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BRAVING WAVES OF CHANGE

China to embark on deep-water reforms



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Taking the Next Big Step

Structural shift inevitable



COVER STORY

Cutting Down on Red Tape

Administration key part of adjustments

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EDITOR

Deepening Reform Is The Only Choice

The Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC) was held in Beijing on November 9-12. The meeting will lead China on a broader path of reform.

This will include comprehensive, in-depth reform, aimed at promoting a socialist market system with Chinese characteristics, resolving challenges to growth, and realizing the sustained, healthy development of both the economy and society. Such reform has been described as entering a "deep-water area" and is an essential way out for China.

Thirty-five years ago, the Third Plenary Session of the 11th CPC Central Committee launched China's reform and opening-up drive, shifting the country's focus to economic construction and global integration. Today, China boasts the world's second largest economy.

However, with three decades passed, some policies seem to be out of date. What's more, the 2008 global financial crisis heavily hit the world economy and changed the global economic growth process. In China, the development slowed down and various difficulties and problems arise.

The economy still faces risks, while foundations for steady recovery remain unsound, making restructuring an arduous task. Some industries are currently suffering from overcapacity and poor technological innovation, highlighting China's outdated industrial framework.

Current systems need urgent improvement. Laws pertaining to the socialist market economy are incomplete. The non-public sector of the economy is weak. Fiscal and taxation system reform needs to be accelerated. Budget integrity and transparency are inadequate. The tax structure is unreasonable, while spending on people's livelihoods and public services is too low.

All these problems call for comprehensive and in-depth adjustment. All these problems are expected to be resolved through further deepening reforms.

Of course, reform is no easy task, as it will touch interest of certain groups. The reform designers need more courage and resolution. Rapid development of China's economy and society relies on determined reform. So does the country's future. ■

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HAPPY NEW YEAR

Ethnic Qiang villagers in Wenchuan County, southwest China's Sichuan Province, dress up in traditional costumes to celebrate the coming New Year of the Qiang calendar on November 2.

November 3 represents the start of another year for this population of over 300,000 people. It is a time to celebrate harvests, send blessings, and pray for peace. According to tradition, the whole village gathers together over a meal and in worship of their respective gods.

Wenchuan County was struck by a big earthquake on May 12, 2008 that caused widespread devastation. However, much has been done to place the area back on its feet.

New Home

Reconstruction work in the earthquake-stricken Yushu Tibetan Autonomous Prefecture in northwest China's Qinghai Province is completed.

A total of 1,248 reconstruction projects have been completed in the region with total investment of about 44.4 billion yuan (\$7.2 billion). Over 60,000 students have moved from their temporary prefabricated classrooms to new campuses.

Yushu was hit by a 7.1-magnitude earthquake on April 14, 2010, leading to the deaths of more than 2,600.



ZHANG HONGKANG

Antarctica Station

China is planning the construction of a new research station in the south pole, the State Oceanic Administration (SOA) said on November 1.

Taishan Station, the fourth to be built by China in Antarctica, will be set up between the country's existing Zhongshan and Kunlun stations to provide logistical support, according to Qu Tanzhou, Director of the Arctic and Antarctic Administration at the SOA.

A scientific expedition team would leave Shanghai on November

7 to carry out planning, including for the setting up of Taishan, a summer station that can be used from December to March. It will be used to study geology, glaciers, geomagnetism and the atmosphere in Antarctica.

Sickness Database

China has set up a database of acute altitude sickness that leads the world in terms of the number, variety and source distribution of samples, the Beijing-based *PLA Daily* reported on November 5.

The database was established

by Xinqiao Hospital, affiliated to the Third Military Medical University in southwest China's Chongqing, said the media outlet for the Chinese army.

The 20,000-strong data set of bodily functions and blood samples was collected by more than 60 doctors and professors from the hospital, who had been monitoring people traveling from the Chengdu Plains to the Qinghai-Tibet Plateau in various vehicles since 2011.

It will facilitate research into dramatically reducing the morbidity and fatality of altitude sickness, according to the newspaper.

Haze on School Days

China may adopt a flexible working hours system and suspend school classes during high air pollution alerts, according to a government circular issued on November 6.

The circular was released by the Ministry of Environmental Protection as China faces growing pressure to curb air pollution, with heavy smog frequently smothering large cities.

The ministry urged every possible compulsory measure that could reduce emissions to be implemented when the highest alert of air pollution is issued. These measures include suspension or limiting of business production, restriction of vehicles allowed on the road, dust controls and a ban on outdoor barbecues.

Large-scale outdoor activities should also be canceled, and middle and primary schools, as well as kindergartens, should suspend classes, according to the document. Enterprises and institutions are also encouraged to adopt flexible working hours.

The circular also called for the setting of strict controls on coal-fired pollution while encouraging the use of natural gas.



CHEN FEI



EXPAT PARADISE

Shanghai tops the list as the favorite city of expatriates on the Chinese mainland in 2013, beating over 29 others.

The city has the highest recognition in terms of working and living environment, expat-friendly policies and administrative capacity, according to a survey released on November 6



FRIENDLY SPARRING

Chinese soldiers take part in a China-India joint anti-terrorism drill in southwest China's Sichuan Province on November 5. The two countries each sent a 144-strong company to participate in the training program, code-named Hand-in-Hand 2013

Rare Fossil

Scientists have found the oldest fossil of insects copulating in northeast China, according to a study published on November 6 in the U.S.-based scientific journal *PLOS ONE*.

