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TILTING TO ASIA

China ramps up diplomacy among neighbors

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Good Neighborly Network

China reaches out to Asian nations



Bold Deep-Seated Reforms

A more inclusive market economy

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Silk Road Resurrection

An ancient network revisited

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EDITOR

A Cornerstone of Diplomacy

The past October saw perhaps China's busiest "shuttle diplomacy" schedule ever since the People's Republic was founded 63 years ago. Early in the month, President Xi Jinping visited Indonesia and Malaysia, and attended the APEC Economic Leaders' meeting in Bali. Then, in mid-October, Premier Li Keqiang traveled to Brunei, Thailand and Viet Nam, and took part in the summit meetings with leaders from ASEAN member economies and East Asia states. During the latter half of the month, Beijing simultaneously played host to three premiers from neighboring countries—Dmitry Medvedev of Russia, Manmohan Singh of India and Norov Altanhuyag of Mongolia.

In fact, ever since China's new top leaders assumed office in March, the nation has launched a fresh round of active top-level diplomatic initiatives in its neighborhood, which have borne fruitful results, ranging from trade and economic cooperation to border security and cultural exchange.

Some observers say such diplomatic moves are meant to build up mutual trust and forge closer partnerships between China and neighboring countries. For one thing, as China is faced with tensions over territorial rows with some neighbors, as well as the so-called "pivot to Asia" targeted against it, the country wishes to create a more favorable environment for pursuing domestic economic and social development. Besides, China also hopes to enhance regional cooperation to create mutually beneficial prospects for all and remove doubts or apprehension of some neighbors over her peaceful rise and growing clout.

It is true that China has prioritized improving good neighborly ties to cope with the increasingly complicated regional and global situation. But apart from such considerations, China has always taken developing friendly and cooperative relations with neighboring countries as the cornerstone of its diplomacy. It has done so because the nation's leaders realized that good-neighborly policies are conducive to establishing a more amicable and secure region where China and its neighbors can develop together. ■

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HALLOWEEN JOYS

A teacher distributes candies to students during a Halloween activity at a primary school in Beijing on October 29. The children made pumpkin lamps, masks and costumes, experiencing the coming Western festival.

Double Check

Food safety inspectors check a restaurant in Weinan City, Shaanxi Province, on October 16.

The Legislative Affairs Office of the State Council on October 29 launched a month-long solicitation of public opinions on draft amendments to the Food Safety Law that will impose harsher punishments against violators.

According to the draft, fines for severe food safety violations such as use of illegal additives will be 15 to 30 times the amount involved in the misconduct, up from the current five to 10 times.



DING HAITAO

Deadly Attack

A car crash that occurred near downtown Beijing's Tiananmen Square on October 28 was a "carefully planned, organized and premeditated" terrorist attack, according to the Beijing police.

The three attackers died during the incident and a further five suspects have been detained, a police spokesman announced on October 30.

Usmen Hasan, his mother, Kuwanhan Reyim, and his wife, Gulkiz Gini, drove a jeep with a license plate belonging to northwest China's Xinjiang Uygur Autonomous

Region and intentionally crashed into a crowd of people, before setting gasoline inside the vehicle alight, the spokesman said.

Police found gasoline, equipment full of gasoline, two knives and steel sticks as well as a flag with extremist religious content in the jeep.

Police have also found knives and at least one "jihad" flag in the temporary residence of the five detained suspects.

The suspects caught in connection with the incident are Husanjan Wuxur, Gulnar Tuhtiniyaz, Yusup Umarniyaz, Bujanat Abdukadir and

Yusup Ahmat. According to the police spokesman, they admitted that they knew Usmen Hasan and helped conspire the plan and carry out the attack.

Police said that the other two people killed in the attack were tourists—one Philippine woman and one man from south China's Guangdong Province.

A further 40 people were injured during the attack, including three other Philippine tourists and one from Japan. All of them are receiving treatment in hospital.

Chinese Foreign Ministry spokeswoman Hua Chunying said on October 30 that China expresses its condolences to the victims, pledging to provide the necessary assistance to the relevant countries.

Further investigation into the case is under way.

Austerity Measures

The Communist Party of China has intensified efforts to fight waste and extravagance among Party and government departments with the approval of new regulations on thrift practices by the Political Bureau of the Party's Central Committee on October 29.

According to a statement from a Political Bureau meeting, the regulations aim to limit, supervise and punish various violations related to spending of public funds.

The regulations offer comprehensive stipulations that cover public fund management, domestic and overseas trips, business receptions, meetings and other official activities, the use of non-private vehicles and offices as well as resource savings.

According to the statement, departments at all levels should map out detailed measures under the framework of the regulations in accordance with the realities of their own work, ensuring strengthened supervision and harsher punishments for violators on a case-by-case basis.

Legislation Plan

China's top legislature plans to discuss 68 bills in the next five years,



COURTESY OF CITIC



JEWELRY FEST

The 2013 China International Jewelry Fair is held in Beijing from October 31 to November 4. Gems, jewelry, gemological minerals, precious metal items and related products were displayed and sold at the fair



CONGRESS FOR WOMEN

Deputies walk into the Great Hall of the People in Beijing for the opening ceremony of the 11th National Women's Congress of China on October 28

11 of which are related to environmental issues.

The Standing Committee of the National People's Congress, the country's national legislature, announced a five-year legislation plan on October 30.

A total of 47 bills are to be discussed, including 33 draft amendments and 14 new laws, according to the plan.

There are also 21 bills being drafted that will be submitted for discussion when ready, the document said.

The bills on environmental issues include draft amendments to land management, environmental protection, air pollution and water pollution regulations as well as draft laws on soil pollution and nuclear facility safety measures.

Emission Reductions

Emissions of four major pollutants in China saw a year-on-year decrease of 2-3 percent in the first half of



2013, according to the Ministry of Environmental Protection.

