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CAN THIS CHINESE APP GO GLOBAL?

WeChat plans to take on the world

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WeChat mobile IM faces off against overseas rivals



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

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

General Editorial Office
Tel: 86-10-68996252
Fax: 86-10-68326628
English Edition
Tel: 86-10-68996259
Advertising Department
Tel: 86-10-68995813
E-mail: ad@bjreview.com.cn
Distribution Department
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EDITOR

Beyond Borders

Today, a growing number of mobile phone users in China are using WeChat, a free and easy-to-use application through which they can send voice messages, pictures, video clips, and text to other users.

Developed by Tencent Holdings Ltd., a hi-tech firm headquartered in Shenzhen in south China's Guangdong Province, WeChat gained immediate popularity among the users across China. According to the company, the total number of registered WeChat users had exceeded 400 million by the end of June, only two and half years since it was first launched.

WeChat boasts an array of superior qualities over some other messaging apps. For one, it has been supported by a handful of operating systems, ranging from iPhone and Android to Windows Phone and Symbian, as well as BlackBerry, making it a practical and effective tool for communication and social networking. Moreover, it has also allowed room for businesses to interact with consumers. This is expected to endow WeChat with great commercial value and more novel business possibilities.

While attaining tremendous success at home, Tencent has made inroads in the global marketplace and reportedly has more than 70 million users in over 100 countries across Asia, Europe, and the Americas.

In recent years, Tencent has made a number of acquisitions and other strategic moves abroad, including opening an R&D center in the United States in March. But the tougher question is: Will it be able to compete squarely with its rivals like America's WhatsApp and Japan's Line? Some local industry insiders argue that although WeChat may in fact be a superior product, the battle to acquire more users, particularly in Western countries, won't be easy because governments may see WeChat as a threat to their national security, an accusation some Chinese companies are all too familiar with. Nevertheless, WeChat is well situated to expand well beyond China, something necessary for Chinese companies to mature and compete head on in the battle for global consumers. In this sense, WeChat may just be the first product that gives "Made-in-China" a whole new meaning. ■

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Available on App Store



HEAT WAVE HAVOC

Pedestrians walk along a street on July 31 in Hangzhou, east China's Zhejiang Province, using various means to resist blazing sunlight. Hangzhou Meteorological Observatory has released consecutive warnings as local temperatures hit a high of 38 degrees Celsius that day. This summer, many cities around China are suffering sweltering heat waves, predicted to persist until mid-August.

Parched

A farmer pulls an ox to drink in a dried pool in Qianguang Village, Yuping County in southwest China's Guizhou Province, on July 29.

Due to little rainfall and high temperature, lingering droughts have affected more than 12 million people in 38 counties in Guizhou. More than 2 million people lack adequate supplies of drinking water, and a total of 847,300 hectares of farmland are damaged.



Poisoner on Trial

A court in north China's Hebei Province on July 30 opened a trial for a man who allegedly added poison to frozen dumplings that sickened 10 people in Japan in 2008.

In January 2008, Japanese media reported that 10 people fell ill after consuming frozen meat dumplings produced by the Tianyang Food Plant based in Shijiazhuang, capital of Hebei.

The plant was investigated by both Chinese and Japanese authorities shortly after the incident, but no

problems were found.

In March 2010, suspect Lyu Yueting was detained by Chinese police. Lyu worked in the factory between April 1993 and October 2009.

Lyu confessed to injecting pesticide into frozen dumplings between October and December 2007 because he was dissatisfied with his salary and did not get along with some of his co-workers, the procuratorate said.

After a three-hour trial, the court said a verdict will be announced on a later date.

According to Chinese law, the

death penalty can be handed down to those found guilty of deploying dangerous substances if their actions cause serious injury, death or the loss of property.

No Take-off Limit

The Civil Aviation Administration of China (CAAC) has proposed a new measure to deal with serious flight delay problems at eight Chinese airports, *The Beijing News* reported on July 31.

The measure indicates that, except in the instance of bad weather and military events, these airports should not postpone their flights from taking off due to air control situations at destination airports.

The affected international

airports include Beijing Capital, Shanghai Hongqiao, Shanghai Pudong, Guangzhou Baiyun, Shenzhen Bao'an, Chengdu Shuangliu, Xi'an Xianyang and Kunming Changshui.

It is estimated that the number of flights at the eight major airports represent about half of the total flights in China.

Officials Investigated

More than 700 officials have been investigated for breach of duty related to workplace accidents in the first half of the year, the Supreme People's Procuratorate (SPP) said on July 29.

In the first half, prosecutors started investigating 467 graft cases related to workplace accidents, according to an SPP statement.

Prosecutors have finished investigating 457 officials implicated in the cases and filed charges against 443 of them, it said.

The SPP itself led investigations into three significant cases and supervised another 17 cases.

The top procuratorate asked local prosecuting agencies to step up efforts against cases of graft that could be related to workplace accidents.



NOTES



MEMORIAL WALL

Local residents mourn relatives who died in the 1976 earthquake in Tangshan, Hebei Province, on July 28. The devastating 7.8-magnitude earthquake killed over 240,000 people



OPEN DAY

A foreign correspondent takes a photo of a soldier from an anti-aircraft brigade stationed near Xi'an of Shaanxi Province, where more than 70 journalists from over 40 media organizations visited on July 29



Greenways in Beijing

China's capital city will build over 1,000 km of greenways in the coming five years to ease air pollution, the Beijing Municipal Government announced on July 30.

Costing 3 billion yuan (\$486 million), the project will create a network of pathways connecting over 200 parks, scenic spots and historical sites in the city.

The park-like paths will offer more space for pedestrians and cyclists, who often complain about their lanes being occupied by motor vehicles during rush hours or traffic jams, thus encouraging more citizens to travel in a greener way, said Xiao Huili, an official with the Beijing Municipal Development and Reform Commission.

The greenways will also serve to improve the environment and help alleviate the choking smog that has plagued the megacity that is home to over 20 million people.

Construction is expected to start this year in the city proper and will

later expand to the suburbs, Xiao said.

Healthcare Survey

The National Health and Family Planning Commission said on July 29 it will survey medical service facilities in September.

The survey, the fifth of its kind to be conducted since 1993, is intended to help the government learn about local medical service conditions, demand in the medical sector and the distribution of medical service resources.

The survey will be conducted from September 1 to 25, covering 300,000 people nationwide, according to the commission.

As part of the survey, medical workers will fill out questionnaires in order to collect information on their working conditions and their feelings toward their jobs.

Teeth From Stem Cells

Chinese scientists have successfully grown tooth-like structures from induced pluripotent stem cells (iPSC), the Chinese Academy of Sciences (CAS) said.

The structures were found to possess physical properties, such as elasticity and hardness, that are similar to those found in regular human teeth, according to a statement issued by CAS on July 30.

Scientists differentiated stem cells derived from human urine and then recombined them with dental connective tissues isolated from mouse embryos, according to the statement.

The recombinant was later transplanted to mouse bodies and tooth-like structures were recovered within three weeks, it said.

The tooth-like structures have the same features as human teeth, including dental enamel, dentin,

dental pulp and cementum, the statement said.

The research results demonstrate that the urine iPSC technique can be used to regenerate patient-specific dental tissues or even teeth and may be further developed for drug screening or clinical regenerative therapies, said Pei Duanqing, a researcher at the CAS's Guangzhou Institute of Biomedicine and Health.

Like embryonic stem cells, iPSC can develop into any cell in the human body.

Panda Channel

From August 1, Internet users around the world will be able to watch live round-the-clock broadcasts of giant pandas living in southwest China's Sichuan Province, the Chengdu Research Base of Giant Panda Breeding announced on July 28.

Twenty-eight high definition video cameras have been installed in the base to record the daily activities of more than 80 giant pandas living there, said sources with the base.

Visitors to the Giant Panda Channel, or lpanda.com, can choose from six feeds, including "garden for adult pandas," "kindergarten," "nursery for twins," "mother and child playground," "No.1 Villa" and "Featured," according to their own preference, 24 hours every day.

The website started posting video clips on June 24 as a test and has since attracted nearly 15,000 Internet users to visit and leave comments.

Highest County

A new county established on July 26 in southwest China's Tibet Autonomous Region has become the world's highest county-level administrative unit.

With an average elevation of

5,000 meters, Shuanghu County is located in Nagqu Prefecture and was previously administered by Nyima County. Shuanghu, meaning "two lakes," is named for lakes Kamru and Racho in its jurisdiction.



Powerful Transmission Line

A staff member checks a 50-meter-high electricity transmission line in Changxing County, east China's Zhejiang Province, on July 31, a day before the line was put on a test run.

Upon its completion, it will transmit 50 billion kwh of electricity each year from neighboring Anhui Province to Zhejiang Province and Shanghai.



FTA Talks

China, Japan and South Korea started their second round of trilateral talks on a free trade agreement (FTA) in Shanghai from July 30 to August 2.

The talks covered the cargo and services trade, customs procedures, trade remedies, intellectual property rights and e-commerce.

The three countries have seen increasingly close economic and trade relations, said Yu Jianhua, a representative for China's international trade negotiation.

In 2012, the three countries'

combined GDP totaled \$15 trillion, accounting for about 20 percent of the world's total and 70 percent of Asia's total. In 2012, bilateral trade between China and Japan exceeded \$329 billion, while China-South Korea trade surpassed \$256 billion.

The first round of trilateral talks was held in March in Seoul. The third round will be held in Japan at the end of 2013.

Liquidity Injection

The People's Bank of China, the country's central bank, injected 17 billion yuan (\$2.77 billion) into

money markets on July 30 through seven-day reverse bond repurchase agreements, the first such move in five months, to ease concerns over a credit crunch that pushed benchmark interbank lending rates to four-week highs.

Analysts said that although the volume of the operation was limited, it sent a signal to money markets.

Liquidity eased on July 30 in response to the central bank's money injection. The seven-day Shanghai interbank offered rate, a gauge of the availability of cash in the banking system, fell 8.5 basis points to 4.97 percent, according to a weighted average compiled by the

National Interbank Funding Center.

Stocks rose on July 30 after the central bank's liquidity injection, with the benchmark Shanghai Composite Index climbing for the first time in five days as it added 0.7 percent to close at 1,990.38.

Green Investment

China's investment in renewable energy during the 12th Five-Year Plan period (2011-15) will reach 1.8 trillion yuan (\$294 billion) in addition to 2.3 trillion yuan (\$375 billion) on energy-saving and emission reduction.

"China has carried out a series of policies to cope with climate change and we have achieved some success after several years of effort," said Xie Zhenhua, Vice Minister of the National Development and Reform Commission, during the Caring for Climate China Summit held by the Global Compact Network China.

From 2006 to 2012, China's energy consumption per unit of the GDP was reduced by 23.6 percent, which equals a reduction of 1.8 billion metric tons of carbon emissions, according to Xie.

However, he admitted China's



TIGER CONSERVATION

The International Workshop for Transboundary Conservation of Tigers and Other Endangered Species and the Strategy to Combat Illegal Trade in Wildlife is hosted by the State Forestry Administration in Kunming, Yunnan Province, on July 29, International Tiger Day



RICE FIELD ON THE ROOF

A wine company in Liuzhou, Guangxi Zhuang Autonomous Region plants rice on a building roof to lower the temperature of the workshop beneath

economic development depends heavily on high-energy consumption and produces high emissions, and that the country's emission per capita is higher than the global average.

"China will continue to make great effort to reduce emissions, improve air quality and accelerate sustainable economic development," Xie said.

Thriving E-commerce

Online shopping is no longer exclusively for city dwellers, as residents of smaller locales are now spending more money buying goods on the Internet.

People living in counties and townships each spent an average of 5,628 yuan (\$911) online in 2012, almost 1,000 yuan (\$163) more than their urban counterparts, according to a report released on June 29 by Taobao, China's leading online shopping site.

The report showed that county and township residents placed an average of 54 orders each on



U HANCHI

Taobao in 2012, far more than the 39 orders placed by e-shoppers living in China's first- and second-tier cities.

Though with generally lower incomes, residents in small towns and counties tend to have similar online spending habits as their urban counterparts, according to a report released in March by McKinsey Global Institute.

The McKinsey report said that for every 100 yuan (\$16.31) spent online, 57 yuan (\$9.30) is spent by people in third- and fourth-tier cities, greater than the national average of 39 yuan (\$6.36).

Revenues Slow

The Ministry of Finance announced on July 29 that China's tax revenues, a major source of the government's fiscal income, grew at a slower pace

in the first half of 2013.

During the January-June period, the government collected tax revenue totaling 5.93 trillion yuan (\$961 billion), up 7.9 percent year on year, but slower than the 9.8-percent increase seen in the same period of last year.

China's fiscal revenue growth faltered on the back of a continuous economic slowdown and the country's structural tax reforms, including a pilot program to reduce Chinese companies' tax burden by replacing the turnover tax with a value-added tax (VAT), a type of tax levied on the difference between a commodity's retail price and production cost.

The revenue from the VAT increased 6.6 percent to 1.43 trillion yuan (\$233 billion), down 1.5 percentage points from the growth in the first half of 2012.

