

# BEIJING REVIEW

VOL.56 NO.43 OCTOBER 24, 2013

WWW.BJREVIEW.COM



## A RAY OF LIGHT

Chinese economy bounces back during third quarter

RMB6.00  
USD1.70  
AUD3.00  
GBP1.20  
CAD2.60  
CHF2.60  
JPY188

ISSN 1000-9140



9 771000 914130

4 3>

邮发代号2-922 · 国内统一刊号: CN11-1576/G2



中国与非洲



12 issues a year at a subscription rate of 180 RMB

**SUBSCRIPTION HOTLINES**  
(8610) 6831 0644, 6899 6223, 6899 5808

An Africa-oriented English monthly covering China and Africa published by BEIJING REVIEW, Chinafrica is the leading one in China featuring news, views and analysis for an African audience.





### Is the Current Rebound Sustainable?

Growth momentum to sustain China



### A Dual Balancing Act

China and U.S. draw closer on Asia

## THE DESK

» A Long-Term Change **02**

## THIS WEEK

## COVER STORY

## WORLD

» Heading the Fed **20**

New boss faces challenge

» China's Evolving Global Role **22**

Creativity key to gaining greater influence

## NATION

» Child Abuse Exposed **29**

Tibetan orphans used for politics

» Protection From Guardians **30**

Neglect of minors raises concern

» Looking to Outsource **32**

Public services become private game

## BUSINESS

» A Speedier Era **36**

Online China strives for enhanced coverage

» Market Watch **38**

## CULTURE

» Who's Learning from Whom? **42**

China-U.S. mull opposing education systems

## FORUM

» Are Cities Prepared for Emergency? **46**

## EXPAT'S EYE

» The Decade of Transportation **48**

China to become increasingly connected

©2013 Beijing Review, all rights reserved.

## Nation 26



### Reverse Mortgages

Property buyback to assist elderly care



### Fengshui: Superstition or Science?

Geomancy causes both delight and furor

ONLINE AT » [WWW.BJREVIEW.COM](http://WWW.BJREVIEW.COM)

BREAKING NEWS » SCAN ME » Using a QR code reader

Beijing Review (ISSN 1000-9140) is published weekly for US\$64.00 per year by Cypress Books, 360 Swift Avenue, Suite 48, South San Francisco, CA 94080, Periodical Postage Paid at South San Francisco, CA 94080. POSTMASTER: Send address changes to Beijing Review, Cypress Books, 360 Swift Avenue, Suite 48, South San Francisco, CA 94080



**President & Editor in Chief:** Wang Gangyi  
**Vice President:** Qi Wengong  
**Associate Editors in Chief:** Li Jianguo, Huang Wei,  
Wang Yanjuan, Zhou Jianxiong, Ding Zhitao  
**Assistant President:** Li Zhenzhou  
**Assistant Editor in Chief:** Wa Chunfang  
**Executive Editor:** Ding Zhitao

**Assistant Executive Editors:** Yao Bin, Zhang Zhiping, Zan Jifang  
**Editorial Administrators:** Zhang Xiaoli, Shi Bosen  
**Opinion Editor:** Zan Jifang  
**World Editor:** Yan Wei  
**Nation Editor:** Yao Bin  
**Business Editors:** Yu Shujun, Lan Xinzhen  
**Culture Editor:** Liu Yanyun  
**Editorial Consultants:** Joseph Halvorson, Elvis Anber,  
Jacques Smit, Kieran Pringle  
**Staff Reporters:** Tang Yuankai, Ding Ying, Ding Wenlei, Wang Jun, Li Li,  
Yin Pumin, Pan Xiaoqiao, Yuan Yuan, Wang Hairong, Liu Xinlian,  
Yu Yan, Yu Lintao, Zhou Xiaoyan, Bai Shi, Deng Yaqing, Ji Jing  
**Photo Editor:** Wang Xiang  
**Photographer:** Wei Yao  
**Art:** Li Shigong  
**Art Director:** Wang Yajuan  
**Chief Designer:** Cui Xiaodong  
**Designer:** Zhao Boyu  
**Proofreading:** Qin Wenli, Ma Xin  
**Distribution Director:** Hu Keqiang  
**Human Resources:** Hou Jin  
**International Cooperation:** Zhang Yajie  
**Marketing/PR Director:** Pan Changqing  
**Legal Counsel:** Yue Cheng

### North America Bureau

**Chief:** Huang Wei  
**Deputy Chief:** Xu Tao  
**Tel/Fax:** 1-201-792-0334  
**E-mail:** hw@bjreview.com

### Africa Bureau

**Chief:** Li Jianguo  
**Africa Managing Editor:** Francisco Little  
**Tel:** 27-71-6132053  
**E-mail:** casa201208@hotmail.com

### General Editorial Office

**Tel:** 86-10-68996252  
**Fax:** 86-10-68326628

### English Edition

**Tel:** 86-10-68996259  
**Advertising Department**  
**Tel:** 86-10-68995810  
**E-mail:** ad@bjreview.com.cn  
**Distribution Department**  
**Tel:** 86-10-68310644  
**E-mail:** circulation@bjreview.com.cn

Published every Thursday by

BEIJING REVIEW, 24 Baiwanzhuang Lu,  
Beijing 100037, China.

**Overseas Distributor:** China International Book Trading  
Corporation (Guoji Shudian), P. O. BOX 399,  
Beijing 100044, China

**Tel:** 86-10-68413849, 1-416-497-8096 (Canada)  
**Fax:** 86-10-68412166

**E-mail:** fp@mail.cibtc.com.cn

**Website:** <http://www.cibtc.com>

**General Distributor for Hong Kong, Macao and Taiwan:**

Peace Book Co. Ltd.

