

A Fair Share Ensuring equality in old-age benefits



Kerry's Chinese Valentine Leaders engage in 'heart-to-heart' discussion

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China's capital makes Winter Olympics bid



**Lenovo Aims Higher** Can they compete with smartphone giants?

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It's 'change or die' for the practice



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» Martial Arts Adapt

### THE DESK



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**EDITOR** 

### **Integrating Rural and Urban Pensions**

The State Council, China's cabinet, has recently announced plans to unify rural and urban pension systems as part of a wider effort to reform its pension scheme. This move is a significant step in China's comprehensive social reforms as well as a crucial move toward establishing a fair social welfare system.

The actual inequality caused by the urban-rural dual structure is a major obstacle for China in marching toward a market-oriented economy. Abolishing such unequal systems and building a fair and sustainable social security system is a major task for the Central Government.

The move will benefit the country in three respects. First, it can guarantee social fairness. As the pensions are integrated with the same standard, both rural and urban people will be able to enjoy equal social security services, including pension rates and financing methods, regardless of their residential register.

Second, it can help promote domestic consumption. Due to China's weak social security system, people have long preferred to save, which reduces consumption demand. After rural and urban pensions are unified, rural people will worry less about their livelihood in later years. Moreover, the Central Government will provide more financial support for impoverished areas in order to alleviate the pension burden of local governments. As the State Council explained, the new policy aims to facilitate the free flow of people, boost social security, stabilize people's expectations for life improvement, promote consumption, and encourage innovation and business start-ups.

Third, building a unified pension system is a significant move to deepen reform. The new policy shows that the Chinese Government has targeted any institutional hindrances to social fairness as a major reform direction. Yet much more needs to be done. People have seen the dawn of "establishing an integrated pension system that is impartial to where people live or work by 2020," which assures people's expectation of a fair and sound social order. Furthermore, the new policy indicates China will undertake a broader range of reform measures.



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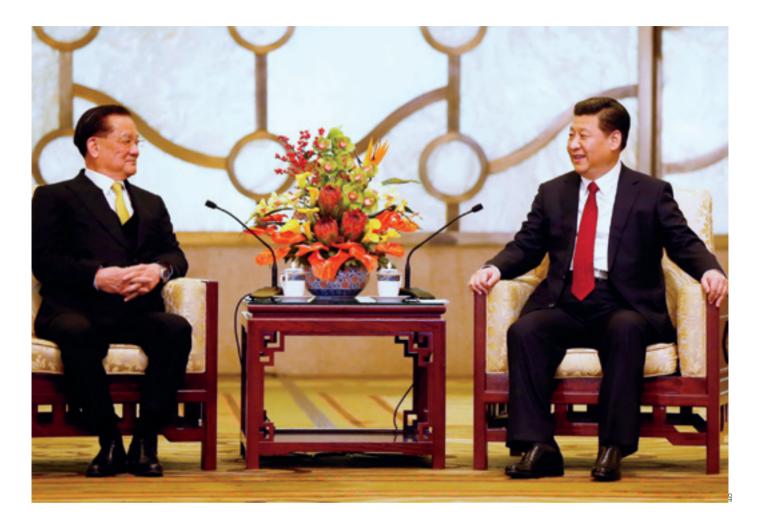
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# LANDMARK VISIT

Xi Jinping, General Secretary of the Central Committee of the Communist Party of China, meets Lien Chan, Honorary Chairman of the Kuomintang of Taiwan, in Beijing on February 18.

Lien, accompanied by his wife Lien Fang-yu and a delegation, made an unofficial visit to the mainland during February 17-20. It was the 15th mainland tour Lien has made since February 2005.

### **Appealing Site**

Tourists ride camels in the Shapotou Desert Area, Ningxia Hui Autonomous Region.

At least 2 billion yuan (\$321 million) will be invested over the next five years to develop Shapotou as an international tourism destination, according to a cooperation agreement signed by the local government and the China National Travel Service (HK) Group Corp., the country's largest travel group.

The money will be spent on constructing tourist service centers, business districts and themed hotels as well as restaurants.



### Aid Money

China allocated more than 156.6 billion yuan (\$25.78 billion) in subsistence allowances for the poor in 2013, Vice Minister of Civil Affairs Dou Yupei said on February 19.