Numbers

704.3 bln yuan

Total loan balance of China's 7,086 small-credit companies at the end of June

18.2%

Year-on-year growth in net profits of China's 113 central state-owned enterprises between January and June

34.8%

Growth in trade volume between the Chinese mainland and Taiwan in the first half of 2013

Not So Lucrative

Staff load crude steel for export in Ganyu Port, east China's Jiangsu Province.

China's iron and steel output increased 7.4 percent in the first half of 2013 to a record high, but the profit margin was only 0.13 percent.



SI WEI

66.9 bln yuan

Amount of money that the Central Government has allocated to fund major road projects

THIS WEEK WORLD



PAKISTAN

Pakistani Prime Minister Nawaz Sharif (left) shakes hands with President-elect Mamnoon Hussain, a member from the ruling Pakistan Muslim League-Nawaz, in Islamabad on July 30



SPAIN

Rescuers check a carriage at the site of an accident near Santiago de Compostela on July 25. A train hurtled off the tracks the day before in northwest Spain, killing at least 77 passengers and injuring more than 140



INDONESIA

People prepare to fly traditional kites during a festival to promote tourism in Denpasar in Bali on July 28





BRITAIN

Participants warm up ahead of the Sumo Run, an annual 5-km charity event, in London on July 28



EGYPT

Supporters of ousted President Mohamed Morsi carry his portrait as they demonstrate in Cairo on July 26



THAILAND

Royal Thai Navy personnel clean up a beach contaminated by oil leaks on the resort island of Ko Samet on July 30

“Some foreign brands are high in price, but inferior in quality.”

Qiu Baochang, head of the legal team at China Consumers' Association, on July 28. Nearly two thirds of the complaints the association received about baby formula in the first half of the year regarded foreign brands



“I would say the most important reason good Chinese scientists choose to stay in the United States is because of the scientific culture (in which) they have bigger freedom to pursue research of their choice.”

Joseph Jen, former undersecretary for research, education and economics for the U.S. Department of Agriculture, on July 28, in response to a *People's Daily* report in June that said China is experiencing the world's worst brain drain



“It's definitely inappropriate to let individuals run the websites for adoption services, but they exist because the government fails to step in.”

Tong Xiaojun, an adviser for Save the Children China Program, a non-governmental organization focusing on children's rights and welfare, in response to an online adoption website created in 2007, which has helped about 300,000 families with fertility issues adopt children



“Chinese cities, including Beijing, have not established a system that can provide solid services for individual tourists.”

Zhang Hui, a tourism management professor at Beijing Jiaotong University, in response to the capital's declining number of visitors in the first half of the year, on July 30



GOLD MEDAL DIVER



Chinese diver **He Chong** won gold in the men's 3-meter synchronized springboard event, alongside Qin Kai on July 23 as well as in the men's 3-meter springboard on July 26 at the 15th FINA World Championships in Barcelona, Spain. He has claimed the title three consecutive times, the second person in history to achieve such a feat.

Born in Guangdong Province in 1987, He started practicing diving at the age of 6. The diver won gold in the men's 3-meter springboard event at the 2008 Beijing Olympic Games, 13th FINA World Championships in Rome during 2009 and 2010 FINA Diving World Cup in China to achieve a grand slam.



FILM FESTIVAL JURY



Director and actor **Jiang Wen** was appointed a member of the jury at the 70th Venice Film Festival, which runs from August 28 to September 7, becoming the only Chinese on the judging panel. A restored version of Jiang's first directorial film *In the Heat of the Sun* shot in 1994, which won the Best Actor prize at the 51st Venice Film Festival for its young leading player Xia Yu, will be shown at the festival.

The director is one of the most important filmmakers in China today. His second directorial effort, *Devils on the Doorstep* took the Grand Prix at the 2000 Cannes Film Festival. His more recent works include *The Sun Also Rises* in 2007 and *Let the Bullets Fly* in 2011.



Shedding Exhaustion

Lifeweek
July 22

Many people are now suffering from professional burnout. This condition will inevitably harm people's physical and psychological health and bring about serious social consequences.

In simple words, professional burnout relates to emotional and physical exhaustion caused by mounting work and frustration.

According to a report on professional burnout in China released by China Human Resources Development Network in 2004, at least 40 percent of those surveyed suffer from professional burnout. In striking contrast to this high percentage, there are only

around 400 certificated psychotherapists in China. Most people regard professional burnout as a private problem caused by low work efficiency and weak willpower and won't share the heavy psychological burden with family members, colleagues or psychotherapists for as long as they can bear it.

Gaby Cora, a well-known psychologist majoring in career psychology, suggests that to get rid of this disease, people should first exercise at least 30 minutes every day and develop healthy hobbies. They should keep themselves off from work when having dinner or on vacation, while sometimes they can turn off mobile phones as well as stop refreshing e-mails. And they should deal with their work in the order of urgency and avoid doing multiple tasks simultaneously. In addition, people should not be ashamed of turning to professional psychotherapists for help.

Environmental Law

Xinhua Daily Telegraph
July 30

Recently, the draft of an amendment to the Environmental Protection Law, which was published on August 31, 2012, launched its second round of asking for public comments. How to ensure the law to be enforced effectively becomes a hot topic.

Take wetland conservation for instance. Many experts hold that some wetland parks are not environmentally friendly. In many cases, emphasis has been put on the park over the wetlands. Park managers spend most of the money constructing tourist facilities, but utilize very little for research into and protection of wetlands.

The burning of straw stalks is another example. Because the price of straw is so low, farmers are not willing to spend gas money to take them to collection centers, and end up burning most of it. To deal with this problem, many local governments simply impose a fines. But this has never stopped such behavior.

Such fake environmental protection activities serve only short-term purposes. In the long run, it will only harm the environment.

Phony Masters

People's Daily
July 30

Qigong is a traditional Chinese system of deep breathing exercises that help adjust blood circulation. But now some frauds practice deception under the cover of being so-called "qigong masters."

Wang Lin, 61, is one such "master" in China. Over the past two decades, he has duped numerous people, including government officials,

wealthy business people and celebrities both at home and abroad.

According to an anonymous source acquainted with Wang, since the early 1990s, he has been a favorite among some local officials in his hometown in Luxi County, Jiangxi Province. He first became well-known for producing a snake from an empty basin, later self-proclaiming himself an omnipotent *qigong* master able to cure all diseases as well as predict luck. By fooling people, Wang has made a huge fortune and built a huge villa in the county.

Currently, Zou Yong, a businessman who once formally acknowledged Wang as his master, is suing the latter over a housing contract dispute that involved more than 30 million yuan (\$4.8 million). Local authorities have also kicked off an investigation into Wang regarding his alleged illegal medicine practices.

Why could Wang hoodwink so many people, even officials? How did he make so many friends? Undoubtedly, what the "master" really do is making money by fraudulent means as well as worsening social morality, while delaying the treatment of patients.

Polluted Water Processing

Caixin Magazine
July 22

In the past seven years, the Chinese Government has invested 500 billion yuan (\$81.5 billion) in processing polluted water. It appears that China's polluted water processing has achieved remarkable results, but in fact, although money has been spent, pollution remains a problem.

The reason is that China's polluted water processing lacks a key procedure—processing polluted soil left after polluted water is processed. Most heavy metals and microorganisms in polluted water remain in the soil, making it poisonous.

However, in China, 80 percent of polluted soil has not been effectively processed. *Caixin* reporters have found that even in Beijing, a large amount of polluted soil is transported to farmland on which corn, peanuts, fruit and vegetables are grown in surrounding suburbs and the neighboring Hebei Province without being properly dealt with.

The first reason behind it is high cost. The cost of processing polluted soil accounts for 70 to 80 percent of that of processing polluted water. Second, the result of processing polluted water is easily seen, while that of polluted soil processing is invisible. Some local governments are therefore unwilling to pay for invisible results.



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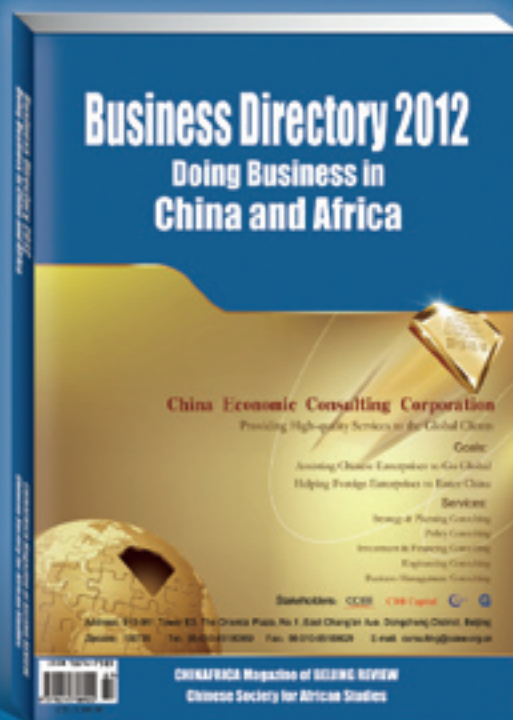
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COVER STORY

STRIVING FOR GLOB

The Chinese-made messenger app WeChat has big designs to expand in foreign markets, including the United States, but will it succeed? By Zhou Xiaoyan



AL EXPANSION



APP ON THE RISE: WeChat's logo on display inside Tencent headquarters office building in Shenzhen

Lisa Tseretzoulis, a 51-year-old office administrator living in Montreal, Canada, came across WeChat a year ago and instantly fell in love. "I like it a lot and have recommended it to family and friends."

WeChat, known as *weixin* in Chinese, is the country's most popular messaging and social media app developed by Tencent, China's biggest Internet firm. WeChat is often likened to WhatsApp, developed by a U.S. firm, and Japan's Line.

But WeChat is more than a messenger app and packs a host of other features, including a hold-to-talk function that allows users to send audio messages to other WeChat users, much like a walky-talky. It's also a social media platform to post photos and make comments, much like Facebook. Companies and celebrities can open a special account to interact with fans and build a following. NBA basketball player LeBron James has an account.

Founded in 1998 in the southern city of Shenzhen, Guangdong Province and north of Hong Kong, Tencent has over the past decade proven itself to be China's undisputed king of messaging, with its banner instant messaging service called QQ, China's largest instant messaging service with over 800 million users. With a shift in Internet usage from personal computers to smartphones and tablets, Tencent launched WeChat in 2011.

By the end of the first half of 2013, the number of WeChat users in China had exceeded 400 million, driving revenue growth from mobile traffic up by 56.8 percent, according to the Ministry of Industry and Information Technology.

Just like the impact Skype has had on landlines, the heavy use of WeChat in China now poses a challenge for telecom operators, whose revenues for text messaging—its most profitable business—fell markedly, leading to a debate over whether or not to charge a user fee for the application. The attempt by telecom operators to pressure WeChat to charge for the service was roundly condemned by Chinese netizens and others who called on the phone companies to leave WeChat alone and develop

their own products to compete. So far, Tencent has no plans to charge users for the popular app but says it will cooperate with China's big telecom players in other ways.

WeChat is already a huge domestic success and is used by everyone from teenagers to their parents to their grandparents. But Tencent is not satisfied with success in the home market and is branching out globally tooth-and-nail. Roadblocks, however, remain.

One world, one chat

With an eye on the international market, WeChat is now available in 18 languages, including English, Indonesian, Spanish, Portuguese, Thai, Vietnamese and Russian. The app can be used on almost all mainstream mobile phone systems thanks to a first-class research and development team at Tencent. WeChat is growing quickly in overseas markets. Tencent announced on July 3 that WeChat has accrued over 70 million registered overseas users, a sharp jump from the 40 million users it claimed it had back in April.

"The software has been especially successful in Indonesia, India, Malaysia, Mexico, Singapore and the Philippines," said Martin Lau, President of Tencent, at a developer conference held in Beijing on July 3.

To further expand its user coverage, Tencent has unveiled an advertising campaign featuring internationally famed soccer star Lionel Messi to run in 15 countries, including Argentina, Brazil, India, Italy, Mexico, South Africa, Spain and Turkey.

WeChat has adopted a localization strategy when branching out by hiring celebrities as part of its marketing efforts. A much-loved feature of WeChat is a wide range of cartoon emoticons that users can send to each other, called emoji. With overseas markets in mind, WeChat has designed emoticons featuring local big names. For instance, in India, Tencent roped in popular Bollywood actors Parineeti Chopra and Varun Dhawan as brand ambassadors. Emotes featuring the two Bollywood stars caused a sensation in the country. WeChat is also working closely with businesses overseas and is cooperating with Chang, a ►►

well-known beverage company in Thailand.

WeChat's fun features coupled with Tencent's strong marketing skills have made the app popular across different markets and helped the app's popularity soar. User growth is one encouraging sign for the tech company, one of several Chinese Internet companies that have ambitions to expand their businesses abroad. "Successful or not, this is an once-in-a-lifetime opportunity for Tencent," said Ma Huateng, co-founder and Board Chairman of Tencent, speaking about Tencent's global layout.

Not easy

While boosting popularity among users outside China, WeChat is faced with competition in the



SIMPLE AND SMART:
WeChat's user interface

global mobile-chat app market from WhatsApp, Line and Kakao from South Korea.

