

SUPPLEMENT: PREMIER LI KEQIANG ADDRESSES TRADE UNIONS

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Going further than before



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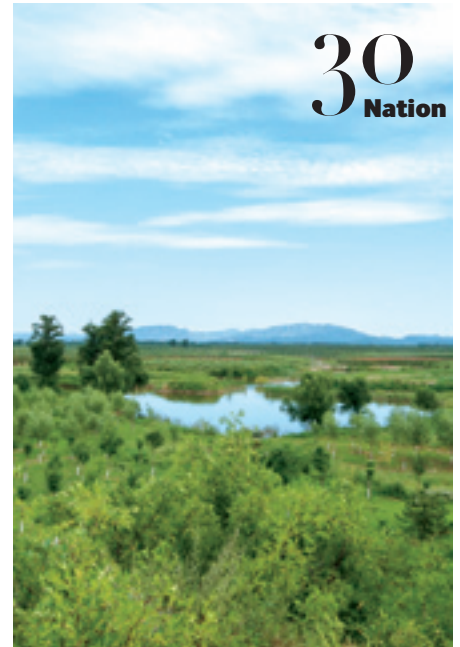
SUPPLEMENT

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Current Economy at the 16th National

Congress of Chinese Trade Unions

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Great Green Wall

The fight against erosion



Train Exports on Track

China's cutting-edge rail technology overseas

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EDITOR

Paving the Way

This November, the Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC) proved to be the most noteworthy event in China. Deciding the country's direction for the next five to 10 years, the meeting was as significant as the Third Plenary Session of the 11th CPC Central Committee in 1978, where the reform and opening-up policy was drawn up.

As expected, the meeting centered on fine-tuning policies as needed by this new era in China's history. The communiqué released upon the completion of the meeting clarified "comprehensively deepening reform" as the general goal, with focus on improving and developing socialism with Chinese characteristics and pushing on with the modernization of the country's governing system and capabilities.

The communiqué emphasized that economic reform is key, and that a proper relationship between the government and the market is essential, leaving the latter to play a decisive role in allocation of resources.

From this we can tell that historical breakthroughs will be achieved in the next five to 10 years. In terms of deployment, the design focuses on economy, politics, culture, society, ecology and Party building, with detailed reform tasks for each area. As for the timetable, results must be achieved in all key sectors by 2020.

Another important achievement is that the CPC will also set up a central leading team for guiding reform as well as a state security committee.

This meeting sends a strong signal and provides a guarantee for China's reforms. ■

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SHOPPING SPREE

Postal staff sort parcels at a China Postal Express & Logistics distribution center in northeast China's Liaoning Province on November 12.

November 11, known as "Double 11," has become the country's busiest annual online shopping period since last year.

It was reported that more than 35 billion yuan (\$5.74 billion) was spent on Tmall.com, the B2C platform of e-commerce giant Alibaba, with a total of 170 million transactions concluded on the day.

Hard-Won Victory

China's Guangzhou Evergrande football team celebrates after winning the final match of the 2013 AFC Champions League against South Korea's FC Seoul in Guangzhou, Guangdong Province, on November 9.

The win brought in China's first Asian title in 23 years. Guangzhou's victory grants them the privilege of being Asia's representative at the FIFA Club World Cup in Morocco, this December.

The victory was also cause for celebration for Evergrande's Italian coach Marcello Lippi, the first coach to have teams win both the European and the Asian club championships.



School Safety

China is to establish a procedure to help guarantee safety in school buildings, according to a circular issued on November 12 by the State Council, China's cabinet.

The procedure will include safety checks twice a year and the providing of emergency warnings, easily accessible safety information and training on risk-aversion management strategies. Local government chiefs will be held responsible for any casualties caused by inadequately built structures.

Policies covering primary and secondary schools were put into practice back in 2009 and have since sharply reduced accidents.

According to the circular, however, there is still plenty that can be done as school facilities, especially those in rural areas, are far from perfect.

Local governments are to step up the repair, reinforcement, reconstruction and expansion of schools until all campuses meet national standards.

PLA Recruitment

According to a statement made by the People's Liberation Army on November 10, more 100,000 on-line job applications were received, most from people holding bachelor's degrees or above, for civilian posts during their recent recruit-

ment drive lasting from October 22 to November 5.

One out of 38 candidates will be recruited, the General Political Department of the Chinese People's Liberation Army said, with examinations to be held on December 15.

This is the PLA's first unified recruitment of personnel from the public, a move to attract talent and improve employment transparency.

The army civilian posts cover professional and technical stations, including teaching, scientific research, engineering, health, culture, sports and libraries, as well as non-professional posts such as management and logistics services.

Food Assessments

New materials for food production must be subjected to risk assess-

ment from qualified institutions before they can be approved, the National Health and Family Planning Commission (NHFPC) said on November 12.

The NHFPC has added the requirement to recent regulations on applications for new foodstuffs, saying that assessment must contain a review of hygiene, virology and an analysis of composition.

It should also include research, usage and sales information from other countries, risk assessment by international organizations and safety studies in scientific journals, according to the commission.

The new regulations stipulate that new food materials should have the characteristics of raw food, conform to nutritional requirements and have no health risks.

A panel of NHFPC experts will examine applications.

Vehicle Regulations

Vehicle safety checks will be carried out as part of a "zero tolerance" campaign, the Ministry of Public Security (MPS) announced on November 12.

The campaign, which began on November 12 and will last until



ZHANG JIANHONG



EXPLORATION

The Chinese research vessel and icebreaker *Xuelong* (Snow Dragon) sails on the Sulawesi Sea on November 12. The vessel will embark on China's 30th scientific expedition to Antarctica



FOOD ART

UN Secretary General Ban Ki-moon (left) has a look at some *Longxu Mian*, a traditional Chinese noodle, during a promotional event for Chinese cuisine at the UN headquarters in New York on November 12

February 2014, will focus on illegally refitted or assembled vehicles, particularly school buses, passenger vehicles and transportation for dangerous freight, according to a circular jointly released by six ministerial agencies, including the MPS.

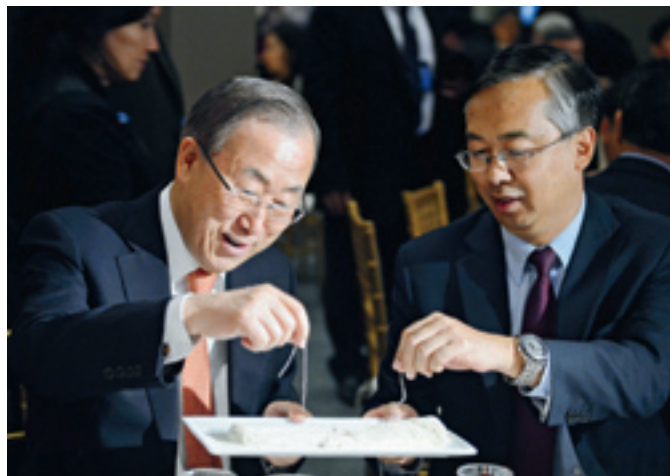
Companies that violate the regulations could face a range of penalties including forced suspension of production, confiscation of illegal products, and the revoking of production or business licenses, according to the circular.