Fossil records of mating insects are uncommon. During the study, Dong Ren and his colleagues at the Beijing-based Capital Normal University, presented the fossil of a pair of copulating froghoppers, a type of small insect that still exists today and hops from plant to plant much like tiny frogs.

The fossil of the two froghoppers has them preserved in a belly-to-belly mating position with the male reproductive organ still inserted into the female, researchers said.

"The fossil that we found is incredibly rare, and it provides an interesting glimpse into insect behavior and is a source of data that will be crucial in understanding their mating habits during the Middle Jurassic period," Ren announced



during a statement.

This is the earliest record of copulating insects to date, and suggests that froghoppers' genital symmetry and mating position have remained unchanged for over 165 million years, the research team added.

Joint Research

A transportation research center was jointly launched by China's Tsinghua University, Britain's University of Cambridge and the U.S. Massachusetts Institute of Technology on November 5 in Beijing.

It was established under the framework of the Low Carbon Energy University Alliance that was founded in 2009 by the three educational organizations.

The center will focus on future transportation studies, which include

smart, green, low-carbon and ecological transportation, said Wu Jianping, director of the center.

Wu pledged to establish a world-class academic exchange platform where leading experts in the world can carry out short-term research and give lectures.

Fewer Cars

The Beijing Municipal Government will reduce the new car registration quota by 37.5 percent starting from 2014, making way for more new-energy vehicles as part of its efforts to curb air pollution.

According to measures for implementing the city's five-year vehicle emission reduction plan (2013-17), the number of new registrations available for cars will be cut from the current 240,000 a year to just 150,000 by 2017.

The plan, released on September 12, ruled that the total number of vehicles in Beijing is to be restricted to around 6 million by the end of 2017.

The city had 5.4 million vehicles at the end of October this year, according to figures from the Beijing Traffic Management Bureau.

Among the 600,000 vehicles that will be allowed onto the road within the next four years, 170,000 will be new-energy vehicles, at category that includes battery-powered electric, plug-in hybrid and fuel cell cars.

In 2014, 20,000 new car

registrations will be allotted to new-energy vehicles, with a further 30,000 to follow in 2015.

In 2016 and 2017, the figure will be doubled to 60,000.

Going Overseas

China's homegrown Beidou Satellite Navigation System will begin its first overseas operations in Thailand early next year.

The announcement was made in Bangkok on October 30 by China's Wuhan Information Technology Outsourcing Service and Research Center in conjunction with the Geoinformatics and Space Technology Development Agency under Thailand's Ministry of Science and Technology.

China and Thailand signed a \$319-million agreement in March, which has established their commitment to cooperating on the construction of Thailand's geospatial system, giving the country access to China's advanced technology, products and services.

The two sides have agreed to start building a model satellite station based on Beidou in an industrial estate in east Thailand's Chon Buri Province next month and nationwide construction of others will begin early next year, said Liu Junyi, Deputy Director of the Wuhan Information Technology Outsourcing Service and Research Center.

It will be the first time that the Beidou has been used outside China.

Free at Last

Zhang Xiang, a giant panda bred in captivity, was released into the wild on November 6.

Zhang Xiang was trained to build a den and mark her territory with the help of her mother and training staff. The cub also developed skills such as recognizing potential enemies, hunting for food and climbing trees.

Zhang Xiang is the third captive-bred giant panda to be released into the wild in the past decade. Scientists said that the survival of Zhang Xiang is vital for the continuation of the program, which aims to release more captive-bred giant pandas into the wild to ensure their genetic diversity.



Maker Bots

Visitors observe robot machines at the 15th China International Industry Fair, held in Shanghai from November 5 to 9.

A total of 1,979 companies from 25 countries and regions demonstrated their newest manufacturing technologies at the fair.



PMI Strengthens

China's purchasing managers' index (PMI) for the manufacturing sector rose to 51.4 percent in October, hitting a new high since May 2012, according to data released by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP) on November 1.

China's manufacturing PMI has risen for four consecutive months, showing a steady upward trend in manufacturing. A figure above 50 percent signals expansion.

Zhao Qinghe, a senior NBS statistician, attributed the strong PMI to expanding production after corporate confidence was boosted by

the government's measures this year to stabilize growth and restructure the economy.

The PMI for China's non-manufacturing sector rose to 56.3 percent in October, the highest in the last 12 months, similarly confirming the trend.

Cai Jin, CFLP Vice Chairman, said the construction and service sectors are becoming increasingly active, with the non-manufacturing sector absorbing more jobs.

Online Funds Shops

Chinese e-commerce giant Alibaba Group opened the sales of funds on its popular online shopping platform

Taobao on November 1 after receiving a no-action letter from the China Securities Regulatory Commission on October 31 for its funds business.

This makes it China's first Internet company to provide services for funds sales institutions. Alipay, also run by Alibaba, will provide third-party payment services for online funds sales.

On November 1, the first batch of 17 funds institutions, including Guotai AMC, E Fund and Aegon-Industrial Fund, opened their online funds shops on Taobao.

Persons aged 18 or above can buy funds after passing real-name authentication through the Alipay online payment service.

The retailers will provide a one-stop service for buyers to open accounts, place and pay for orders,

as well as manage their fund accounts, "similar to online clothes shopping," said the Alibaba Group.