WhatsApp announced in June it has racked up over 250 million active monthly users worldwide. Line announced on July 23 that it has amassed 200 million global users, and Kakao said in July that the number of its users has topped 95 million. The four are bound to duke it out in the global market.

WeChat has made a splash in emerging nations, especially in Southeast Asia, and has yet to gain a foothold in a large developed economy like the United States, a highly coveted market. By the end of September 2012, there were 100,000 registered WeChat users in the United States, a distant cry from the numbers WeChat



THINKING BIG: Ma Huateng, co-founder and Board Chairman of Tencent, is making a speech at the Global Mobile Internet Conference in Beijing on May 7



FIND ME IN WECHAT: Giant billboard of WeChat featuring two local celebrities hang high in a commercial district of Taipei, Taiwan

will need to make an impact beyond the limited population of Chinese-Americans and Chinese students studying there. To that end, Tencent opened an office in February to study the U.S. market and form partnerships with U.S. firms to boost the app's popularity.

In comparison with the boom in Southeast Asia, WeChat is in its nascent stages of development in the United States. WeChat faces stiff competition from Line and the Japanese company also has designs on the U.S. market. For now, it's unclear exactly how WeChat stacks up against its rivals in the battle for the United States.

"The U.S. market is a difficult and important one for any Internet company. Many first-class Internet products and companies were born there. The U.S. market is highly sought out by many foreign companies and products, and WeChat is no exception," reads a recent statement from Tencent in February.

"The United States is the most difficult market to tap in our global campaign," said Ma. "China's Internet companies lag far behind their globally successful peers and have never been a global success. But now mobile phone and Internet use is developing faster in Asia than in the West. This has given China's Internet companies a precious opportunity to surpass Western ones," said Ma, who touts that WeChat is more innovative and user-friendly than its rivals.

But one major concern has Tencent worried: If its popularity grows, could other nations erect the same kind of roadblocks to expansion that have plagued Chinese telecommunications companies like Huawei and ZTE? Both companies have seen their efforts to expand into the United States halted over "national security" concerns.

WeChat has already run into such resistance. India's intelligence bureau has

reportedly proposed a ban on WeChat, saying that the app has already possessed too much personal information on Indians. The United States and other Western nations may suggest the same, fearing that too much citizen data could easily fall into the hands of the Chinese Government.

In response, a spokeswoman for Tencent said, "We have taken user data protection seriously in our product development and daily operations, and like other international peers, we comply with relevant laws in the countries where we have operations."

Given the recent revelations that the U.S. National Security Agency has been snooping on the e-mails of Americans, users may have few nagging doubts about downloading the Chinese app.

Another issue is whether China's global image will hold back WeChat in international markets since China is often associated with producing cheap, low-quality products. Persistent food scandals and toxic toys have created a lack of trust of Chinese-made goods in developed countries and beyond.

Duncan Clark, Chairman of BDA China, a consulting firm that specializes in China's technology and Internet sectors, told *The New York Times* that WeChat has the potential to overcome any lingering doubts in the West over the made-in-China label, saying potential users would have no idea the product is Chinese when visiting, for example, an app store, thereby leveling the playing field for mobile-chat app developers.

Robin Pinsto, a 54-year-old WeChat user in Canada, said she was surprised the app is Chinese.

"I started using WeChat six months ago and I use it every day now. I think WeChat is even better than WhatsApp, with its wide range of cartoon images and other functions," said Pinsto. "I think WeChat has a shot at being a global success."

Tseretoulis, the office administrator in Montreal, has no qualms about WeChat's origins.

"It doesn't concern me which country developed it, as long as it's good to use." ■

Pushing Denuclearization

Chinese VP's North Korea trip seeks to foster peace and dialogue on the peninsula **By Shi Yongming**



The author is an associate research fellow with the China Institute of International Studies

Chinese Vice President Li Yuanchao paid a visit to North Korea from July 25 to 28 in commemoration of the 60th anniversary of the Korean War truce. The outside world saw the trip as a move by Beijing to renew relations with Pyongyang. But in fact, Li's trip represents another attempt to promote the denuclearization of the Korean Peninsula, demonstrating China's resolution to maintain regional peace and stability.

Historic juncture

The situation on the Korean Peninsula has seen ups and downs in the first half of 2013. At the beginning of the year, the UN Security Council issued Resolution 2087 to impose sanctions on Pyongyang, claiming that North Korea's satellite launch at the end of 2012 violated Security Council resolutions that forbid Pyongyang from using ballistic missile technology for any launch. Pyongyang then conducted its third nuclear test on February 12 in protest, attempting to safeguard its right to develop space technology.

However, the third nuclear test by North Korea ushered in a new stage of the nuclear dilemma. Pyongyang announced that it has successfully mastered technology for the pro-

duction of smaller and lighter atomic bombs, posing a nuclear threat to U.S. military bases in Japan and even the U.S. mainland. Hence, the risk of military confrontation between North Korea and the United States escalated.

On March 7, the UN Security Council unanimously passed Resolution 2094, imposing tougher sanctions on Pyongyang as punishment for its third nuclear test. Shortly afterward, Washington announced it would send its new B-52 bomber to join U.S.-South Korean joint military drills. During one such naval drill in May, Washington even sent its nuclear-powered aircraft carrier *USS Nimitz*, one of the largest warships in the world, to South Korea's eastern coast, where the drills were held. Pyongyang countered with a characteristically threatening statement, announcing the withdrawal of the truce agreement and positioning its missiles for a counterattack. The peninsula was once again on the verge of war.

The third nuclear test of North Korea has in a sense brought the peninsula to a new crossroad. There remains little hope for reconciliation between Seoul and Pyongyang 60 years after the Korean War truce, and an arms race between the two is escalating. Support

for the development of nuclear arms is also increasing in South Korea and Japan. Though South Korean President Park Geun Hye called for building trust with North Korea during her trip to the United States, there is no indication that the situation on the peninsula is returning to the right track.

Channel for dialogue

The rapidly changing state of the Korean Peninsula is a problem for all relevant parties. With hostility flaring between Pyongyang and Seoul as well as Washington, putting the nuclear issue on the table for dialogue is an immense challenge. The remnants of a Cold War mindset have been the major obstacle to peace on the peninsula. For the Asia-Pacific region as a whole, the U.S. "pivot to Asia" strategy, which appears to be driven by Cold War thinking, complicates any potential solution.

To break the pattern of confrontation, one of China's diplomatic steps is to establish a new type of relations between major powers with the United States, thus building a Sino-U.S. cooperative framework that minimizes the Cold War factor. On the Korean Peninsula, China has also worked to establish

Dialogue between Beijing and Pyongyang appears to be the most important channel for North Korea to learn about the ideas of the international community



EXCHANGING DIALOGUE: Kim Jong Un (right), top leader of North Korea, meets with visiting Chinese Vice President Li Yuanchao in Pyongyang on July 25

strategic cooperation with South Korea, splitting the Cold War pattern at a deeper level. Meanwhile, maintaining close communication with the top leadership of Pyongyang will allow China to positively influence events on the peninsula.

No matter how we define the Beijing-Pyongyang relationship, it is undeniable that the relationship of the two is of special geopolitical significance. That's not only because Chinese and North Korean people fought side by side to defend their countries more than six decades ago, but also because their geostrategic interests are deeply intertwined. The policies of each side will have a great influence on the geostrategic interests of the other.

North Korea's third nuclear test has not only caused great instability on the Korean Peninsula but also to some extent hurt Sino-North Korean relations. As a responsible power, China supported the UN sanctions against Pyongyang. However, this doesn't mean that China has changed its position of settling the nuclear issue through dialogue. There will be no lasting peace on the peninsula without denuclearization, and that will only be possible with structured dialogue.

For a variety of reasons, Pyongyang and Seoul as well as Pyongyang and Washington

are incapable of holding substantive talks at the moment. Rather, dialogue between Beijing and Pyongyang appears to be the most important channel for North Korea to learn about the ideas of the international community and bring Pyongyang back to the six-party talks.

Taking the opportunity of commemorating the 60th anniversary of the Korean War Armistice, Vice President Li paid this visit to North Korea. Li met with North Korea's top leader Kim Jong Un. He conveyed a message from Chinese President Xi Jinping to Kim and reiterated China's position on the denuclearization of the Korean Peninsula, the maintenance of its peace and stability and solving problems through dialogue and negotiations. Li said China would like to push the resumption of the six-party talks and contribute to the denuclearization of the Korean Peninsula together with all related parties, in a bid to achieve peace in the region.

In the meantime, Li noted that the China-North Korea relationship is entering a new period that serves as a link between past and future, which means cherishing hard-won peace in the past and creates lasting stability in the future. Therefore, a joint commitment to peace and stability on the peninsula is the basis for the development of China-North Korea relations in

the future. Strengthening dialogue between the two countries will create favorable conditions for fostering lasting peace on the peninsula.

Outmoded ideas

The stagnation of the denuclearization process rests with several obstacles. The first is historical enmity between North Korea and South Korea. The Pyongyang-Seoul relationship is marked by rivalry. Both sides seek the unification of the peninsula and regard itself as superior to the other. Also, legal and military confrontation between the two has exacerbated mutual suspicion and hostility. Another is the ideological obstacle. As a huge economic gap exists between the two countries, there is little space for the mutual inclusiveness of the two systems, which adds to difficulties in establishing mutual trust. Moreover, as South Korea is an important part of the U.S. Asia-Pacific strategy, the Pyongyang-Seoul relationship is easily affected by U.S. geopolitical strategy. The nuclear issue is a product of these complicated problems.

At present, the question comes down to whether a peace agreement should be signed or a peace mechanism should be established in return for the denuclearization of Pyongyang. Though the Joint Statement of the fourth round of the six-party talks in 2005 has mentioned negotiating for a permanent peace mechanism on the peninsula, it is a non-binding clause that is not contingent upon the denuclearization of Pyongyang. It should be admitted that Pyongyang's nuclear development owes to the confrontation on the peninsula. Therefore, denuclearization should be connected with the removal of the confrontation. However, due to ideological differences, it is difficult for the United States to normalize its relationship with North Korea.

For its part, China is committed to helping resolve the issue through dialogue. While strengthening cooperation with the United States and South Korea and enhancing communication with North Korea, it tries to build mutual trust among parties concerned in hopes that the peninsula could establish lasting peace through reconciliation. But to create a new era on the peninsula, it is imperative that all parties abandon outmoded ideas. ■

The Peaceful Option

Renewed peace talks between Palestine and Israel are in everybody's best interest **By Yu Lintao**

The efforts of U.S. Secretary of State John Kerry to facilitate peace between Palestine and Israel have paid off—somewhat, at least. After the top U.S. diplomat's six mediation trips to the Middle East within half a year, peace talks were finally resumed on July 29 in Washington D.C., after being suspended in October 2010 due to Israel's expansion of settlement activities on occupied Palestinian lands.

During their meetings, which Kerry described as "constructive" and "positive," Palestinian and Israeli negotiators agreed that substantial talks would be held in the next two weeks, either in Israel or the Palestinian territories. They also pledged to reach a "final-status" agreement over the next nine months.

The political structure and geostrategic map of the Middle East have changed dramatically in recent years. Observers said it is the right time to promote Palestinian-Israeli dialogue as it meets the needs of all parties. However, as leaders from both sides refused concessions on thorny issues including boundary determination and the construction of Jewish settlements, prospects for this new round of talks are not too optimistic.

The moment

Nearly three years have passed since Palestinians and Israelis held their last peace negotiations. The renewal of the talks can be credited first to the new U.S. secretary of state. Unlike his predecessor Hillary Clinton, Kerry shifted U.S. diplomatic attention back to the Middle East from the Asia-Pacific region. In the meantime, observers claimed the changing political situation in the Middle East is a more important factor in restarting the talks.

The turmoil in neighboring Arab countries further worsened the security conditions of



Israel, while its tough stance on the Palestinian issue in recent years has isolated Israel in the international community, said Liu Baolai, former Chinese Ambassador to Jordan.

The so-called "Arab Spring" did not improve Israel's geopolitical standing. Anti-Israeli sentiment continued to flare in Arab countries along with the regional turmoil.

The EU on July 19 proposed new guidelines for how it would do business with Israel. The guidelines require the EU and its members to cease any joint activity or fund-

ing with Israeli entities in the West Bank, in East Jerusalem, or in the Golan Heights from 2014. The EU holds that those territories are not part of Israel.

Palestine's upgrade to a UN observer state last November put additional pressure on Israel at the international level.

He Wenping, a researcher with the Chinese Academy of Social Sciences (CASS), said with the annual UN General Assembly in September drawing near, both the United States and Israel worry that Palestine might take more steps in

SIT DOWN: U.S. Secretary of State John Kerry (second left) hosts a dinner for Palestinian and Israeli negotiators on July 29 in Washington, D.C.



the UN to appeal for the international community to press Israel if it doesn't restart peace talks.

For Israel, returning to the table on one hand can enhance its natural alliance with the United States; on the other hand, it can ease pressure from the international community. In addition, resuming talks shows a gesture of goodwill to help stabilize relations with Palestine and improve its security situation.