Agencies that conduct safety tests on vehicles may also lose their licenses if they issue inspection reports based on insufficient or fraudulent information.

The campaign was launched after several cases of the illegal refurbishing and selling of scrapped vehicles in Jiangxi, Hebei and Anhui provinces, posing significant safety risks.

Radiation Watch

Radioactive substances are at a normal level in west Pacific waters, China's State



Oceanic Administration said on November 11.

The administration found no traces of Cesium-134 in waters near the country's southeastern Fujian and Taiwan provinces. Cesium-137 was also found to be at a normal level in the same waters.

The administration stated that it began the monitoring work on October 20 in reaction to Japan's continued discharge of large quantities of radioactively contaminated water into the sea in the wake of the Fukushima nuclear disaster in 2011. There are concerns that these actions are seriously impacting the maritime eco-system.

As of November 8, the administration had completed 20 days of monitoring in the waters near Fujian and the south of Taiwan, collecting over 1,150 samples in-

cluding air, water, marine creatures and ocean sediments.

SMS Spam

More than 200 billion text messages disturbed the Chinese nation in the first half of 2013, according a recent report.

The report, issued by a platform that was established by Beijing-based websites dedicated to refuting rumors, analyzed almost 100 million unsolicited messages, finding 59 percent of them to be advertisements.

In the first six months of this year, messages aimed at scamming or tricking the receivers, which accounted for only 1.5 percent of the total, led to over 30 million yuan (\$4.93 million) in losses. The southern province of Guangdong was discovered

to be the primary source of junk messages, with 25 percent originating from there. The culprit landing the second place spot was Beijing, followed by the provinces of Hunan, Zhejiang and Shaanxi. The residents of Beijing, Shanghai, Guangzhou in Guangdong and other economically developed regions are most heavily hit, with an average at more than two spam messages per phone user per day.

Cloud Computing

A cloud computing industry alliance was set up on November 13 in Beijing to promote the development and innovation of information technology.

The alliance, the first of its kind in China, was established by Tsinghua University, Peking University and the Center for International Economic and Technological Cooperation under the Ministry of Industry and Information Technology.

The pact aims to introduce advanced ideas, technologies and study the experiences of cloud computing services overseas in order to boost the industry in China, according to a statement.

The alliance will also boost domestic and international cooperation in cloud computing by integrating resources from the government, enterprises, universities, research institutes and capital market, the statement said.

Off the Beaten Path

Local authorities in Medog in Tibet Autonomous Region, the last county in China to be connected to the national road network, announced on November 13 it would decrease visiting tourists to fewer than 15,000 annually, by 2015.

A highway linking Zhamog Township, the county seat of Bome County, and Medog in southeast Tibet (as shown

in the picture) opened on October 31, putting an end to the isolation of a region once dubbed the "secret lotus."

The county government of Medog published a document on establishing a better tourism industry by preserving the natural and cultural landscape as well as exploring new routes for hikers.



Bon Appetit

A girl from the Naxi ethnic group feeds goats in Longshan Village in Lijiang, Yunan Province, on November 11.

Lijiang, with its climatic advantages, has promoted its plantation and animal husbandry industries to increase local income.



Moderate Inflation

China's consumer price index (CPI), a main gauge of inflation, grew 3.2 percent year on year in October, up from 3.1 percent in September, according to the National Bureau of Statistics (NBS).

In the first 10 months, CPI growth stood at 2.6 percent on average, well below the government's full-year target of 3.5 percent.

Yu Qiumei, a senior statistician with the NBS, said the country's inflation remains stable.

He attributed the rise in October to a rebound in prices of non-food products, including clothing, home appliances and

daily necessities.

Food prices dropped 0.4 percent month on month in October, while those of non-food products rose 0.3 percent, according to the NBS.

NBS data also showed that China's producer price index, which measures inflation at the wholesale level, fell 1.5 percent in October compared to a year ago.

Exports Up

China's exports reversed their decline and rose 5.6 percent year on year in October to 1.14 trillion yuan (\$185.4 billion), according to the General Administration of Customs.

The country's exports fell 0.3 percent in September from a year earlier, ending two consecutive months of rises.

Imports rose 7.6 percent in October from a year ago, accelerating from September's 7.4 percent up.

This left the country with a trade surplus of 192.38 billion yuan (\$31.1 billion) in October, down 3.3 percent year on year.

In the first 10 months of 2013, exports and imports gained 7.6 percent from a year earlier, with the trade surplus growing 12 percent year on year to 1.25 trillion yuan (\$200.46 billion).

Trade with the European Union, the nation's largest trade partner, climbed 0.5 percent year on year during the January-October period, compared with a 0.8-percent decrease registered in the first nine months.

Trade with the United States,

China's second largest trade partner, rose 6.9 percent in the first 10 months, while that with Association of Southeast Asian Nations (ASEAN) members increased 10.9 percent. Trade with Japan, however, declined 7 percent.

New Yuan Loans

Yuan-denominated lending in October came in at a touch over 506.1 billion yuan (\$82 billion), an increase of 700 million yuan (\$115 million) from the same period last year, according to the People's Bank of China (PBC), the central bank.

The volume was a retreat from the 787 billion yuan (\$129 billion) in September and well below market expectations.

"Most of the decline is seasonal, as loan demand usually softens toward the year's end," according to Lu Ting and Zhi Xiaojia, China economists with Bank of America Merrill Lynch, in a research note, adding that the decline could also reflect weaker loan supply.

New yuan loans for the first 10 months amounted to 7.78 trillion yuan (\$1.28 trillion), up 557.7 billion yuan (\$91.54 billion) from a year earlier, the PBC said.

In consideration of the new dynamics in the economy, analysts largely believe the central bank



EAT ME

An exhibitor holding a *Guokui*, a type of baked wheat cake, at an agricultural product promotional exhibition held in Xi'an, capital of northwest China's Shaanxi Province, on November 12



TRASH-TO-POWER

A worker at a garbage incineration power plant in Wanzhou District, Chongqing City, on November 13. It is the first of its kind in the Three Gorges reservoir area and is expected to complete by June 2014

would maintain a steady stance while fine-tuning its policies to balance growth and reforms.