**17/FI, Paramount Bldg, 12 Ka Yip St, Chai Wan, HK**

**Tel:** 852-28046687 **Fax:** 852-28046409

*Beijing Review* (ISSN 1000-9140 USPS 2812) is published weekly in the  
United States for US\$64.00 per year by Cypress Books,  
360 Swift Avenue, Suite 48, South San Francisco, CA 94080  
News Postage Paid at South San Francisco, CA 94080  
POSTMASTER: Send address changes to *Beijing Review*,  
Cypress Books, 360 Swift Avenue, Suite 48,  
South San Francisco, CA 94080



EDITOR

## A Long-Term Change

After high-speed growth over 30 years, China is now entering a new phase of economic transformation and industry upgrade.

To fulfill its objectives, the country must turn to a more environmentally-friendly and sustainable growth pattern. During such transformation, economic growth is bound to slowdown, which raises questions as to the probability of another global recession.

On the whole, the Chinese economy maintains rapid growth momentum; its slowdown but the result of macro-adjustments made by the government. Regardless, the pace of development in China still trumps that of other major world economies.

Economic growth during the second quarter fell to 7.5 percent, in accordance with objectives set up at the start of the year. Thanks to government policies to ensure steady development, the growth rate again rose in July.

While the speed of development is important, the quality of growth is of much greater significance.

Although some argue that while China can afford even more rapid growth because of its vast potential, a mode centered on the GDP is no longer suitable.

For a long time, the Chinese economy has faced challenges such as excessive capacity, improperly allocated resources and inefficient development, on which unsustainable growth has been largely based. Thus, high speed development is not necessarily a good choice.

Currently, China needs to maintain modest growth in correspondence with its economy and advance restructuring, while improving the efficiency and quality of its sustainable development. Such efforts are essential if China is to avoid the trap of middle income countries and ensure robust growth. ■

### WRITE TO US



Send an e-mail: [contact@bjreview.com.cn](mailto:contact@bjreview.com.cn)

Please provide your name and address along with your submissions.  
Submissions may be edited.

CHINA.....RMB6.00 U.S.A.....USD1.70 AUSTRALIA.....AUD3.00 UK.....GBP1.20  
CANADA.....CAD2.60 SWITZERLAND.....CHF2.60 JAPAN.....JPY188 EUROPE.....EURO1.90  
TURKEY.....YTL5.00 HK.....HKD9.30 NEPAL.....RS40

北京周报 英文版 2013年 第43期 ISSN 1000-9140 广告许可证 0171号北京市期刊登记证第733号  
邮发代号2-922 国内统一刊号: CN11-1576/G2 国内零售价: 人民币6.00元



Available at the App Store



# CORBAN FESTIVAL

A Muslim family in Hami, northwest China's Xinjiang Uygur Autonomous Region, gather together to celebrate Corban Festival on October 15.

As one of three major Islamic celebrations, Corban is also known as Eid al-Adha, or day of sacrifice, during which lambs are slaughtered as part of religious rituals.



## App Regulations

The Chinese Government is set to strengthen management of software installation on mobile devices, asking domestic smartphone manufacturers to report installation information for their users beginning November.

According to a document issued by the Ministry of Industry and Information Technology in April, companies are prohibited from installing mobile software that gathers or edits people's private information without permission. Meanwhile, smartphone firms should not use software that results in financial loss or leaks personal information.

China overtook the United States as the world's biggest smartphone market in 2011.



## Gov't Going Social

The official website of the Chinese Government, [www.gov.cn](http://www.gov.cn), opened accounts on two leading microblogging websites and on WeChat, a hugely popular Chinese messaging app with over 400 million users, on October 11. The two microblogging accounts are at [xinhuanet.com](http://xinhuanet.com) and [qq.com](http://qq.com).

The website, run by the General Office of the State Council,

or China's cabinet, will publish important government information through the three social networking platforms, according to a statement.

The move followed a WeChat account being opened in September by the Gazette Office of the State Council. The Gazette account was created to publicize administrative laws and orders from the State Council, personnel appointments

and removals, and important government rules and documents.

## Cross-Straits Talks

On October 16, a spokeswoman from the Chinese mainland announced that both sides of the Taiwan Straits can arrange meetings between their leaders independently, rather than depending on other international events.

"A cross-Straits leaders' meeting is an affair between Chinese people on the both sides of the Straits. It will not necessarily be on the sidelines of

an international meeting," said Fan Liqing, a spokeswoman for the State Council Taiwan Affairs Office, at a press conference.

Fan was responding to a question about whether Taiwan leader Ma Ying-jeou should attend the informal economic leaders' meeting of the Asia-Pacific Economic Cooperation next year in Beijing so as to facilitate a meeting between leaders across the Straits.

## Poverty Declining

Southwest China's Tibet Autonomous Region is expected to reduce its population living in poverty by 45 percent compared with 2010 by the end of this year, according to sources with the region's Office of Poverty Alleviation and Development.

The number of people living below the national poverty line of 2,300 yuan (\$375) annual per-capita income in Tibet's rural and pastoral areas should be reduced to 457,000 at the end of 2013, which is 55 percent of 2010 levels, said Qo'nyi Yaphel, an official with the office.

