents will be more worried if I decline the gifts. They may think that I look down on what they are offering me. However, if I accept the gifts, I will feel uncomfortable.”

Du Jinxia, a private primary school teacher, commenting on the practice of parents sending gifts to teachers on Teachers' Day which falls on September 10 in China



“Abolish English classes for primary school students and add lessons on the Chinese classics. Ban off-school English training programs. Save children and save Chinese!”

Wang Xuming, President of the Beijing-based Language and Culture Press, who has more than 1.8 million followers on Sina Weibo, a Chinese microblogging platform similar to Twitter, urging on September 8 for more emphasis on Chinese language education



“Although lymphoma is a serious disease, which worries my family members and friends a lot, I know that this is life, and it is full of unexpected things. I will choose to face it, as illness is a part of life.”

Lee Kai-Fu, one of the most celebrated executives in the Chinese tech world and popular blogger, revealing his lymphoma diagnosis online on September 6



COMFORT WOMAN PASSES AWAY



Wan Aihua, a Chinese woman who was forced into sex slavery during the Japanese invasion of China during World War II, died on September 4 at the age of 83. In 1943, Wan was arrested by Japanese forces, tortured and then gang raped. As a result of the abuse, bones in many parts of her body were fractured and she became infertile.

Wan was the first Chinese comfort woman to give testimony in Tokyo in the 1990s against the crimes of the Japanese forces. She demanded the Japanese Government face up to history and give apologies and compensation to victims of Japanese war crimes. However, her requests were rejected.



FIVE-YEAR-OLD PILOT



He Yide, a 5-year-old boy with the nickname duoduo, flew for a total of 47 minutes in two flights around the Beijing Wildlife Zoo, at the request of his father He Liesheng on September 7. This feat followed duoduo's 20 days of flight lessons at a private club.

The father made headlines last year. He was reported to have forced the young child to stand in just his underpants and sneakers in New York City in sub-zero temperatures.

The father previously arranged for the boy to take part in an international sailing competition in Shandong Province in August 2012, and to climb the 3,776-meter Mount Fuji in Japan in 15 hours one month later. His next plan for the boy is trekking through Hoh Xil, China's least-populated area, in the northwestern part of the Qinghai-Tibet Plateau.



Petroleum and Chemical Industry

Oriental Outlook
September 12

The Ministry of Environmental Protection has suspended environmental approval for the chemical production and refinement projects by the country's two oil and gas giants—the China National Petroleum Corp. (CNPC) and the China Petroleum and Chemical Corp. (Sinopec)—due to their weak environmental protection performance last year.

For a long time, the rapid development of chemical production and refinement has caused serious environmental problems, which in turn has triggered social conflicts. Some cities find themselves surrounded by factories

dedicated to the production and refinement of various chemicals. The problem is not only caused by the increasing numbers of chemical plants but it also stems from disordered industry layout and poor site selection practices.

According to investigations of several chemical production bases and regions in China, some local governments don't conduct proper environmental appraisals before building new facilities. In addition, local environmental protection authorities are sometimes too weak to restrain big companies, and city planners tend to put development high on their list of priorities while giving little consideration to the environment.

Curbing Cyber Defamation

Jinan Daily
September 10

China issued judicial interpretations on the enforcement of laws on the crime of defamation (libel) by spreading information on the Internet on September 9, which took effect as of September 10.

As cyber defamation differs from usual defamation in real life, it's necessary to offer special judicial interpretations on cyber defamation. The most important thing is to reach a balance between the public's right of free expression and supervision and the accurate cracking down on all kinds of cyber libel.

The judicial interpretations explain that if a person does not mean to harm anyone by spreading the information, even if the information is not correct, or false, this one should not be accused of libel. Defamation will not necessarily lead to the accusation of libel.

According to the Criminal Law, only "serious cases" will compose the crime of defamation. Then how is the "serious case" defined? Any practice that leads to the following results will be regarded as libel: "having a significant negative effect on victims or their families, such as mental illness, self-mutilation or suicide" or "their posts are viewed over 5,000 times or forwarded over 500 times."