"Though we cautioned in mid-October that the government could scale back its pro-growth measures and the PBC prevent credit growth from quickening, we don't think the latter would significantly tighten monetary policy as the new leaders still need a stable economic and financial environment," noted both Lu and Zhi.

Too Big to Fail

The Industrial and Commercial Bank of China (ICBC) has qualified for an annual list of global systemically important banks (G-SIBs), the bank said via an online statement on November 12.

The Financial Stability Board (FSB), an international organization monitoring and coordinating the world's financial systems, published its annual update of the list of G-SIBs on November 11. ICBC was added to the list of banking groups identified as G-SIBs in



2012, increasing the overall number from 28 to 29.

According to ICBC's half-year report, its capital adequacy ratio stood at 13.11 percent by the end of June, higher than the lowest standard level of 10.5 percent set by the FSB.

The statement attributed the achievement to ICBC's strong performance in business factors and expanding overseas markets.

In 2012, the Chinese banking giant topped the world's financial industry in total assets, deposits, loans, tiers on capital, market value and profit.

Meanwhile, ICBC's overseas assets hit \$182.2 billion by the end of June, while its cross-border yuan settlement exceeded 1.5 trillion yuan (\$244.46 billion).

Energy Purchase

China National Petroleum Corp. (CNPC) will pay \$2.6 billion for oil and gas assets in Peru, according to a press release from its listed unit PetroChina on November 13.

CNPC, the country's largest oil and gas producer and supplier, will buy the entire shares of Petrobras Energia Peru SA, which owns three oil and gas blocks in Peru. The three blocks have an output of around 800,000 tons of oil equivalent a year.

PetroChina said Peru is one of the countries in Latin America that has a good investment environment. It expects good economic returns from the acquisition.

The project will help grow CNPC's oil and gas portfolio in the region and promote the sustainable development of its overseas business, PetroChina said.

Numbers

547

The number of A-share accounts that qualified foreign institutional investors had opened by the end of October

300 mln yuan

The value of damages China's search engine Baidu was sued for over copyright violations

141.9%

Year-on-year growth of mobile shopping in China during the third quarter, with transactions totaling 43.34 billion yuan (\$7.11 billion)

40,188 yuan

Disposable income of Shanghai urban residents in 2012, the highest in the country

Improving Infrastructure

Workers lay irrigation pipes into farmland in Xianghe County, north China's Hebei Province, on November 13.

The county has invested 19 million yuan (\$3.12 million) since the beginning of 2013 to improve rural infrastructure, which has greatly benefited local farmers.





AFGHANISTAN

A cache of alcohol and drugs is burnt in Kabul on November 12 as part of local authorities' fight against the drug trade amid a surge in opium cultivation

AP/WIDEWORLD



AP/WIDEWORLD



THE PHILIPPINES

People walk among fallen trees at Tacloban Airport on November 9, one day after super-typhoon *Haiyan* hit the country. Casualties were reported to have reached 2,275 by November 13



FRANCE

President Francois Hollande (second left) attends a ceremony commemorating the end of World War I at the Arch of Triumph in Paris on November 11, known as Remembrance Day

AP/WIDEWORLD





RUSSIA

Miss Venezuela Gabriela Isler, a 25-year-old television presenter, is crowned Miss Universe in Moscow during a glittering ceremony



GERMANY

People form a *Wir* ("we") next to the Berlin Wall memorial at Bernauer Street on November 9 in Berlin for the 24th anniversary of the fall of the Wall

XINHUA/AP



XINHUA/AP



THE UNITED STATES

A snowman sits in the Millennium Park on November 11 in Chicago, Illinois, following the city's first snowfall of the season

“While around 86.8 percent of elderly people in cities receive a monthly pension, in rural areas only 18.7 percent do. Seniors in the countryside mainly live on support from their families or proceeds from renting out farmland.”

Ma Li, former Director of the China Population and Development Research Center, at a recent forum on an aging society in Beijing



“We hope people from both sides of the Taiwan Straits, especially the young generation, will better understand each other and strengthen their common national identity and sense of belonging.”

Fan Liqing, spokeswoman of the State Council Taiwan Affairs Office, at a regular press conference in Beijing on November 13



“Undoubtedly, the establishment of a state security committee has made terrorists, separatists, and extremists nervous.”

Ministry of Foreign Affairs spokesman Qin Gang, at a press meeting in Beijing on November 13



“An eased policy would not compromise the nation’s long-term goal of achieving low population growth.”

Yuan Xin, a professor of population studies at Nankai University in Tianjin, on the news that the Central Government may fine-tune its family planning policy



BILLIONAIRE FAN



Xu Jiayin, Chairman of Evergrande Group based in Guangzhou, Guangdong Province, hit the headlines in the press recently after Guangzhou Evergrande Football Club lifted the Asian Champions League trophy on November 9.

Evergrande purchased the team in early 2010. It has reportedly invested around 2 billion yuan (\$328 million) in the squad, allowing it to lure top players and a world-renowned coach.

Xu was 13th on this year’s *Forbes* China Rich List, with personal assets of 32.9 billion yuan (\$5.4 billion), up from 30.9 billion yuan (\$5.1 billion) last year.



TOUGH GIRL



Lu Yuting, a 16-year-old high school girl from Chengdu, Sichuan Province, touched the hearts of thousands when she received an award for filial piety at a ceremony broadcast by China Central Television on November 8.

When her mother was hospitalized due to worsening kidney disease in November 2011, Lu suspended studies for one year to take care of her mother and her 70-year-old grandmother, who suffers from leg problems. Lu is the only daughter and her father abandoned the family many years ago.

To pay for her mother’s medical bills, Lu also began delivering air tickets by bicycle.



China's Role in UNESCO

Oriental Outlook
November 14

On November 5, Hao Ping, China's vice minister of education and representative to the UNESCO executive board, was elected president of the 37th General Conference of the UNESCO on a two-year mandate.

So far, this is the highest post a Chinese official has held in the organization, which boasts 195 member states, and indicates approval of China's influence and leading ability in UNESCO affairs.

Hao vowed to thoroughly promote reform during his term in office. He said UNESCO faces various challenges such as a tight budget, and he emphasizes that harmonious co-existence can lead to creativity.

UNESCO may be the international organization most familiar to Chinese people. Forty-two years ago, only four days after China retook its UN seat, UNESCO admitted the country into its fold, becoming the first specialized UN agency to do so.

The First UNESCO Creative Cities Beijing Summit was held in the capital on October 20-23. This was the first time the organization has hosted the three meetings—on science and technology, education, and culture—simultaneously in one country.