So far, central and regional governments have allocated 3.9 billion yuan (640 million) in poverty



## FINISH LINE

Luka Mezgec of Team Argos-Shimano celebrates after winning the fifth and final stage of the 2013 Tour of Beijing on October 15. Benat Intxausti of Team Movistar claimed the title



## GOLDEN YEARS

Senior couples in Jinan, Shandong Province, celebrate their 50 years of marriage on October 13, China's Senior's Day

alleviation funds to the plateau region, with this figure covering aid for education, financing and technology for Tibetans, he said.

Tibet had the highest poverty rate in China in 2010, with 34.42 percent of its rural and pastoral population living below the country's poverty line.

Much of Tibet's success in boosting livelihood has come from improving agriculture.

## Rescue Teams Up

The Red Cross Society of China (RCSC) on October 11 entitled 21 emergency rescue teams to operate under its name.

The teams, mainly sponsored by the government and various social bodies, are categorized into eight groups according to their specialty and rescue experiences covering healthcare, emergency search and rescue, water supply and communication.

Some of the teams have cooperated many times with the RCSC in disaster relief missions,



according to the society. Beijing-based Blue Sky, for instance, greatly supported the RCSC in rescue work after the Wenchuan earthquake in southwest China's Sichuan Province in May 2008 and the Lushan quake in April.

By the end of February 2012, local red cross organizations across China had established 684 emergency rescue teams composed of more than 21,000 people, most of whom are volunteers.

## Nighttime Dives

China's unmanned autonomous submersible *Qianlong-1* successfully operated for a combined 18.5 hours during two night dives, the State Oceanic Administration announced on October 14.

Developed by Chinese scientists, the vehicle is a robot that can

travel to a depth of up to 6,000 meters underwater and is tasked with exploring the sea bed and collecting hydrological data.

The two dives, the first nighttime missions for the robot, were made on October 8 and 9 and lasted 8.5 and 10 hours respectively, according to the statement.

The administration said that the *Qianlong-1* had operated smoothly in the eastern Pacific Ocean in three dives that lasted nearly 30 hours in total since the first on October 6.

The vehicle is on a trial run and marks the first time a Chinese autonomous underwater craft has been used for a scientific expedition.

## Drug Abuse

Young people below the age of 25 made up over half of drug abusers

in China last year, said Li Guoqing, an official with the China Food and Drug Administration, at a press conference on October 16.

In 2012, methamphetamine abuse accounted for 14.9 percent more of total drug abuse than in 2008, according to Li.

The information comes from a report that monitored drug abuse in China during 2012, and found that synthetic drug abusers account for the majority of new figures.

Li said that the report also showed that the abuse of medical drugs has dropped every year for the past five years, from 30 percent of total drug abusers in 2008 to 8.2 percent in 2012.

## Improving Drainage

Chinese Premier Li Keqiang has signed a decree regarding urban drainage and sewage treatment, as flooding and water pollution become an increasing problem during China's rapid urbanization.

The decree, which will come into effect on January 1, 2014, stipulates that all governments above county level must include the building and management of urban drainage and sewage treatment facilities into their economic and social development plan.

It also requires cities and towns to plan their drainage and sewage treatment systems in accordance with their local climate, geography, as well as economic and social development level.

## The Experts

Dr. Ingo Nentwig (third right), a German expert on Tibetan studies, poses for a photo with staff members from the China Tibetology Publishing House at the 2013 Frankfurt Book Fair on October 13.

The annual Frankfurt Book Fair attracted 160 Chinese

publishing houses and printing companies this year.

During the book fair, the China Tibetology Publishing House showcased 43 books written in Tibetan, English and Chinese, covering areas including history, religion and culture.





## Time to Harvest

Farmers in Ganzhou, east China's Jiangxi Province, load oranges to be shipped to north China's Tianjin for sale on October 15.

Oranges from the southern part of the province are renowned in China for their sweet taste. This year, output has increased markedly.



## Cutting Overcapacity

The State Council is tackling production overcapacity, according to a statement on October 15.

The Guideline to Tackle Serious Production Overcapacity lists five prime sectors with serious overcapacity: cement, electrolytic aluminum, sheet glass, shipping and steel. The move is key to achieving stable growth and upgrading the Chinese economy.

The guideline lists tasks to deal with overcapacity, including forbidding new projects that aim to expand

capacity and reappraising projects currently underway.

Growth through innovation should be stressed and mergers encouraged. Domestic and global demand should be explored, consolidated and expanded. Government should work toward better allowing the market to determine demand.

## Stricter Rules

The Ministry of Commerce (MOFCOM) on October 15 called on baby formula importers to be more accurate when recording sales data and for no monopoly in the industry,

which has been plagued by quality and price-manipulation scandals.

The MOFCOM vowed to provide more convenient approval procedures for qualified importers, but told them to set reasonable prices and eradicate price manipulation and other moves that amounted to unfair competition.

In August, Chinese authorities fined six baby formula companies that operate on the Chinese mainland, namely Biostime, Mead Johnson, Dumex, Abbott, Friesland and Fonterra, for a total of 670 million yuan (\$108 million) following

an anti-trust investigation.

The National Development and Reform Commission said formula producers set minimum resale prices for distributors and punished those who sold their products at lower prices by suspending supplies or ending contracts.

## Tapping Natural Gas

The China National Petroleum Corp. (CNPC), a parent company of the nation's top oil and gas producer PetroChina, predicted on October 14 that its natural gas supply at home will increase 13 percent during the upcoming winter and spring seasons.

