

#### **Outstripping Expectations**

Economic expansion expected to remain steady



**Questionable Tribute** Understanding the offensiveness

#### THE DESK » Forging Ahead

#### THIS WEEK **COVER STORY WORLD**

» Al Qaeda	Moves Into Iraq	
	bring more troubl	

02

**20** 

#### **NATION**

» Saving Samaritans	26
Helping strangers help each other	
» Taking Down Tobacco	28
The importance of smoking bans	
» Educating Everyone	30
Bilingual boarding schools	
» Dealing With Diahetes	39

#### **BUSINESS**

Epidemic grabs attention

» Managing Money Online	36
The rise of finance 2.0	
» Market Watch	38
CLUTUDE	

#### CULTURE

» Kungfu Dream 42 Unlikely warriors

#### **FORUM**

» Tigers and Flies	1	6
China's corruption crackdown		

#### **EXPAT'S EYE**

» Innovation Through Collaboration 48 Thinking outside the box

©2014 Beijing Review, all rights reserved.



Straightening Out the **Safety Net** 

Letting none fall through the cracks



New Year, New Wish A most equine lunar cycle



#### THE DESK



#### **BEIJING REVIEW**

#### A News Weekly Magazine **Published Since 1958**

President & Editor in Chief: Wang Gangvi

Vice President: Oi Wengong

Associate Editors in Chief: Li lianguo, Huang Wei

Wang Yaniuan, Zhou lianxiong, Ding Zhitao Assistant President: Li Zhenzhou

Assistant Editor in Chief: Wa Chunfang Executive Editor: Ding Zhitao

Assistant Executive Editors: Yao Bin, Zhang Zhiping, Zan Jifang

Editorial Administrators: Zhang Xiaoli, Shi Bosen

Opinion Editor: Zan Jifang World Editor: Yan Wei Nation Editor: Yao Bin

Business Editors: Yu Shujun, Lan Xinzhen

Culture Editor: Liu Yunvun

Editorial Consultants: loseph Halvorson, Kieran Pringle Eric Dalv Staff Reporters: Tang Yuankai, Ding Ying, Ding Wenlei, Wang Jun, Li Li, Yin Pumin, Pan Xiaoqiao, Yuan Yuan, Wang Hairong, Liu Xinlian, Yu Yan, Yu Lintao, Zhou Xiaoyan, Bai Shi, Deng Yaqing, Ji Jing

Photo Editor: Wang Xiang Photographer: Wei Yao Art: Li Shigong Art Director: Wang Yaiuan Chief Designer: Cui Xiaodong Designer: Zhao Boyu Proofreading: Qin Wenli, Ma Xin

Distribution Director: Hu Kegiang Human Resources: Hou lin

International Cooperation: 7hang Yaiie Marketing/PR Director: Pan Changging

Legal Counsel: Yue Cheng

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

Africa Bureau

Chief: Li lianguo

Africa Managing Editor: Francisco Little

Tel: 27-71-6132053 E-mail: casa201208@hotmail.com

#### General Editorial Office Tel: 86-10-6899625

Fax: 86-10-68326628 **English Edition** Tel: 86-10-68996259 **Advertising Department** 

Tel: 86-10-68995810 E-mail: ad@bireview.com.cn **Distribution Department** Tel: 86-10-68310644

E-mail: circulation@bireview.com.cn

Published every Thursday by BEIJING REVIEW, 24 Baiwanzhuang Lu,

Beijing 100037, China. Overseas Distributor: China International Book Trading

Corporation (Guoji Shudian), P. O. BOX 399,

Beijing 100044, China

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

Fax: 86-10-68412166 E-mail: fp@mail.cibtc.com.cn Website: http://www.cibtc.com

General Distributor for Hong Kong, Macao and Taiwan:

Peace Book Co. Ltd.

17/Fl. Paramount Bldg. 12 Ka Yip St. Chai Wan, HK

Tel: 852-28046687 Fax: 852-28046409

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

**EDITOR** 

### **Forging Ahead**

The statistics on national economic development in 2013 released by the National Bureau of Statistics on January 20 should strengthen people's confidence in the continuous improvement of the Chinese economy in 2014.

Although the economic growth rate of 2013 dropped to its lowest point for the past 14 years, it remains more robust than the global average. More importantly, the quality of the Chinese economy in 2013 is the highest compared with that of previous years. While the economy maintained a relatively high growth rate at 7.7 percent, inflation dropped sharply, with CPI down to 2.6 percent.

This achievement has not come easily. In the first two quarters last year, the growth rate presented a declining tendency, from 7.7 to 7.5 percent, In response, the Central Government stepped up its policy of keeping growth steady and made subtle preemptive adjustments to existent policies, as well as introducing several favorable new ones. These measures managed to reverse the declining trend of the economy and in the third quarter, the growth rate rebounded to 7.8 percent.

Aside from the recovering growth rate, the share of the tertiary industry surpassed that of the secondary industry for the first time, a significant change. It shows that after several years of economic transformation, the imbalance in the country's economic structure has been somewhat corrected and the service industry's contribution to the economy is becoming the mainstream.