For Palestine, Liu said, incumbent Palestinian President Mahmoud Abbas has

been dedicated to peace talks and the founding of an independent Palestine with territorial integrity all along.

With regional turmoil raging, the Palestinian issue was nearly marginalized. Abbas hopes to make substantial progress in the Middle East peace process through the resumption of talks by the end of his term, Liu added.

Yin Gang, a senior researcher on Middle East studies with the CASS, claimed that Washington believes it is the right time to promote talks as Palestine cannot get much support from regional countries amid ongoing turbulence in the region.

Syria cannot presently assist Palestine as Bashar al-Assad's regime is mired in civil war, and Iran's influence on the issue is also weakening, Yin said.

The current political situation and geostrategic map are so different from those of three years ago. After the "Arab Spring," many political strongmen in the Arab world stepped down. Divergence within the Arab world is widening, and it is far more difficult to form a joint force backing Palestinians.

U.S. calculations

The Middle East turbulence since 2011 has profoundly affected the United States' influence in the region as well as the security environment of its ally, Israel.

Zhao Jianming, a researcher with the Institute of International Relations at the Shanghai Academy of Social Sciences, noted that regime changes in some of the countries have resulted in the decline of Washington's control over the region. The Middle East turmoil has directly threatened the Egypt-Israel Peace Treaty and the Jordan-Israel Peace Treaty, two of Israel's most important security guarantees.

If conflict between Palestine and Israel broke out again, it would be like adding fuel to the regional flames that even the United States could not put out, Zhao said.

An additional point Washington must acknowledge is that if it doesn't promote the peaceful and comprehensive resolution of the Palestinian-Israeli conflict, the piece of land would remain a hotbed for extremism and anti-Americanism, permanently threatening the national security and world leader status of the

United States.

Besides the sense of crisis, observers said, Washington's efforts meet its political needs.

Liu said facilitating peace talks would reaffirm the dominant position of the United States on the Middle East issue. In the last 22 years, Washington has been the dominant leader of Palestinian-Israeli peace talks.

In addition, Liu said, while promoting Palestinian-Israeli peace talks could help improve the image of the United States in the region, it could also isolate its old enemy Iran, reducing the latter's voice on the issue.

However, acting as a peacemaker is not easy. The Palestinian-Israeli conflict has gone on for more than half a century. It involves multiple complex facets including religion, ethnicity, sovereignty as well as territory.

Another problem, He said, is that Palestinians and Israelis are divided internally on how to engage in talks. Doves and hawks coexist in the Israeli parliament and public. Likewise, the hard-line Islamic Hamas movement and the moderate Palestinian National Authority coexist in Palestine.

Before the talks resume, the Palestinian side reiterated several preconditions including Israel's freeing of Palestinians jailed before 1993, freezing settlements on occupied Palestinian lands and negotiating on the basis of the 1967 border.

Though Israel released 82 Palestinian prisoners as a gesture ahead of the talks, Netanyahu refused to freeze Jewish settlements or negotiate on the basis of the 1967 border in a public letter to the Israeli people.

However, Liu said, the resumption of direct peace talks is worth cherishing in spite of the difficulties. The United States, which has an important influence on the peace process, should play a fair role in the talks.

For the sake of future generations and the prosperity of the Middle East, the leaders of Israel and Palestine have no choice but to shake hands, said He.

Relevant UN resolutions and the land-for-peace principle are the basis to fundamentally solve the issue, the researcher added. ■

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ON DISPATCH: Migrant workers toil at a garment factory in Jiangyin, Jiangsu Province, on October 15, 2011. Many labor-intensive businesses use dispatched workers to slash costs

Closing the **Loophole**

Amended Labor Contract Law enters into force aiming to better protect the rights of dispatched workers **By Tang Yuankai**

A television reporter in Beijing known by his pseudonym Lu Li has produced quite a few feature stories on safeguarding workers' rights. He is producing a news report on a dispatched worker who was laid off after working for the same employer for more than two decades. The employer did not pay her severance, nor had it ever bought her any social insurance.

A labor dispatch or staff leasing arrangement is similar to a temp agency. The dispatch service provider hires workers and dispatches them to units with which it has negotiated labor agreements.

This employment model has been used in many industries to slash labor costs.

Indirect employment of dispatched workers can circumvent some obligations businesses

would otherwise be required to fulfill in direct hiring, thus exploiting a regulatory loophole in the Labor Contract law, according to Lu.

Lu learned that many companies neglect paying social insurance tax for dispatched workers, although the government mandates employers of regular workers to pay five kinds of insurance including endowment, health, unemployment, occupational injury and maternity insurances, as well as a fund for low-interest housing loans. These non-wage benefits altogether represent about 40 percent of labor costs for some organizations, he said.

Worksite employers are not required to sign employment contracts with dispatched workers, so they lack job security and can be fired without good reason. Nor can they enjoy the same training, promotion and honors as regular

staff, Lu said, hence they do not have a sense of belonging.

In an eastern province, the average wages of dispatched workers in such industries as telecommunications, electricity and banking are reportedly only 38 percent that of regular staff.

"Generally speaking, the phenomenon of unequal pay for equal work is quite prevalent," Lu said.

Unequal pay for equal work resulting from dispatch labor abuse, like the unequal value for identical lives in personal injury insurance indemnity, deeply undermines the basic rules of market economy and social justice, said Zheng Gongcheng, a Standing Committee member of the National People's Congress (NPC), the national legislature.

"The persistence of unequal pay for equal

work poses greater social risks. The abuse of labor dispatch runs against the original purpose of the Labor Contract Law and seriously undermines its legal effectiveness," said Zheng, also a professor at the Social Security Research Center of the Beijing-based Renmin University of China.

China's first Labor Contract Law, which became effective on January 1, 2008, aims to protect the legitimate rights and interests of workers. Lu is a beneficiary of the law. Before becoming a TV reporter, he was dispatched to work abroad and earned only one fourth what the worksite employer had paid the employment agency.

This violates the Labor Contract Law, which stipulates that staffing firms may not pocket part of the labor compensation that the worksite employers pay to dispatched workers in accordance with the placement agreement. Lu reported his staffing agency to a supervising government department, and obtained the payment he was due.

"The Labor Contract Law plays an important role in developing a harmonious employment relationship and maintaining social stability," said Liu Jichen, Director of the Department of Legal Affairs of the All-China Federation of Trade Unions. He said that ambiguities in dispatch labor agreements render the system vulnerable to abuse.

A 2010 survey on dispatch labor conducted by the All-China Federation of Trade Unions showed that there are 60 million dispatched workers in China, accounting for nearly 20 percent of the country's workforce.

"Unchecked expansion of dispatch labor will not only directly hurt workers' legitimate rights, but also undermine the labor contract system and employment relations as well as social stability," said Zhou Xiaozheng, a professor at the Legal Sociology Research Institute of the Renmin University of China.

On December 28, 2012, the 11th NPC Standing Committee adopted an amendment to the Labor Contract Law after two readings. The amendment aims at strictly regulating dispatch labor to protect the rights and interests of dispatched workers. The amended law went into force on July 1.

Legislative highlights

The amendment underlines the point that workers hired through labor dispatch service providers should receive the same treatment as direct recruits.

The original Article 63 states, "Dispatched workers shall enjoy the right to obtain the same pay as that received by regular staff of an employer for equal work. In case there is no worker in the same post in the employer, the remunerations thereof shall be determined by referring to the payment in the place where the employer is situated, and to workers at the same or a similar post."

That article was revised to add that employers should adopt the same "labor remuneration allocation methods" for dispatched workers and regular employees in the same position.

In addition, the revised article says that remuneration for dispatched workers specified in the contract between labor dispatch service providers and worksite employers must conform to the above clause.

Another highlight of the amendment is that it stipulates that employers should primarily hire workers directly, rather than via labor dispatch service providers.

It also requires employers to strictly control the number of dispatched workers, and make sure that dispatched workers do not exceed a certain percentage of the total number of workers. The specific ratio should be determined by the Ministry of Human Resources and Social Security.

The amended law stipulates that dispatch labor is a supplementary form of employment and may only be used for temporary, auxiliary or substitute positions.

The amended law defines a temporary position as one that will not last for more than six months, an auxiliary position as one not for the principal business of the employer and a substitute position as one to replace any regular employee who cannot work for some period due to full-time training, leave, or other reasons.

The amendment has also raised the threshold for setting up labor dispatch service providers. The required minimum registered capital has been raised from 500,000 yuan (\$79,000) before the revision to 2 million yuan (\$317,000) now.

Execution and impact

The implementation of the amended Labor Contract Law has greatly impacted labor dispatch service providers.

An owner of a Beijing company said on the condition of anonymity that previously, the salaries of dispatched workers managed by his firm were paid by worksite employers, and every

month, he drew 250 yuan (\$40) out of every worker's salary as commission.

Now, since the amended law mandates equal pay for equal work, his company can only charge every dispatched worker a one-time intermediary fee of 400 yuan (\$65). "After that, I can make no more money from a dispatched worker," he said.

The amended law will prompt labor dispatch service providers to reshuffle or merge, said Rao Dejun, General Manager of employment company Zhongshan Chitong Executive Search. He said that the raised registered capital threshold is too high for many companies in the industry.

Worksite employers have mixed reaction to the amended law. Lu Jilie, Assistant to President of Guangdong Galanz Group Co. Ltd., one of China's largest home appliances makers, said that the new law will not affect his group since both directly recruited and dispatched workers are paid piecemeal, which conforms to the equal pay for equal work principle.

Dispatched workers only account for a small share of all workers in the Galanz Group. "In fact, dispatch labor is very limited in saving costs for a company. We do not wish to boost company's bottom line through saving on labor costs either," Lu said.

"A normal company should train its own workers, for they can create higher value for the company than temporary workers. The amended law will not only protect workers' rights, but also prompt firms to change hiring practices," he said.

However, some companies are fumbling for ways to circumvent the new law. For example, a few labor-intensive enterprises reportedly have decided to outsource some jobs previously performed by dispatched workers, and their pay and work duties will remain the same.

"Job outsourcing is a way to dodge the equal pay for equal work principle while it is similar to labor dispatch in lowering labor cost," said Zheng Jianhe, a labor lawyer with the Nanjing Office of Beijing's JunZeJun Law Offices.

To make sure that the amended law is properly enforced, the Ministry of Human Resources and Social Security will build an effective long-term mechanism to oversee dispatch labor, said a ministry official. ■

Commitment To Peace

Chinese navy conducts anti-piracy escort operations in the Gulf of Aden and waters off Somalia By Pan Xiaoqiao

The Gulf of Aden is one of the world's busiest sea lanes, with 20 percent of the world's sea trade passing through it. Every year, around 20,000 oil tankers, freighters and merchant vessels pass through this crucial route between the Indian Ocean and the Red Sea.

South of it on the Horn of Africa is Somalia, a country that has been plagued by more than 20 years of domestic strife. Sustained chaos has deprived local people of materials for basic living, which in turn fueled a "piracy industry" for people struggling to survive.

As a result, passing merchant ships and even vessels carrying humanitarian relief items increasingly fell victim to pirate attacks. Rampant piracy posed threats to both crews' physical safety and trade security.

In response, since June 2008, the UN Security Council has adopted several resolutions authorizing counter-piracy operations off the Somali coast. The Transitional Federal Government of the Somali Republic also appealed for international assistance.

From January to November of 2008, pirates attacked 20 percent of the 1,200 or so Chinese ships passing through this area, and hijacked five merchant ships between 2007 and 2008.

To protect Chinese ships as well as ships delivering humanitarian relief items, and with the full awareness that anyone involved in world trade has a responsibility to protect vital trade routes, in December 2008, the Chinese Government, in light of UN resolutions and the practices of relevant countries, decided to

dispatch three warships to the Gulf of Aden and waters off Somalia for an escort mission.

Continuous escort

On December 26, 2008, the first-ever Chinese naval escort flotilla, comprising the *CNS Wuhan*, *Haikou* and *Weishanhu*, departed from Sanya in China's southernmost Hainan Province toward the Gulf of Aden about 4,400 nautical miles away. It joined a multinational naval force already patrolling the area, including vessels from the EU, NATO, the United States, Russia and India. What the Chinese navy begins to get engaged in is in effect an international peace-keeping operation.

The Chinese Government has dispatched 37 warships and some 10,000 naval personnel in 14 groups to the Gulf of Aden and waters off Somalia without interruption during a period exceeding four years. Chinese naval forces have successfully escorted more than 5,200 vessels in the area, among which more than 50 percent were from other countries.

The *CNS Harbin*, *Mianyang* and *Weishanhu* of the 14th Chinese naval escort flotilla set sail from Qingdao in Shandong Province in mid-February and reached the Gulf of Aden to undertake patrols in early March. The flotilla has a combined crew of 730 personnel and had successfully escorted 156 Chinese and foreign ships in 54 convoy groups by late July.

As the deputy commander of the flotilla's special forces team, Lieutenant Zeng Xiaosong has participated in a number of onboard security operations. He recalled a particularly intense



bout of seasickness aboard a 30-meter fishing boat tossed about at night by 3- to 4-meter swells.