A company spokesman said the CNPC expects its gas supplies during the two seasons to total 57 billion cubic meters.

The company forecasted the hike amid robust natural gas demand as some Chinese cities begin using natural gas instead of coal for winter heating in order to reduce damage to the environment.

In a government action plan unveiled in September 2013, China vowed to take a multi-pronged approach to tackling air pollution by cutting coal use, shutting down polluters and promoting cleaner production.



## STICK IT

An exhibitor demonstrates new handling technology at the Eighth China (Shenzhen) International Logistics and Transportation Fair held in Shenzhen, Guangdong Province on October 14





## INTERCITY RAILWAY

The Wuhan-Huangshi Railway is under construction. Connecting the two cities in Hubei Province, it will greatly shorten travel time for local residents when completed

Under the plan, the country will boost supplies of natural gas, coal-based substitute natural gas and coalbed methane.

## London's Yuan Hub

China and the UK on October 15 agreed to continue to build London into a major offshore market for yuan trading, underlining the strong financial ties between the two countries.

Both sides welcomed strong growth of London's yuan markets, making the capital city the most active yuan center in the world outside China, according to a joint statement following the Fifth China-UK Economic and Financial Dialogue held in Beijing.

To boost London's market status, China will give investors based in the city the right to buy 80 billion yuan (\$13.12 billion) worth of stocks, bonds and money market instruments issued by financial institutions on the Chinese mainland through



HAO TONGQUAN

a regime called RQFII, or Renminbi Qualified Foreign Institutional Investor.

The extension of RQFII will deepen China's financial markets and strengthen yuan activity offshore, the statement said.

In addition, both sides agreed to support further yuan bond issuance in the UK by Chinese as well as international firms, and the development of London as an offshore yuan debt issuance center.

## Oil Refinery Project

The Export-Import Bank of China on October 16 signed an agreement to fund a \$1.67 billion loan to a Cambodian company for the construction of an oil refinery.

The agreement came after

the Cambodian Petrochemical Co. and several Chinese firms signed in April a Memorandum of Understanding to jointly build a 5-million-ton oil refinery project in Cambodia.

Currently, Cambodia imports all its oil and gas from Viet Nam, Singapore and Thailand as its seabed's oil and gas have not been exploited.

In 2012, Cambodia spent \$1.62 billion on importing about 1.65 million tons of oil, according to official data. During the first eight months of this year, the nation imported 1.1 million tons of oil, costing \$1.04 billion. The Cambodian Government estimated that the demand would increase up to 4 million tons a year in the coming time thanks to rapid economic growth.

## Numbers

### \$3.66 tn

China's foreign exchange reserve as of the end of September

### 15.88 mln units

China's auto sales from January to September 2013, up 12.7 percent year on year

### 10.4%

Year-on-year growth of China's electricity consumption in September

### 7.28 tn yuan

China's new yuan-denominated loans in the first three quarters, an increase of 557 billion yuan from a year earlier

## Canton Fair

A car draped with angel wings on display at the 114th Canton Fair on October 15.

The fall session of the biannual event attracted more than 24,000 companies from China and abroad.



LI HANHAN



# THIS WEEK WORLD



## INDIA

A man carries a Hindu devotee injured in a stampede outside Ratangarh Temple in Madhya Pradesh on October 13. The incident has left hundreds of people injured and more than 100 dead

GETTY IMAGES



GETTY IMAGES



## CHILE

During the commemoration of Columbus Day on October 12, women perform a Tinku ritual dance at a protest in Santiago organized by the Mapuche indigenous people who believe the geological discovery is nothing but a disaster for the locals



## PARAGUAY

Martina Lopez, 99, and Jose Manuel Riella, 103, who have lived together for 80 years, celebrate their anniversary in San Pedro on October 15

GETTY IMAGES







## SAUDI ARABIA

Muslim pilgrims wait to perform the morning prayer in Mecca's Grand Mosque, on October 13. More than 2 million people arrived in the Saudi Arabia's holy city for the Hajj



## SWITZERLAND

Delegations from Iran and other world powers prior to the start of two-day closed-door nuclear talks on October 15 at the United Nations offices in Geneva



## JAPAN

People brace against heavy wind and rain, the strongest in 10 years, in Tokyo on October 16

**“When the ship hit the seawall, the captain ordered us to abandon ship. We gathered on the deck and prepared to escape. As we were very close to the seawall at that time, some intended to jump onto it when the ship approached, but they lost their lives.”**

Sang Xiaoliang, a rescued Chinese crew member of a cargo ship that sank at a port in Pohang, southeast of Seoul, during a storm on October 15, recalling the tragedy



**“Apart from accumulating experience through this event for young athletes, we have more of an educational purpose.”**

Liu Aijie, Deputy Secretary General of the Chinese delegation at the Sixth East Asian Games (EAG), in response to EAG's transformation into East Asian Youth Games, which will debut in 2019



**“Integrating development of military and civilian sectors has become a necessary path to promote China's strategic emerging industries' development.”**

Xu Jianping, deputy chief of the new technology and industry department at the National Development and Reform Commission, as the Hi-Tech & Science Expo concluded on October 16 in Mianyang, southwest China's Sichuan Province



**“We send market investigation teams to both developed and developing regions. We do this to promote fairness and search for buyers. We also encourage exhibitors to invite their clients to the fair.”**

Liu Jianjun, Deputy Director General of China Foreign Trade Center, at the opening ceremony of the 114th China Import and Export Fair held in Guangdong Province on October 15



## CEO DENIES “RUMORS”



Li Xiaolin, CEO of China Power International Development Ltd., denied foreign media reports that she helped broker Zurich Insurance's entry into the Chinese market in a statement on the company's microblog on October 13.