2014 marks the year of all-round deepening of economic reforms for China. In the coming years, reform will continue to be the major driving force behind the economic growth. The merits of restructuring of the economy will be clearer. In the past, China's economy depended on investments and foreign demand, and also high-polluting and high energy-consuming industries for development. This situation will be thoroughly altered. It is believed that in the following years, the Chinese economy will enter a state of stable, sound and sustainable development. This is a positive factor to stabilize world economic development,

#### **WRITETOUS**



#### Send an e-mail: contact@bjreview.com.cn

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

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

北京周报 英文版 2014年 第5期 ISSN 1000-9140 广告许可证 0171号北京市期刊登记证第733号 邮发代号2-922·国内统一刊号: CN11-1576/G2 国内零售价: 人民币6.00元





## WELCOMING THE YEAR OF THE HORSE

A glimmering steed lights up Wangfujing Street in downtown Beijing on January 9, creating a festive atmosphere showcasing traditional Chinese culture. As the 2014 Spring Festival approaches, people are preparing to celebrate the Chinese Lunar New Year, which arrives on January 31 this year.

http://www.bjreview.com JANUARY 30, 2014 BEIJING REVIEW 3

#### Sports Diplomacy

Shown is the countdown clock for the 22nd Winter Olympics in Sochi, Russia.

On January 20, China announced that President Xi Jinping will attend the opening ceremony of the Sochi Winter Olympic Games at the invitation of his Russian counterpart, Vladimir Putin.

"This will be the first time a Chinese president will have attended a major international sports event hosted in another country," Foreign Ministry spokesman Qin Gang said. Xi will be in Russia from February 6 to 8.

President Xi's attendance at the opening ceremony in Sochi shows China's support for the Olympics as well as Russia's work to host the games, Qin said.

The 22nd Winter Olympics are due to take place from February 7 to 23 and will consist of 98 events.



#### Bird Flu

Two patients, including a medical worker, being treated for the H7N9 strain of avian flu, died in Shanghai, local health authorities revealed on January 20.

Both tested posthumously positive for the H7N9 virus, according to the Shanghai Municipal Commission of Health and Family Planning.

The agency said that it was conducting further investigation and trying to track the source of the infection.

Shanghai has confirmed seven human H7N9 cases so far this year.

Zhejiang, a province located south of Shanghai, reported six more

cases of H7N9 on January 19 and 20.

The new cases brought the number of infections in Zhejiang since the new year to 26, the most nationwide, according to the Zhejiang Provincial Commission of Health and Family Planning.

Human infections of H7N9 have also been reported in Jiangsu, Fujian and Guangdong provinces.

The southern province of Guangdong reported its third H7N9 death of this year on January 20.

#### **Universal Education**

The Chinese Government has vowed to ensure at least 90 percent of

children with visual, hearing and intellectual disabilities will receive primary and middle school education by the end of 2016, according to a plan that was made public on January 20.

According to a 2014-16 plan on improving education for learners with special needs, the country will increase investment, build more infrastructure, train more quality teachers and reform the special education curricula.

Official figures show that compulsory education, which includes primary and middle school, only covered 71.9 percent of disabled children as of the end of 2012, compared with 99.5 percent of non-disabled children for primary schools and 98 percent for middle schools.

The three-year plan stipulates that disabled children should attend the nearest possible standard schools, special education knowledge should be incorporated into exams for teachers' certificates, and that higher education institutions should not refuse admission to students with disabilities.

#### **Workforce Decrease**

China's working-age population dropped by 2.44 million to 919.54 million in 2013, the second year of decline, the National Bureau of Statistics announced on January 20.

The working-age population, which covers those between 15 and 59, accounted for 67.6 percent of the country's total population in 2013, down 1.6 percentage points from

In 2012, China declared its first absolute drop in the working-age population in "a considerable period of time."

Those aged above 60 accounted for 14.9 percent of the total population to 202.43 million while those above 65 made up 9.7 percent.

At the end of 2013, the Chinese mainland's population stood at 1.36 billion, with a natural population increase rate of 0.5 percent.





Dough figurine maker Liang Junli demonstrates her works during an intangible cultural heritage exhibition that was held in the ancient town of Guandu in Kunming, Yunnan Province, on January 21



Fishermen on Ulunggur Lake in Fuhai County, Xinjiang Uygur Autonomous Region, on January 19, the second day of the annual winter fishing tourism festival in the region

#### Crackdown

Almost 11 billion yuan (\$1.81 billion) has been recovered and paid to migrant workers nationwide, the Ministry of Human Resources and Social Security revealed on January 20.

To ensure migrant workers are paid properly before returning home for the Chinese Lunar New Year, a campaign began on November 20, 2013. As of January 15, some 1.5 million migrant workers had benefited.

In 2011, the country's top legislature passed an amendment to the Criminal Law stipulating that malicious wage defaults are a crime and employers who intentionally withhold wages may face up to seven years in jail.