Meanwhile, according to new judicial interpretations, there are some exceptions, including the false information causing a mass incident, disturbing public order, inciting ethnic and religious conflicts, etc.

While cyber crimes and libel must be severely punished, the public's right of expression and their right of supervision should be well protected.

Super Middle Schools

Legal Daily
September 9

In recent years, "super middle schools" have sprung up. Over the years, these schools have enrolled huge numbers of students, ranging anywhere from 5,000 to 10,000. They recruit the best students in the city and even the province they are located in. Due to their large profits and strong performances in the national college entrance examination, they are often regarded as administrative achievements by local governments.

Some "super middle schools" have actually turned into "super enterprises." They take

the proportion of students entering schools of a higher grade as performance, collect school selection fees from parents as profit, and win the government's support and people's attention by expanding their size and promoting their influence. These schools have led to a series of problems.

First of all, their practice goes against the main principle of providing education for all people without discrimination. Some schools only favor top students and rich students who can afford the high selection fees. Second, some are suspected of engaging in educational monopoly. The schools dominate high-quality educational resources. This is against the principle of proper allocation of educational resources.

The Big V

China Newsweek
September 9

In 2009, the Web-portal Sina launched Weibo, a Chinese microblogging platform similar to Twitter, and provided a service that verified and stamped the accounts of users who with large numbers of followers with an official V. In Internet slang, online celebrities with numerous followers have become known as the "Big V."

The microblogging has transformed the role of China's media as well as its relationship with its audience. Every Internet user has become a potential news source. Both those already known from mainstream media and those whose popularity has grown at a grassroots-level are able to access the platform to spread information or voice their views, creating a culture of "Big V." By the end of 2012, the number of Sina Weibo accounts with over 10 million followers had exceeded 80; the number of accounts with over 1 million followers surpassed 3,600; while those with less than 1,000 stood at 400 million.

The microblogging has revealed problems in China's period of developmental transformation. On microblogging, many truths have been revealed to the public, but there are also many rumors that end up becoming widespread. The "Big V" should wield their influence with caution, and laws should be introduced to make sure that rumors are stopped in their tracks when necessary. The "Big V" and hundreds of millions of netizens should work together to create a more open, rational and tolerate online environment.