Last year, subsistence allowances for poor urban residents totaled more than 72.4 billion yuan (\$11.92 billion), up 13.9 percent year on year, and those for poor people in rural areas added up to 84.2 billion yuan (\$13.86 billion), with an annual increase of 17.3 percent, Dou

revealed at a press conference.

"A total of 79.8 million people are receiving government assistance on a regular basis, with 174 billion yuan (\$28.64 billion) spent on them in 2013," said Dou, adding that some 100 million medical grants were also issued.

According to the vice minister, the Chinese Government also allocated disaster-relief funding of more than 10.6 billion yuan (\$1.74 billion) last year, with 12 million people being relocated from areas hit by earthquakes or floods.

Since China issued guidelines for bringing more security to orphans in 2010, the country has given a monthly allowance of 1,000 yuan (\$165) to each child living in orphanages and 600 yuan (\$99) to each of those in foster homes. Dou noted.

### **Attracting Talent**

China will recruit more high-level professionals from abroad this year, the country's human resources authorities revealed on February 19.

It is hoped that such experts will be engaged in the country's development, according to a statement from the Organization Department of the Communist Party of China Central Committee, after a national meeting of Party and government officials in charge of human resources.





A vendor in Lhasa, Tibet Autonomous Region, sells butter sculpture decorations before the upcoming Tibetan New Year, which falls on March 2 China has operated a recruitment program to attract overseas Chinese experts to build their careers in the country since 2008.

So far 4,180 people have been recruited, with 861 of those being hired last year, the statement revealed.

These professionals, who are mostly scientists, have contributed to research in bioscience, plasma physics, nuclear technologies, space programs and satellites, it said.

But the government is also working on rules to end contracts with those who do not meet the needs of the country or fail to do their jobs, the statement added.

### **Supervising Education**

The Ministry of Education announced on February 18 that it would step up supervision over the country's primary and middle schools in a bid to enhance education quality and fairness.

The move is aimed at tackling the imbalance of educational resources at the local level and reducing students' workloads, according to a document the ministry posted on its website.

4 **BELJING REVIEW** FEBRUARY 27, 2014



Plants are prepared for the main pavilion of the International Horticultural Exposition 2014 in Qingdao, a coastal city in east China's Shandong Province, on February 20. The exposition will be held from April 25 to October 25

Despite continuous efforts to provide quality education to all, a remarkable educational imbalance has emerged among schools and between urban and rural areas, often forcing parents to pay extra, sometimes illicit, fees to get their children into better schools.

An evaluation system will be established for local governments in order to direct them to prioritize the education sector and improve the quality of public education, according to the ministru.

### Underwater Robot

China has used a domestically built unmanned submersible to study polymetallic sulfide in the southwest Indian Ocean, the State Oceanic Administration (SOA) revealed on February 13.

The country signed a 15-year exploration contract with the International Seabed Authority in 2011 to mine for polymetallic sulfide in the area.

Scientists aboard the Dayang-1



oceanic research vessel remotely operated the underwater vehicle Hailong on five occasions from late January to early February, with one of their five attempts failing.

The researches found sulfide in even more parts of China's contracted exploration area, and gained a new understanding of the characteristics of the carbonate area, according to the SOA.

This detailed information gathered is important for China's future research of polymetallic sulfide, which is often found in seabed deposits containing copper, zinc and precious metals such as gold and silver, the SOA added.

### Tibetan Internet Users

The number of Internet users in southwest China's Tibet Autonomous Region reached 2.03 million at the end of 2013, a local official revealed

on February 14.

This means 67.5 percent of Tibet's 3 million residents have access to the Internet, according to Ounggui, head of the Tibet Communications Administration.

Many of Tibet's Internet users surf the Internet using their smartphones. So far the number of 3G network subscribers in Tibet has reached 964,000. The new 4G network will be promoted and launched in 2014, according to the official.

### Poisoning Trial

A medical student at the prestigious Fudan University in Shanghai was sentenced to death on February 18 after he was convicted of poisoning and killing his roommate in April 2013.