#### **Child Protection**

On January 20, Chinese authorities pledged stricter supervision over



the protection of minors and their guardianship amid a growing number of cases in which juveniles have had their rights violated.

Those found to have violated juveniles' rights will be barred from acting as guardians in the future, in accordance with administrative and legal procedures, according to a statement from the Supreme People's Court, the Ministry of Civil Affairs and the Ministry of Public Security.

"Parents and guardians' understanding of their liabilities should be improved, and their guardianship ought to be revoked if they fail to fulfill their duties,"

said Ma Guohua, deputy secretary general of the All China Lawyers Association.

China has no formal regulations on the guardianship of juveniles.

#### Increase in Charity

The Minister of Civil Affairs, Li Liguo, revealed on January 17 that non-governmental charity funds are expected to reach 100 billion yuan (\$16.5 billion) in 2013, much higher than the 81.7 billion yuan (\$13.5 billion) in 2012.

"Last year, Chinese charity organizations continued to expand, with more than 3,500 foundations existing nationwide," Li said.

China's top legislature included a law on philanthropy in its 2013-17 five-year legislature program, with some regions, such as Fujian and Shaanxi provinces, already starting the legislative process.

However, Li said that China still faces many challenges and will step up necessary reform.

In 2014, the ministry will improve the registration system for social charity organizations and strive to innovate charity fund management in order to create more ways for enterprises and individuals to participate in philanthropy, according to Li.

Li also said that the ministry will establish platforms for publishing donation information on funds in order to increase transparency and credibility.

#### **Doctor Training**

In 2015, China will set up standardized training for medical graduates before they can become resident doctors, according to a statement by the National Health and Family Planning Commission on January 17.

According to guidelines issued by seven departments, including the commission, health departments at all levels should form concrete policies and set up guarantee systems to pave the way for standardized training nationwide.

Wang Chen, vice head of the Science and Education Division of the commission, said that, drawing from international experiences, a graduate must receive strict training before he or she becomes a clinical doctor.

However, China does not currently have national standards for training, and training to become a resident doctor depends on the hospitals where they are employed, leading to differing standards across regions, Wang said.

According to the guidelines, training bases will first be set up at top-level hospitals and some lower-level hospitals based on the local situation. They will be subsidized by local governments and central finance.

Wang said that after standardized training begins nationwide, passing it will become a requirement for attaining a professional title.

#### On Trial

Lu Yueting attends his trial at the Municipal Intermediate People's Court in Shijiazhuang, Hebei Province, on January 20.

Lu was sentenced to life imprisonment for poisoning frozen dumplings from December 2007 to January 2008, which left four Chinese and nine Japanese citizens sick.

The Shijiazhuang Municipal Intermediate People's Court delivered the verdict during a public hearing.

Lu, 39, a native of Jingxing County in Hebei, worked at the Tianyang Food Plant based in Shijiazhuang from 1993 to 2009.



#### Lumber Hub

Workers load lumber to be shipped to a dock in Caofeidian port in Tangshan, north China's Hebei Province, on January 20.

The lumber dock was officially opened for the first time that day. Port authorities plan to build the largest lumber trading platform in north China within the next three years.



#### **New Silk Road**

Northwest China's Xinjiang Uygur Autonomous Region will rebuild itself as the transport, financial and logistics center of the Silk Road Economic Belt in 2014.

Nur Bekri, the regional governor, said that Xinjiang will continue opening up to Central Asia and Europe, and grasp the opportunity to boost the Silk Road Economic Belt, during his speech at the annual session of the local legislature which started on January 16.

A Silk Road Economic Belt agreement was signed by 24 cities from eight countries along the Silk Road in November, to promote greater cooperation, development and prosperity among the countries.

Xinjiang will promote the establishment of a free trade zone with countries along the route and strengthen multilateral cooperation on agriculture, energy, tourism and culture. At the same time, Xinjiang will keep opening up to the domestic market, and prepare for the transfer of industries from the east region to the west, according to Nur Bekri.

Chinese President Xi Jinping proposed the idea of the economic belt during his visit to Central Asia in September, eyeing the cultural revival of the Silk Road, which historically linked China with Central Asia and Europe, as a way of developing political and economic ties.

Land defined as the new Silk Road covers 18 Asian and European countries with a total area of 50 million square km and a population of 3 billion. It also boasts rich energy, mining, tourism, cultural and agricultural resources.

#### **IPO Debut**

China's first initial public offering (IPO) since the year-long listing freeze on January 17 received a fervent response from traders whose cheers brought its trading to a temporary halt.

Neway Valve (Suzhou) Co. Ltd., an industrial valve manufacturer, made a strong debut on the board, with its shares on the Shanghai Stock Exchange opening around 20 percent over the IPO price.

Neway continued upward by as much as 31.99 percent in the morning session, prompting a temporary halt to trading according to new IPO rules that set limits for price changes.

At the close of business, Neway Valve ended at 25.34 yuan (\$4.19) per



Farmers of Xibeiliu Village of Xingtai, north China's Hebei Province, pick strawberries in a greenhouse on January 21 share, 43.5 percent over the offering price. The broader Shanghai Stock Exchange dropped 0.93 percent.