Online funds sales is the second major step for Alibaba after establishing a new business offering its customers higher investment yields than interest from banks. In mid-June, Alipay began to offer users the option to directly invest with the private Tianhong Fund. To date, the fund has accumulated an asset size of 55.6 billion yuan (\$9.12 billion), the largest single fund in China.

Anti-Dumping Plan

China's Ministry of Commerce (MOFCOM) announced on November 6 that it is to implement provisional anti-dumping regulations on cellulose pulp imported from the United States, Canada and Brazil.

The preliminary ruling requires importers of the product to place deposits with Chinese customs starting from November 7. The deposits will range from 0.7 percent to 50.9 percent of imports, depending on the dumping margin, said the MOFCOM statement.

MOFCOM announced that companies from the above-mentioned countries had dumped cellulose pulp on the Chinese market and such imports had caused substantial damage to the domestic industry.



SPEEDY CONSTRUCTION

Workers at a construction site for the South-to-North Water Diversion Project in north China's Hebei Province on November 6. The section, from Handan to Shijiazhuang, is expected to be completed by the end of this year



BREAKTHROUGH

A staff member works on an iron printing production line in Qian'an, north China's Hebei Province on November 6. This is the first high-end iron printing production line in China, with total investments of 1.1 billion yuan (\$180.5 million)



ZHENG YONG

The ministry launched its anti-dumping probe into imported cellulose pulp back in February.

Cellulose pulp, made from plant fiber, is used as a raw material in the production of viscose and acetate fiber.

Marine Economy

Readings from China's first ocean development index were published on November 6 and will provide valuable information as the country looks to boost its marine economy and build itself into a maritime power.

The index figures showed growth of the marine industry over a five-year period.

The Xinhua Ocean Development Index grew at an annual average rate of 23.18 percent from 2006 to 2011,

much higher than the annual average economic growth rate of 10.52 percent in the same period, according to a report released at the 2013 China International Blue Economy Summit Forum in the coastal city of Qingdao, Shandong Province, on November 6.

The index included four sub-indices: industry development, science and technology innovation, environmental resources and marine management.

The index is jointly released by the Xinhua (Qingdao) International Ocean Information Center and the State Financial Information Center Index Research Institute.

Chinese Cars in UAE

Sales of Chinese-made automobiles are gaining momentum in

the United Arab Emirates (UAE), although shares remain marginal due to Japanese and German car manufacturers' strong position in the market.

At the biennial Dubai International Motor Show, Hisam Khan, General Manager of car Naser M. Alsayer Group, the sole distributor of Chinese car brand BYD (Build Your Dreams), said, "BYD sold 350 cars in the UAE in 2012, and we will definitely increase sales amid strong demand from mostly middle-class buyers."

While this figure appears tiny compared with Japanese or German car giants operating in the UAE—German manufacturer Audi, for example, sold 3,235 units in the first nine months—Khan said that he was optimistic that Chinese cars as a brand are at the beginning of a long journey on the Gulf state's streets and desert roads.

Vehicles from China also present at the show included Foton, Chery, Dongfeng, Brilliance and Great Wall.

Great Wall had only sold commercial vehicles like pickup trucks in the UAE. Since arriving in the UAE in 2011, Great Wall has sold 4,800 units. "For 2013, we expect to sell 1,000 units for the first time, up from 702 units last year," said G. Machiner, sales manager of commercial vehicles at Dubai-based Al Naboodah, the exclusive distribution firm of Great Wall cars in the UAE.

Numbers

2.2 mln

Number of Chinese people that are working for the country's rapidly expanding e-commerce industry as of June

10.9%

Drop of the transaction value during the fall session of the Canton Fair, China's largest trade event

40 mln yuan

Total value of seed funds to start a business in Shenzhen that the municipal government offered to 122 young entrepreneurs who have studied overseas

12%

GDP growth in Tibet Autonomous Region for the first nine months

Happy Harvest

A farmer picks up Chinese honey oranges in Xuan'en County, Hubei Province.

Xuan'en has over 30,000 mu (2,000 hectares) of oranges, which has greatly enhanced income for local farmers.



SONG WEN

THIS WEEK WORLD



MALI

Soldiers carry the coffins of two Radio France Internationale journalists at the Bamako airport on November 4, two days after they were killed in the town of Kidal by suspected terrorists



SAUDI ARABIA

Foreign workers gather near the Saudi immigration ministry in Riyadh as local security began their search campaign against illegal laborers on November 4



INDIA

A Sikh devotee lights candles at Golden Temple in Amritsar on November 2 prior to the Diwali - Festival of Lights, which starts on November 3 this year





INDONESIA

Sinabung volcano erupts and belches hot smoke into the air in Karo, North Sumatra on November 5. Hundreds of residents were evacuated to safer areas



EGYPT

Supporters of the Muslim Brotherhood and ousted President Mohamed Morsi gather outside a police academy in Cairo where his trial was held on November 4

XINHUA/APP



XINHUA/APP



XINHUA/APP



BRAZIL

Children play in a newly inaugurated garden at Prazeres shantytown in Rio de Janeiro on November 1

“The historically low water levels of the Poyang Lake are caused by droughts as well as man-made factors, including the massive illegal dredging of sand for construction purposes.”

Kong Fanxiang, a senior research fellow with the Nanjing Institute of Geography and Limnology, explaining the shrinkage of China's largest freshwater lake



“First, the number of government cars should be reduced. Second, the monitoring over their purchase and use should be intensified. Third, the fiscal supervision system should be improved and government budgets drafted more democratically.”