Lin Senhao used N-Nitrosodimethylamine, a deadly chemical compound he took from

the university laboratory, to contaminate a water dispenser in his dorm, His roommate, Huang Yang, drank from the dispenser on April 1 and died of organ failure on April 16. (More details on P.24-25 on Beijing Review Issue No.21, 2013)

According to the court, the poisoning that led to Huang's death was motivated by Lin's growing discontent with Huang over trivial matters after Huang moved into Lin's dorm in August 2011.

### **WWII Documentary**

Filming of a documentary about the atrocities of Japan's notorious Unit 731 during World War II (WWII) began in the northeastern Chinese city of Harbin on February 19.

The documentary, consisting of five 60-minute episodes, will be jointly shot by the municipal government of Harbin in Heilongjiang Province and state broadcaster China Central Television in China. the United States, Russia and Japan. It is expected to be broadcast by the end of the year. Entitled 731, the documentary will interview witnesses and scholars as well as sharing evidence from historical archives.

Unit 731 was a top-secret biological and chemical warfare research base established in Harbin in 1935, serving as the center of Japan's biological warfare research in China and Southeast Asia during WWII. At least 3,000 people were killed in experiments that were undertaken on humans at Unit 731.

### Sizing Up

Soldiers patrol the border between China and Kazakhstan on January 31.

A "significant" change in Chinese service people's physiques has meant an increasingly urgent need to replace older, smaller military armaments, according to a newly released study.

A military research institute has found that the average Chinese soldier is 2 cm taller and their waistline 5 cm larger than 20 years ago.

Because of the changes in physiques, there is an urgent need for larger models of military equipment, researchers said.



### Solar Energy

Solar panels lay on the ground in the Zhongxin Eco City, Binhai New District of north China's Tianjin City.

Electricity generated by the photovoltaic (PV) power generation plant is connected to the local grid for sale on February 19 in Tianjin.



### **Auto Investment**

China's Dongfeng Motor Group Co. Ltd. on February 19 announced it has signed an agreement to buy a 14-percent stake in PSA Peugeot Citroen. The deal, if approved, would become the latest major overseas investment made by a Chinese carmaker, following SAIC Motor and Geely.

According to a memorandum of understanding signed on February 18, the state-owned Chinese automaker headquartered in Wuhan, central China's Hubei Province, and the French Government will each invest 800 million euros (\$1.1 billion)

to the struggling French carmaker. The share sale is subject to regulatory approvals in China and France.

PSA Peugeot Citroen will also raise a further 1.4 billion euros (\$1.92 billion) from other investors, including the Peugeot family. Should the share sale be approved, the Peugeot family's current 25.4-percent stake will be diluted to 14 percent, equivalent to shares held by Dongfeng Motor and the French Government.

Thierry Peugeot, Chairman of PSA Peugeot Citroen, said the share sale will help boost the carmaker's financial conditions and growth.

Dongfeng Motor and PSA Peugeot Citroen also agreed to strengthen cooperation in technology, research and development (R&D), manufacturing and overseas distribution.

Also on February 19, PSA Peugeot Citroen released its 2013 results. It posted a loss of 2.32 billion euros last year, following a loss of 5.01 billion euros in 2012.

### **Cutting Overcapacity**

China's Industry and Information Technology Ministry (MIIT) on February 18 pledged tougher measures to cut overcapacity in bloated sectors as the problem has become a severe drag on economic growth.

China will ban new projects in steel, cement, electrolytic aluminum, flat glass and shipbuilding industries before 2017, while gradually eliminating existing projects that were found to be below standards, Mao Weiming, Vice Minister of MIIT, said.

While placing stricter standards in environmental protection, energy efficiency and safety, China will also encourage mergers and acquisitions in industries to slash outdated capacities, Mao said.

The government has been at pains to digest production gluts from an investment boom and generous subsidies in the past few years that saw producers in "favored" sectors expand rapidly with little regard to real market demand.

### 020 Competition

Tencent, one of China's biggest Internet companies, announced on February 19 that it will purchase a 20-percent stake in restaurant ratings and group-buying website Dianping for \$400 million.

Competition has escalated among BAT, the acronym for China's three Internet giants (the other two being the leading search engine Baidu and e-commerce group Alibaba) as they seek growth through the expansion of O2O (online to offline) services.