"We feel satisfied with what we have done, especially when the seamen on the fishing boats enthusiastically told us that the presence of Chinese naval special forces on their boats filled them with a sense of safety," said Zeng.

Like Zeng, everyone onboard the three vessels is fully aware of the huge responsibility on their shoulders. After more than four years of anti-piracy operations in these waters, relevant experience is accumulating with each passing day. However, this is never referred to as an excuse for anyone to relax.

Special forces training focuses on rescue of hijacked vessels, according to Captain Wang Qiang, chief of the commanding group of the flotilla. Drills involve fast rope insertion from heli-



WANG CHANGSONG

NAVAL FORCE: Warships of the 14th Chinese escort taskforce on their way to the Gulf of Aden on March 1

copter, searching cabin compartments and live fire exercises.

Joint efforts

Currently there are around 40 warships patrolling waters of the Gulf of Aden off the coast of Somalia. They are from more than 20 countries such as China, Russia, India and Japan as well as international organizations of the EU, the North Atlantic Treaty Organization and Combined Maritime Forces.

In the face of the common threat of pirate harassment, the Chinese flotilla is engaged in various forms of extensive cooperation with other task groups, such as boarding visits by commanders, operation coordination and information sharing as well as joint escorts and training operations.

Since January 2012, China, India and Japan have adjusted escort schedules on a quarterly basis and optimized the available assets of their independent deployments, thereby enhancing escort efficiency.

Escorting UN World Food Program vessels was once the job of an EU task force, but since early 2011, Chinese flotillas have escorted food-delivering vessels at the request of the EU due to its escort task group's shortage of available warships.

In late July, the *Harbin* voluntarily offered to support the escort of UN humanitarian relief ship *MV Princess K* from the south Red Sea to the northeast of the Horn of Africa, where it passed the duties to the *ITS Zeffiro* of the EU task force. In his letter of thanks to the *Harbin*, Commodore Jorge Novo Palma praised this action as "another achievement to strengthen the

existing close cooperation" between Chinese and EU escort task groups.

EU naval forces set up a website named Mercury to facilitate information sharing among naval escort forces. When the first Chinese naval escort flotilla arrived in the Gulf of Aden in early 2009, its e-mail address and international maritime satellite telephone service number were announced to escort task groups. Successive Chinese flotillas have used the website to share its schedules and requirements.

In a recent escort journey, the Italian merchant vessel *Altinia* had to stop for engine repairs. Unfortunately, the *Harbin* had to take care of another four ships that could not be delayed. The *Harbin* posted this information on Mercury, hoping that warships patrolling nearby would help guard the *Altinia*. The EU task force contacted the *FGS Augburg*, patrolling only 40 nautical miles away, and a helicopter was over the *Altinia* in 30 minutes.

The Chinese navy will patrol and conduct escort operations in the Gulf of Aden and waters off Somalia, in joint efforts with other naval forces, as long as necessary to secure the sea line of communications for its own merchant ships and meanwhile continue to offer assistance to foreign merchant vessels and humanitarian shipments, in order to fulfill its international obligation as a responsible country in the world, said naval sources. ■

On and Off the Water

The 14th Chinese naval escort flotilla has been patrolling the Gulf of Aden since early March. On the sidelines of ongoing escort operations, sailors busy themselves with combat training and a variety of exchange activities with foreign naval forces and civilians.

Photos courtesy of Wang Changsong



REGULAR DRILL: Special forces soldiers of the naval escort taskforce rehearse hijacking rescue operations



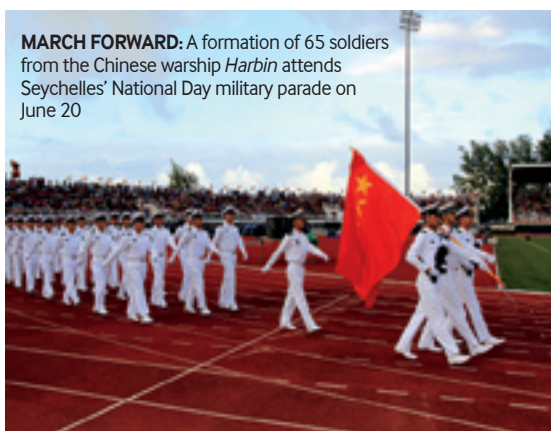
MILITARY TALK: Chinese and EU escort task forces communicate on escort issues



SAFE LANDING: A helicopter lands on the supply ship *Weishanhu*



GAMES ON DECK: Sailors on escort missions play sports in their spare time



MARCH FORWARD: A formation of 65 soldiers from the Chinese warship *Harbin* attends Seychelles' National Day military parade on June 20



WEAPON SHOW: Children from Elizabeth Orphanage in Seychelles examine weapons onboard the *Harbin* when Chinese escort warships called at the country's port of Victoria on June 16-20



ANOTHER BRICK IN THE WALL: President Lin Jianhua attends Zhejiang University's 2013 graduation ceremony on June 29

HAN CHUANING

Breaking the Old System

Controversies over a university president's appointment arouses debate about higher education reform By Yin Pumin

On June 26, Lin Jianhua was appointed by national education authorities to take the helm of prestigious Zhejiang University in east China's Zhejiang Province. But the transfer brought the obscure former headmaster of Chongqing University nothing but embarrassment.

Just days before the announcement, Zhejiang University's alumni jointly posted a statement online expressing their requirements for a new president, as well as an open letter

directly opposing the rumored installation of Lin on the grounds.

"A university with a history of 116 years needs a president who has an excellent academic background in order to carry on its distinguished cultural legacy," the open letter wrote.

It said that Lin, who was provost and executive vice president of Peking University before becoming president of Chongqing University in October 2010, was a solid

administrator yet did not have impressive academic achievements.

Founded in 1897, Zhejiang University ranked 28th on the 2013 Asian University Rankings released by British higher education consulting company Quacquarelli Symonds in June. It is the sixth most prestigious among all higher learning institutions on the Chinese mainland. The university has more than 44,000 full-time students.

Wang Xiaojie, head of the French chapter of Zhejiang University's Alumni Association who contributed to the formation of the online statement, said that the students, teachers and alumni of the university should be able to have a say in who is appointed its president.

In his inauguration speech, Lin said that he will work hard to provide professors and students with the opportunity to realize their potential and compete fairly.

Stifling bureaucracy

In China, the presidency of a top-notch university is deemed as an official government post. Currently, presidents of 76 universities directly under the Ministry of Education (MOE) have administrative rankings corresponding to vice minister or bureau chief.

That administrators of the nation's top universities are officials first and educators second is a frequent criticism.

"They answer to the higher authorities that appoint them but not the faculty and students," said Xiong Bingqi, Deputy Director of Beijing-based education think tank 21st Century Education Research Institute, noting that bureaucracy in higher learning institutions across the country has hampered teaching quality.

"How its president is elected reflects the key values of a university, which should be the pursuit of higher academic levels, rather than bureaucratic abilities," said Yang Dongping, Director of the institute.

The appointment system shows that Chinese universities are not independent, Yang said, adding that the system needs reform and autonomy of universities is an important component of education reform.

According to Liu Daoyu, former President of Wuhan University in central China's Hubei Province, the current method for selecting university presidents seems to have taken a big step backwards compared to the system that was in use in the 1980s when the MOE

would carry out opinion polls among senior academics before appointment. Now university headmasters are simply brought in from on high.

Wang explained, "Professors and students have no idea today who will be appointed head of the university tomorrow; if this were to happen in France it would be a joke."

Wang favors an approach in which the position is first advertised publicly and then a competitive screening of candidates is undertaken by a body formed by the university in collaboration with central authorities. He suggested that alumni should also be invited to take part in the process.

Chu Zhaohui, a researcher with the National Institute of Education Sciences, warned that "parachuted" presidents were very likely to fail due to a lack of knowledge about their schools.

"Especially after the merger of Chinese universities since the late 1990s, those presidents only with administrative experience will have many problems dealing with the whole management of the larger universities," Chu said.

In recent years, university presidents have rotated between positions more frequently, which makes it more difficult for them to appreciate the unique characteristics of each university, Xiong said.

Stalled reform

The power of bureaucrats in China's universities has been widely criticized since 2007, when Zhang Ming, a professor at the Beijing-based Renmin University of China, complained on the Internet how deans abuse their administrative power to influence academic research.

"Universities are run by bureaucrats as if they were government departments. They focus on quantity instead of quality," Zhang said.

In a blog he wrote in March 2007, Zhang said that he might be forced to leave the university after publicly defying the director of the school of international relations.

Two days later, Zhang was deposed as head of his department, although he kept his title at the university.

Other universities strive for relative autonomy. In Guangdong Province's Shenzhen, Zhu Qingshi bucked the trend as president of South University of Science and Technology, which issues degrees through accredited overseas schools independently of the MOE.

"How its president is elected reflects the key values of a university, which should be the pursuit of higher academic levels, rather than bureaucratic abilities."

—Yang Dongping, Director of Beijing-based education think tank
21st Century Education Research Institute

When the MOE required universities to expand enrollment to absorb excess labor, Zhu pushed back to preserve the school's extraordinarily low student-to-teacher ratio.

According to the aims outlined in China's 10-year program for education reform in 2011-20, there are going to be changes to the way government manages higher education. The practice of ranking school officials according to the same system that applies to government officials will be done away with and the method of appointing school presidents will be improved.

In January, three presidents recruited through open selections by the MOE assumed the chairs of their universities. They are Zhang Xinxin of University of Science and Technology Beijing, Xu Anlong of Beijing University of Chinese Medicine and Lai Maode of Nanjing-based China Pharmaceutical University in east China's Jiangsu Province.

The three university presidents were picked last December. It was the second time the MOE has publicly recruited top leaders for its affiliated universities.

The previous round, which began in December 2011, included openings for two university presidents for Changchun-based Northeast Normal University in Jilin Province and Chengdu-based Southwestern University of Finance and Economics in Sichuan Province, as well as six university chief accountants. The whole process had multiple layers of screening that ended in March 2012.

During this round, the ministry adapted requirements for candidates that focused on two things: candidates must have rich experience in management of high-level universities, and they have to guarantee their complete immersion in university management once they are selected.

"A more open selection process will help address the problem that Chinese universities

are overly influenced by their administrations," said Lao Kaisheng, an education professor at Beijing Normal University.

"The new requirements reflect the MOE's purpose in recruiting truly professional presidents who are impervious to the influence of administrative power," Xiong said.

Zhang Zongyi, who became president of the Southwestern University of Finance and Economics after going through the MOE's recruitment process in 2011, said that the procedures were tough.

"When I applied for the president position, I did not expect it to be so difficult. I actually thought it would just be some interviews," Zhang said in an interview with *The Beijing News*.

When Zhang gave his campaign speech, he found that students and faculty, as well as some retired professors and alumni of the university, were present.

However, Xiong said that the recruitment process is not open enough.

"Although any candidates who meet the requirements can participate in the selection, members of the expert panel that decided the result are from the MOE rather than any independent college councils," he said.

According to the MOE, public opinions from representatives of faculty and students are also included in the recruitment. However, this does not help dissolve Xiong's disbelief. "Last year the feedback of faculty and students was not published and we don't know how big a role their opinions played in the final decision," Xiong said.

"No success will be achieved for education reform, as long as the presidents are appointed by administrative authorities," he added. ■



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Plans for H2

The Chinese leadership sets the tone for China's economy in the second half of 2013 By Lan Xinzheng

A meeting held on July 30 by the Political Bureau of the Communist Party of China (CPC) Central Committee, the country's top decision maker, diagnosed the Chinese economy in the first half of 2013 and painted a blueprint for the latter half. The central authorities will continue to work toward stabilizing growth, restructuring the economy and promoting reforms.

The meeting, chaired by Chinese President and General Secretary of the CPC Central Committee Xi Jinping, reaffirmed existing policy stances while allowing for fine-tuning policy.

China's targeted GDP growth is 7.5 percent for the year and plans to add 9 million jobs to the economy. Statistics from the National Bureau of Statistics (NBS) show GDP growth in the first half slowed to 7.6 percent, with a 7.5-percent growth during the second quarter. A total of 7 million jobs were added to the job market during the first half.

With the growth rate in the second quarter falling right down to the government's target for the whole year, there are mounting concerns that a continuous slowdown means China won't meet its targeted GDP growth. Foreign observers also worry that a continuous slowdown will jeopardize global economic growth. Under this background, decisions made at the meeting will have vital significance for economic growth in the coming months.

Zhang Liquan, a research fellow with the Development Research Center of the State Council, said the meeting showed the intention of top policymakers to improve the quality of growth and shift the country away from a dependence on exports and investment and toward consumption.

Chu Jianfang, chief economist with CITIC Securities, agreed with Zhang, adding that the Chinese Government will not allow the economic growth to fall below the whole-year target of 7.5 percent.

Expectations

The news of China's slowing growth during the first six months of the year caused a riot in the markets, with stocks further plunging. Many economists say the 7.5-percent growth in the second quarter is far lower than previous market expectations.

The Political Bureau meeting, however, praised China's economic achievements in the first half, adding that major economic indicators were within a reasonable range and socioeconomic development was off to a good start. Economic growth in the first half was stable, with generally stable prices, a stable job market, and a bumper harvest for summer grains, read a statement after the meeting.