COVER STORY

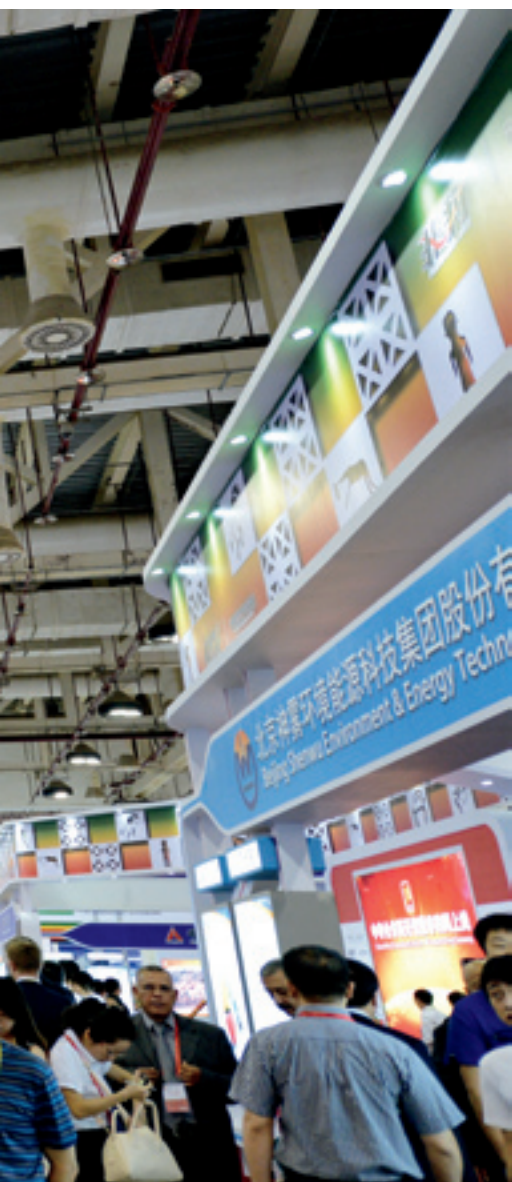
GOING GLOBAL? NOT SO

Great opportunities and simmering risks co-exist amid an overseas foray by Chinese companies By Zhou Xiaoyan

CHASING OPPORTUNITIES: Domestic and foreign visitors attend the 17th China International Fair for Investment and Trade in Xiamen, southeast China's Fujian Province, on September 8. The three-day annual event is the country's largest investment fair



EASY



ZHANG AILIN

As the world tries to recover from the financial crisis, China has once again astonished everyone with its exorbitant and frequent overseas buying.

Shuanghui International Holdings Ltd., China's largest meat producer, offered to buy U.S. pork giant Smithfield Foods Inc. The deal was given the go-ahead from the Committee on Foreign Investment in the United States. If completed, the deal worth \$7.1 billion will be the largest acquisition of an American firm by a Chinese company.

Numerous Chinese firms made a name globally by acquiring their more renowned foreign peers. Chinese IT firm Lenovo acquired IBM's PC division in 2005, bringing more brand recognition to Lenovo and an increased market share both at home and abroad. In 2010, Geely, a Chinese automaker based in east China's Zhejiang Province, bought a 100-percent share of the Sweden-based Volvo. Volvo's sales volume is expected to hit 800,000 units by 2015. This year, China National Offshore Oil Corp. Ltd. (CNOOC) acquired Canadian oil and gas company Nexen for \$15.1 billion. CNOOC's oil and gas output is expected to increase by 20 percent and its proven reserves may grow by 30 percent after the Nexen purchase.

As more Chinese companies clamor to go global, the country has vaulted to become the world's third largest overseas investor in 2012, a significant jump from the sixth spot in 2011.

Nevertheless, Chinese Vice Premier Ma Kai said outward investment by Chinese companies is still in a nascent stage. Ma's remarks came in his keynote speech at the 17th China International Fair for Investment and Trade (CIFIT), which opened on September 8. The CIFIT has been held in Xiamen, a coastal city in southeast China's Fujian Province, annually since 1997.

"Chinese companies lack competitive experience when going global," said Ma.

Ma's viewpoint was echoed by experts and industry insiders who attended the CIFIT. The Chinese Government, they say, needs to make overseas investment easier and better understood to companies that wish to seek markets outside of China.

Branching out

Even though global foreign direct investment (FDI) contracted 17 percent in 2012, China still became the world's third largest investor, after the United States and Japan, according

to a report jointly released by the Ministry of Commerce (MOFCOM), the National Bureau of Statistics and the State Administration of Foreign Exchange at the 17th CIFIT. China's outward FDI rose 17.6 percent year on year in 2012 to a record high of \$87.8 billion, while global FDI slid 17 percent last year amid uncertainties confronting the world economy, according to the 2012 Statistical Bulletin of China's Outward Foreign Direct Investment.

The trend hasn't stopped this year. In the first seven months of 2013, China's outward FDI in the non-financial sector totaled \$50.55 billion, up 19.7 percent year on year. Chinese investors made direct investments in 3,275 foreign companies in 156 countries, according to the MOFCOM.

Huo Jianguo, President of the Chinese Academy of International Trade and Economic Cooperation, a think tank under the MOFCOM, said that the surge in outward FDI was mainly driven by domestic enterprises eager to tap overseas markets and profit from using global resources. "Debt crises and slowing growth in developed economies opened up great opportunities for Chinese enterprises to invest abroad, and the appreciating yuan helped the process," Huo said.