Keeping pace with its reform and opening up, China has changed from a cautious watcher to a learner, and is now deeply involved with UNESCO. This is a direct reflection of the country's national strength and international status, and indicates continuous adjustment in its relations with the outside world.

Free Preschool Education

The Beijing News
November 10

The Nanjing Municipal Government has put forward a series of reforms on education. From 2014, local children attending kindergarten will receive free education for one year before they enter primary school, while families in poverty will receive subsidies toward the early years of their child's education.

As preschool education is not compulsory currently, local governments tend to neglect it. In the past, when it was reported that certain counties and townships extended free education to local preschoolers, large cities unanimously stated that it couldn't work on a larger scale. However, Nanjing, as a provincial capital, has made it a reality.

According to calculations, to cover one year's preschool education for the whole country only requires the state to invest 32.5 billion yuan (\$5.16 billion), which is only about 7 percent of the country's newly added expenditure on education. With Nanjing setting a good example, the time is ripe for the rest of the country to follow suit.

Air Force Restriction Dropped

people.com.cn
November 8

China's Civil Aviation Administration and the National Development and Reform Commission jointly issued a notice on November 6, scrapping the requirement for airlines to keep a minimum domestic ticket price for flights.

Domestic airlines in the mainland previously had to set fares at no lower than 60 percent of the base

price, according to a 2004 ruling. In recent years, competition from subway and road services has forced the administration to eliminate this price floor for air fares.

By relaxing restrictions, civil aviation is following market trends, with customers set to have better access to discounted prices, as certain flights will be able to compete with high-speed rail routes, raising competitiveness.

However, while consumers may enjoy ticket discounts, they must remain vigilant regarding "discount"

services. Nowadays, alterations or refunds for air tickets discounted by 60 percent is not possible. If a flight is missed, or its route changed, passengers receive no refunds. This has long been widely criticized. After air fare reform is carried out, customers will enjoy more discounts, though disputes may simultaneously increase.

To prevent possible price discrimination, supportive measures must be taken to ensure passengers are treated equally, whether they pay for full priced tickets or discounted equivalents.

When to Start English Learning?

Life Weekly
November 4

Hiding behind the children's English training market in China lie the dreams of numerous local families who want to see their children climb the social ladder. Attending English classes to study abroad has become a competitive edge. When this outcome cannot be delivered through exam-oriented education on campus, parents resort to training institutions.

Many families hold the view that if they want their children to hold on to Chinese culture, they should be sent abroad after age 12, after they have completed primary school. This necessitates language learning from Grade 3, or 9 years old.

Though young Chinese parents are creating better conditions for their children, some find this is still not enough due to increasingly fierce competition, set against declining opportunities.

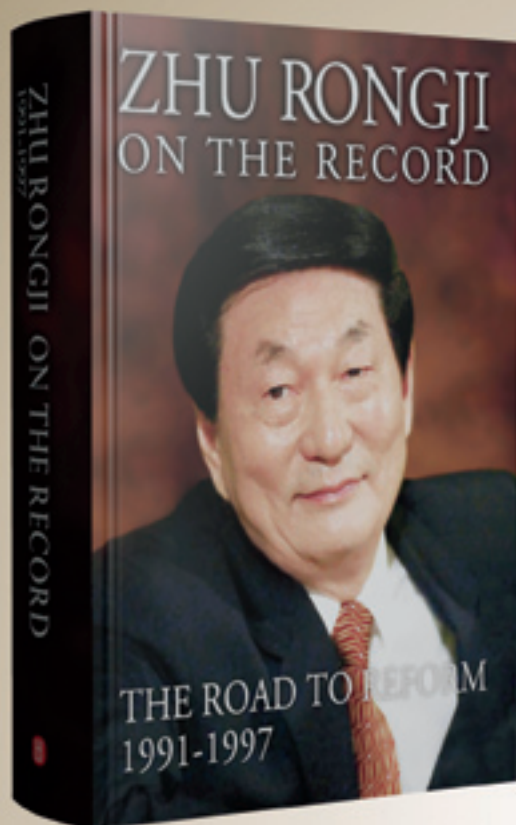




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He has been as direct in his editorial selections as he was in his leadership style in office and has not shied away from difficult or sensitive issues.

—— 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

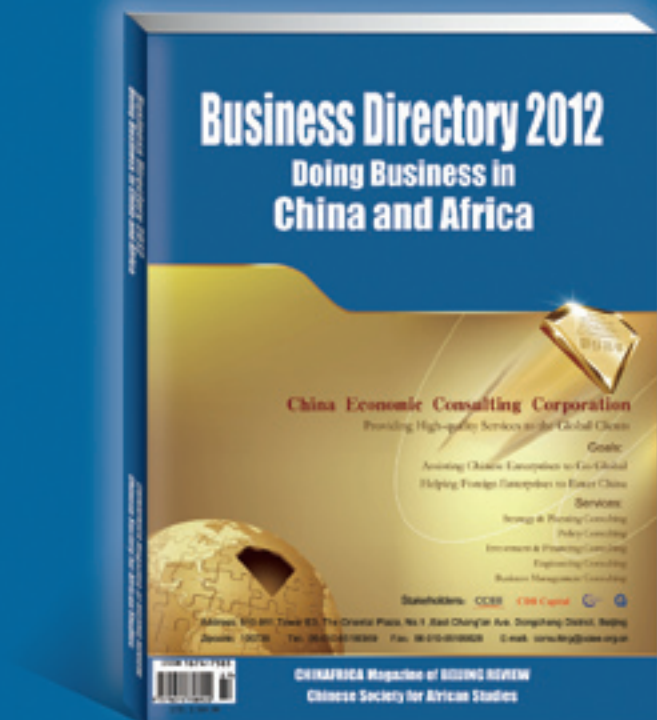
Zhu Rongji on the Record is a compilation of Zhu's writings. It covers China's reform, opening up and modernization drive. It includes important speeches, articles, letters, and directives. Zhu Rongji is a key Chinese reformer and statesman, and served as Vice Premier of the State Council from April 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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GREATER DEPTHS

China's definitive reform agenda prioritizes combating income inequality and highlighting the market's role By Zhou Xiaoyan

Seven years ago, Yang Guanglin and his family said goodbye to their rural village life and made the move to Chengdu, capital of Sichuan Province. Yang picked up work on construction projects while his wife waited tables in a small restaurant. The migrant couple and their only son have been battling against the odds to put down roots in the city.

Despite the fact that the family can save around 20,000 yuan (\$3,282) a year, they never feel a sense of belonging in the city.