Deng Lianfan, professor at the School of Law of Central South University, suggesting methods for a new round of reforms on government vehicles



“The nature of acrobatics is to explore the limits of the human body. African students have fairly good physical condition and relatively better balance and flexibility compared to their Chinese counterparts.”

Ma Shumin, a teacher at Wuqiao Acrobatic Art School in north China's Hebei Province, commenting on performances of African learners of the school on November 3



“A quarter of east Asia's world heritage sites have been threatened by the booming tourism.”

Peter Ogden, a project expert for the UNESCO Beijing Office, commenting at the Lushan Forum on World Heritage Cultural Landscape in East Asia



CHAIR OF UNESCO'S GOVERNING BODY



Hao Ping, Vice Minister of Education of China and representative to the executive board of the UN Educational, Scientific and Cultural Organization (UNESCO), was elected president of UNESCO's 37th General Conference for a two-year mandate on November 5.

The appointment made him the first Chinese representative elected to chair the supreme governing body of UNESCO.

Hao, 54, served as vice president of Peking University from 2001 to 2005 and president of Beijing Foreign Studies University from 2005 to 2009. He obtained a master's degree in history from the University of Hawaii and holds a Ph.D in international relations.



CELEBRATED FILM DIRECTOR



Feng Xiaogang, one of China's highest-grossing film directors, immortalized his handprints in cement at TCL Chinese Theater in Hollywood on November 1. He was the first Chinese mainland director to receive the honor.

“This is a good and interesting thing. Being accepted in this Hollywood family, I feel it's a recognition of my work,” Feng said.

Feng achieved a box-office total of 2.5 billion yuan (\$410 million) over his two-decade career as film director. Seven of his films, including *Back to 1942*, *Aftershock* and *Cellphone*, were screened at the TCL Chinese Theater on November 2 and 3.



Visa Problems

Life Weekly
October 28

With China's big middle class able to afford overseas trips, complaints about difficulties facing local passport holders during visa processing have increased. This poses questions as to the value of a Chinese identity.

Chinese seldom enjoy visa-free treatment. Such status is usually conferred by the Cannikin Law, which pertains to the degree of development and comprehensive quality of a country's lowest social hierarchy. However, the gap between the rich and poor as well as imbalanced economic development are currently major problems in China, and the situation can't be changed in the short term. This means, as long as these two major problems are not solved, it is hardly for Chinese people to enjoy wider scope of visa-free treatment. At the same time some countries that had granted landing visa or visa-free treatments to Chinese canceled that preferential treatment because of illegal detention of some Chinese.

However, there is also good news. To attract Chinese with strong consumption capabilities, more countries are providing conditional visa-free visits, while this year, certain states have also simplified visa procedures for Chinese tourists.

Shame of CNN

Global Times
November 4

Recently, CNN published an article on its website, commenting over the terrorist attack on Beijing's Tiananmen Square on October 28. The piece reviewed the so-called Chinese Government's "suppression" of the Uyghur ethnic group in Xinjiang Uyghur Autonomous Region and questioned the Chinese police conclusion of events, asking "whether Monday's alleged attack was a well-prepared terrorist act or a hastily assembled cry of desperation from a people on the extreme margins of the Chinese state's monstrous development machine?"

This time, CNN has gone too far. Usually, Western media interviews East Turkistan terrorist leaders such as Rebiya Kadeer, expressing their sympathy and support. But this time, CNN's website published comments written by an assistant professor of George Washington University, showing its attitude directly.

This article may reflect the opinion of quite a number of Americans. But, even though some think this way, it is still quite bad for a media organization to present such a stance as a mainstream opinion of American society.

When the September 11 event oc-

curred in the United States, all Chinese mainstream media fiercely condemned the acts of Al Qaeda organization and stood with the American Government and its people.

We believe that, despite disputes between countries, when it comes to terrorism, all forces loving justice and peace should unite. It is really double standards to call it terrorism when it causes loss to your own home, while call it "cry of desperation" when it occurred in others' yards.

Speaking of "desperation" and "hatred," no suicide attackers lack these. Didn't Al Qaeda members who attacked the United States and Europe reveal it? Didn't the Palestinian female suicide bomber who attacked Israel show it? Without extreme religious brainwashing, how could the killing of innocent people be regarded as "justice" or "jihad"?

Since ancient times, differences have existed between civilizations, nationalities and ethnic groups. This problem has never been solved. The West is certainly no model. Both the United States and Europe have suffered ethnic conflicts from time to time.

Some Western elites hold double standards regarding China and Russia on issues of terrorism. This is no good for counter-terrorism causes. This time, CNN couldn't help but release its schadenfreude, though

it ruined the image of itself in the eyes of Chinese people.

On the contrary, French President Francois Hollande immediately condemned the terrorist attack on Tiananmen and expressed condolences to the victims' families. While this boosted the French image, CNN has presented some American media gradually kidnapped by dark psychology.

More Attention to Bus Drivers

The Beijing News
November 3

Dong Hongnian, a bus driver in Suzhou, east China's Jiangsu Province, suffered from a sudden cerebral hemorrhage while on duty. During the incident, and while enduring great pain, he managed to pull the hand brake and stop the bus, just in time to save the lives of more than 20 passengers and keep the vehicle from plunging from a bridge with a 3-meter slope at its side.