Zhao Zhongxiu, Vice President of the Beijing-based University of International Business and Economics, said globalization has been a buzzword for Chinese companies since 2003. Many Chinese companies, with massive amounts of cash in hand, think the time is ripe to expand overseas after the financial crisis roiled the world and led to fire sale prices of some cash-strapped foreign companies, said Zhao. "There are two types of Chinese companies that want to go global—big state-owned companies that wish to acquire foreign technologies and resources, and the more nimble small and medium-sized private firms that look for business opportunities in overseas markets," he said at a sideline of the 17th CIFIT.

Wu Liang, Administrative Deputy Editor in Chief of the *Economy & Nation Weekly* magazine, said that "going global" is more than a buzzword for Chinese firms: It's an absolute imperative if they want more say in the world's IT revolution. "The IT revolution changed the world, with the Internet reshaping industrial structures and a reshuffle of the global value chain. If Chinese companies fail to seize overseas opportunities during this process, they will lag further behind their foreign peers."

In terms of where Chinese firms like to in- ►►

vest, experts say it depends on what their objectives are.

Anne Marion-Bouchacourt, Group Chief Country Officer for Société Générale China, said emerging markets may have a lower threshold for Chinese companies, but in order to be the best player in the industry, it's necessary for Chinese firms to compete with the best players in mature markets like the United States and the European Union.

Tough road ahead

Despite soaring outward FDI figures, risks and challenges loom. Li Yizhong, Deputy Director of the Committee for Economic Affairs at the National Committee of the Chinese People's Political Consultative Conference, the country's top political advisory body, said risks might come from social unrest in the invested country, market turbulence and cultural clashes.



PRODUCTION POWER: Workers man a line at Shuanghui International Holdings Ltd. in Luohe, central China's Henan Province

Li said the Chinese Government should formulate a national plan to support ambitions for overseas expansion to make it easier for com-

panies to do so. Chinese companies also need to strictly obey laws and regulations in the investment destination countries, especially in terms of intellectual property protection and labor laws, he said. "Having a talent pool specialized in globalization is also a vital factor."

Li also said companies should always pursue win-win outcomes instead of only considering their own gains. A good example is Geely's purchase of Sweden-based Volvo, he said. "Geely promised not to lay off workers, not to shut down factories and not to move factories from Sweden," said Li. "This ensured a smooth purchase."

Zhao warned of a "glass door" that exists in overseas investment, something that Chinese companies should be cognizant of. "You can see through the 'glass door,' but you can't go through it. You have to understand the hidden rules behind the written ones. That's why Chinese companies should do more



CAREFUL REASONING: Larry Pope (left), CEO of the U.S. pork giant Smithfield Foods Inc., attends a U.S. Congressional hearing on July 10. He explained that Shuanghui's Smithfield purchase will lead to more pork exports from the United States to China

research before going global,” Zhao said. “You can never be too careful.”

But many Chinese companies, especially state-owned enterprises, have had their ambitions for overseas acquisitions thwarted in recent years. State-owned CNOOC failed to buy American petrochemical corporation Unocal for \$18.5 billion in 2005, a deal that foundered on U.S. allegations of national security concerns. On October 8, 2012, the U.S. House of Representatives Intelligence Committee issued a report alleging that Huawei and ZTE, two Chinese telecom companies, posed a possible threat to U.S. national security. The committee even urged the U.S. Government and the private sector to boycott the two companies. In 2012, U.S. President Barack Obama blocked a wind farm project by Sany Group, China’s largest machinery maker, again on national security grounds. Li attributed those setbacks to mounting protectionism that surfaces when economies are in the doldrums.

Carolyn Ervin, Director for Financial and Enterprise Affairs with the Organization for Economic Cooperation and Development (OECD), however, said skepticism toward state-backed companies are not specially targeted at Chinese ones, but state enterprises in general. “A large part of the reason that countries are skeptical against state-owned companies is that they are concerned with their relationship with the government, such as unfair advantages in financing, hiring and resources,” she said. To that end, China is working closely with OECD countries to make itself better understood, she said.