The meeting revealed the following, says Chu. First, it was a judgment on the Chinese economy. Despite a protracted slowdown, the Chinese economy is still in good condition, with easing inflation pressure and a stable job market. Second, the meeting reiterates that China will keep the annual growth target set at 7.5 percent. Third, the meeting pointed out no major adjustment will be made regarding macroeconomic policies but fine-tuning is allowed to maintain stable growth.

Chu said the meeting hinted at reforms in taxation and some other areas, and cutting down on government bureaucracy would likely come in the second half.

Despite mounting concerns from the



market, the Political Bureau said they believe the country has entered a period of steady and healthy economic development, noting that the economy will maintain steady growth in the latter half of the year.

Focuses

Two priorities should be given to the Chinese economy in the second half. First, domestic demand should be expanded by stimulating consumption and investment. Second, deeper reform should be rolled out in cutting red tape and putting more power in the hands of lower-level governments to create more efficient economic growth, said Zhang.

He said maintaining stable growth should not rely on a one-off fiscal and monetary stimulus package, but rather combine sustaining growth with pushing forward transformation of the country's growth pattern.

After three decades of breakneck growth, the Chinese economy has come to a stage where there is a need to restructure the econ-



RED-HOT MARKET: A property project is under construction in Guiyang, capital of Guizhou Province

omy away from its dependence on exports and manufacturing to one bolstered by consumption and services, which requires careful handling to maintain stable growth. On the one hand, the economic growth rate is declining; on the other hand, urgently needed restructuring and reform are a drag on growth.

Guo Shiliang, a financial commentator, said areas to watch in the Chinese economy for the remainder of the year are the real estate market and overcapacity. The meeting vowed to “promote the stable and healthy development of the real estate market,” a deviation from the previous stance of “further regulating the real estate market.”

Guo thinks this shows China’s intention to maintain economic growth by developing the real estate sector. As a pillar industry, the property market contributed 17 percent to government fiscal revenues. Also, the 42 industries and over 100 downstream industries associated with the real estate sector are the backbone for the national economy.

“The new attitude toward the real estate

market is seen as a major transition in China’s property curbs. It’s an opportunity to let the real estate market be subject to market self-adjustment,” said Guo.

Industrial adjustments are a major means for the Chinese Government to upgrade the economy. Guo said the meeting sets the priority at solving excess capacity. Data from the Ministry of Industry and Information Technology show that iron, steel, cement and electrolytic aluminium are all in a state of overcapacity.

At the meeting, the top leadership pledged to transform the structure of many traditional industries, develop strategic emerging industries and accelerate the development of the IT and the service sectors.

“This will not only lower energy consumption and reduce pollution, but also create new growth drivers and push forward the upgrading of the country’s economy,” Guo said. ■

 lanxinzen@bjreview.com

Top 10 Tasks

- Continuing with a proactive fiscal and prudent monetary policy and directing financial support to the real economy;
- Expanding domestic consumption, keeping reasonable investment growth, promoting urbanization, and maintaining stable and healthy development of the real estate market;
- Maintaining a steady growth of agriculture output;
- Further increasing financial services for small and micro businesses;
- Accelerating industrial restructuring and adjustment, cultivating and developing strategic emerging industries, promoting information technology, environmental protection, new energy and the service sector;
- Implementing regional development strategies;
- Stabilizing foreign trade by expanding export channels and effectively coping with trade frictions;
- Further cutting down on administrative bureaucracy and delegating more power to lower-level governments, accelerating fiscal, taxation and financial reforms, and pushing forward reforms of natural resource pricing;
- Stabilizing commodity prices and mitigating the influence of rising prices on the day-to-day lives of the people;
- Improving people’s livelihoods by offering more job opportunities, establishing an overall social insurance system that covers both rural and urban residents, and promoting the development of education, healthcare, culture and sports.

(Compiled by Beijing Review)

Tensions Eased

A China-EU settlement ensures Chinese solar panel makers won't be shut out of a massive market By Deng Yaqing

As the saying goes, every cloud has a silver lining. Just as it was widely believed that Chinese photovoltaic exports to the European Union (EU) would continue to be slapped with unreasonable duties, a turnaround came.

On July 27, five solar panel groups, including the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME), announced that an agreement had been reached to allow Chinese solar panel imports access to a majority of the EU market at a minimum set price.

The deal, reached between the CCCME and the European Commission, came after weeks of intensive talks following a decision by the commission to impose provisional anti-dumping duties on Chinese for two months beginning in early June.

The agreement pegged the floor price for Chinese solar imports at 0.56 euro (\$0.74) per watt and imposed an export quota of 7 gigawatts (gw) on Chinese manufacturers. The compromise came just in time. If the two parties failed to reach a consensus on a price undertaking before August 6, all Chinese solar panel exports to the EU would be levied with an anti-dumping duty as high as 47.6 percent.

"To comply with the new agreement, Chinese manufacturers have to raise prices

by 10 percent. Compared with the 47.6-percent punitive duty, the price increase seems less desperate," said Zhao Yuwen, Director of the Photovoltaic Committee of the China Renewable Energy Society.

"Under the terms of the deal, about 60 percent of the market share in the EU could be guaranteed for Chinese solar panel exporters," said Chen Huiqing, Deputy Director of the Legal Department of the CCCME.



REACHING A COMPROMISE: Karel De Gucht at a press briefing on the China-EU solar trade row in Brussels on July 29



The price settlement was welcomed by the Ministry of Commerce (MOFCOM), which said the decision would help ease China-EU bilateral trade frictions. Shen Danyang, MOFCOM spokesman, believed that settling trade disputes through negotiations would contribute to an open, cooperative, stable and sustainable relationship between two of the world's largest economies.

On the other side, Karel De Gucht, the EU Trade Commissioner, also expressed satisfaction with the price settlement, saying the deal would lead to a new market balance at sustainable prices.

Avoiding a lose-lose result

China is the EU's second largest trading partner after the United States. In 2012, China exported goods worth 290 billion euros (\$385 billion) to the EU, while goods totaling 144 billion euros (\$191 billion) flowed from the EU to China.

When a ballot was held in May to allow EU members to vote on whether to tax Chinese solar panel products, the Alliance for Affordable Solar Energy (AFASE), which represents more than 1,000 European photovoltaic manufacturers, protested.

According to the European Photovoltaic Industry Association, around 70 percent of the photovoltaic supply chain's value in the EU



VIEW VIEWER

LIFT AND CARRY:
Two workers hold a solar panel in a Tianjin plant of Yingli Group on June 5

market is created in Europe. It's worth 40 billion euros (\$53 billion) and provides 265,000 jobs for EU countries. "In contrast, the enterprises in favor of a heavy anti-dumping tariff against China only create no more than 8,000 jobs," said in an open letter sent to the European Commission by the AFASE.

A study by Prognos, a German research consultancy, shows, 115,600 jobs could be lost in the EU as a result of anti-dumping duties, with upward of 4.7 billion euros (\$6.24 billion) in total lost revenue. In addition, a great many Chinese solar panel producers, or even the entire photovoltaic industry, would be pushed to the brink of bankruptcy if the tariffs were imposed.

Taking advantage of a growing market for renewable energy, Chinese solar panel production quadrupled between 2009 and 2011—more than the world's entire demand.

In 2011, Chinese photovoltaic exports to the EU totaled \$20.4 billion. With the panic triggered by the EU anti-dumping investigation sweeping across the industry, the figure fell to \$11.19 billion in 2012, down 45.1 percent.

The impact

The 7-gw quota reminds people of the embarrassing situation that China faced before its entry to the World Trade Organization (WTO). A decade ago, many developed countries

imposed export quotas on Chinese-made products, which greatly hindered the expansion of several of China's industries.

Take the textile industry for example. The WTO membership makes it possible for China's textile industry to shake off quota restrictions and unleash its huge potential. Yet, before entering the WTO, according to a treaty approved by the General Agreement on Tariffs and Trade in 1974, developed countries were allowed to place export quotas on Chinese-made textile products. At that time, to gain access to foreign markets, some enterprises even paid more in purchasing quotas from larger textile enterprises than manufacturing. In some sense, China didn't win a complete victory in the solar trade war with the EU.

With the imposition of the 7-gw quota, China's solar industry would undergo a major reshuffle. On the one hand, the price undertaking prescribes that imported Chinese-made solar products that exceed the quota or are sold below the floor price will still be levied a 47.6-percent anti-dumping tariff. On the other hand, of the 200 solar manufacturers, only 95 that participate in the price undertaking arrangements will be exempted from the punitive tax, leaving more than 100 other enterprises to continue facing the dilemma.

Apparently, in the quota competition among domestic manufacturers, small enterprises will be squeezed out of the arena.

"Higher cost and backward manufacturing equipment put small enterprises at a disadvantage, and many of them may be phased out," Wang Xiaokun, an energy analyst from Sublime China Information, told *Beijing Business Today*.

Zhai Xiaohua, President of Canadian Solar Inc., believed that the price undertaking would give China's solar industry a chance to restructure and upgrade.

China's solar trade has experienced explosive growth. Swaths of small solar producers have cropped up in recent years. In foreign markets, Chinese solar producers are trapped in dog-eat-dog price wars, which directly led to frequent anti-dumping and countervailing probes by foreign countries.

"The entire solar industry will enter a period of integration and upgrading," said Wang. "It will help achieve the goal of large-scale production and manufacturing high value-added products." ■

 dengyaqing@bjreview.com

Solar Dispute Timeline

September 6, 2012: The European Commission announced an anti-dumping probe into photovoltaic products imported from China.

September 25, 2012: EU ProSun, a joint initiative of EU solar businesses, filed a second complaint to the European Commission, accusing Chinese photovoltaic manufacturers of receiving illegal subsidies from the Chinese Government and requiring a punitive import tariff on Chinese photovoltaic products.

November 8, 2012: The EU officially began an anti-subsidy investigation into Chinese-made solar products.

March 6, 2013: The EU began to register photovoltaic products imported from China.

May 22, 2013: The CCCME announced that it would submit a negotiation plan to the European Commission, which immediately rebuffed it. Then, the first round of talks on price undertaking collapsed.

May 24, 2013: A total of 17 EU members opposed the plan to impose anti-dumping and countervailing duties on solar imports from China.

June 4, 2013: The European Commission declared the levying of a provisional anti-dumping duty of 11.8 percent on imports of solar panels, cells and wafers from China, from June 6 to August 6, when the duty would be raised to 47.6 percent if a compromise was not reached between the two parties.

July 27, 2013: The China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) published a joint statement with other Chinese industry players announcing an agreement over China's solar panel exports to the EU.

(Compiled by Beijing Review)

OPINION

Ending Government Debt

The National Audit Office began a nationwide audit of local government debt on August 1. As local government debt has hit the spotlight, the move indicated that the Central Government had paid great attention to the problem. Following the audit, big changes are likely to come.

Theoretically speaking, the government is entrusted by the public to manage social affairs, so all its spending should be covered by tax revenues. If the government can budget according to its tax revenue, it would be free from borrowing. However, since local governments undertake a great many public welfare projects like road construction, they have to borrow from banks and take cash from the public in the form of, for example, tolls, to repay their debt. But a lack of strict control and regulation would result in mounting government debt and adversely impact government functions.

Since China began its reform and opening-up policy, the country has been enthusiastically pursuing the rapid growth of its gross domestic product (GDP). However, an unbalanced distribution of wealth and slow growth in resident income have led to sluggish domestic demand, forcing the government to rely on investment as an engine for economic growth.

In a mature market economic system, investment should go hand in hand with consumption. But in China, the contrary is the case. When domestic demand cannot support high-speed economic growth, governments invest in major projects by borrowing heavily from banks. If the market doesn't properly digest these projects and generate cash, they become a debt burden for local governments.

For instance, in some inland cities, the costs of building airports, subways and high-rise buildings, though effectively driving GDP growth, cannot be recouped because there is no corresponding consumption. Statistics show that local government debt has surpassed 10 trillion yuan (\$1.63 trillion), without factoring in hidden debt, and some cities are stumbling along with debt in excess of 100 bil-

lion yuan (\$16.32 billion).

Mounting local government debt has sown the seeds of crisis and exert a negative influence on social and economic development. Detroit bankruptcy has raised alarm bells for some debt-ridden local governments. Nonetheless, since China's Central Government often pays off their debt, they won't go bust. But it doesn't mean government debt can be ignored.

Fundamentally, the spread of local government debt is the outcome of governmental interference in the economy. In other words, governmental interference has greatly twisted market dynamics. Other countries struggle with debt, but unlimited government reach is the culprit in China.

Banks used to be seen as private coffers for the Central Government under the planned economy, resulting in inefficiency and bad loans. Now that banks are more commercialized, it is still difficult to rebuff the credit needs of governments at all levels for investment projects. At the same time, to maintain social and economic stability, local governments tend to guarantee bank loans for some troubled enterprises, allowing government debt to pile up and dragging commercial banks into dangerous territory.