Figures in a ministry report released on October 25 showed that Chemical Oxygen Demand, a measure monitoring organic pollutants in water, stood at 11.993 million tons in the first six months, representing a 2.37-percent drop year on year.

Emissions of sulfur dioxide, another major pollutant, dropped 2.48 percent from the previous year to 10.569 million tons.

Meanwhile, the total volume of ammonia nitrogen emissions reached 1.259 million tons and nitrogen oxide emissions totaled 11.675 million tons, registering year-on-year decreases of 2.15 percent and 3.02 percent, respectively.

According to the report, the ministry will issue more regulations

on a number of other factors affecting the environment, including price evaluation of coal-fuelled generators and waste emissions limits for construction projects.

Medical Support

China has set targets for training of doctors in order to better serve the country's large rural population, according to a plan made public by the National Health and Family Planning Commission on October 28.

The plan outlines improvements to the country's education and training systems for rural doctors, in a bid to ensure that 60 percent of such doctors hold degrees from secondary technical schools or better by 2015.

In addition, all rural doctors are expected to be qualified as medical practitioners by 2020, under the plan.

The number of rural health workers in China reached 1.2 million at the end of 2010, marking an 18.1-percent increase in comparison with the number in 2000, according to the commission.

Space Training

China is providing training for space professionals from developing economies, enhancing their capacity in satellite operations and space technology applications.

"Hundreds of space engineers

and scientists from several countries including Pakistan and Nigeria have received training in China since 2005," said Li Lan, Vice General Manager of the Communications Satellite Division of the China Great Wall Industry Corp., the country's only commercial provider of international launch services and satellite in-orbit delivery.

The latest training was provided to 35 Bolivian space experts, who completed their studies on October 28.

The training was part of the Tupac Katari program signed in 2010 between the Bolivian Space Agency and the China's Great Wall.

Disney in Shanghai

Shanghai will be home to the world's largest Disney store by 2015 when the Shanghai Disney Resort opens to the public.

The Walt Disney Co. China announced on October 25 plans to build the first Chinese Disney store in the city's Lujiazui.

Set to open in early 2015, the 5,000-square-meter store will be located in Shanghai's financial hub, and will feature a retail space and a Disney-themed outdoor plaza area.

Yang Xiaoming, General Manager of Shanghai Lujiazui (Group) Co. Ltd., said that the store's innovative design, product and entertainment offerings will provide the Lujiazui area with a family-friendly destination.

Smartphone in Tibetan

The first Chinese-Tibetan bilingual smartphone debuted in Lhasa, China's Tibet Autonomous Region, on October 28.

The Huawei smartphone, C8815, offers bilingual text input and costs 990 yuan (\$161). Users can install Tibetan-language applications on the phone.

More than 80 percent of the Tibetan population live in remote

rural and pastoral areas, many of whom do not understand the Chinese language.

The Central and Tibet regional governments have invested more than 1 billion yuan (\$163 million) since 2008 on technological application of the Tibetan language, including the development of Tibetan-language office software and digital dictionaries.



Connecting Lhasa

Cars drive along the Najin Bridge in Lhasa, capital of Tibet Autonomous Region, which underwent a pilot run on October 27.

Located on the eastern outskirts of the city, the bridge is the first such major structure in Tibet. With a total investment of 370 million yuan (\$60.72 million), it is 1.28 km long and 33 meters wide.



Credit Tracking

People living in nine provincial-level regions, including Beijing and Guangdong, can now look up their personal credit reports using an online inquiry service. This was made available from October 28.

The People's Bank of China, or the central bank, started building its database of credit information in 2006, providing a yardstick for financial institutions to measure an individual's trustworthiness, especially when providing a loan.

According to a blue paper published by China Banking Association,

the country's financial institutions issued 330 million credit cards by the end of 2012, with annual trading of 10 trillion yuan (\$1.63 trillion).

The database collected information on 820 million individuals, among whom 290 million had personal credit files. The new platform is expected to draw public attention to personal credit records and help make credit management a part of people's daily routine, said Chang Sheng, General Manager of Allwin Credit, a Beijing-based micro-finance service provider.

The system is another form of credit tracking in China and the

service will be available to the whole population in the first half of 2014, according to the central bank.

E-Commerce Boom

The size of China's business-to-customer (B2C) e-commerce market reached 162.4 billion yuan (\$26.66 billion) in the third quarter, up 50 percent year on year, Internet market research company Analysys International said in a report on October 29.

The B2C market, gradually narrowing the gap with its customer-to-customer (C2C) equivalent, has covered 39 percent of the country's whole online retail market, said the report.

After several rounds of fierce price wars in the second quarter,

China's e-commerce giants were active in expanding new businesses by developing online financing enterprises and introducing multiple operations.

The report predicted that China's B2C market would grow robustly in the fourth quarter, when major e-commerce enterprises will put much effort into the online-to-offline market.

Popular FTZ

The Shanghai pilot free trade zone (FTZ) has seen 208 newly registered enterprises since October 1, local authorities said on October 28.

These include 188 domestic and 20 overseas-funded companies, according to the Shanghai Administration for Industry and Commerce.

Registered capital ranges from 30,000 yuan (\$4,900) to 480.8 million yuan (\$79 million), according to the administration.

Of the newly registered enterprises, trade and investment-asset management industries fielded most registrations, with 122 and 36 respectively.

The Chinese Government officially opened the 29-square-km Shanghai FTZ on September 29.



NEW ENERGY VEHICLE

A worker assembles an electric vehicle at Shandong Wido New Energy Automobile in Zouping County, Shandong Province, on October 27



SMART SUBSTATION

Staff members examine equipment at the Changli 500-kilovolt electrical substation in north China's Hebei Province on October 28, which adopts a digital and smart system to control, adjust, analyze and coordinate supply



WANG HANZH

Tax Breaks

Enterprises involved in government-led shantytown renovation are eligible for tax breaks if they meet certain conditions, authorities announced on October 28 in an effort to encourage participation in the project.