Dong's actions have won him great honor. However, he has not been the only bus driver to suffer a sudden onslaught. Bus drivers work long hours and under great pressure, which over time, takes a toll on health and could negatively affect the safety of passengers.

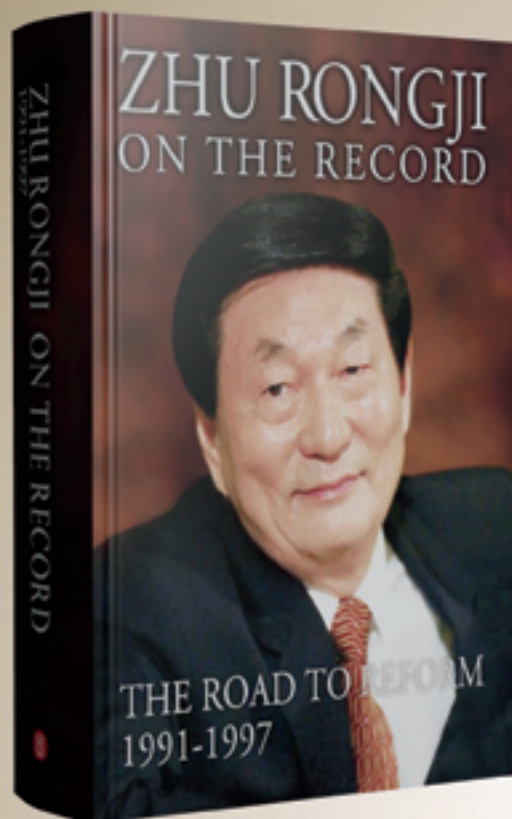
It is essential to organize regular physical examinations for all bus drivers and assess their health conditions.



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He has been as direct in his editorial selections as he was in his leadership style in office and has not shied away from difficult or sensitive issues.

— Henry A. Kissinger

It is a unique historical document of China's unprecedented economic evolution over the past few decades. And it gives a fascinating insight into the political work of Zhu Rongji—an exceptionally gifted statesman and a dear friend.

— Helmut Schmidt

Zhu Rongji on the Record

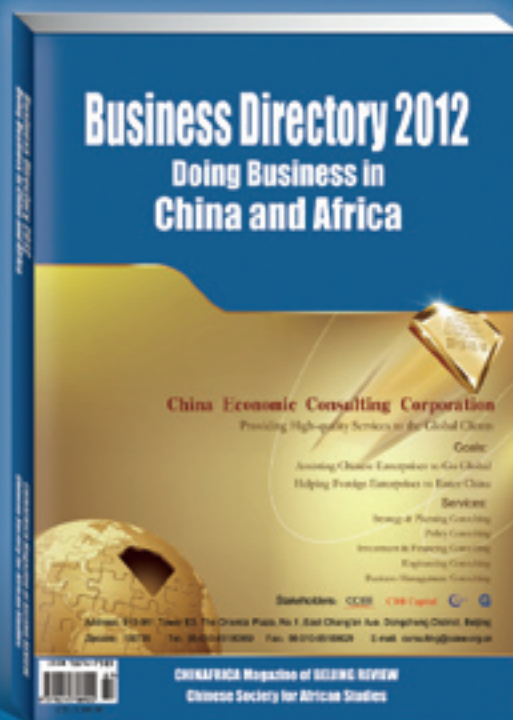
Zhu Rongji on the Record is a compilation of Zhu's writings. It covers China's reform, opening up and modernization drive. It includes important speeches, articles, letters, and directives. Zhu Rongji is a key Chinese reformer and statesman, and served as Vice Premier of the State Council from April 1991 to March 1998. He later served as Premier, from March 1998 to March 2003. Most of the materials in the book are being published for the first time. The Chinese edition of the book was published in Chinese mainland in 2011, and was very well received. The two-volume English edition includes 112 speeches, articles, letters, and directives selected by Zhu himself from the 348 articles in the four-volume Chinese edition. The English edition of the book is published by the Foreign Languages Press of the CIPG and the Brookings Institution Press in the U.S. Both Henry A. Kissinger, former U.S. secretary of state and Helmut Schmidt, former chancellor of West Germany wrote prefaces.

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TAKING THE NEXT BI

Chinese leadership raises the bar in their commitment to deepening reform By Lan Xinzen



G STEP

The world's media attention is firmly focused on Beijing this week as the Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), held in the nation's capital from November 9-12, is expected to release a raft of new, far-reaching reform measures and policy orientations.