"I don't have a Chengdu *hukou* (permanent household registration certificate)," Yang told

十八届中央委员会第三次全体会议



CARVING OUT FUTURE REFORMS:
Top Chinese leaders vote at the Third Plenary Session of the 18th CPC Central Committee in Beijing on November 12

LAN HONGJIANG

People's Daily. "I cannot enjoy the same benefit as the city dwellers do."

Social Security and education are two biggest headaches for Yang. And he is just one of the hundreds of millions of migrant workers in China who flock to cities to seek a better life and, despite their hard work, they hardly feel welcome in their new urban locales.

However, a ray of hope shone through the gloom of migrant workers' plights after the closure of the Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), held November 9-12 in the na-

tion's capital of Beijing.

During the four-day, closed-door session, Chinese leaders vowed to establish a more fair and sustainable social security system for both urban and rural residents. According to a communiqué released after the plenary session, more efforts will be made to improve social welfare and deepen institutional reforms to ensure social justice and equality.

The third plenary sessions of the CPC Central Committee often focus on reform. China's landmark reforms in the late 1970s started right after the Third Plenary Session

of the 11th CPC Central Committee held in 1978. The reform and opening-up policies have brought China more than three decades of rapid economic expansion.

The recently concluded 204-member 18th CPC Central Committee plenary session, which has drawn attention from around the globe, marks the starting point of a new round of comprehensively deepening reforms in the world's second largest economy.

The general objective of the reform is to improve and develop socialism with Chinese characteristics and push on with the modern- ►►

ization of the country's governing system and capabilities, according to the communiqué.

This round of comprehensive reform will go far beyond economic changes and will cover the socialist market economy, democracy, cultural development, social harmony and ecological matters.

Issues singled out for change included establishing a central leading team for reform; giving the market a more important role in allocating resources; creating a better social security system; giving farmers more property rights over collectively owned rural land; establishing a unified land market in cities and the countryside; setting up a state security committee; deepening fiscal and tax reform; cracking down on corruption; fostering judicial independence and more.

The pending reforms, like any reform in the world, are bound to face stiff resistance from vested interest groups. It's going to be an arduous task, according to analysts.

Highlights

China's top leaders have been emphatic about reforms and have repeatedly called for comprehensively deepening reform on many occasions.

Since the 18th CPC National Congress held in November 2012, when Xi Jinping and Li Keqiang were selected as top Party leaders, the two have made 17 inspection tours of the country, all leading to calls to the urgency of deepening reforms.

On a visit to central China's Hubei Province in July 2013, President Xi talked about the methodology of comprehensively intensifying reform. Reform, he said, is a balance between creativity and reality, between urgent breakthroughs and comprehensiveness, between the leadership and the grassroots, between courage and care, between reform, development and stability.

To that end, China will set up a central leading team for reform. The team will be in charge of designing reforms on a holistic basis—

arranging, coordinating, and pushing forward reforms as a whole—as well as supervising the implementation of reform plans, according to the communiqué.

A top-level team and an emphasis on “top-level design” suggest a more decisive reform push by the new leadership, said analysts.

Wang Yukai, a professor of the Chinese Academy of Governance, said such a team is vital for future comprehensive reform, which is bound to go well beyond economic changes.

Wang added that China is currently facing four major risks: economic slowdown, mounting income disparity, a crisis of confidence and corruption.

“Only by deepening reform in an all-round manner can China solve those crises,” said Wang.

“China's reform has reached a turning point, which requires concerted efforts in all areas, including economic, political, social, cultural and ecological reforms. It's imperative to have such a team for top-level institutional designs and overall coordination. With such a team, reforms in all areas will be carried out in a coordinated way, not only focusing on economic reforms as in the past.”

Another highlight of the third plenary session was that a bigger role was promised to the market at a time when the Chinese economy begins to show signs of slowing down after over three decades of breakneck expansion.

For some time after 1949, the idea of a market had been associated with capitalism. Even after reform and opening up in 1978, the country had struggled to define the market and some dogmatists still questioned whether socialism could accommodate a market economy. It was not until the 14th CPC National Congress held in 1992, that a socialist market economy became consensus. The Party agreed that the market, under state macroeconomic control, should be the “basic” means of allocating resources.

The Third Plenary Session of the 18th CPC Central Committee had a change of attitude toward the market, saying that it has a “decisive”

role in allocating resources.

Experts say it is not only a change in wording, but more importantly, a breakthrough in China's market reform and highlights the importance of market power.

Xie Chuntao, a professor from the Party School of the CPC Central Committee, said a new definition of market showed the Party's in-depth understanding of what the market economy is and what role the government should play.

Xie commented that the market has played an increasing role in the domestic economy over the past two decades.

“The government did a good job but sometimes just intervened too much, which has led to high administrative costs, low efficiency and corruption,” he said. “I think the leadership understands what the problems are.”

The core of economic reform is a proper relationship between government and the market, according to the communiqué. The Party also pledged to open up the market to private and foreign investment with deregulation being tested in free trade zones. This is in line with an array of reform measures carried out by the new Chinese leaders since taking office.

The new Central Government formed in March has been pushing forward an institutional reform to cut red tape and delegate power to lower levels. So far, it has abolished or transferred 221 administrative approval items to local governments.

Market reforms are under way as well. In July, China's central bank canceled the floor on lending rates. The Shanghai Pilot Free Trade Zone was launched in September as a testing ground for financial reforms, including the convertibility of the yuan and the deregulation of interest rates.

Decisions made at the Party plenary session also paved the way for China's long-anticipated new urbanization process, according to analysts. The *hukou* system ties entitlement to public services—such as pensions, healthcare insurance and free public schooling—to home towns. Restrictions on farmers from selling their

Third Plenary Session of The 18th CPC Central Committee



Venue

The Great Hall of the People, Beijing



Date

November 9-12



Attendees

- Voting delegates:
204 full members and 169 alternate members of the CPC Central Committee
- Non-voting delegates:
Standing committee members of CPC Central Commission for Discipline Inspection, leading officials from relevant departments, some grass-roots level delegates to the 18th CPC National Congress as well as experts and academics



Agenda

- Xi Jinping, General Secretary of the CPC Central Committee, delivered a report on the work of the committee's Political Bureau to the plenary session.
- Deeper and more comprehensive reform dealing with major issues concerning the next decade was discussed and approved.

(Source: Xinhua News Agency)

land also impede urbanization.

China's urban land is owned by the state, while rural land is collectively owned by farmers. Rural land is divided into two types—arable land, which is used for growing crops, and rural construction land, which is used for rural housing, infrastructure and factories. Farmers lack property rights over the collectively owned land, thus they are denied gains from soaring land prices and are often forced into selling rural land.