Renovation expenditure would be deducted from the taxes paid by enterprises engaged in government-organized redevelopment of remote mining and forestry areas short of public infrastructure, according to a circular released by the Ministry of Finance and the State Administration of Taxation.

The circular also specified other requirements for the tax break, including the number of households in the shantytowns and the state of such areas. The policy will be retroactive to January 1, 2013.

Shantytown renovations are a crucial part of China's efforts to provide low-income urban residents with affordable accommodations.

Monopoly Fined

A court in south China's Guangdong Province has ordered U.S. firm InterDigital Communications (IDC) to pay local technology giant Huawei 20 million yuan (\$3.26 million) in compensation for monopolistic practices.

In its final verdict on October 28, the Guangdong Provincial Higher People's Court upheld the previous verdict issued by the municipal intermediate people's court of Shenzhen, where Huawei is headquartered.

Patent prices offered to Huawei by IDC have often been hundreds of times higher than to other companies, according to the court. Asking for a higher price from Huawei is neither fair nor reasonable as its cellphone sales volume is far less than that of Apple and Samsung, the

court stated.

The U.S. International Trade Commission initiated a Section 337 investigation into Huawei's 3G and 4G wireless devices on January 31 for patent infringement. IDC, a wireless technology patent giant, was actively pushing forward the investigation.

According to the court, it was legitimate for the case to be heard in China as Huawei's manufacturing is based in the country and IDC's monopoly in U.S. markets and patent authorization could directly affect Huawei's production in China as well as its exports.

Huawei sued IDC over its abuse of market monopoly on December 6, 2011 and asked for compensation worth 20 million yuan (\$3.26 million). Both parties appealed to the court after its first verdict was reached.

Numbers

31

Number of new international air routes that will be added in China during the coming winter-spring season, including middle and long haul flights

34.1 bln yuan

Volume of China's mobile shopping market in the third quarter

\$15,000

Per-capita GDP in south China's Shenzhen in the first nine months

324.4 bln yuan

Investment initiated by state-owned and private enterprises in east China's Zhejiang Province regarding cooperation with private enterprises

Money-Spinners

Farmers in Bozhou City, Anhui Province, pick chrysanthemums, which is often dried to be made into tea.

With a bumper harvest this year, each *mu* (1 *mu*=0.07 hectare) of the flower could provide about 7,000 to 8,000 yuan (\$1,149 to \$1,313) in income.



LIU JIN

THIS WEEK WORLD



KENYA

A train rams into a public service bus in Nairobi on October 30, killing at least 12 bus passengers



BAHRAIN

Riot police guard themselves from petrol bombs thrown by anti-regime protesters in the village of Abu Saiba, west of Manama, on October 25



CZECH REPUBLIC

Chimpanzees are shown films of their wild counterparts at the Hodonin Zoo for reproductive purposes on October 30





UKRAINE

A girl holds pigeons beside a fountain during a warm autumn day in the Ukrainian capital of Kiev on 29 October



THE UNITED STATES

A boat carrying tourists arrives at Ellis Island after it was re-opened to the public on October 28, one year after being flooded by superstorm Sandy

XINHUA/AFIP



AFP/WHITIX



XINHUA/AFIP



FRANCE

Large waves break against a dyke at the entrance of the port of Boulogne, northern France, on October 28

“I think our Chinese counterparts are active. They have shown high professionalism in their fields and are capable of raising constructive suggestions. Their comprehensive qualities are good. They have high aspirations for the future.”

Nicolae Banicioiu, Minister of Youth and Sports of Romania, said during the First Young Political Leaders Forum of China and Central and Eastern European Countries in Beijing on October 23



“Increased tension or even hostility is an accurate description of the current relationship between medical professionals and patients in China.”

Yu Miaoxiang, Deputy Director of the Bureau of Health in Wenling, Zhejiang Province, commenting on the recent stabbing of three doctors in a local hospital by a patient unhappy with a procedures he underwent



“It seems blue skies in Beijing only appear when winds are strong enough. Once large-area air pollution occurs, it could lead to positive feedback in atmospheric circulation patterns, resulting in more frequent occurrences of bad air.”

Lin Yanluan, an associate professor of the Center for Earth System Science at Tsinghua University



“We consider such forceful measures as Japan’s claim of ‘shooting them down’ a severe provocation and an act of war. We will respond with resolute counterattacks and the provocateur will bear all consequences.”

Geng Yansheng, spokesman for China’s Ministry of National Defense, responding at a news briefing on October 27 to a Japanese Government threat to shoot down Chinese drones conducting training and flying missions over the East China Sea



SCIENTIST ACKNOWLEDGED



Chinese glaciologist and climate scientist **Qin Dahe** has won this year’s Volvo Environment Prize for his cryospheric science and global climate change research. An award ceremony will be held in Stockholm, Sweden, on November 26.

Involved in the preparation of the Intergovernmental Panel on Climate Change assessment reports since 1998, Qin attracted wide attention last year with a report on how climate change leads to extreme weather events.

The Volvo Environment Prize was established in 1988 and is awarded annually to people who have made outstanding scientific discoveries concerning the environment and sustainable development.



RECORD-BEAKING TENNIS STAR



Chinese tennis player **Li Na** reached the WTA Championship final on October 28, the first for a regional player. Despite her loss to Serena Williams from the United States via a three-set final, Li, 31, showed that she is improving at an age when many players suffer a decline in performance. She achieved her best ever season-end world ranking of No. 3, a new high for Asian players. She rose to international prominence after clinching the 2011 French Open singles title and has won seven WTA singles titles.