On February 10, Alibaba offered \$1.1 billion to acquire AutoNavi Holdings Ltd., making the Chinese digital mapping and navigation firm its wholly owned subsidiary. Given





A staff member from Tangshan Iron and Steel Group Co. Ltd. examines the iron plate made for high-end cars

# PICK OF THE BUNCH

Tea farmers pick up spring tea at a production base in Yibin, southwest China's Sichuan Province

Alibaba's previous deals with groupbuying website Meituan.com and taxi-calling app Kuaidi, analysts predict strong O2O performance from the company.

Baidu is expected to fare well too in the O2O sphere thanks to its alliance with Meituan's rival Nuomi.com and online app store 91 Wireless.

The deal between Tencent and Dianping is believed to benefit both companies as the former can reap more revenues from bricks and mortar stores while the latter will gain a wider public exposure due to Tencent's large user base, especially in its instant message app WeChat.

### **Monetary Tightening**

The People's Bank of China (PBC), China's central bank, launched a 14day forward repurchase operation (repo) at a bid rate of 3.8 percent on February 18, a move which will siphon 48 billion yuan (\$7.9 billion)



from the money market.

It marked the first time in eight months that the Chinese central bank has issued forward repurchase agreements. A repo is a central bank operation to withdraw funds from the interbank market to prevent excessive liquidity.

Since June of 2013, the PBC has conducted reverse repos in its regular open market operations to inject liquidity to the money market.

Economist Lu Zhengwei of the Industrial Bank said the central bank's move fell within market expectations.

"It has been a routine post-holiday operation for years following the Chinese New Year," he said. Plenty of cash has flowed back into the interbank market from individuals following the weeklong Chinese New Year, and there was a notable increase of the funds outstanding for foreign exchange as China's exports surged in January, he said

The overnight and 7-day Shanghai Interbank Offered Rate (Shibor), a gauge of interbank lending rates, had fallen within a reasonable range, Lu said.

"The operation points to potential excessive liquidity in the interbank market, which doesn't entail any sudden change of the policy bias (by the PBC)," he added.

### **Numbers**

\$10.76 bln

Foreign direct investment into the Chinese mainland in January, up 16.11 percent year on year, underlining investor confidence in China's economic outlook

2.5%

Year-on-year growth of China's consumer price index in January

### 90.8 mln sets

China's smartphone shipments in the fourth quarter of 2013, 4.3 percent less than that in the third quarter of 2013

# Spring Ploughing

A farmer plough his land in Chiluocheng County, southwest China's Guangxi Zhuang Autonomous Region, on February 19.



### 1.32 tln yuan

China's new yuandenominated lending in January, up 246.9 billion yuan year on year

## THIS WEEK WORLD



Police evacuate passengers on February 17 from an Ethiopian Airlines flight en route to Rome, which was hijacked and forced to land in Geneva, where the hijacker was arrested







Anti-government demonstrators obstruct police officers as they clear a protest site near the Government House in Bangkok on February 14



### **BRITAIN**

Police and bomb disposal units carry equipment away from a scene where a suspicious package was delivered at an army recruitment office in Brighton, southern England, on February 13







A man wearing a mask for protection from volcanic ash arrives at an evacuation center in Malang, East Java Province, on February 14, after Mount Kelud erupted



Matteo Renzi, head of Italy's center-left Democratic Party, speaks to reporters in Rome on February 17, after his nomination to become the country's youngest-ever prime minister







Rescuers work at a collapsed auditorium at a resort near southeastern city of Gyeongju on February 18. At least 10 people were killed when the building, packed with students, caved in

http://www.bjreview.com FEBRUARY 27, 2014 **BELJING REVIEW** 9

"Prostitution, gambling and the use of drugs, which have decayed social morality, should be rooted out. The ongoing crackdown on prostitution and pornography will help to create a more favorable social atmosphere and a cleaner government."

Zhu Lijia, a professor at the Chinese Academy of Governance, commenting on the nationwide crackdown on prostitution



"The exchange between Chinese and Western musicians will help Chinese music reach the rest of the world. I want to introduce more Chinese musical elements into pop music to attract young people."