Marion-Bouchacourt agreed, saying that integration is the most important factor in overseas expansion. “It’s all about building a partnership in a way that is acceptable and understandable.”

Li said the Chinese Government should ease away from state-owned enterprises in order to address the concerns of foreign governments and should provide privately owned companies with more access to financing. Finally, if companies were the only decision makers regarding overseas expansion, they would be more rational, said Li.

Learning from failures is also extremely important for Chinese firms with a bent toward

global expansion, but most failed cases are not disclosed to the public, said analysts during the 17th CIFT.

Zhao said there are far more failed cases of overseas acquisitions than successful ones. “People love to flaunt successful cases but avoid talking about failures. This is a very serious problem,” he said.

“Chinese companies should carefully study those failed cases and learn from them.” ■

(Reporting from Xiamen, Fujian Province)

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China’s Outward FDI in 2012

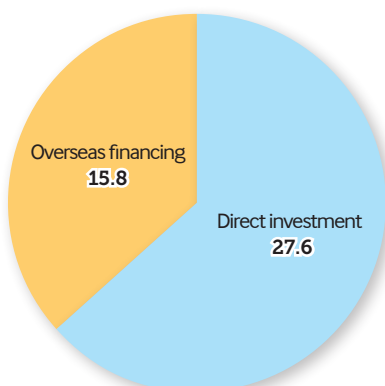
As of the end of 2012, China’s accumulated outward FDI stock volume stood at \$531.94 billion, the 13th largest in the world. China’s outward FDI grew 41.6 percent annually between 2002 and 2012. The government has set a goal of increasing outward FDI at an average annual rate of 17 percent through 2015, when it is forecast to reach \$150 billion. Chinese investors have established about 22,000 overseas enterprises in 179 countries and regions.

China’s non-financial outward direct investment grew by 13.3 percent to \$77.73 billion, accounting for 88.5 percent of the total outward FDI. Outward direct investment in financial sectors surged 65.9 percent to \$10.07 billion.

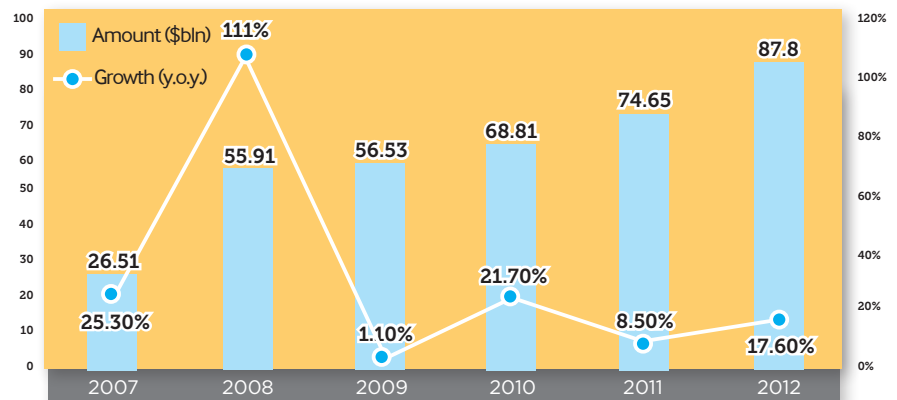
China’s direct investment in developed economies reached \$13.51 billion. The United States received \$4.05 billion in Chinese investment, an increase of 123.5 percent year on year, thus becoming the second largest overseas destination for Chinese investment, after Hong Kong.

Chinese enterprises completed 457 outward merge and acquisition (M&A) transactions valued at \$43.4 billion, both record highs. The M&As covered 10 sectors, including mining, electricity, culture, manufacturing and transportation.

Chinese Companies’ Overseas M&As, 2012 (\$bln)



Growth of China’s Outward FDI



(Source: Statistical Bulletin of China’s Outward Foreign Direct Investment)



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