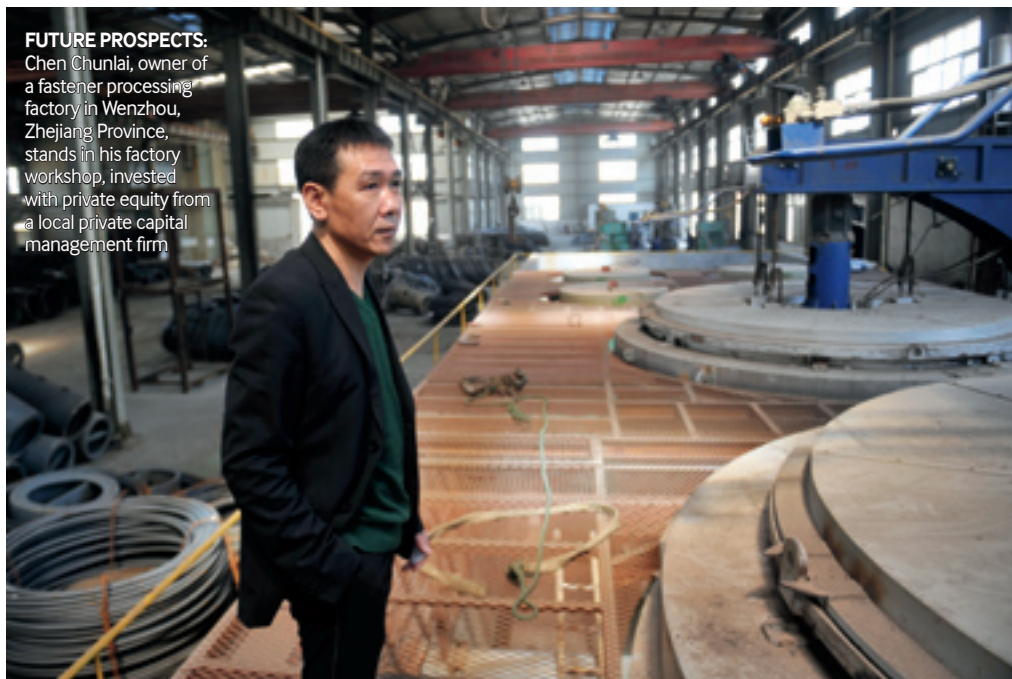
The Third Plenary Session of the 11th CPC Central Committee held in 1978 launched China's reform and opening-up policy. In 1993,

the Third Plenary Session of the 14th CPC Central Committee established the strategy of a socialist market economy with Chinese characteristics, bringing years of hesitation over market participants to an end. The Chinese economy then entered a sustained period of rapid growth.

The Third Plenary Session of the 18th CPC Central Committee will bring China to yet another launch point, where the possibility of a holistic policy blueprint will push for deeper ►►



TRADING EASY: Trucks pass Yangshan Port Area of the China (Shanghai) Pilot Free Trade Zone



FUTURE PROSPECTS: Chen Chunlai, owner of a fastener processing factory in Wenzhou, Zhejiang Province, stands in his factory workshop, invested with private equity from a local private capital management firm

economic reforms, taking the country into uncharted waters.

The need for reform

Upgrading the Chinese economy is the impetus for the third plenary session to push forward the reform. Long Guoqiang, Director of the General Office of the Development Research Center of the State Council (DRC), said China is one of the few developing countries that benefit from economic globalization, because it adopted the strategy of reform and opening up 35 years ago, combining the opportunity of economic globalization and China's comparative advantage.

China's comparative advantage at that time was its low costs, particularly low labor costs. With measures such as opening up the coastal regions, establishing special economic zones and adopting the policy of processing trade, China effectively combined foreign capital, technologies and sales channels with the country's low-cost advantages. In the process, China moved from a small trading nation and a closed economy, to the world's biggest exporter of manufactured goods.

After three decades of development, however, China's low-cost advantage has faded. Now there is a need for further opening up

and deepening reforms to establish new international competitiveness in areas of higher value-added industries, as well as products and services of higher technology and capital concentration.

Long said there are many deficiencies in the old development model. The Chinese economy relied mainly on high capital and resource input to achieve rapid growth, leading to a serious structural problem that saw development of the service industry fall behind. The reasons, he said, include incompleteness of opening up and excessive control.

At present, China's economic growth has not reached its full potential while economic transformation and restructuring have made unsatisfactory progress, revealing many challenges.

For these reasons, the third plenary session must deal with eliminating systematic barriers affecting economic transformation.

According to a DRC report on reform submitted to the third plenary session, the goal is to establish a socialist market economy system that is vigorous, innovation-based, inclusive, orderly and protected by law. China will push forward reform aiming at improving the market system, transforming government functions and innovating corporate systems that involve administrative management system, monopoly

industries, land system, financial system, taxation system, state-owned assets management system, innovation mechanisms and opening up to the outside world. The reform is unexpectedly more comprehensive than previously.

Long thinks the meeting indicates the Chinese Government's strength and resolution in comprehensively pushing forward the reform.

New commitment

This is the first year of the new leadership in office and since taking the reins of power in March, it has released a series of policies and measures, including streamlining administration and delegating power to lower levels, relaxing lending rate control, setting up the Shanghai free trade zone (FTZ) and separating railway administration and enterprise functions. These reform measures have encroached on vested interest groups and

demonstrated the new leadership's courage and resolution in reform measures. In line with this, the State Council issued a document on May 15, eliminating or delegating power of administrative approval of 133 items. This is seen as the Chinese Government's bid to eliminate obstacles to economic development and encourage domestic economic vitality.

Zhang Liquan, a DRC researcher, said by reducing administrative approval, the government can remove systematic barriers restricting economic transformation and development, ensure fair market competition by all participants, break industrial monopolies and improve the socialist market economy.

Streamlining administration and delegating power to lower levels of government means reducing the power of related government departments and officials. The new leadership's push of this move only 58 days after it took office demonstrates its resolve in deepening reform and has brought two positive changes: In the investment sector, decision-makers will have more freedom in projects not involving state and public security; in the business sector, if the market mechanism can function effectively and industrial organizations can be self-managed, business entities will not need to obtain government approval. Streamlining

administration and delegating power will make corporate activities more flexible.