"The market response showed investors want new blood in the stock market," said Qin Xiaobin, an analyst with China Galaxy Securities.

For other firms waiting to launch IPOs, Neway's debut was encouraging, but its following price movements will be mainly decided by the firms' strength, Qin noted.

Meanwhile, analysts cautioned that too fast a resumption of IPOs would put a strain on the stock market where liquidity remains tight.

#### Home Prices Up

Home prices in major Chinese cities continued to climb despite repeated government efforts to cool the sector.

Of a statistical pool of 70 major Chinese cities, 65 saw a month-onmonth rise in new home prices and 64 reported price gains in existing and second-hand homes in December 2013, according to figures released by the National Bureau of Statistics on January 18.

More cities saw price growth easing last December, a result the senior NBS statistician Liu Jianwei attributed to a raft of government efforts to stabilize market expectations, including more control measures and increasing supplies of affordable housing.

# RAILWAY BRIDGE COMPLETED

A railway bridge between Zhengzhou and Jiaozuo, two cities in central China's Henan Province, was finished on January 21

All of the cities except Wenzhou reported gains in new home prices over the past year.

First-tier cities continued to see rises in December, with the prices of new homes in Beijing and Shanghai surging over 20 percent from a year ago, but Liu said the trend has been losing momentum.

#### Shipbuilding

Though the Chinese shipbuilding industry has yet to come in from the cold, recent restructuring as well as cuts in overcapacity and upgrades have given the troubled industry more hope, a report showed.

The industry received new orders with dead weight tons of 70 million in 2013, up 242 percent from 2012, according to a report posted by the Ministry of Industry and Information Technology.

Altogether, 80 percent of these new orders went to the 20 industry leaders, up 5.5 percent from 2012.

The industry had attracted orders for sophisticated ships, the report said, citing six liquefied natural



gas carriers and four very large gas carriers.

Despite the progress, insiders believe that hard times for the industry are far from over, as it grapples with a recession caused by waning demand and higher costs, following the financial crisis of 2008. Chinese authorities have introduced a slew of measures to encourage upgrading and mergers.

Zhang Guangqin, President of the China Association of the National Shipbuilding Industry, said it will take at least another five years to ease the influence of overcapacity.

#### **Polysilicon Tariff**

China's Commerce Ministry on January 20 imposed five-year duties on solar-grade polysilicon imports from the United States and the Republic of Korea (ROK).

China will apply anti-subsidy duties of up to 2.1 percent and anti-dumping duties ranging from 53.3 percent to 57 percent on polysilicon imports from the United States. The rates for imports from ROK are set between 2.4 percent to 48.7 percent.

The decision came after China began to levy provisional duties on polysilicon imports from the two countries in 2012 following preliminary investigations that found exporters dumped their products on the Chinese market.

Solar-grade polysilicon is an important material for making solar cells, a sector fraught with trade disputes.

#### **Numbers**

#### 98.19 mln

Amount of overseas trips that Chinese tourists made in 2013, up 18 percent from 2012

#### 5.9%

Annual profit growth of China's state-owned enterprises in 2013

#### 7 bln yuan

Tax paid by Alibaba Group Holding, China's largest e-commerce vendor, in 2013, making the company top taxpayer among Chinese Internet companies

#### 8,347

Number of small, high-polluting firms that north China's Hebei Province, having the worst air in the country, shut down in 2013, in an attempt to ease air pollution

#### **Food Fair**

Potential buyers examine samples at a seaweed trade fair held in Lianyungang, a coastal city in east China's Jiangsu Province, on January 18.

Buyers from home and abroad and over 90 dried seaweed suppliers attended the fair.



http://www.bjreview.com

## THIS WEEK WORLD



Japanese macaque monkeys, known as "snow monkeys," take an open-air bath in a hotspring as snowflakes fall at the Jigokudani Monkey Park in the town of Yamanouchi, Nagano Prefecture, on January 19







#### **EGYPT**

Egyptians celebrate in Tahrir Square in Cairo after the new Constitution was approved on January 18. Official statistics showed that the new Constitution had an approval rating of 98.1 percent



#### **ITALY**

A plane belonging to the Irish airline Ryanair flies in front of a rainbow over Rome on January 19









A reveler wearing a demon costume takes part in the traditional festival of "Correfoc" in Palma de Mallorca on January 17. Participants dressed as demons and devils roamed about town entertaining people with fireworks and pyrotechnics







Clouds of smoke rise as protesters clash with riot police during an opposition rally on January 19 in Kiev. The political protests, which had been largely peaceful over the past two months, turned violent following the adoption of new laws limiting public assembly

http://www.bjreview.com JANUARY 30, 2014 BEIJING REVIEW 9 "High-end restaurants and hotels are suffering. We have now put our bet on private consumption. We have offered more discounts to the public and strived to increase our visibility on the Internet."