The denial was issued after *The Daily Telegraph* published a story on October 10 stating the 52-year-old businesswoman played a leading role in a deal in which Zurich Insurance, one of the biggest insurers in the world, purchased nearly a quarter of shares in New China Life, a large Chinese insurance firm. In 2011, *Fortune* magazine named Li as one of the 25 most influential business leaders in Asia.



## OFFICIAL DONATES FOR CHARITY



Yu Youjun, Deputy Director of the General Office at the South-to-North Water Diversion Committee of the State Council has donated 1.6 million yuan (\$262,400) worth of books to a community cultural center in Datong, north China's Shanxi Province, on October 15.

Yu, 60, served as the governor of Shanxi from 2005 to 2007. He launched a series of initiatives during his tenure to build new apartments for coal mining families who had dwelled in shanty towns for decades. Datong is the second largest city in the province and well known for its abundant coal reserves.





## Urbanization of People

*Oriental Outlook*  
October 17

Xu Kuangdi, former Vice Chairman of Chinese People's Political Consultative Conference (CPPCC) and former President of Chinese Academy of Engineering, was interviewed by *Oriental Outlook* on October 17, discussing his view on urbanization.

Xu said that China's urbanization should lay emphasis on

turning rural people into urban citizens rather than building cities on a large scale across the country. In a bid to transform the lives of those in rural areas, developing industries and increasing job

opportunities remain essential.

Since 1993, China has accelerated its pace of urbanization, with around 20 million rural people having moved to cities every year. By the end of 2012, the country had urbanized 52.57 percent of rural areas, covering a population of 720 million. The figure is above the average global figure. However, the urbanized population is unstable. A large number of rural migrants have yet to settle down in cities because of the lack of permanent residence identity. Some of them have to return home due to unemployment and rising living costs in cities. On the other hand, younger generations are unwilling to return to their villages.

Xu said that urbanization should put people first. In addition to increasing job opportunities for migrant populations in cities, it is very important to offer equal social welfare and education opportunities. The urbanization of people cannot be fulfilled without improving the quality of life.

Xu said the urban population is expected to reach 65 percent of the total by 2030. Local authorities must tailor measures to cater to their own circumstances and show respect to farmers during the process of transformation.

## Worries After Retirement

*Guangzhou Daily*  
October 14

Homes for the aged have become a rare resource in terms of social welfare in Beijing. It is reported that at present, a new client has to wait 100 years for a bed at the capital's First Social Welfare Institute.

Similarly, the cost of social services for the aged is skyrocketing in the southern Guangdong Province. Many rest homes here charge over 10,000 yuan (\$1,637) per month. Even so, business is booming.

Expensive prices mean high quality service, which, however, most elderly are unlikely to enjoy. Good care homes are few and far between compared to the rising demand in China.

There is thus an urgent need for affordable old age homes. Currently, China's investment in social welfare for an increasingly aging population is insufficient. Further more, the private sector faces a series of restrictive conditions in developing homes for the elderly, mainly related to land, finance and market access.

Authorities plan to reform the current social welfare system, and a new policy is expected to be worked out by the end of this year. It is hoped that more old age homes could soon be made available.

## Curbing Air Pollution

*Beijing Times*  
October 15

China recently announced that it has allocated 5 billion yuan (\$819.5 million) to curb air pollution in six provinces across north China, including Beijing, which suffers from severe smog, especially during winter. The country has vowed to improve its air quality within the next five years.

The fund will not be allocated to local authorities in the form of subsidies. Instead, funding will be merit-based. Regions will therefore not obtain money until after assessment. Reduction of PM 2.5, a key indicator of air quality, will be taken into account. Other benchmarks include initial pollution reduction targets and investments in pollution treatment.

It is expected that the new funding policy will improve the efficiency of curbing air pollution. To

achieve success, benchmarks for air quality must be strictly assessed and transparently supervised.

Further more, local authorities have to invest in environmental protection on their own account. With some lacking sufficient resources, dealing with air pollution might prove problematic, raising public concern over the effect of a reward policy. Needless to say, the Central Government needs to ensure its regulations are carried out efficiently.

## Warning of Sweeties

*China Newsweek*  
October 14

In China, diabetes has become one of the biggest threats to health. According to statistics from the International Diabetes Federation (IDF), there is one diabetic patient among every 10 Chinese. The prevalence rate of diabetes in the country has reached 11.3 percent, which exceeds that of the United States, with the number of diabetics coming to 114 million in 2012, topping the world.

However, most of Chinese remain unaware of its risks. What makes matters worse, more than three quarters of Chinese diabetic patients do not receive timely medi-

cal treatment after diagnosis, mainly due to an initial lack of pain and prevalent information.

High caloric diets and a lack of exercise account for the high risk associated to the disease. If measures are not taken soon, China will undoubtedly suffer the consequences of a spreading diabetic problem.