The communiqué stated that China will quicken efforts to give farmers more property rights and establish a unified urban and rural land sales market.

Yi Peng, Director of the Urbanization Research Center under the International Finance Forum, an independent global think tank with headquarters in Beijing, said this will give farmers more benefits from the increase of land prices and housing prices, which can to a large extent narrow the income gap between rural and urban residents.

Obstacles

Some netizens said that Party plenary session communiqués are short on details and on implementation timelines.

"The CPC Central Committee plenary session is only responsible for mapping out reform's orientation," said Wang Jianhui, Deputy Director of the Research Academy of the Beijing-based Capital Securities. "A slate of follow-up policies is expected to be released in the coming two years."

Zhao Xijun, a professor of finance at the Renmin University of China in Beijing, said the implementation of reform measures is what matters.

Zhao said China has now entered "deep-water reform," with no experience to learn from and no errors allowed.

"China has to muster unprecedented courage and determination to formulate specific reform measures and a clear timeline."

As the reform is bound to encroach on

vested interest groups, the country is likely to face stiff resistance from those who benefit from the status quo, including state-owned enterprises (SOEs), some government officials and some companies in the financial and real estate sectors.

Even President Xi admitted during the plenary session that the comprehensive deepening reform is bound to be thwarted by outdated mindsets and vested interest groups.

"SOEs are responsible for 60 percent of China's investment, but only produce 20 percent of the GDP. Their staff, which only accounts for 5 percent of the total workforce, will do everything they can to compromise the reform," Wu Xihu, a professor from Peking University, wrote on his Sina Weibo page, a twitter-like

micro-blogging service.

Chang Xiuzhe, a professor from the Macro Economic Research Institute of the National Development and Reform Commission, said the key issue confronting the proposed central leading team for reform would be coordinating different interest groups.

"The authority of the team should be strengthened. In the past, some good reform measures were carried out poorly. Therefore, the focus of the team's efforts in the future should be harnessing those interest groups to make sure reform measures are smoothly carried out." ■

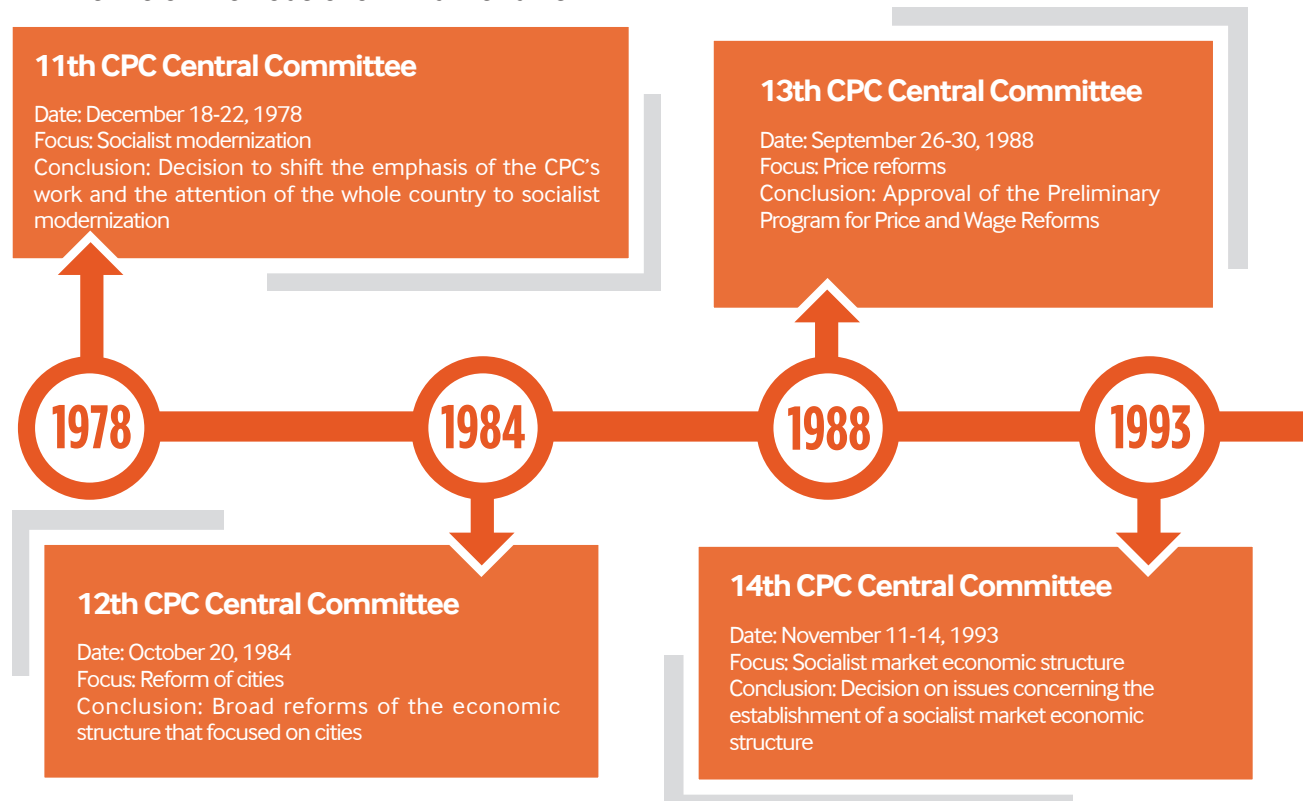
zhouxiaoyan@bjreview.com

CPC Third Plenum Overview

Summary of the Third Plenum of the 18th CPC Central Committee

Central Principles	General Objectives	Timeframe
To adhere to socialism with Chinese characteristics and take Deng Xiaoping Theory, the important thought of Three Represents and the Scientific Outlook on Development as guidance	To improve and develop socialism with Chinese characteristics and push on with the modernization of the country's governing system and capabilities	Decisive results to be achieved in all key sectors by 2020
Focus	Two New Organizations	
Carrying out economic restructuring with the aim of establishing a proper relationship between the government and the market, leaving the market to play a decisive role in the allocation of resources and for the government to play a more refined role	<ul style="list-style-type: none"> ● A central leading team for reform to be in charge of designing and supervising the implementation of reform programs, arranging and coordinating reform measures, and pushing forward reform as a whole ● A state security committee to improve systems and strategies in place and better ensure national security 	

Timeline of Previous CPC Third Plenums



Major Reforms

1. Sticking to the dominant role of public ownership while encouraging, supporting and guiding the private sector to enhance its own vitality and creativity;
2. Building a united and open market system with orderly competition so that the market can play a decisive role in allocating resources;
3. Transforming government functions and building a law-based and service-oriented government;
4. Building a modern fiscal system that supports the initiative of both central- and local-level governments;
5. Improving relations between industry and agriculture as well as between urban and rural areas, giving farmers more property rights, and promoting equal exchanges of resources