Yang Xiaowei, a sales manager at Lijingwan International Hotel in Beijing, commenting on the impact of the Central Government's ban of consumption at upscale accommodations with public expenses



"In 2013, the number of employers who came to our university for graduate study of environmental protection and pollution treatment increased a lot compared to previous years."

Lan Yaming, a student employment officer at Nanjing University in east China's Jiangsu Province, identifying the rising popularity of environmental engineering in the labor market



"More senior foreign experts will be invited to Beijing this year, and the validity of their residence permits can be extended to last five years as opposed to the current one year."

Chen Bei, Deputy Director of Beijing's Human Resources and Social Security Bureau, at a news conference on January 17



"The Ministry of Civil Affairs and Ministry of Public Security have held discussions this year on policies concerning government intervention in child abuse cases. The current law has failed to specify who can sue when a child is abused by their legal guardians."

Huang Ermei, Vice President of the Supreme People's Court, at a legal symposium on child protection in Beijing on January 20

#### $\Psi$

#### FOOTBALL PRESIDENT



China's vice sports minister **Cai Zhenhua** was elected president of the Chinese Football Association (CFA) on January 21.

In the first reshuffle of the CFA executive board in a decade, Cai was unanimously voted as the replacement for 75-year-old Yuan Weimin, who had acted as CFA president since 1992.

Cai, 53, a former table tennis world champion and national team coach, will be faced with the daunting task of revitalizing the sport in the country. China's men's soccer team has only participated in the World Cup once, in 2002, when they lost all three group matches without scoring a goal. The women's team has similarly fallen from their peak in the late 1990s, when they became the 1996 Olympics runners-up and the 1999 World Cup silver medalists.



#### INJURED CHAMPION



Four-time Olympic short-track speed skating champion Wang Meng will probably miss the Sochi Winter Olympic Games since she sustained a serious ankle injury on January 16.

Wang was diagnosed with fractures in the tibia and fibula in her right ankle. A sport medicine expert said she will need to rest for at least six weeks, meaning Wang will lose the chance to defend her 500-meter, 1,000-meter and 3,000-meter relay titles at Sochi Olympic Games which are only about four weeks away.

#### MEDIA DIGEST THIS WEEK



## The Future of the North Pole

Life Weekly January 6

Climate change has led to a rapid melting of permanent ice in the Arctic. According to the latest research, in September 2011, the total area covered by ice in the Arctic Ocean had decreased by 40 percent compared

to 1979. Based on calculations by scientists, the ice in the Arctic Ocean is estimated to disappear completely by the middle of this century. This means the once ice-covered area will change into a sea where ships can come and go freely without icebreakers.

This revelation tells the economic value of the North Pole. New

navigation routes linking East Asia, Europe and North America will be opened, allowing for quick routes for maritime transport linking the three regions.

According to the exploration and evaluation conducted during the United States Geological Survey in 2008, the North Pole has 30 percent of the world's undiscovered natural gas and 13 percent of the world's undiscovered oil. All these resources are concentrated in the offshore continental shelf region and suitable for exploration.

Scientists are worried that a melting North Pole will bring a series of disastrous effects to the Earth. In the global climate system, the North Pole and the South Pole are the two switches that control the ocean currents and the atmosphere. Once destroyed, disasters beyond imagination will occur. Therefore, how to explore the North Pole? How to protect it? How to distribute the resources? All these questions make the North Pole a question beyond a regional affair and a matter of international concern.

#### Salary Increase For Public Servants

Beijing Youth Daily January 21

In the latest session of Guangdong Provincial People's Congress, some deputies from Shenzhen, Guangdong Province, called for a salary raise for public servants. They claimed public servants are paid less than enterprise employees.

The comparison is too simple to be credible. In the business sector, employees' salaries are decided by the market. If the market goes into recession, the pay of enterprise employees will fall. But salaries for public servants are paid by governments, which are steadier than industries.

People think public servants are well paid and have opportunities to receive "grey income." In fact, this is a misunderstanding. The salaries of most public servants are meager. Despite low pay, public servants have better welfare, such as insurance and pensions. Public servants don't need to pay endowment insurance. Moreover, after retirement their pension payments are higher than other people, and governments manage to offer officials houses. With the skyrocketing housing prices in China, this is a major form of welfare. That is why so many young graduates rush to become public servants every year.

The controversy over the salaries of public servants should be attributed to non-transparent expenditure of government revenues. To reduce suspicion from the public, governments should open their finances to society completely.

#### **Theater Tickets**

Workers Daily January 6

Today, going to theaters has become a form of luxury consumption for most people. During the Spring Festival period, theaters usually launch a series of festive productions, but they come at a high cost.

According to the Beijing Association of Performing Arts, the average price of theater tickets reached 692 yuan (\$114) last year. As a result, the average person rarely gets a chance to enjoy them.

In developed countries, consumption structure is fairly diversified and thus allows room for a strong demand for cultural and arts consumption. But in China, the development is unbalanced. Thus, cultural and arts consumption has not seen remarkable growth.