Relaxing lending rates

The People's Bank of China, the country's central bank, announced on July 20 it would remove the lower limit for lending rates, and financial institutions can independently decide lending rates in accordance with business principles.

Guo Tianyong, Director of the Center for Chinese Banking Studies of the Central University of Finance and Economics, sees relaxing lending rate control as an important step for China to advance financial reform, demonstrating the top leadership's resolve in pushing forward financial reform.

In a bid to relax capital control and realize the convertibility of the yuan under the capital account, interest rate liberalization is considered a prerequisite for China. Yet the Chinese Government had been reluctant to relax interest rate control, due to concerns that Chinese banks may attract deposits with high interest rates and then squeeze bank profits.

According to an announcement on the central bank's website, relaxing lending rate control is necessary because all macro- and micro-conditions to advance interest rate liberalization have been mature. At the macro-level, Chinese economic performance is now steady and prices are stable, creating a good opportunity for the government to further advance the reform. At the micro-level, with steady progress in the financial reform in recent years, supervision of financial institutions has been strengthened, and they are now more capable of independent pricing. Companies and individuals are also more adaptable to the market-oriented pricing environment. After years of development, the Shanghai Interbank Offered Rate has become an important basis for pricing of corporate bonds, derivatives and financial services. Moreover, the government's monetary policies can be effectively implemented at the financial market.

Guo said that fully relaxing lending rate control will help the financial industry better support development of the real economy and then upgrade the Chinese economy.

Pilot FTZ

Another indication of the Chinese Government's intention to advance the reform process is the establishment of the Shanghai FTZ on

Other Reform Measures in 2013

● Fiscal reform

As of August 1, an experiment of transferring business tax to value-added tax in the transportation industry and certain modern logistics industries are expanded to the whole country, and production, screening and distribution of TV plays and films are incorporated into the experiment. The government will also incorporate railway transportation and post and communication industries into the experiment at the appropriate time, and fully complete the business tax to value-added tax process by 2015.

The reform will solve the problem of double taxation, reduce the tax burden of enterprises in pilot industries, help accelerate development of the service industry and promote transformation and upgrading of enterprises. It will also be conducive to improving the industrial structure, advancing transformation of the economic growth model and improving the quality of economic growth.

● Railway freight reform

As of June 15, a reform began in the freight organizations of the country's railway industry. This is another important market-oriented reform in the railway transportation industry after the establishment of China Railway Corp. and the abolition of the Ministry of Railways.

In China's development of a market economy, railway transportation is one of the few industries remaining of the planned economy and one of the few remaining monopoly industries after China's accession to the WTO in 2001. The industry has been unable to meet the demand of Chinese economic development.

Reform of railway freight shows the resolution of the Chinese Government in breaking this monopoly. The newly established China Railway Corp. will help establish railway transportation management and operation mechanisms to meet the demand of a market economy, enhance the competitive advantages of the railway freight industry and transform the Chinese railway industry to a modern industry able to withstand market competition.

● Tax exemptions

As of August 1, small and micro-sized enterprises with monthly sales revenue no more than 20,000 yuan (\$3,300) are exempted from value-added tax and business tax.

At present, there are 50 million small and micro-sized enterprises in China. The tax reduction will benefit more than 6 million of these, involving employment and incomes of tens of millions of people.

Small and micro-sized enterprises, most of which are in labor-intensive industries, create a huge number of job opportunities and serve as an important channel to improve livelihoods. However, for restriction of capital, technology and talent, small and micro-sized enterprises have poor modern management skills, and problems of financing difficulties and weak competitiveness are limiting their development.

Supporting small and micro-sized enterprises will help encourage business startups and enable them to better play their role in stabilizing economic growth and expanding employment.

(Compiled by Beijing Review)

September 29.

The Shanghai FTZ will explore a new path and model for China's opening up, accelerate transforming government functions and boost transformation of the economic growth model.

Looking back, China's reform and opening up in the previous three decades is known as "shallow-water reform," as it was without experience and was allowed to learn from mistakes.

China has now entered "deep-water re-

form," also with no experience to learn from, but this time no mistakes will be allowed. Therefore experimental projects must first be carried out in pilot programs before any systems are launched nationwide.

To comprehensively deepen reform, Long said the Chinese Government needs to balance the relationship between reform, development and stability. ■

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CUTTING DOWN ON RED TAPE

Reforms in administrative management top government agenda

By Wang Hairong

The building of the second section of the Subway Line 2 in Hangzhou, Zhejiang Province, is scheduled to begin at the end of this year. It only took six months for the Hangzhou Subway Group to obtain the construction permits necessary for the project.

Had the government not simplified the examination and approval procedure for urban rail transit projects back in May, it could have taken a whole year to get the permits, said Wu Wenhui, vice general manager of the company.

Reducing and adjusting items requiring administrative examination and approval is a major part of the ongoing institutional restructuring and transformation of the responsibilities of government departments in China.

Since the current administration took office in March, 334 administrative examinations and approval procedures have either been canceled or delegated to lower-level government organizations.

"This has all been done much faster than we originally anticipated," said Wang Manchuan, Deputy Secretary General of the China Society of Administrative Reform.

Simplifying procedures

During the annual session of the National People's Congress, China's top legislature, in March, the State Council released its plan to restructure the cabinet and transform government functions.