Jack Ma's Empire

Caijing Magazine
October 21

This September saw a new landmark event occur at Alibaba Group led by Jack Ma. Its 12,000 staff members moved into the company's new office building near Xixi Wetland, a famous scenic area boasting the first and only na-

tional wetland park in China.

Ten years ago, Ma established the company in Hangzhou, capital of south China's Zhejiang Province, as the country's biggest

E-commerce corporation. In the following years, he explored businesses in fields such as finance, logistics, tourism and agriculture. In addition, Yunfeng Capital, which Ma jointly established with other investors, has stretched its antennas to entertainment, media and even the gene field. Ma is undoubtedly one of the most outstanding businessmen in China. As the idol of Alibaba, he has said on many occasions that what he expected was not an empire, but an ecosystem.

He once admitted that he was bad at dealing with public relations and tries to keep close ties with the government. But this can't necessarily ensure him financial success. His ambition for the finance industry might be one of his hidden weaknesses, according to outsiders. Although he has repeatedly said that Alibaba won't establish banks, its new products do seem to be heading in that direction.

Ma is drawing increasingly closer to state-owned capital, which could bring new variables to his empire. Trouble could easily arise due to a bad relationship with state-owned shareholders.

Assault Against Doctors

people.com.cn
October 29

The assault of medical staff in Wenling, Zhejiang Province, on October 25, which killed one doctor and injured two, once again attracted national attention to doctor-patient conflicts.

Frequent assaults against doctors have made this profession dangerous. Doctors and patients should be allies in fighting illnesses instead of eyeing each other with suspicion. No matter how serious the conflict, resorting to violence can only make things worse. The assaults have caused extreme pressure on medical workers. According to a recent survey in China, 78 percent of participating doctors don't want their children to study medicine.

The tension between doctors and patients are closely related to the larger social background where-in trust among people deteriorates amid increasing violence and crime. But the sudden surge of assaults against doctors is a result of weak punishment against lawbreakers. It is therefore high time for the public security departments to deter such violence by heavily punishing assailants in accordance with laws.

Hospitals should further facilitate the channel of communication between doctors and patients, enabling patients to complain when problems occur.

Due to the professional nature of medicine, asymmetric information does exist between both sides. This conflict is even more severe in China. The major reason is the underdeveloped healthcare system. Medical resources are distributed in an unbalanced way, with 80 percent of patients in rural areas and 80 percent of quality medical facilities in cities. To eliminate assaults against doctors, medical reform is necessary.

Divorce Rate Increase

The Beijing News
October 30

Recently, the Beijing Municipal Bureau of Civil Affairs revealed that in the past three quarters, 39,075 couples registered for divorce in the city, up 41 percent compared to the same period last year and beyond the average figure for the last four years.

The rise is partly a result of government real estate regulations. In February 2013, the Central Government levied an individual income tax on gains from selling real estate at 20 percent. The Beijing Municipal Government

specified that the transfer of a house that has been used over five years, and that is one's only residential property, is exempt from personal income tax. In this light, many families with two or more houses chose to avoid the tax via fake divorce. And Beijing is not the only city to see such a phenomenon. Quite a number of big cities have followed suit.

Although such an irresponsible attitude toward marriage should be condemned, it has revealed the irrationality of such a policy. To control housing prices through high taxes only increases transaction costs, and can't meet the increasing demand.

Getting Old Before Getting Rich

Oriental Outlook
October 31

China is the only country in the world that has an aging population of more than 100 million. Statistics show that the population of the elderly reached 194 million in 2012, and the number is expected to exceed 200 million in 2013 and 300 million by 2015.

Officials of the Ministry of Civil Affairs said that affected by factors such as longer life expectancy, sustained low birth rate, rapid urbanization and three baby booms, the

pace of entering an aging society is speeding up and posing a big challenge to the country. China will become one of the countries with the heaviest burdens to provide for the aged.

A shortage in pension funds has developed over the past 30 to 40 years, which might take a similar amount of time to rectify. Reform of old age security has become a heated topic. Recently, the debates are centering on the suggestion of delaying retirement. And this suggestion has received mixed reactions.



OPPLE



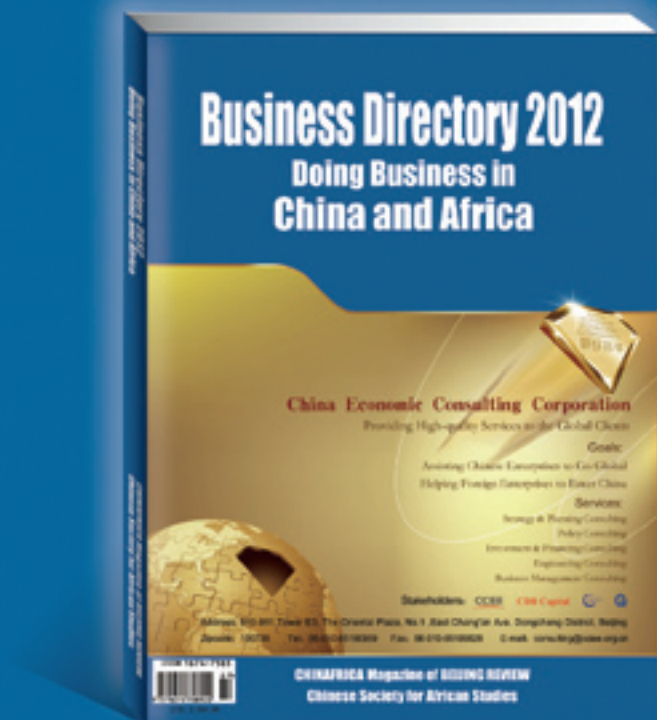
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APEC INDONESIA 2013