Renowned Chinese pianist Lang Lang, after presenting a concert in Charlottesville, a city in the state of Virginia, on February 14



"The National Center for Performing Arts (NCPA) not only provides a platform for the exhibition of national art forms such as Peking and *Kunqu* operas, but also for local arts like *Yue* Opera."

Meng Xin, Deputy Director of the Performing Department of the NCPA, upon the center's announcement of a promotional season of performances from February 22 to March 16 of Yue Opera, which dates back at least 800 years.



"More Chinese students are learning fashion and design in Britain, and more Chinese designers were involved in the event this year. The London Fashion Week is a great platform for new Chinese designers, and the transformation of 'Chinese creation.'"

Xiang Xiaowei, Minister Counsellor of the Cultural Department with the Chinese Embassy to Britain, after watching Chinese designer Gao Yang's presentation of his new collection on February 18



### **BEST ACTOR**



Chinese actor Liao Fan won the Silver Bear for Best Actor at the 64th Berlin International Film Festival for his performance in film Black Coal, Thin Ice on February 15, which also grabbed the Golden Bear for Best Picture.

Liao, who played a devoted former criminal investigator in the film, became the first Chinese actor to win the honor. The movie, a detective thriller set in northeast China, is scheduled to debut in China in March.

Liao, 40, graduated from the Shanghai Theater Academy in 1997 and has played in dozens of TV operas, movies and plays. He was nominated for best actor at the Golden Horse Film Festival in 2008 for his performance in the movie Ocean Flame.

### $(\downarrow)$

### BASKETBALL STAR RETIRES



Former NBA player Wang Zhizhi finished his last match on February 16 during the final round of the 2013-14 Chinese Basketball Association league. The 36-year-old veteran center started his career in the 1990s and became the first Chinese player to join the NBA in 2001 when he played for Dallas Mavericks. He also played for Los Angeles Clippers and Miami Heat before returning to China in 2006.

### MEDIA DIGEST THIS WEEK



### Books About China

Oriental Outlook
January 30

In 2013, a large number of books about China were published overseas. For instance, *China Airborne: The Test of China's Future* by James Fallows, a writer who works as a national correspondent for *The Atlantic* magazine

and has reported in China for a long time. In the book, Fallows holds that China's thriving aviation industry is a miniature of the country's hyper-growth and hyper-urbanization, and will revolutionize China in ways analogous to the building of America's transcontinental railroad in the 19th century.

Others include: Lee Kuan Yew: The Grand Master's Insights on China, U.S. and the World, which was jointly written by three respected U.S. scholars—Ali Wyne, Graham T. Allison and Robert Blackwill; China Goes Global: The Partial Power by David Shambaugh, a U.S. professor and noted authority on China's foreign policy as well as military and security issues in East Asia; and Der China Schock: Wie Peking sich Die Welt Gefügig by noted German essayist Frank Sieren.

These books, written by foreign scholars, journalists and writers who have long researched China, are not only unique records of China, but also a series of enlightenments with equal value for both the West and China. The authors of these books have presented a cool-headed and balanced description of China's true strength, global influence and its challenges.

These authors also provide an opportunity for the Chinese people to think about issues such as how China can turn its potential into real strength; how the country can enhance its soft power and whether or not China can become a large country exercising soft and hard power like the United States.

### **Emigration Fuss**

Global Times February 18

The Canadian Government has recently suspended an immigrant investor program, triggering discussions on the emigration of the wealthy Chinese. Emigration has by no means been a "romantic" choice in Chinese history. Wars, deaths and vagrancy dominated various periods of emigration in the old days.

Today, the Chinese are able to emigrate legally, instead of through smuggling, all because of the country's rapid development. While many Chinese have been emigrating to other countries since the 1970s, China is also becoming a "magnet" for many Western job hunters, and is also one of the most attractive investment and tourism destinations for the rest of the world.

In today's global arena, developing countries are losing talent and wealth to developed countries, but ironically, this loss is criticized by developed countries as the result of the former's problematic systems.