- and capital while balancing allocation of public resources between urban and rural areas;
6. Lowering investment thresholds, stepping up the development of free trade zones and increasing the opening up of inland, coastal and border areas;
7. Attaching greater importance to perfecting a democratic system and enriching democratic forms to show the advantages of China's political system;
8. Deepening judicial system reform and upholding the rights and interests of the people;
9. Ensuring transparency during exercises of power and accepting supervision from the general public;
10. Establishing a modern cultural market system;

11. Accelerating reform in social sectors such as education, employment, income distribution, social security and public health;
12. Innovating the social governance system to effectively prevent and stop social disputes, and improving public security through establishing a state security committee;
13. Building a comprehensive system for ecological progress, including an ecological compensation system;
14. Building up a modern armed force with Chinese characteristics;
15. Strengthening the CPC's leadership role in deepening reform, and setting up a central leading team for "comprehensively deepening reform."

(Sources: Xinhua News Agency and The Beijing News)

15th CPC Central Committee

Date: October 12-14, 1998

Focus: Rural work

Conclusion: Consensus on the importance of agriculture, rural work in general, and farmers in China's reforms, opening up and modernization

17th CPC Central Committee

Date: October 9-12, 2008

Focus: Rural reform

Conclusion: Decision on major issues concerning rural reform and development, guidelines, goals and major principles

1998

2003

2008

16th CPC Central Committee

Date: October 11-14, 2003

Focus: Market economy

Conclusion: Deliberating on and approving two documents; a decision of the CPC Central Committee on issues regarding the improvement of the socialist market economic system; and a proposal on revising part of the country's Constitution

A WAITING WORLD

China's reform and development path over the next decade is of great benefit to the global economy **By Mei Xinyu**



The author is an op-ed contributor to *Beijing Review* and a researcher at the Chinese Academy of International Trade and Economic Cooperation

path is good news that ensures stable growth for the global economy.

The session's outcome demonstrates that China's core leadership is committed

to and capable of executing reform and has the ability to overcome obstructions to push forward reforms that conform to the long-term interests of the state and the people. The communiqué says the leadership is to play the leading role in economic reform and promote the sustainable and sound development of the economy and society. It also mentions the establishment of a central leading team, which will be in charge of designing, coordinating and supervising the implementation of reform.

Open economy

Good news for foreign investors is that the plenary session committed again to supporting development of an open economy. According to the communiqué, to adapt to the new situation of globalization, China must advance opening up; better combine "bringing in" and "going out" of investment; and efficiently allocate resources and deepen market integration.

The communiqué reported that China is to relax investment restrictions and accelerate construction of free trade zones, with opening up to be expanded in inland and border areas.

Since China is the world's largest exporter, second largest importer and a fast-growing foreign direct investor, its attitude toward an open economy decides, to a great extent, the openness of the world economy. While many countries are retreating to trade protectionism, the plenary session's commitment to developing an open economy and expanding opening up will be powerful source of support to the global free trade system.

Expanding the opening up of inland and border areas is important for China to promote balanced development between regions. China's eastern region has already been developed, with levels of economic prosperity and people's living standards reaching those in moderately developed countries. Therefore, inland areas deserve more attention from foreign investors. In fact, during the past decade, China's central, western and northeastern regions have recorded higher growth rates than the eastern region in fixed-asset investment, GDP, industrial output and foreign trade.

In China, foreign investors can have a longer industrial life cycle, because China has a vast territory and regional development is imbalanced. Such a long life cycle is unlikely in most small and medium-sized countries. Regional development policies and guidance of industrial transfers by the Chinese Government will expand on this

The Third Plenary Session of the 18th Communist Party of China (CPC) Central Committee, as expected, attracted much domestic and global attention upon its conclusion on November 12. On the release of the official communiqué, one of the major questions being asked by media and analysts is what the session means to the world economy.

A year after the 18th CPC National Congress, China's top leadership has upheld the principle of making steady progress and solving problems while seeking development. As the communiqué reports, "China must build on the reality that it remains in the primary stage of socialism and will long remain so while pursuing comprehensive, deeper reform. China must stick to the strategic judgment that development is still the key to solving all problems in China."

In today's world, where the future of the global economy is uncertain and emerging economies are facing increasing risks, confirmation that the world's second largest economy is maintaining the same

advantage in an orderly fashion.

Also of good news to foreign investors is that the plenary session pledged to accelerate the transformation of government functions and reduce direct intervention in the micro-economy.

According to the communiqué, China must accelerate the establishment of a modern market system under which businesses are allowed to operate independently and compete fairly, consumers are free to choose and spend, and merchandise and factors of production can be traded freely and equally. The CPC has pledged to clear barriers in the market and improve the efficiency and fairness in the allocation of resources. It will also create fair, open and transparent market rules and improve the market pricing mechanism. Land in cities and the countryside, which can be used for construction, will be pooled in one market, the financial market system will be improved, and reform of the science and technology system will be deepened. These aspects mean that China's soft environment for investment will be further improved, and its public services will remain efficient and continue to be improved.

Many innovative practices China created in attracting foreign investment have become examples for other countries to follow. To end some extreme practices, such as providing "super-national treatment" to foreign companies, does not mean China will reject previous methods. On the contrary, China will continue to abolish unnecessary administrative approval, expand market access, provide national treatment to foreign investors and improve public services. With the completion of industrialization, industrial upgrades and

urbanization will offer broad space for both domestic and foreign investors.

That China expands market access to foreign investors does not mean it guarantees profits, but only offers more opportunities for free competition. It is the investors' competitiveness that decides whether they will make profits or be washed out of the market.

Public welfare

In China's process of rapidly improving people's well-being, the welfare crisis of Europe will not be repeated.

As an inevitable outcome of reform, China's wage levels keep rising. The Chinese Government is committed to ensuring that all its people share in the country's development, and with the ongoing rise in wage levels, the country will stop using low-income workers that reduce manufacturing costs as an advantage internationally.

The goal of reform is to share the country's achievements with all people, although this goal has to be realized step by step. One of the essential features of socialism is common prosperity, while social welfare and social security are among the means to share achievements of reform and development and realize common prosperity.

In a poll taken by *Global Times* before the plenary session, 79.1 percent of participants said they expected "reform of the social welfare and social security systems," and 54.7 percent expected "reform of income distribution systems." This result indicates that emphasizing the goal of common prosperity is in line with public opinion.