FIRST WIVES: Chinese President Xi Jinping (second left) and his wife Peng Liyuan (left) pose for a photo with Indonesian President Susilo Bambang Yudhoyono and his wife in Bali, Indonesia, on October 7



MA ZHANG/CHENG

COVER STORY

GOOD NEIGHBORLY NETWORK

China's leaders make an unprecedented outreach to neighbors

By Yu Lintao

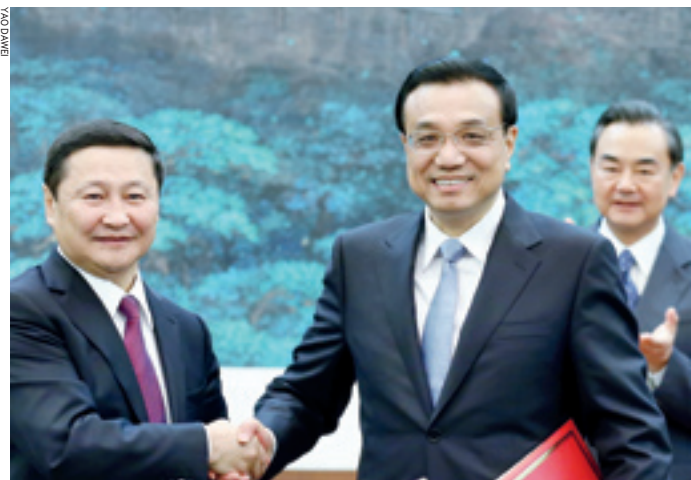
China's intensive diplomatic activities with its neighbors in recent months have captured the attention of the outside world. In just over half a year since the inauguration of new leadership, the nation's top leaders have had positive interactions with heads of state from almost all surrounding countries through reciprocal visits and dialogues. Observers remarked that the spate of exchanges was unprecedented.

A work conference focusing on China's neighborhood diplomacy was held in late October. The large scale and rare high profile of the conference, which gathered represen-

tatives from many walks of China including the economic circle, local governments and even individuals, indicate the great importance China's Central Government attaches to diplomacy in the region.

Qu Xing, President of China Institute of International Studies (CIIS), said that some sensitive issues involving China in recent years have aroused international concern. Thus, it is necessary to present an explicit explanation of China's foreign policy to its neighboring countries.

"As a top-level meeting coordinating China's diplomatic work with its neighbors,



NORTHERLY NEIGHBOR: Chinese Premier Li Keqiang (front right) and visiting Mongolian Prime Minister Norovjin Altanhuyag (left) in Beijing on October 25

YAO DAWU



TRADE MATTERS: Chinese Premier Li Keqiang (right) and visiting Indian Prime Minister Manmohan Singh (center) attend a signing ceremony of bilateral cooperative contracts in Beijing on October 23



TURKMENISTAN TIES: Chinese President Xi Jinping (left) and his Turkmenian counterpart Gurbanguly Berdimukhamedov (front right) attend the ceremony of inaugurating the No.1 processing plant of the Fuxing Gas Field in Mary, Turkmenistan, on September 4

the conference worked to create a blueprint for future endeavors,” said Qu.

Observers believe the recent moves regarding China’s neighborhood diplomacy reflect a shift in its foreign policy. The moves are also illustrative of the new mindset of China’s leadership.

Complex changes

It may be a cliché when a person comments on a situation by saying that, “It’s complicated,” but the phrase can certainly be applied to China’s relationships with surrounding countries.

No major power—including the United States and Russia—faces a more complicated neighboring environment than China. Sharing land borders with 14 countries and six maritime neighbors, China likely has the

most neighbors in the world. As each neighbor has different cultural practices, political systems as well as economic development stages, great diplomatic wisdom is needed for the Chinese Government to develop amicable relations with them all.

“Primarily, neighboring relations are of distinct significance for China due to factors such as geography, the environment and intertwined relationships,” said Jin Canrong, Associate Dean of the School of International Studies at Beijing-based Renmin University. “Consolidated relations in the region are essential for China’s national revival, as it is impossible to develop without a stable and sound environment.”

Fostering a good-neighborly policy is the consistent principle of China’s diplomacy; however, the recent intensification of China’s

diplomatic exchanges with neighboring countries shows that the region is undergoing profound changes.

Professor Ren Xiao from the Institute of International Studies at Shanghai-based Fudan University claimed that these changes require China to readjust its policies to keep pace with the times.

China should understand the concerns and desires of its neighboring countries as the domestic and regional environment evolves, said Ren.

China’s current neighboring policy is generally believed to have formed at the beginning of the 21st century when its international status was not that prominent in the world. However, after a decade of rapid economic expansion, the comprehensive strength of China has been enhanced. Especially since the outbreak of the global financial crisis in 2008, the international political and economic order is being reshaped gradually with the center of world power shifting from the West to the Asia-Pacific. In 2010, Washington announced its “pivot to Asia” strategy around the same time that China surpassed Japan to become the world’s second largest economy. A more prominent China is different from the past in the eyes of its neighbors—words and actions can be easily exaggerated or interpreted as a “threat,” which observers said is one of the “growing pains” of China.

In addition, along with the deepening of contacts between China and its neighbors, conflicts of interest between them are also on the rise. At the diplomatic work conference, Chinese President Xi Jinping also noted that there had been lots of changes in relations between China and its neighbors.

“Our economic and trade links are closer, with unprecedented interactive exchanges. The situation requires us to keep pace with the times and be more active in blueprinting diplomatic strategy and undertaking diplomatic work,” said President Xi.

Professor Ren said that China, which is larger than any of its neighboring countries except Russia and rising at a rapid rate, is understandably being met with mixed feelings on the part of its neighbors—such as apprehension and mistrust.