Premier Li Keqiang defined the move as "redefining and rationalizing the relations between the government, the market and society." He made the remarks while meeting the press on March 17, shortly after taking his current office.

At least one third of the 1,700 items still requiring examination and approval from the State Council will be cut within the next five years, according to Li.

"The government should manage those matters that fall within its purview, and leave

to the market and society what they can do well," Li said.

To invigorate market forces and spur economic growth, central government departments have waived approval requirements for a significant number of investment, production and operation procedures.

For instance, the National Development and Reform Commission has relinquished its power to examine and approve a number of items, including the expansion of civilian airports, the manufacturing of urban rail transit vehicles, the production of paper pulp and satellite TV receivers, and the exploration of oil and gas fields of certain scale.

The Central Government has also delegated some of its examination and approval powers to local governments.

Previously, approval from the State Administration for Industry and Commerce was

necessary if foreign companies wanted to set up representative offices or engage in production and operation activities in China. Now this power has been handed down to provincial-level commerce watchdogs.

Removal of some administrative approval items is expected to facilitate international cooperation and exchanges. For example, after the reform, Chinese companies no longer have to gain approval from the Ministry of Commerce to sign oil and gas cooperative agreements with foreign partners.

Sino-foreign joint education institutions similarly do not need to go through approval procedures with the Ministry of Education any more when they want to hire foreign principals.

Foreign nationals also no longer have to gain approval from the Ministry of Public Security for travel across China in privately owned vehicles.



PAPERWORK: Residents go through examination and approval procedures at an administrative service center in Chengdu, Sichuan Province, on October 11

Slashing items requiring administrative approval and relaxing registration requirements is also a central part of the government's efforts to encourage the growth of small and medium-sized businesses, which create more than 80 percent of jobs in China's urban areas.

To reduce the cost of opening a business in hopes of encouraging entrepreneurship, the State Council made a decision on October 25 to eliminate the minimum registered capital requirement for startups.

Invigorating the market

On May 13, during his speech at a high-level conference on transforming government department functions, Premier Li said that streamlining the government is to let the market play a bigger role in allocating resources and driving economic growth, and shift the government's focus on creating a good environment for development, providing quality public services and upholding social justice.

The market is the creator of social wealth, and the source of endogenous economic growth, Li added.

The main force for economic development lies in the market, and reform is expected to give people incentive to create wealth and boost the vitality of the economy, said Gao Xiaoping, an administrative management expert in Beijing.

In some cases, the government is not as effective as the market in regulating industry activities, experts say.

Previously, administrative approval was required for steel and cement projects in China, yet over the years, these industries have suffered from surplus capacity and overproduction. In contrast, household electric appliance manufacturing and garment-making have been regulated by market forces, and there is no serious overcapacity in these industries.

In the past two decades, the share of private capital in China's total fixed assets investment has increased from 30 percent to 60 percent; yet it still has obstacles to overcome in some industries.

Li cited the example of a company that had to go through more than 50 procedures across 27 government departments to gain approval to launch a new project. The process usually takes six to 10 months, and could dampen en-



thusiasm for investing, Li said.

In recent years, complaints about the lengthy procedures for obtaining professional qualifications have been growing. Many job hunters say that they have been excluded from the job market by requirements that seem irrelevant to their work. State Council departments have the right to certify 110 types of personal qualifications and grant 229 different qualification certificates.

Observers say that clearing unnecessary qualification requirements will lower the employment threshold and create a fairer employment environment.

Removing and decentralization of administrative approval is good for both domestic and international investors and is likely to "unleash new energy at corporate level," said Niu Li, a senior economist with the State Information Center.

Tightening regulations

Even after cutting and delegating administrative approval items, the government faces challenges in regulatory efforts.

In the past, government employees in offices reviewed application materials, while they now often visit companies to inspect operations, said Wang, with the China Society of Administrative Reform.

According to separate surveys, counterfeit products, infringement upon intellectual property rights and food safety are the most pressing issues facing the market.

"These problems arise from loose market regulation. Rigid regulatory measures must be

taken to rectify such problems," said Zhou Wenzhang, Vice President of the Beijing-based Chinese Academy of Governance.

Streamlining the government will not mean adopting a laissez-faire approach, as market can also fail. The government must do what it can to correct market failures, according to Zhang Monan, a researcher with the State Information Center.

Delegating power and strengthening regulation are like two wheels, only when both wheels are round can a car run, Premier Li said. "Regulation of something already in progress is often much more difficult than approving it for starting in the first place," he added.

The government has stepped up regulation on a number of issues closely related to people's livelihood, such as food safety and environmental protection.

For example, the State Council requires baby formula milk powder to be regulated and treated as medicine rather than food. On June 20, nine ministerial-level departments, including the China Food and Drug Administration, jointly released a circular on tightening control over the quality and safety of infant formula milk powder.

The circular stipulates that every batch of infant formula must undergo quality tests and producers must maintain their own dairy farms and not source dairy from elsewhere. It also prohibits companies from outsourcing any aspects of production, or repackaging and redistributing formula already made.

In tackling rampant air pollution, the State Council released the Airborne Pollution Prevention and Control Action Plan (2013-17) on September 12.

According to the document, by 2017, the density of airborne particles, especially PM2.5—those less than 2.5 microns in diameter—are to be reduced by 25 percent compared to Beijing and its surrounding areas' levels in 2012.

"In five years, air quality in China will see significant improvements, with heavily polluted days drastically reduced," the document said. ■





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