However, every coin has two sides, as does China's resident income growth and improvements in welfare. On one hand, it helps to expand effective demand and the scale of China's domestic market and then enhance the attraction of that market; on the other hand, excessively high incomes will damage international competitiveness of a country. We can learn this lesson from the heavily indebted countries in Europe. Therefore we should not have excessive expectations about the level of social welfare and social security.

The communiqué says that there would be an improvement in the system and mechanism promoting employment and entrepreneurship, formation of an income distribution structure that is reasonable and orderly and establishment of a social security system that is fairer and more sustainable. This indicates that the top leadership is aware of the risks and committed to realizing sustainable development.

In the decade under Hu Jintao, the Chinese Government had already begun the process of income distribution and adopted some of these measures. The measures adopted in the last decade centered on getting rid of poverty and remarkable progress has been made there. In the coming decade, government measures will focus on expanding the middle-income group. What is most important is creating job opportunities with reasonable incomes, not just raising social welfare and security benefits. ■

THIRD PLENUM POINTS

Future growth must harness China's growing ranks of urban consumers

By Kerry Brown



The author is an op-ed contributor to *Beijing Review* and executive director of the China Studies Center at the University of Sydney

The communiqué issued after the Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC) on November 12 was striking because it raised questions about what a China where the majority of the people live in urban areas would look like. The new Party leadership in place since November last year, who assumed office as of March, have spoken a great deal about the issue of urbanization. This plenary session has given two views on how accelerated urbanization might occur. One is to address the household registration system, so that there is more parity between rural and urban dwellers. The second is to steer China toward a service-orientated economy, and at the heart of that is a drive to build a strong financial sector.

Most would feel that China's urbanization process has been rapid and extensive. In 1978, at the start of the reform and opening-up process, only 15 percent of people lived in cities.

Over a third of the economy was agricultural. One of the most important effects of the reforms was to improve agricultural productivity by granting farmers the right to sell surplus crops to the state for profit. This freed up surplus labor and led to "town and village enterprises," a vehicle for pursuing non-agricultural economic goals.

In the 2010 national census, the survey showed that China was now effectively a society in which—for the first time ever—as many people lived in cities as in rural areas. This follows a global trend, but it raises the question of what an urban China might be like. Over 250 cities now exist in China with populations exceeding 1 million. Cities like Shanghai have exploded from 10 million residents in the early 1990s to nearly 25 million today. In any week, 12,000 new dwellers arrive in the city, creating challenges for infrastructure, welfare, employment and social cohesion. This is a pattern repeated, to varying degrees, across the country.

Urban sprawl

The plenary session's communiqué underlines the fact that the path to a more urban China is not one that the country can ignore. The higher value, more service sector orientated economy that Premier Li Keqiang has referred to in many of his statements

and speeches is one which will inevitably be urban. Fast, sustainable growth must come from urban areas, meaning that rural areas will be able to produce more food, introduce more mechanization to the agricultural sector and maintain more land for produce so that China's food security challenges can be met in the coming decades.

An urban China, where as many as three quarters of the population live in cities, will be a radical break from the past. The great sociologist Fei Xiaotong (1910-2005) wrote, in 1947, that Chinese society remained agrarian, a world where people lived in tight-knit communities in which everyone was known and the bonds of trust were strong. In 2013, Chinese society is no longer like this. Change has been profound and rapid. More and more Chinese live in communities in which they were not born. They are amongst the most mobile people on the planet, with perhaps 200 million migrant laborers, living for extended periods away from their rural homes in urban settings.

An urban China, as the plenary session made clear, will need to have a flexible labor system, and one where residency rights will be easily transferable. It will be a China in which those who live in cities will have access to public goods on the same level as natives of the place they have moved to. That will mean that local governments

will have great challenges in providing public goods to migrants, including medical care, education and social security. There will need to be adjustments to how this is funded. All of these issues have been widely debated in China over the last two decades as the urbanization process has accelerated. There will now need to be a consensus on the best administrative structures and policy instruments to satisfy the expectations and the challenges of a newly urbanized Chinese citizenry.

This leads to the second issue: What economic structure might an urban China have? The plenary session's communiqué refers explicitly to the need to create a strong financial sector. The service sector currently accounts for 46 percent of China's GDP. In a developing economy, this is 10 percentage points higher, at 56 percent. In a developed economy, it is as high as 80 percent. Strengthening the sector has been part of the government's strategy to create growth for a number of years. Finance is a critical part of the service sector. There is another dimension to this. An urban China is also one where another challenge that China faces becomes more soluble—increasing consumption. Consumption remains only a third of GDP, compared to over double this in a developed economy. An urban China is a China where consumption is likely to increase, and where consumers are likely to become users of services.

Factoring in finance

Finance is a complex sector to develop. The suggestion made at the plenary ses-

sion was that building a finance sector in China will be incremental, and that the starting point will be centers like Shanghai and Tianjin. Shanghai has already opened a pilot free trade zone, where trading of Chinese currency might become possible. It is also clear that in Shanghai with the international financial center established there in the last decade, there is the framework for a financial sector which will be able to serve the huge domestic market. Finance will be the provider of jobs, and the high-quality growth that this government is aiming for.

An urban China brings challenges, however. Having such a vast group of people move into cities will create sustainability issues. Water provision is one of the key issues, with the water table in major cities like Beijing now at critically low levels. Pollution will also be a massive issue. Shanghai registered 2 million cars for its roads, and still had to build a huge new subway infrastructure, much of it before the Shanghai Expo in 2010. Beijing currently has the second largest subway system in the world after Seoul in South Korea. Even so, with 5 million registered cars, roads are often clogged and car-related pollution high. Cities will have to become spaces for social and architectural innovation, because never before has the pressure on infrastructure and sustainability been so high. The impact of this on people's lifestyles, on their diets, on their relationships with each other, will be profound. In many cities, the majority of people will be newcomers, meaning

that a sense of community and shared civic values will be important.

An urban China, as it is outlined through this plenary session, also creates opportunities for the outside world. Seeing Chinese increasingly as potential users of services as consumers who are keen to buy Western goods, and as partners in harnessing the enormous growth potential in China, is clearly sensible. China, as a manufacturing base and an exporter, is likely to be replaced in the decade ahead by China as a customer, a service user, and a market for technology and value-added goods. The plenary session communiqué, with its vision of an urban China and the routes to achieve that, is also a statement that multinational companies need to think of strategies to engage in this process. Research produced in Europe recently has shown that Chinese consumers in cities are information hungry, open minded (there is little of the 'buy-local' mentality that sometimes dominates Western markets. The issue is buying good quality, reliable goods) and price conscious. For companies in the rest of the world to start reaching these new consumers is a fresh challenge. ■



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