Interactions Between China and Its Neighbors in 2013

- March 22-24: Chinese President Xi Jinping visited Russia. The two countries signed a joint statement on deepening the bilateral comprehensive strategic partnership.
- May 19-21: Chinese Premier Li Keqiang visited India, reaching cooperation agreement on trade, agriculture, and environmental protection. The two countries also proposed to build an economic corridor among China, India, Myanmar and Bangladesh.
- May 22-23: Chinese Premier Li Keqiang visited Pakistan, during which the two countries issued a joint statement to cement their strategic partnership.
- June 27-30: South Korean President Park Geun-hye visited China. The two sides agreed to strengthen cooperation on bilateral economy and trade, deepen cultural ties and coordinate on regional affairs.
- September 3-13: Chinese President Xi Jinping paid a visit to four Central Asian countries—Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan, and attended a summit of the Shanghai Cooperation Organization in Bishkek, Kyrgyzstan. During his visit, Xi proposed to build a Silk Road economic belt together with the four countries.

- October 2-8: Chinese President Xi Jinping visited Indonesia and Malaysia and also attended the 21st informal economic leaders' meeting of APEC in Bali. When delivering a speech at the House of Representatives of Indonesia, Xi called for strengthening maritime cooperation with ASEAN nations and building a 21st century maritime Silk Road together.
- October 9-15: Chinese Premier Li Keqiang visited Brunei, Thailand and Viet Nam. During the visits, China issued joint statements with the three countries respectively to deepen bilateral ties and signed cooperation agreements on various aspects. In addition, during the visits, Li also participated in a series of East Asia leaders' meetings.
- October 22-23: Russian Prime Minister Dmitry Medvedev visited China, and attended the China-Russia prime ministers' regular meeting.
- October 22-24: Indian Prime Minister Manmohan Singh visited China. The two sides signed a series of agreements on bilateral cooperation in a wide range of areas.
- October 22-26: Mongolian Prime Minister Noroviin Altanhuyag visited China, during which the two countries signed a document outlining key areas of cooperation in the medium and long term.

(Source: Compiled by Beijing Review)

Therefore, more positive diplomatic activities between China and its neighbors are needed to address those sentiments. Enhancing neighborhood diplomacy by integrating China's interests with those of its neighbors will greatly diminish the images of "China threat," he added.

President Qu of the CIIS claimed one positive side of the changing domestic and regional situation is that more neighbors are seeking to develop active bilateral ties with China.

He said that many neighbors have noted the benefits of cooperating with a rapidly rising China. Surrounding countries benefit from a burgeoning Chinese market while the latter gains more momentum from the common prosperity from its neighbors.

New mindset

Besides the intensive high-level exchange of visits between China and its neighbors, observ-

ers noticed that Chinese top leaders also raised several strategic approaches to developing ties with its neighbors, drawing a blueprint for regional common prosperity.

President Xi and Premier Li Keqiang proposed to establish a Silk Road economic belt, a maritime Silk Road for the 21st century, as well as a Bangladesh-China-India-Myanmar economic corridor respectively during their trip to neighboring countries.

Qu said the proposals have covered operable and concrete cooperation on politics, the economy, finance and security. Moreover, the proposals could promote regional integration, trade and investment, generating a win-win result for all regional countries.

One of the highlights of the recent diplomatic work conference is the participation of representatives from financial institutions and big enterprises, which demonstrates the importance of economic and trade activities in China's diplomacy. A striking example was

seen during Premier Li's recent Southeast Asia trip, during which he played the role of a spokesman for China's high speed railway technology in Thailand. In late October, trade ministers from Southeast Asian countries took a test ride of China's high speed railway from Shanghai to Beijing when they visited China.

President Xi proposed a three-dimensional, multi-element perspective when engaging with neighboring countries at the APEC economic leaders' meeting in October.

It serves as a guiding principle for China's diplomacy with its neighbors for the next five to 10 years, said Qu.

Xi also called on all parties to seek common ground and converging interests, cherish friendship and righteousness, and said that China will offer more assistance to developing countries within China's capacity. He emphasized that the basic tenet of diplomacy with neighbors is to treat them as partners, to make them feel safe and to help them grow.

Jin of the Renmin University remarked that China's new leadership has actually been taking the approach of "friendship first, disputes later" when working with its neighbors. Therefore, it is very likely to gain a positive response from them.

"China's foreign policy has generally aimed to put major power relations on an equal footing with those of surrounding countries; however, in practice the diplomatic practices have tended to focus heavily on major powers while leaving policies related to China's neighbors on the periphery. The recent diplomatic conference has sent a signal that China will truly attach equal importance to its neighborhood diplomacy and its diplomacy with major powers in the future," said Professor Jin. ■



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Bold Deep-Seated Reforms

Commitment to transparent, efficient startups registration and inclusive market economy headline reforms

By Lan Xinzhen

The Chinese Government released a range of reform and opening up policies, as is customary, ahead of the Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), which runs from November 9 to 12 and will set the nation's reform agenda for the next 10 years. This year, the corporate registration system was included in the reform package.

On October 25, Premier Li Keqiang hosted an executive meeting of the State Council, and gave five specific instructions for reforms of business operations.

Five Measures to Reform Business Operation

First, the minimum registered capital requirement of 30,000 yuan (\$4,900) to start a limited liability company will be removed, so will the 100,000 yuan (\$16,410) requirement for an individual company and the 5 million yuan (\$820,500) requirement for an incorporated company.

Second, the annual inspection of com-

panies will be replaced with a reporting system that can be viewed online to increase the transparency of business operations.

Third, requirements for company registration address will be simplified.

Fourth, efforts will be made in advancing the building of an integrity system, and enterprises with duplicitous practices will be put on a "blacklist" that will be made publicly available.