Mass consumption is always the backbone

of the development for the cultural and arts industries. In recent years, governments and society have repeatedly called for support of cultural consumption, but they have to make more efforts to realize the goal. Both governments and theaters should take measures to reduce the price of tickets. Enjoying arts should become a part of life for the masses. It's good news that the Beijing Municipal Government is providing preferential service for residents by offering a 50-percent discount on theater tickets.

## Vaccine Crisis Caixin December 30

On December 24, 2013, a number of experts on hepatitis B attended a press release with heavy hearts, announcing the recent deaths of infants after their hepatitis B vaccinations.

Since it first occurred in Hunan Province in December, with two infants suspected of dying after their hepatitis B vaccination, similar cases were reported in Guangdong and Sichuan provinces. By December 24, there were seven cases altogether.

Of the seven infants, six had been injected with the hepatitis B vaccine produced by a company based in Shenzhen. Currently, the company's hepatitis B vaccines have been sealed up and administration of the vaccine has ceased.

These tragedies have caused a panic among Chinese parents. Recently, the

number of infants taking the hepatitis B vaccine has declined greatly. Many parents have delayed their babies' vaccinations. More than half of those still having their children vac-



cinated have gone as far as to demand imported hepatitis B vaccines.

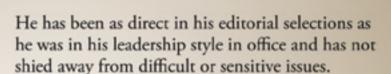
Experts are worried that more people will refuse to have their children vaccinated. According to them, the immunization program is a network. Once a breach appears and the infectious disease breaks out, the result will be horrific.

Whether or not the seven infant deaths were caused by the hepatitis B vaccination has yet to be confirmed. According to the government, it still needs the final test results before it can decide the cause of death for the infants and finger the responsible parties.

http://www.bjreview.com JANUARY 30, 2014 BEIJING REVIEW 11







—— Henry A. Kissinger

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

——Helmut Schmidt

## Zhu Rongji on the Record

ZHU RONGJI ON THE RECORD

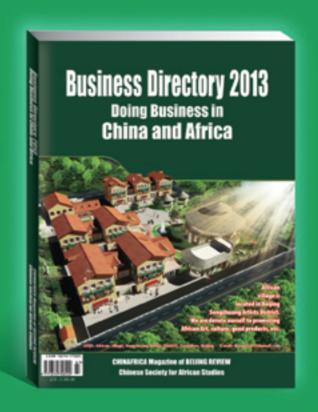
THE ROAD TO M

1991-1997

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

Tel: 86-10-68327750 / 68996174 Email: flp@cipg.org.cn Website: www.flp.com.cn

Address: 24 Baiwanzhuang Road, Xicheng District, Beijing 100037, China



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

#### This Business Directory:

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

Subscribe NOW, to benefit from business opportunities.

To be sold at RMB380.00 or \$59.99 Available at: bjreview.taobao.com

Contact: Marketing Department of CHINAFRICA Magazine Fax: +8610-68328738 E-mail: dongqixin23@gmail.com

Tel: +8610-68996301

**COVER STORY** 

# **OUTSTRIPPING EXPECTATIONS**

The Chinese economy looks set to maintain stable and moderate growth in 2014 By Lan Xinzhen



he National Bureau of Statistics (NBS) said on January 20 that in 2013, China's GDP grew 7.7 percent to 56 trillion yuan (\$9.17 trillion), reaching the goal of 7.5 percent set by the Central Government at the beginning of the year. In short, the Chinese economy has continued to grow at a relatively quick pace.

Such a growth rate represents a hardearned achievement. In 2013, the Chinese Government intensified economic restructur-

ing, and the massive shutdown of outdated production capacity with high-pollution and highenergy consumption levels might well have caused economic downturn. But to guarantee an increase in the employment rate and improve people's standard of living, the Chinese Government had to ensure the economy developed stably. This seemingly paradoxical situation made the prognosis for economic growth rather pessimistic. However, the figures for 2013 showed that the Chinese Government has managed to balance economic transformation and growth.

Ma Jiantang, head of the NBS, said that faced with increasingly complicated and severe external and internal conditions. China has firmly deepened its reform and opening up and implemented innovative macro-control measures using a scientific approach. According to him, the overall national economic performance in 2013 showed a good momentum of stable and moderate growth.

However, he also claimed that some preex-

isting problems, such as serious surplus capacity and potential risks in the banking sector, have not been alleviated and these have had adverse impacts on the economy. These are problems China will have to deal with in its future economic development.

#### Up from the bottom

China's economic growth first slowed down and then resumed in 2013. According to the NBS figures, in the first two quarters of 2013, economic growth dropped, and began to rise again in the third quarter.

Liu Yingqiu, a researcher with the Chinese Academy of Social Sciences (CASS), thought that sluggish demand in the domestic and foreign markets and economic restructuring are the main reasons for the fluctuations in economic growth.

To ensure economic growth in 2013, the Central Government continued its policy of making appropriate adjustments in accordance with the economic situation. It launched several reform measures such as reducing items subject to administrative approval, initiating interest rate liberalization, accelerating the development of energy-saving and environmental protection industries, supporting micro- and small enterprises in financing, encouraging spending in the information industries, reforming the railway investment and financing mechanism, and establishing the Shanghai Pilot Free Trade Zone.