# OPPLE



## WORK WITH OPPLE

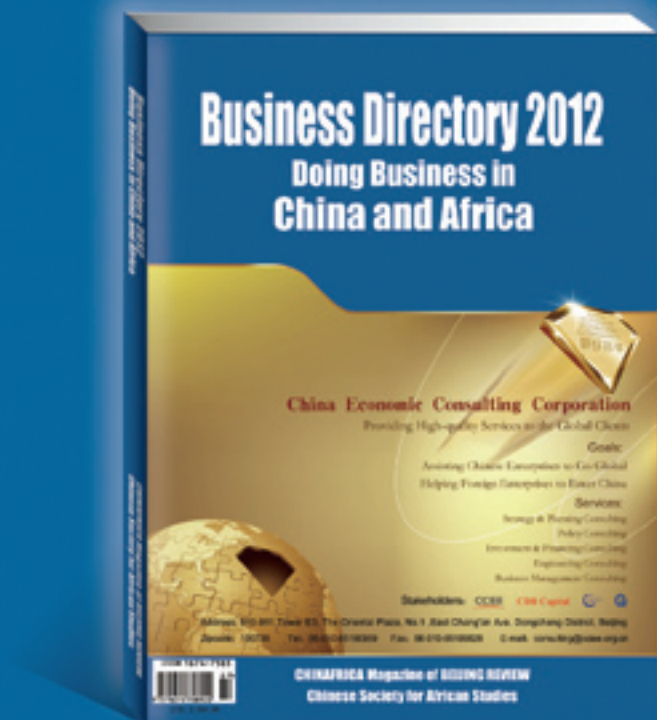
light up a wonderful life

Opple Lighting Co., Ltd.  
[www.opple.com](http://www.opple.com)



**+971 551 427 701**  
**+971 551 047 616**





**Jointly published by:**  
**CHINAFRICA Magazine of BEIJING REVIEW**  
**Chinese Society for African Studies**

**This Business Directory:**

- ✦ Includes studies of China-Africa cooperation by profession institutions and experts, as well as industrial reports and China Africa policy and measures for promoting bilateral trade and investment;
- ✦ Is China's only reference book for trade and investment between China and Africa;
- ✦ Is the best promotional platform for African governments and companies to learn more about Chinese enterprises; and
- ✦ Is the business guide absolutely vital for Chinese and African businesspeople in their economic and trade cooperation.

**Subscribe NOW, to benefit from business opportunities.**

To be sold at RMB**380.00** or \$**59.99**

Available at: [bjreview.taobao.com](http://bjreview.taobao.com)



COVER STORY

# IS THE CURRENT REBOUND SUSTAINABLE?

China's economy faces the twin challenges of realizing efficiency and achieving strong growth momentum By Lan Xinzhen





**CONSTRUCTION BOOM:** Workers transport track boards at a high-speed railway in Yiwu, Zhejiang Province, on August 16

China's economic growth is picking up in a stable way, with gross domestic product (GDP) increasing 7.8 percent in the third quarter, higher than the 7.5 percent in the second, according to data from the National Bureau of Statistics (NBS) on October 18. However, compared with a strong rebound in July and August, the economic upswing in September is not sustainable. Therefore, emphasis should be laid on stimulating and stabilizing economic growth while carrying out restructuring.

## The rebound

In the first half year, China's economy witnessed a slight slowdown, with GDP growth dropping from 7.7 percent in the first quarter to 7.5 percent in the second. The Central Government's minimum target for growth is 7.5 percent, and panic was rife at home when China's growth met the lower limit. Many international economic think tanks and institutions believed China would suffer a hard landing.

The Chinese Government says it would

do all it can to keep at or above 7.5 percent by reducing bureaucracy, expanding more pilot programs to replace business with a value-added tax, promoting interest rate liberalization and carrying out reforms on infrastructure investment and the price of resources.

These policies have quickly shown results. Since July, the prices of raw materials like petroleum, steel and non-ferrous metals saw an upward trend. In September, while purchase management index (PMI) was 51.1 percent, rising for three consecutive months, while electricity generation and transportation have also rallied.

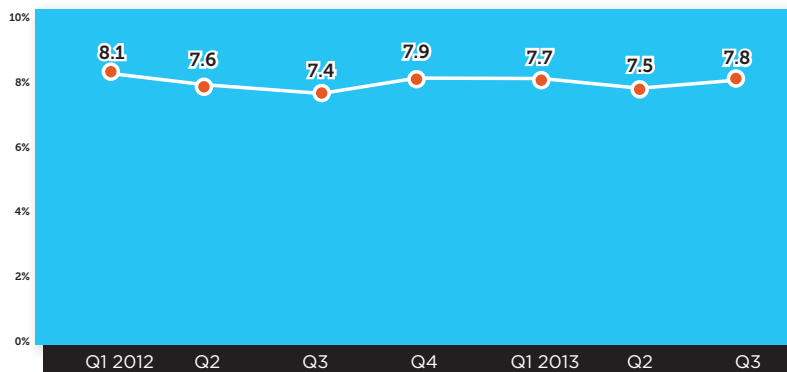
According to statistics from the NBS, fixed-asset investment shot up by 20.4 percent in the third quarter, following the State Council's unveiling of favorable measures regarding the expansion of high-speed railways and subways, energy conservation, emission reduction and a

Broadband-China strategy.

From January to September, the total retail sales of consumer goods increased by 12.9 percent, edging up slightly from the same period last year. Due to the Central Government's ban on extravagant and costly banquets on the public dime, revenue in China's catering sector rose a mere 8.9 percent from January to September, down by 4.3 percentage points year on year. However, furniture, building and home decorative materials sales kept expanding rapidly and show signs of a rebound.