Encouraging startups

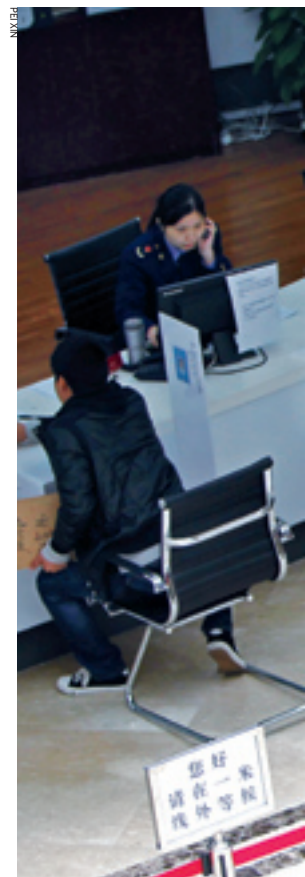
As China's first corporation was published in 1993, the modern corporate system has been

in place for a mere 20 years. At that time, China adopted a legal capital system. That is to say, companies had to pay registration capital in full. Moreover, startups were required to ensure that the value of corporate assets was equivalent to registered capital.

It was not until 2005 that the legal capital system was replaced with an authorized capital system, which didn't demand stakeholders to pay registered capital in full. This system also reduced the minimum requirement of registered capital for limited liability companies and joint stock companies to 30,000 yuan (\$4,900) and 5 million yuan (\$820,500), respectively. This greatly lowered the threshold for startups and boosted the enthusiasm to invest.

Nonetheless, the old corporate registered capital system has lagged behind the economic change and entrepreneurial environment. Therefore, it can no longer meet the demands of innovative, small and micro-sized enterprises. As countries across the world try to create a favorable institutional environment for startups, such thresholds are virtually handicaps for entrepreneurs.

In 2009, within the scope of related laws, rules and regulations, the State Administration for Industry and Commerce began to carry out a pilot





FREE MARKET:
People line up for enterprise registration at the business service hall of the Shanghai Pilot Free Trade Zone on October 25

program of corporate registration system reforms in Beijing, Shanghai and south China's Guangdong Province.

In Pudong District, Shanghai, the requirement for registered capital has been completely eliminated, though measures like centralized registration have yielded satisfactory results.

The newly released company registered capital system also needs to be justified through pilot program experience.

Zhang Liqun, a research fellow from the Development Research Center of the State Council, argued that the reforms indicated the government had shifted from examinations and approvals to supervision, and would significantly restrain administrative forces from interfering in the market. In the future, it will be easier for entrepreneurs to start a company, while the government will be stricter in monitoring corporate operations.

The move will help improve the investment environment, intensify the stable economic upswing, and stimulate the vitality of social investment.

Predating the unveiling of reforms on the registered capital system, a 383 Plan for reform was submitted by the Development Research Center of the State Council to the Third Plenary Session of the 18th CPC Central Committee. The blueprint quickly stirred up heated debates.

Inclusive market economy

The plan aims to set up a vibrant, innovative, inclusive market economy protected by the rule of law. It listed a reform trinity—the market, government and corporations—eight key sectors and three packages for likely breakthroughs, and has thus been dubbed the 383 Plan.

The plan involves a succession of hot issues, many of which are also the difficulties confronted by China. Some policy adjustment measures are bold, decisive and inspiring.

The blueprint is closely associated with the upcoming Third Plenary Session of the 18th CPC Central Committee. It indicates a heavy focus on reforms this time round, reforms that will be

pushed forward with much determination in more sectors, reminiscent of the landmark Third Plenary Session of the 11th CPC Central Committee held in late 1978.

Looking back at that plenary session, which raised the curtain on China's reform and opening up, the country moved forward carefully and cautiously, and mistakes, to some extent, were tolerated.

Today, things have changed. Reforms have to address deep-seated institutional loopholes and emerging challenges. Hence, there is little room for error.

Releasing the reform plan ahead of time indicates that the government is prepared to hear public opinion. In this way, measures that gain public support will be promoted, and those not favored will be put aside.

Naturally the 383 Plan cannot solve all the problems that hinder China's progress, and more reforms will follow. This year, the new Chinese leadership has unveiled seven reform policies, including reducing administrative intervention, expanding the pilot program of replacing business tax with a value-added tax, and interest rate liberalization. In the following days more in-depth measures and policies will be decided on to push China's reform and opening up even further. ■

A Horizon of Reform

The upcoming Third Plenum of the 18th CPC Central Committee could cement big changes By Josef Gregory Mahoney



The author is an associate professor of politics at East China Normal University; research fellow with the Center for the Study of Contemporary China at the Institute for Advanced Studies at Fudan University; and assistant editor of U.S.-based *Journal of Chinese Political Science*

With the Third Plenary Session of the 18th CPC (Communist Party of China) Central Committee scheduled for this November, many observers are ready for a potentially history-making meeting, one that might provide new direction for key reforms as China faces new challenges under new leadership. While it remains uncertain what changes November might produce, we will discuss here why the meeting is important and review a number of possible areas for reforms that the meeting might address.

First, let's shed some light on this discussion by reviewing history. In recent times, Party congresses have generally begun with a meeting that confirms new Party leaders—this is the first plenary session—with the most recent one having taken place in November 2012. Typically, the first session is followed by a second several months later, when the Party prepares itself for the upcoming National People's Congress (NPC), when new Party leaders are formally elected to positions in the state apparatus. The most recent second session took place in February 2013, and was followed the next month by the NPC. Subsequently, a third session is held, usually within the same year. These third sessions are commonly used by


new leadership teams to initiate discussions that can eventually lead to important reforms. For example, we date Deng Xiaoping's "reform and opening up" to the Third Plenary Session of the 11th CPC Central Committee in 1978, and development of the "socialist market economy" to the Third Plenary Session of the 15th CPC Central Committee in 1993. Of course, these meetings never produce in full the reforms that follow, but they do help define the Party's thinking and direction as it moves forward.