These measures successfully reversed the downturn of economic growth during the first two quarters, ensuring that the country beat its target for economic growth for the whole year.

Ma said the Chinese economy had the characteristics of being "stable, progressive and good" in 2013. The overall economic performance, employment and prices were kept stable; economic restructuring made positive progress with industrial structure being optimized, demand structure improved, regional development was better balanced, income became more equally distributed, and the quality of economic growth and people's standard of living both took a turn for the better. These achievements indicated that the reform measures have been timely and effective.

Wang Yong, an analyst with CITIC Securities Co. Ltd., said two areas were paramount in 2013: CPI and employment. The Central Government's target for CPI at the beginning

of 2013 was below 3.5 percent, while the final result was 2.6 percent.

Wang said owing to the effects of the U.S. quantitative easing policy, the whole world has been suffering from rising inflation, especially the emerging market nations. The inflationary rates in Brazil, Russia and India stood at 5 percent, 6 percent and 9 percent respectively at the end of 2013. Hence the fact that China managed to keep its inflationary rate down at 2.6 percent represents a remarkable achievement.

The other important area was employment. In 2013, China created more than 11 million new jobs, surpassing its target of 9 million at the beginning of the year.

According to a report released by the National Academy of Economic Strategy under the CASS, as a result of the economic reform and development that took place in 2013, China's disequilibrium in economic structure has been balanced. The report says China's imbalance index of economic structure dropped from 0.63 in 2011 to 0.49 currently.

The report holds that from 2013, the Chinese economy changed from "high growth" to "secondary high growth," and such "secondary high growth" will continue for three reasons. Firstly, rising costs in the service sector will increase the sector's contribution to the economy, but because of low productivity, the service sector will be unable to help maintain a high speed of development. Therefore, the rising contribution of the service sector will slow down overall economic growth to some extent.

Secondly, the reduction of surplus capacity relies on the realization of plans for industrial upgrading and economic transformation, and economic restructuring is expected to continue for a long time. It will take at least three to five years for China to solve the problem of overcapacity.

Thirdly, upsurge in market demand will gradually drop as globalization, urbanization and heavy industrialization will no longer progress simultaneously.

#### Dark clouds on the horizon

Sun Jie, a researcher with the Institute of World Economics and Politics of the CASS, said it will be a little difficult for the Chinese economy to maintain steady growth in the long term. "It is possible to ensure stable growth in the short

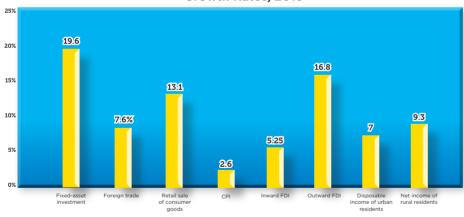
http://www.bjreview.com

JANUARY 30, 2014 BEIJING REVIEW 15

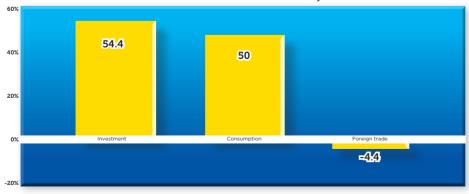
#### GDP Growth, 2013







Contributions to GDP, 2013



(Source: National Bureau of Statistics)

term, but to maintain steady growth, particularly in the long term, China must overcome a series of chronic problems and make tough adjustments to its economic structure," Sun said.

He believed the Chinese economy has been heavily relying on investment and exports. Such structural imbalance, he argued, threatens the sustainability of China's economic growth. Over the past decade, China has attached importance to the development of science, technology and other emerging industries, but the potentials of these industries in pushing forward economic development are far from being fully realized. Therefore, it would be a great challenge for China to maintain 7-percent annual growth in coming years by relying primarily on the science and technology industries.

Ma also said that the Chinese economy is in a crucial period of transformation, with many long-existing deep-rooted problems not yet resolved and foundations for economic recovery needing to be further consolidated. Moreover, he claimed there are still risks present in local government debts and that the government should further intensify shutdown of outdated production capacity. All these problems require that the Chinese Government continues reform in various aspects of economic and social development.

Chen Daofu, chief of the Research Institute of Finance at the Development Research Center of the State Council, thought the biggest challenge that the Chinese economy faces is its overall transformation, and that a model driven by domestic demand and centering on consumers must be established. This requires rebuilding the relationship between the government, the market and society. The measure of streamlining administration and delegating power to lower levels of the Central Government, which was initiated in 2013, is just the beginning of the effort to re-establish this relationship.

According to Chen, the current economic situation indicates that the task of reducing overcapacity is still arduous. In 2013, only 76 percent of the production capacity in Chinese industrial companies was actually utilized, lower than the interna-

#### Major Economic Developments in 2013

#### Foreign trade ranked world No.1

According to figures from the Ministry of Commerce, in 2013, the volume of China's commodity trade reached \$4.16 trillion, a figure which looks set to top the United States and place China first globally. This is another significant achievement after China became the world's second largest economy.