To handle swelling local debt, focus should be placed on deepening administrative reform and transforming government function. The current nationwide audit, as an important part of the reform, will help detect the size of the debt in order to figure out what reforms are needed. For local governments with massive debt, more efforts should be made to cut down spending on government vehicles, receptions and overseas trips, to further enhance the transparency of government spending. ■

This is an edited excerpt of an article by Zhou Junsheng, a financial commentator, published in *Securities Times*

 yushujun@bjreview.com

NUMBERS

2.58

 tln yuan

The profits of industrial enterprises above the designated size—annual sales revenue of more than 20 million yuan (\$3.15 million)—in the first half of 2013, an 11.1-percent year-on-year increase

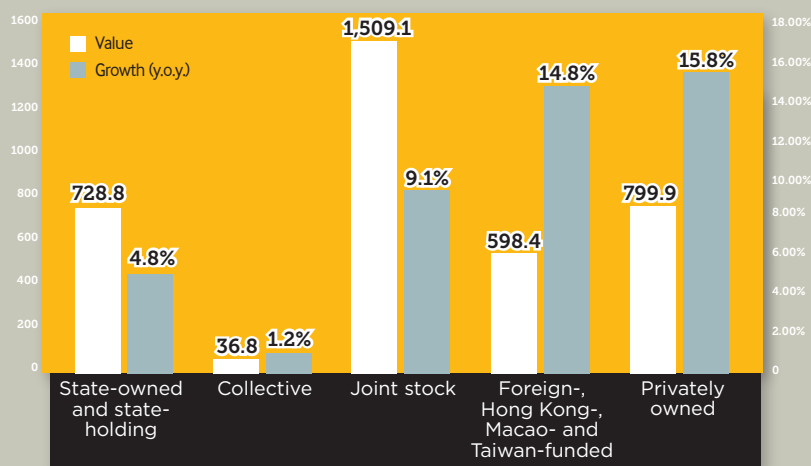
30

The number of industrial sectors that witnessed higher year-on-year profits in H1

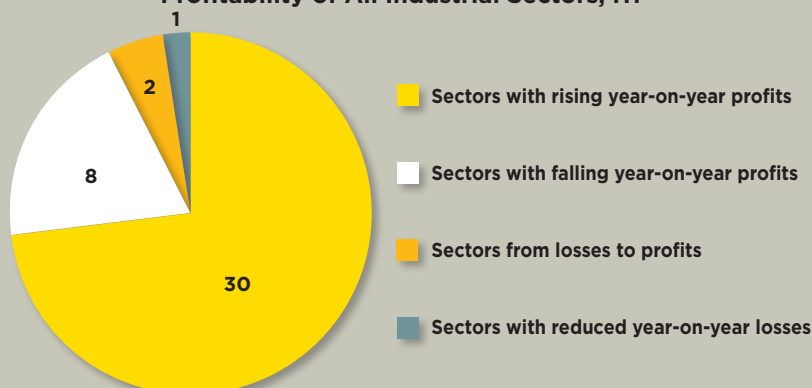
79%

Year-on-year increase in profits of the power and heat generation sector in the first half

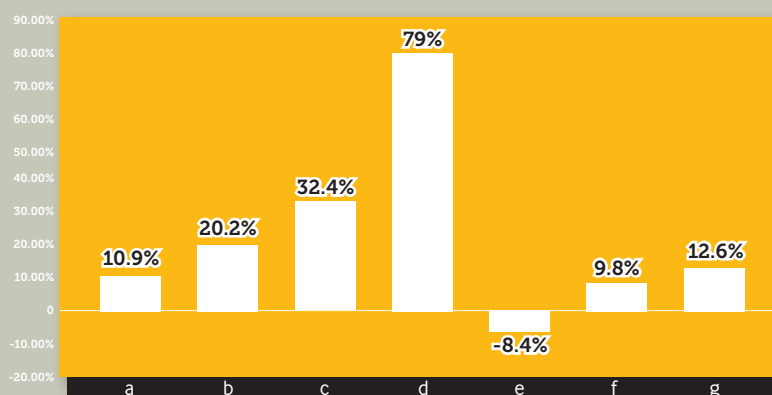
Industrial Enterprises' Profits, H1 (bln yuan)



Profitability of All Industrial Sectors, H1



Profit Changes of Major Industrial Sectors, H1 (y.o.y.)



- a: Agricultural product processing
- b: Automobile
- c: IT equipment
- d: Power and heat generation
- e: Petroleum and natural gas
- f: Raw chemicals and chemical products
- g: Electrical machinery

(Source: National Bureau of Statistics, \$1=6.13 yuan)

THE MARKETS

Mobile Payment Boom

Mobile payments are becoming increasingly popular in China. According to a report published on July 29, online payment transactions handled by Chinese mobile payment service providers will exceed 9 trillion yuan (\$1.45 trillion) in 2015.

In 2012, the country's mobile banking sector handled 800 billion yuan (\$130 billion) in online transactions, an increase of 265 percent from a year earlier, according to the Internet Society of China (ISC).

The country's online payment market is maturing with the accelerated growth of Internet finance, said Shi Xiansheng, Deputy Secretary General of the ISC.

Online payment transactions handled by Chinese payment service providers totaled 830 trillion yuan (\$135 trillion) in 2012, according to data from the Payment & Clearing Association of China.

Land Market Thrives

After a quiet first quarter, China's real estate market regained momentum in the April-June period, with investments picking up speed, according to a report published by the Ministry of Land and Resources (MLR) on July 28.

The Q2 composite index for the China Land Index (CLI), released by the MLR to gauge the health of the overall land market, increased 17.4 percent from the previous quarter, or 19 percent from the same period last year.

It marked a rebound from the first three months of the year, when the CLI witnessed a fall in major indices after the Central Government rolled out a string of measures to cool the country's red-hot property market at the beginning of the year. ■

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Luxurious Daydream

Controversial film stuns box office By Bai Shi



FAN FAIR: Guo Jingming (second left) attends a promotion event with other *Tiny Times* stars in Ningbo, Zhejiang Province, on July 6



The extravagant lifestyles and worship of wealth were recently captured in the sensational film *Tiny Times*, adapted from 30-year-old writer Guo Jingming's serial novels of the same name and directed by the writer himself.

The movie smashed box-office records for a non-3D release in China by taking 73 million yuan (\$11.9 million) during its debut alone on June 27. The following week, it pulled in 360 million yuan (\$58.7 million) and by July 25, 482 million yuan (\$78.6 million), knocking aside Hollywood blockbuster *Superman: Man of Steel*.

A division of opinions

Despite its success, *Tiny Times* has sharply

divided public opinion. On the one hand, mainstream viewers and critics have commented on the film's shallow approach, inexplicable storyline, childish characters and lavish lifestyles. On the other hand, millions of loyal young fans have eagerly defended their idol.

The movie is centered on four college girls, close friends since high school, with different personalities and family backgrounds. Its plot covers friendship, love and careers. Lin Xiao, played by popular movie star Yang Mi, gets a part-time job as a personal assistant to an austere, half-Asian, half-European editor of a luxury fashion magazine *M.E.* Gu Li, played by Amber Kuo, is rich and arrogant, but often lends Lin and other friends a helping hand during times

of difficulties.

Producers define the film as China's *Gossip Girl* or *Sex and the City*, both of which showcase the lives of the wealthy. Guo hopes the stories of love between these pretty girls and handsome boys in an upper-class setting finds resonance with his post-80s and 90s generation of fans.

However, the lavish lifestyles in *Tiny Times* are more like daydreams to most youngsters. All characters are gorgeously dressed. Lin's boss Gong Ming lives in a house built of glass and drives a Bentley. Even a glass he drinks water from is worth 30,000 yuan (\$4,890). In addition, Lin and her friends are kitted out in LV handbags, Chanel blankets, Gucci stilettos as well as other fancy designer items.



IDOL YOUTH: The four protagonists in *Tiny Times* are all played by currently popular Chinese stars

The film not only showcases lavish living, but also the worship of money among today's youth. It is unabashed in advocating that a person who has wealth speaks louder than others. In the movie, Gu Yuan's mother, a major sponsor of the university, can recklessly drive her car around campus. Contemporary Chinese problems such as increasing inequality, moral degradation and lack of social responsibility, appear normal in the film.

Raymond Zhou, 50, a columnist and movie critic, wrote that *Tiny Times* exhibited signs of "pathological greed." He scolded the film's "sick" parade of beauty and wealth via his microblog in Sina Weibo. Famous screenwriter Shi Hang also commented in his microblog that "It is not

worth seeing such cinematic candy floss."

People's Daily, the state-run newspaper, criticized the film on July 15, stating "If society indulges in movies such as *Tiny Times*, people could be easily misled by both materialism and hedonism. This will mean the humanistic development and communication of an era will have spun out of control."

Nevertheless, *Tiny Times* novels have sold over 6.7 million copies, most read by teenagers. Undoubtedly, Guo's supporters would spare no effort in protecting their idol.

Zhou's comments have been widely attacked by tens of thousands of fans. "You are insulting our young people," one Weibo user said. Guo has also involved himself in the argument, refuting Zhou's claims by saying "You are what you criticize about in the film."

However, some film lovers have said that cinemas were full of post-90s generation fans. They scream for their idols and their fanaticism made older audience members uncomfortable."

Ann An, producer of *Tiny Times*, considers it an injustice to condemn the film. She said via her microblog, "It is just a movie. The country would not collapse because of it. Harsh criticism is unnecessary."

Writer or businessman?

Along with his film, Guo has become the subject of much controversy. In 1983, born into a modest family in southwest China's Sichuan Province, he won first place during the New Concept Writing Contest, a national event for high school students, in 2001 and 2002 consecutively. This made his name a sensation on campuses across the country. Since then, Guo has been a full-time writer.

However, his identity is complex. In the eyes of readers, Guo is a model for success. To critics in favor of serious literature, he resembles a smart businessman.

Guo has established himself in the publishing sector with his *island* magazine series, *ZUI*

novels and comics, and has signed and promoted dozens of young writers and cartoonists since 2006. In particular, he topped a Chinese writers' fortune list in 2011 with earnings of 24.5 million yuan (\$4 million).

Meanwhile, his current lifestyle is as luxurious as those in his novels. Guo lives in a villa and wears designer clothes. In response to criticism, he said "I made my dream come true. Everyone can do the same."

Needless to say, Guo and his company have tapped into the rapidly evolving youth market. The success of *Tiny Times* is largely due to current demographic changes among Chinese cinema-goers.

According to the latest statistics from the China Film Distribution and Exhibition Association, the average age of moviegoers in the country has dropped from 25.7 in 2009 to 21.2 in 2012.

The huge number of young fans has played an important role in fuelling *Tiny Times*. Ignoring the critics, millions of Guo's fans have swarmed into cinemas in robust defense of their idol. An Internet questionnaire suggests that 46 percent of audience members who have seen *Tiny Times* chose it because they liked the original novels, while 35 percent are supporters of Guo, and the remaining 19 percent, fans of popular stars in the film.

Based on its success, *Tiny Times 2* will be released in August, four months earlier than originally planned.

Despite their huge impact, the cultural value of Guo's books remains small. Most of his works cater to the tastes of teenage readers, whom he believes dream of great careers, awesome friends and handsome boyfriends, similar to Lin in the movie.

"No one stays young, but there will always be young people," Guo writes. ■

Beyond the Terracotta Warriors

The clay statues are great, but there are other brilliant sites to see in Xi'an. Here are three places you must visit

Guanzhong Folk Art Museum

In the autumn of 1985, building contractor Wang Yongchao participated in a project involving the maintenance of ancient structures. This was his first chance to visit the hinterland of Shaanxi Province in northwest China. He soon developed an interest in collecting cultural relics, including delicate stone engravings and sculptures, brick carvings, hitching posts, wood-block prints, shadow puppets, old furniture, as well as wooden windows and doors with carvings. With the idea of saving and collecting as much as possible, Wang set up the Guanzhong Folk Art Museum, which was opened to the public in December 2008.

The outdoor museum, covering 33 hectares of land in the center of Qinling Zhongnanshan Global Geopark, houses some 40 ancient residences of the Ming (1368-1644) and Qing (1644-1911) dynasties. Every single brick of the 20 courtyards was numbered so that they could be reconstructed if damaged or torn down. Another 20 courtyards were rebuilt by imitating the Ming and Qing designs. The courtyards are all neatly lined up.

Another magnificent scene is some 8,600 hitching posts with vivid stone carvings and figurines on top. These hitching posts mainly date from the Tang Dynasty (618-907) until the Qing Dynasty.

Visitors can also enjoy a local opera called *Laoqiang*, which has been sung for more than 1,000 years. The performance is short, only about 10 minutes, but very impressive, and the performers are all local farmers.

- The admission fee is 120 yuan (\$20). To get there, take Bus 500 from the Xi'an Railway



EXPERIENCE THE HISTORY: The Guanzhong Folk Art Museum is comprised of 40 ancient residences of the Ming and Qing dynasties

Station to the Guanzhong Folk Art Museum stop.

Huashan Mountain

Situated in Huayin City, Huashan Mountain is 120 km from Xi'an and is famous for its steep and narrow paths and precipitous crags. It has five peaks. The east peak is the best place to enjoy a sunrise; the south peak has the highest altitude; the west peak is the most breathtak-

ing; the north peak pierces the clouds and the middle peak is named Jade Lady Peak, based on a story of a woman who rode a white horse through the mountain.