Like most countries, China is currently facing many challenges that are related to sustaining growth and development while controlling corruption and improving social and ecological justice. National leaders have already signaled that November's meeting will focus primarily on economic and not political reforms. In fact, economic reforms are always political. This is one of the reasons why major economic reforms have languished in recent years, when the Party was unable, at times, to transcend its own competing visions for progress. This led to a political gridlock of sorts, one that was further hampered by the global financial crisis. However, recent political developments suggest a new opening for reforms. Xi Jinping's

earlier-than-expected consolidation of the three top leadership positions indicates that the Party has found a true consensus leader. Therefore, we will likely see the Party rally around Xi as new reforms are discussed and, eventually, crafted and implemented.

During the November meeting, Xi will deliver a work report from the Standing Committee. Many expect this report to discuss a new vision for moving forward, and touch on many areas for concern, such as reforming China's banking system and financial industry; improving the fiscal and taxation systems; accelerating the internationalization of China's currency; confronting off-balance sheet activities by state-owned enterprises; marketizing interest rates; establishing better land use and property rights; addressing problems associated with the household registry (*hukou*) system; stimulating domestic consumption; de-emphasizing export-led growth; encouraging "green" and sustainable development; implementing changes to both the Party and the nation's administrative systems; and responding effectively to concerns for social justice and welfare. Many expect Xi will discuss the Party's ongoing effort to address corruption in its own ranks as well as within the government and society at large. Corruption can undermine any new reforms; therefore, economic reforms and measures to control corruption, particularly graft, must go hand-in-hand.

Taken as a whole, if November's discussion touches on several if not all of the topics noted above, we will see that the Party is thinking in terms of a comprehensive vs. piecemeal approach to reform. While



China's approach to development has been very successful, it periodically requires significant reforms and adjustments. Frequently, such reforms are encouraged by necessity. On the one hand, there has been a tremendous disincentive to radically alter a system that has produced and sustained some of the highest growth rates in modern human history. On the other hand, it is widely recognized that both China and the rest of the world have changed too much to continue with business as usual. Furthermore, there are other concerns that remain outstanding, as China's approach to reform is generally phased in such a way as to address specific issues at one point in time while understanding that such changes will provoke new needs down the road. In one sense this is described as "crossing the river by feeling the stones." Sometimes, however, circumstances require taking several steps simultaneously, in close coordination with each other. Many experts believe that November's meeting will show that a comprehensive approach to reform is coming.

Let's now take a closer look at some of the challenges facing leaders as they take a comprehensive approach to reform. We can't examine all of the issues here, but we can take one issue and see how other areas of reform touch upon the same. For example, let's consider problems associated with the *hukou* system and its relationship to promote greater economic fairness. First, many view reforming income distribution and the *hukou* system as two sides of the same coin, one that likewise requires reforms to the tax system, state-owned enterprises, and includes addressing real urban-rural divides related to employment opportunities and benefits, as well as access to better healthcare and education. The goal in part is to vitiate a worsening wealth gap that often traces directly to those who are allowed to register legally as living in one city or another, as opposed to being restricted officially to a rural-based residency. Those with a Shanghai

hukou, for example, can avail themselves more fully of economic opportunities while also using, when necessary, government support and services that are restricted, for the most part, to legal residents of Shanghai. On the one hand, China has maintained the *hukou* system in part to better manage urbanization. The idea was that *hukou* restrictions would discourage migrants from flooding certain cities and overwhelming city services and causing instability. On the other hand, while the *hukou* system has prevented some migration, a historically unprecedented level of rural-urban movement has occurred nevertheless. Much of this movement has fueled Chinese development in recent years. Unfortunately, *hukou* restrictions have harmed migrant workers inasmuch as they are not allowed to fully benefit from some of the wealth they helped create. While this has not been a desired outcome, it has been one cause of growing inequality.

Such inequality in turn has numerous implications, especially related to China's progress toward socialism. When reform and opening up began in the late 1970s, the Party understood that "some individuals and regions would get rich first." It also understood that at various points in the future it would have to use the gains some had made to help others who had been left behind. No one has ever thought that making such transitions would come easily, either economically or politically. How does one build up one part of the country and populace, and then use part of that wealth and experience to build up the rest? Of course, this is not simply a matter of redistribution. This is not a matter of taking the wealth that one part of the country has generated and giving it to others. Some of this happens, of course, but it can happen only on a limited basis as it would quickly prove unsustainable. Rather, the real question is how to open new opportunities for growth and development for those who need it most without sacrificing the gains others have made.

In tandem with *hukou* reform, many believe the November meeting might also discuss problems associated with rural land rights. Some rural residents will choose to stay in the countryside, and further, some should, given the possibility that new opportunities could be stimulated there that can both drive national growth and help solve urban/rural divides. A concern that has caused many rural residents and the Central Government much grief over the years is the practice of some local governments selling land, sometimes with little to no benefit for rural residents and sometimes leading to unrest. There are many different ways to tackle this problem. One way is to restrict the rights of local governments to sell land; another is to reform how rural residents are compensated when land is sold; another is to better secure rural residents' property rights; still another is to allow additional marketization in a way that can make rural areas more attractive to better investors, but without fueling unwanted speculation. More likely, a combination of measures would be encouraged, that could in turn be tailored to fit local conditions. But working all of this out as a matter of policy and then effectively implementing it, as one can see, presents a formidable challenge and will require both discipline and resolve.

But addressing such concerns in a comprehensive way is vital for moving past current challenges and onward to realizing the "Chinese Dream." Although the global economy remains tenuous, domestic economic growth is cooling, and any shocks to the system in the form of deep reforms might prove disruptive, many seem to believe—for the first time in a long time—that reforms are both desirable and unavoidable. Hopefully, November's meeting will give us the first clear glimpse of what's to come. ■



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