#### Yuan appreciated unilaterally

In 2013, the renminbi's exchange rate against the U.S. dollar hit a record high, and the yuan appreciated 3 percent throughout the year, three times the

appreciation in 2012. This contrasted against the depreciation of currencies of the other emerging economies and the overall slowdown of China's economic growth.

#### Banks faced cash crunch

Cash crunch was among the key buzzwords of China's economic development in 2013. As China tightened its money supplies, large commercial banks also needed to borrow money. The interbankoffered rate hit record highs in late June.

(Source: Xinhua News Agency)

tional average of 80 percent. Overcapacity in the industries of steel, electrolytic aluminum, cement, flat glass and shipbuilding is particularly serious, with only 70 percent of production capacity being utilized.

An overabundance of loans in industries or projects with redundant construction or overcapacity go against the targets set for economic restructuring, and will also bring many risks to the financial industry. The cash crunch Chinese banks experienced in 2013 may become the norm in 2014, a factor which will threaten the steady growth of the Chinese economy.

#### Silver lining

China is deepening its reforms in the year 2014. Liu from CASS said the Chinese economy will face the challenges of uncertain demand and continual restructuring inherent in deepened reform, but that the international environment will take a turn for the better and the reforms will help to stabilize market expectations. Therefore, despite some brief periods of fluctuation, he believed the overall economic performance will be stable and the economic growth will rise slightly.

Liu continued that although the rate of economic growth in 2013 became more stable, it is not an inexorable trend. In 2014, China should continue effective macro-control and seek a balance between "ensuring growth, readjusting structure and advancing reform."

He suggested that China properly expand government-led investment so as to offset some influence on the economy brought about by the slowdown of investment growth, but it should avoid stimulating new surplus capacity. Liu also said that China should continue its prudent monetary policy, and promote development of the real economy and transformation of its economic structure by adjusting the allocation of financial resources.

Xu Gao, chief analyst on macroeconomy with Everbright Securities Co. Ltd., thought China's GDP growth in 2014 may go up to 7.9 percent, and investment and consumption may make a contribution to the economy equal to

that of 2013. As the prospects for recovery in developed economies becomes clearer, exports will play a significant role in driving up economic growth.

According to Xu, the risks of China's local government debts are under control, but China must place stringent restrictions on newly increased debts and ensure that cash flows. If the current borrowing model continues, where local governments assume huge responsibilities and borrow commercial loans for public welfare projects, the balance sheets of local governments will continue to worsen.

Xu continued that the global economy will go on improving in 2014, particularly in developed economies. The U.S. economy will continue its powerful recovery, and Europe may see an end to recession and embrace a lowspeed rate of growth. Recovery of developed economies will expand China's net exports, which would result in positive outcomes for the Chinese economy.

Ma was even more optimistic about China's economic state of affairs in 2014. According to him, there are many favorable conditions that can help maintain the current momentum in the economy. Firstly, the basic situation of China's economic development has not changed, and urbanization, industrialization, information-based development and agricultural modernization are still in progress. During this process, there will be huge increases both in investment and consumption demand, and the efficiency of supplies will also be improved.

Secondly, the Central Government initiated a series of measures to deepen reform last year, such as streamlining administration and delegating power. The Third Plenary Session of the 18th Central Committee of the Communist Party of China held last November also made

a blueprint for future reform. Ma believed that these measures will stimulate the energy required for national development as well as creativity in the market, thus tapping potential sources of economic growth. Reform is therefore an important factor in China's attempt to maintain steady economic development.

Thirdly, Ma claimed that investment, exports and consumption will ensure stable and fast growth in 2014. Although growth in investment declined in 2013, the whole-year growth of 19.6 percent was still within satisfactory levels. He thought that, as urbanization continues, transport facilities in central and western regions will improve and energy-saving and environmental protection industries will grow this year, and that these factors will, again, help to further growth. As for consumption, the rapid increase in residential income in urban and rural areas last year has laid a solid foundation for steady increases in consumption in 2014.

Xu said exports will greatly benefit from the recovery of the global economy. The World Bank estimated in January that the world economy will go up 3.2 percent this year, while its forecast for 2013 was only 2.4 percent. The International Monetary Fund made its forecast for 2014 at 3.6 percent, Ma stated these figures indicate that the recovery of developed economies will continue unabated, and that demand from the international market will improve, laying the foundation for the steady growth of Chinese exports.

"I believe that in 2014 the national economy will continue to grow, the economic structure will be improved, the quality of economic growth and people's standard of living will be raised," said Ma.

lanxinzhen@bjreview.com

http://www.bjreview.com JANUARY 30, 2014 BEIJING REVIEW 17



## **NE·TIGER**

侨福芳草地大厦一层L1-04单元

青岛:阳光百货二层 电话:+86 532 86677199 哈尔滨:中央大街73号2楼 电话:+86 451 84689588 沈阳:新地阳光百货一层 电话:+862422561566