Foreign trade picked up moderately. Driven by economic recovery in Europe and the United States, exports reversed the negative growth of 3.1 percent in June and rose by 5.1 percent in July and 7.2 percent in August. In the first three quarters, imports and exports totaled \$3.06 trillion, a 7.7 percent increase, excluding the exchange rate factor. Trade with the United

**Quarterly GDP Growth**



(Source: National Bureau of Statistics)

States and the Association of Southeast Asian Nations (ASEAN) registered continued growth. From January to September, Sino-U.S. trade totaled \$379.1 billion, a 6.7-percent increase; Sino-ASEAN trade stood at \$322.36 billion, an 11.6 percent increase; Chinese mainland trade with Hong Kong reached \$297.39 billion, a 25.6-percent increase.

Growth in the service industry remained flat due to the Central Government's efforts to reign in three major public expenses: vehicles, receptions and overseas trips.

## Fluctuations

Despite a stable recovery of China's macro-economy beginning in July, there has been a lack of growth momentum overall. Though the PMI hit a record high in September, it only rose slightly month to month and failed to meet expectations.

The State Information Center, a government think tank, has given three explanations. First, the slow growth of incomes. Incomes for urban and rural residents grew at a pace slower than that of the GDP. In addition, structural unemployment kept deteriorating. Second, the tight financing of infrastructure construction. Given the poor assessment of government debt by the National Audit Office, local government financing platforms are being squeezed. Furthermore, rising financing costs resulted in dwindling credit demand, while falling profits led to a fund shortage and a declining ability to repay debt, which has and will restrain investment in major projects. Third, the rapid appreciation of the yuan undermined export competitiveness. From January to September, the real effective exchange rate rose 6.29 percent. As the dollar gains strength, the yuan is likely to appreciate in the days to come. Considering the weak demand from overseas markets and the dramatic depreciation of other currencies, the real effective exchange rate of the yuan will exert a significant influence on export growth.

Niu Li, a senior economist with the State Information Center, said overcapacity also cramped the development of the manufacturing industry and momentum for a strong economic rebound. Mounting idle production capacity has become a stumbling block for economic growth and the ability for enterprises

to upgrade their development model toward more efficient and higher end goods.

"Now, investment in industries that are already harassed by overcapacity is still on the rise," said Niu. "It's becoming increasingly difficult to tackle the problem."

Moreover, the rise of the consumer price index (CPI) has likely had an impact on economic development. In September, the CPI rose by 3.1 percent. The central bank may tighten its currency policy to avoid inflation, while a subsequent liquidity shortage may affect the production and operation of some enterprises. Though the exit of quantitative easing policies by the United States was postponed, it will take place sooner or later. Therefore, China's economy is under threat by an appreciating U.S. dollar,

gloomy financial markets and rising borrowing costs.

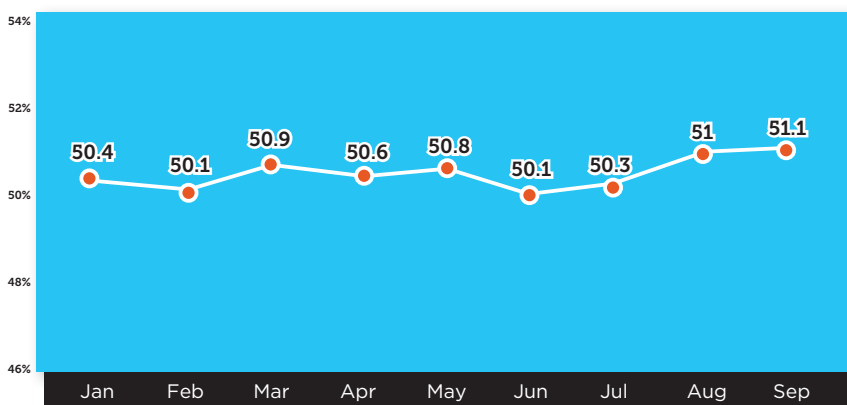
## Economic restructuring

The slowdown of China's economy was initially triggered by the 2008 global financial crisis. Since the unveiling of the 4-trillion-yuan (\$586-million) stimulus package initiated in 2008, China's economy has regained some vigor. In 2010, China's GDP regained double-digit growth.

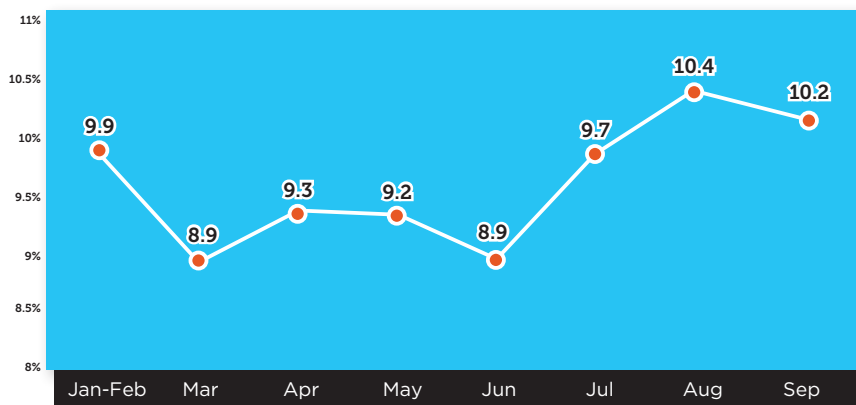
To maintain healthy and sustainable economic development, the Chinese Government has worked to transform the country's economic growth model and upgrade the industrial structure. This year, focus has been laid on eliminating overcapacity, expanding domestic

### Purchasing Managers' Index in the Manufacturing Sector

(50% means no change from the previous month)