If climbing is not your cup of tea, ride a cable car. The cable car to the north peak takes seven or eight minutes at 1.5 km in distance. The other cable car to the west peak is about 4.2 km away and takes roughly 20 minutes.

- The entrance fee to Huashan Mountain is



OPERA TIME: *The Song of Everlasting Sorrow* is performed on the Nine-Dragon Lake in Xi'an

180 yuan (\$29) from March to November and 100 yuan (\$16) from December to February.

Drama: *The Song of Everlasting Sorrow*

Huaqing Hot Springs used to be the place where Emperor Xuanzong of the Tang Dynasty and Yang Yuhuan, his favorite concubine, bathed. The setting is the scene for the moving but sorrowful love story between the two, written into a long narrative poem called *The Song of Everlasting Sorrow* by Bai Juyi (772-846), a famous realist poet of the Tang Dynasty. Now the poem has been adapted to a large-scale historical drama presented in the evening at the Huaqing Hot Springs.

Set at Lishan Mountain, the drama is presented on the Nine-Dragon Lake surrounded by pavilions, corridors, palaces and willows. Sound and lighting techniques and the deftly designed stage achieve the right blend of history and realism, nature and culture to deliver a magnificent and genuine feel, with both a fabricated and outdoor setting intertwined.

● The performance runs from April to October and begins at 8:30 p.m. To get there, take buses 306, 914 or 915 from the Xi'an Railway Station. Since the performance ends late, no public transport will be available to return to the city. Tourists can share a private taxi or stay at a nearby hotel or guesthouse. Even during the peak season, securing accommodations shouldn't be a problem. Ticket prices range from 218 yuan (\$36) to 988 yuan (\$161). Try to book with a travel agent for a possible discount. ■

Drama Outline

Prelude: The Young Lady of the Yang Family

Floating on the rippling surface of the Nine-Dragon Lake is a lotus blossom. Out of it sails a beautiful lady with a silk shawl. Her delicate figure and creamy face dazzle the lush, green mountains and blurs the trees and imperial pavilions in the fog.

Scene 1: Chosen to Attend to the Emperor

The charming lady Yang enters the imperial palace under Emperor Xuanzong's orders. Her beauty outshines that of the other ladies in the palace. The emperor is greatly enraptured by her pretty face and bestows a floral-patterned gilded box upon her as a token of love. Then a ceremony of conferring titled Imperial Concubine is held.

Scene 2: Whispering to Each Other

The stars are sparkling and the moon is like a hook. Looking up at the sky, the couple whispers at midnight to express their devoted love to each other.

Scene 3: Bathing in the Huaqing Hot Springs

With a group of palace maids by her side, Yang wears a thin chiffon blouse, which barely covers her bosom. Through the thin curtain of a waterfall, the charming figures of Yang and the maids form a picture of bathing ladies in the hot springs.

Scene 4: The Lishan Palace Reaches the Sky

When An Lushan, a border defense minister, meets the emperor and the concubine, he introduces the popular *Tartar* dances. The *Tartar* elements add vitality to the Tang civilization. With great joy and excitement, Yang cannot help but join in the passionate dance.

Scene 5: Getting Drunk in the Marble Pavilion

After getting drunk at a banquet in the Jade Tower, the concubine waves as the willows dance in spring breeze and moves like a glow of mist over a lazy stream. The manner of her walk reveals her fascinating charm.

Scene 6: Heavenly Music Carried by the Wind Far and Wide

At the foot of Lishan Mountain, the theater of the imperial palace is filled with glorious lamps, stunning curtains and charming dancers and singers. The concubine dances with the opera singers among the lotus flowers. The emperor joins in the dance with his lady. They look at each other with affection.

Scene 7: Battle Drums From Yuyang Shaking the Earth

An Lushan rebels and the capital city is in danger. The flames of war burn the lotus curtain and the emperor's throne to ashes. The love story comes to an end, and so too the prosperity of the Tang Dynasty.

Scene 8: Hairpins Fall to the Ground Unwanted

The emperor flees to Maweiipo with his concubine. The soldiers demand the execution of the concubine to save the country. The couple has no choice and Yang is eventually hanged under the bleak moonlight. Sad songs linger long in the cold valley.

Scene 9: Meeting Again in Heaven

On a windy, snowy day, the emperor returns to the capital. The smiling and beautiful face of Yang is lingering in his memory. In his dreams, they meet again in a fairyland where they exchange their love in tears.

Is It Time to Charge Vehicle Emission Fees?

Recent reports show that Beijing might levy pollutant discharge fees on automobiles. Gas stations will add the fee onto existing prices. Every liter of gas will require an approximate 2 yuan (\$0.32) charge. The current oil price in the capital is about 7 yuan (\$1.11), which means it may jump to 10 yuan (\$1.59) per liter.

This news has sparked heated discussions on the Internet. Most people have expressed anger at the new policy, while some experts doubt its efficiency in curbing pollution and improving the urban environment, arguing that improving gas quality will do more good. The following are excerpts of opinions:

Li Yuheng (China Industrial Economy News): Why is the vehicle emission fee so strongly opposed? The major reason is that those who are to be charged are auto owners already under heavy tax burdens. Another reason is the vagueness of the fee collection standard. The current technique for exhaust emission tests is quite outdated, in light of the poor quality of fuel in some cases, which might lead to unfairness.

The discharge fee is to some extent indicating the government's efforts to push forward the use of new energy vehicles. Due to reasons like high prices and underdeveloped charging facilities for electronic cars, 74.4 percent of consumers surveyed said they would not turn to new energy vehicles just because of the emission fee.

While such a policy implies social benefits, applying it is a problem. There should be a scientific scheme set up to effectively curb the discharge of pollutants, while the use of collected fees is crystallized. Besides, favorable policies should be worked out to encourage more people to use clean energy vehicles.

Luo Lei (Qilu Evening News): Various auto-related tax fee charges actually account for

40-144 percent of the price of a vehicle. Buyers have to pay value-added, sales and consumption taxes when purchasing cars, in addition to subsequent vehicle and fuel charges. If a vehicle emission fee is added, I'm afraid auto consumption will be curbed.

Pu Jiangchao (Jiangsu Economic News): The vehicle emission fee is to be levied in accordance with discharge volumes. Drivers will be asked to pay for the pollution they cause to the environment, which makes the policy quite necessary. However, the fact is, drivers are actually already paying for discharging pollutants. It's unfair to demand they pay overlapping fees.

Before the fee is put into practice, public opinion should be fully taken into consideration. It's better to turn the "vehicle emission fee" into a "vehicle emission tax." Before actual practice, it should be submitted to the Standing Committee of the National People's Congress for discussion.

Lin Huiying (Southern Metropolis Daily): Car-related pollution will not drop if car owners pay for gas emissions.

Such emission is the major source of fine particulate matter. We all hope to breathe cleaner air and live under a blue and clean sky. As for how to reduce pollution and save energy, there is a lot to be done to improve the situation in China's auto industry. Here, the sector tends to stress oil consumption statistics, but seldom announce figures on the discharge of carbon dioxide. In Europe, however, when an auto company issues all kinds of parameters for new types, the discharge of carbon dioxide per 100 km will be announced accordingly, reminding car users of environmental protection while enjoying driving comfort.

Another thing that can be done to reduce pollution is to improve the quality of gasoline and diesel. This may be a better choice in air pollution reduction. It's hoped that before au-

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thorities work out certain fee policies, they first spend some time finding out the key to the problem.

Li Xiumin (Southern Metropolis Daily): There are successful examples of such charges curbing auto exhaust emissions in other cities, including New York and London. When it comes to China, we still have to ask the question: Is it necessary to charge a pollutant discharge fee, and to what extent will it help reduce pollution? And if so, what scheme is acceptable?

In a recent online survey, 76.7 percent participants said the fee charge is unreasonable, with only 5 percent agreeing it would "help to effectively reduce exhaust emissions."

Actually, if a city wants to reduce air pollution, the fundamental way is to adjust current policies concerning the auto industry, ensure excellent urban planning and develop a convenient public transportation system. To feed cars more environmentally friendly petroleum is also

very important.

It's necessary to listen to car users on pollutant discharge fee collection, as they might have practical suggestions and advice. Even if the economic leverage is employed to cut auto-related pollution, there should be a fair standard.

Xiao Yong (www.jschina.com.cn): City dwellers are seriously affected by air pollution caused by auto exhaust emissions. Thus, those who do not use cars will mostly support the new fee charge. Although compared to several years ago, exhaust emissions have been somewhat reduced, it remains the major pollution source in big cities. Unfortunately, while the auto industry has developed as one of the pillar industries in China, regulations and laws on the management of this sector are comparatively outdated. The expansion of private cars on the streets, causing serious air pollution, is increasingly criticized.

Energy conservation and domestic de-

mand stimulus are two targets in the process of China's economic development. However, now they appear opposed to each other. Are the two targets really conflicting? Actually, the fundamental purpose of economic development is to make people live better and in a cleaner environment. If we first pollute the environment, then try to fix it, we will pay a higher price.

The fee can not only curb the sharply rising momentum of private car purchase and use, thus reducing pressure on urban transportation as well as air pollution, but is also in the long-term interests of most people.

China's auto manufacturing industry is still a big source of pollution at a relatively low manufacturing level. Thus, a vehicle emission fee will help encourage auto companies to adjust and improve manufacturing methods to develop more environmentally friendly vehicles. ■

The ABCs of Communication

By Valerie Sartor

People in every culture tend to regard the way they do things as “normal.” This includes the communicative practices and norms that people learn from interacting inside their culture. But in regard to ways of speaking, what may seem natural to one person may be odd or misunderstood by someone outside that culture. What seems natural to the speaker is actually ritualized behavior, generated and governed by cultural norms.

Communication patterns that cause confusion center on indirect speech. Chinese and Americans can both speak indirectly, but their use of this speech pattern depends upon many factors. Context is crucial: social background and status—their economic and work position in society; geographical background—where they were born and have lived a long time; and ethnicity and identity—how they identify themselves in relation to themselves and others. Finally, the particular context in which the speech takes place is a key factor to the communicative practices people use.

The people of these two countries use indirect speech for different purposes. The way recipients of these two cultures translate the communication is also different. For example, American friends tell me that speaking directly correlates with having the upper hand: holding the power. In contrast, Chinese colleagues report that it is just the opposite: an indirect person has more power because he or she can choose to be indirect.

In China, speaking indirectly does not correlate with being subservient. Instead, it means the person is sophisticated, mature, and very much in control of the situation. Indirect speech can also be perceived as a way to show empathy or act kindly, in order to save the recipient's face. A masterful leader may state his commands directly, to demonstrate overt power, or he may mark his superior status by speaking indirectly.

Of course, this is also true in the United States. But when U.S. bosses speak indirectly, Americans often label them as weak, confusing, or disorganized. Remember, Chinese indirect



speech is a face-saving technique, and is regarded as an artful way of communicating. Chinese people know how to interpret this speech, they appreciate it, and it works very well here.

Chinese leaders, like American bosses, depending upon position and context, can appear authoritarian (direct speech) or friendly (indirect speech); both are ways of asking for something to get done. But this can lead Westerners to feel confused when interacting with Chinese: When is a request, and when is a demand, being issued?

American employees also expect a polite “please” when asked to do something; they also want their bosses to thank them for their efforts. In China, however, because leaders have absolute authority, such linguistic niceties are not mandatory. Thus, a Chinese command may appear imperious to Western ears, while an indirect request may go unheard.

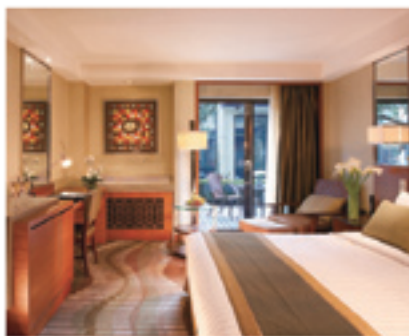
Danger arises on both sides of the Pacific when indirect speech is overlooked or misinterpreted. Both the sender and receiver may feel frustrated or misunderstood. In China, it seems that Westerners have more problems translating indirect requests and orders from Chinese leaders. But in the United States, friends tell me they have more troubles as employees offering indirect hints and advice to their superiors.

For example, in China, if a dean mentions that two classes lack an English expert, she is expecting me to volunteer to teach. As a foreign expert and a subordinate, I am supposed to realize that her indirect request was actually a command. In contrast, in the United States, when I worked as an assistant to my director, I had similar challenges, but with me transmitting an indirect message, rather than receiving one. Once, when I suggested politely to my boss that today might not be a good day to have lunch with Professor so-and-so (because I knew he was going to the divorce court), he did not ask me why; he did not take my indirect hint. As his subordinate, I did not want to be viewed as a gossip and say something directly; moreover, I could not tell my boss what to do with his schedule.

Effective communication is challenging. Know your cultural communication styles, and while living in China, seek to understand the differences in communication patterns employed here. If only talk were as easy as learning our ABCs! ■

The author is an American living in Hohhot, north China's Inner Mongolia Autonomous Region

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