### Growth Rates of Industrial Value-Added Output

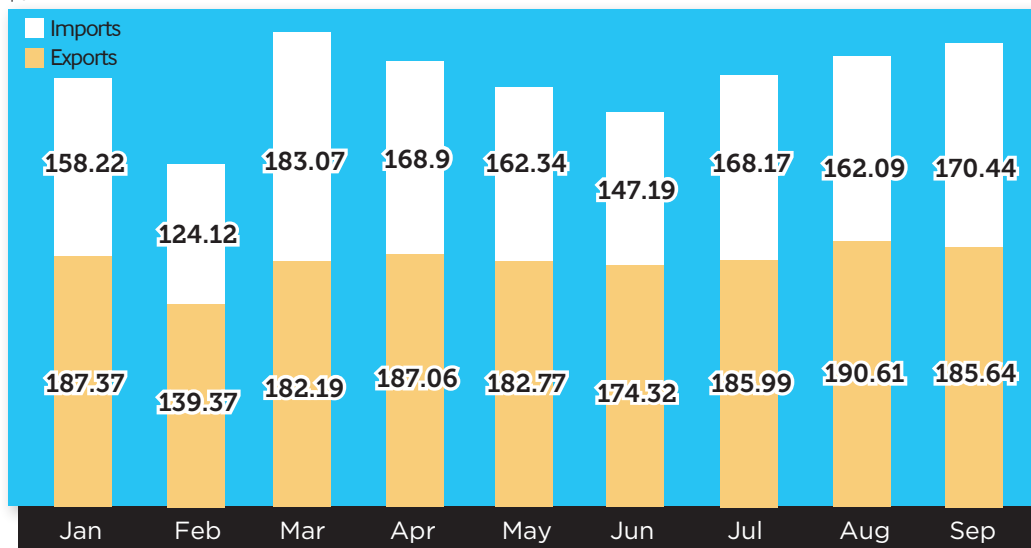


(Source: National Bureau of Statistics)



\$bln

## Foreign Trade



(Source: General Administration of Customs)

demand and developing strategic emerging industries. To accomplish this, China has to suffer the throes of transition because restructured enterprises have yet to yield profits while older enterprises are seeing decreasing profits.

"The slowdown is an inevitable result of economic restructuring, and it's predicable and controllable," said Li Huiyong, an analyst at Shenyin & Wanguo, a securities company based in Shanghai.

To double its 2010 GDP in 2020, China only needs to keep growth hovering above 7 percent. However, to achieve long-term sustainable development, China has decided to slow its economic expansion to carry out structural reforms. Rebound during this past quarter is an indication that the 7.5 percent growth rate in the second quarter may have been the Chinese economy hitting rock bottom.

Nevertheless, the rapid rebound of energy-intensive industries has put great pressure on economic restructuring. In the third quarter, China witnessed a rebound in investment, consumption, exports and the manufacturing industry in particular, which saw its growth rate of industrial added-value jumping from 8.9 percent in June to 10.2 percent in September.

In terms of production, heavy industry products like steel, coke and plate glass rose rapidly; in terms of investment, infrastructure investment kept speeding up. The economy is once again driven by heavy chemical industries,

guided by government investment and powered by state-owned enterprises.

Li said the focus would still be on economic restructuring, transformation and carrying out reforms to accomplish such ends. The main current contradictions are low-quality development and low economic efficiency rather than a slower growth rate. China has to shift away from an old development model dependent on low labor costs, exports and investment. Overcapacity and overinvestment are common plagues across the country, indicating an urgent need for a new development model.

"China should fixate not on the figures but on restructuring and upgrading to promote quality and efficient economic development," said Li.

China's economic restructuring has brought great opportunities for foreign investors. While Chinese enterprises are still trying their utmost to adapt to the changes in China's economy, foreign investors have seized the market.

## High achiever

According to a report from the State Information Center, policies to stabilize economic growth will have an overall positive effect on the count despite slower economic growth. GDP growth in the fourth quarter as well as for the whole year is predicted to stand at 7.6 percent. The inflation rate will rise moderately and

unemployment will stabilize.

Consumption will maintain stable growth in the fourth quarter. Since expanding domestic demand is a focus of economic restructuring, the Chinese Government will foster new growth points, such as expanding broadband Internet access across the country—including in remote and rural areas—and develop industries that are green focused.

What's more, over 20 cities have raised minimum wage standards by roughly 20 percent, which will substantially enhance the purchasing power of low-income groups.

The same trend will take place in regards to foreign trade. Since the U.S. economy appears to be on its way up, the Federal Reserve has decided to gradually reduce its quantitative easing program. The European Union has seen a turnaround. So has Japan.

China is enthusiastically advancing the establishment of free trade zones in order to create a propitious environment. Given that an array of policies was launched in the second half of the year, foreign trade will likely expand. It has been calculated that exports will grow by 7.5 percent in the fourth quarter and 8.5 percent for the whole year. The country's foreign trade surplus in 2013 will reach \$260 billion, up 16 percent year on year.

Consumer prices will rally moderately. Floods in north China and high temperatures across the country during the past summer may make grain prices fluctuate. Because of restructuring, the Central Government will squeeze fixed-asset investment. According to calculations, industrial production will increase by 9.7 percent in the fourth quarter and 9.6 percent for the whole year.

"Though the rebound may be slowing down, it will last until the fourth quarter," said Niu with the State Information Center. "In the future, the economy will grow more stably." ■

lanxinzheng@bjreview.com



China.com.cn China.org.cn

# China's National Online News Service in **10** Languages