Emigration does not necessarily mean that people are abandoning their motherland, and sometimes, these emigrants still do business here in China. Emigration is a way for modern citizens to get involved in economic globalization and it results in wealth being redistributed globally. What China should do now is to improve its environment, the education system, healthcare services and social justice, so that the country may become more attractive, and rich people may choose to stay and contribute more to their motherland.

### **Mass Charity**

*Qilu Evening News* February 18

Recently, a story about an entrepreneur donating to schools for many years but never letting himself be known to the public was revealed by the media. Similarly, in Weifang, Shandong Province, a couple saved 20,000 yuan (\$3,175) from their wedding and then donated it to a local charity helping mothers with babies in poverty.

These examples show that charity is something everyone is able to do in their own ways. Many people think that charity is the "privilege" of the rich, and ordinary people do not have as many resources and so are unable to be charitable.

Charity does not mean you have to do-

nate huge amounts of wealth. As long as you do something to help others, it is charity. The spirit of charity is better realized when ordinary people involve themselves in their work, because the line between providers and beneficiaries is not so distinct. Today, you can do some work for the elderly, and tomorrow, some others help you to carry heavy bags. These are also forms of charity. Everyone is able to do his or her part to contribute to promoting a sense of social morality.

### Spring Festival Gala China Newsweek January 27

As an essential part of the entertainment for the Chinese, the Spring Festival Gala that airs on China Central Television (CCTV) has become a unique cultural event. Every year, many look forward to the gala before it airs but it faces with a wave of criticism after it finishes.

The criticisms are not surprising. This is an age when various aesthetic values are thriving and audiences differ greatly. People with different ages, backgrounds and from different areas of the country all have their own aesthetic expectations. The audiences now have more choices. People can watch bolder evening galas with even more variation that air on China's various local satellite televisions. They can also watch TV programs on the Internet.

The CCTV's gala is China's strictest evening party in terms of its technical

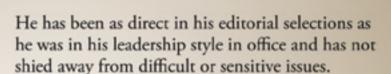
execution. Every performance is rehearsed repeatedly in the lead up to the show, and perfection is sought in every detail. Preventing leaks about the content is also controlled in an



extremely strict manner. This year's gala marked the 32nd consecutive annual celebration of the TV station, and it still enjoys the largest viewership among the Chinese people. It boasted its own unique elements. For instance, the humor of its new host, the famous actor Zhang Guoli, and the well-renowned movie director Feng Xiaogang. All these left a resounding impression on the audience.







—— 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

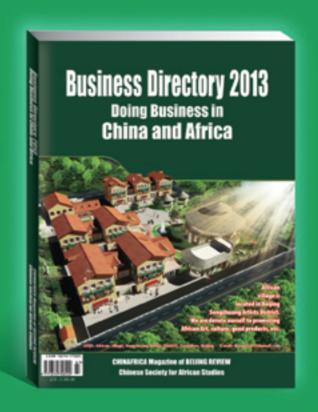
THE ROAD TO M

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.

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**COVER STORY** 

# A FAIR SHARE

China will unify pension plans for urban and rural residents across the country By Lan Xinzhen



A BENCHMARK FOR PROPER CARE: Elderly people chat at a home for the aged in Dongwei Village, Zouping County of Shandong Province. The province has set up 29 homes in the countryside for the elderly to live in for free

he State Council, China's cabinet, decided at an executive meeting on February 7 to integrate the basic pension systems for urban and rural residents. This is considered to be an important step by the Chinese Government in pushing forward social reform. It indicates that China has begun the arduous task of comprehensively deepening its reforms.

The urban-rural gap is commonly considered to be the most visible sign of inequality in China, and the disparity in the pension program between urban and rural residents is one of the most pressing issues related to this area which

has been called into question in recent years. "To establish a unified basic pension system for urban and rural residents is a significant breakthrough. This means China will step into a new stage of advancing urban-rural integration," said Li Guoxiang, a researcher with the Rural Development Institute of the Chinese Academy of Social Sciences (CASS).

To accelerate the integration of pension systems for urban and rural residents, the Chinese Government requires strong budgetary support. The State Council executive meeting stressed that the Central Government will fully

subsidize the basic pension for the central and western regions and offer a 50-percent subsidy to the basic pension for the eastern region. At the meeting, it was specifically stated that local governments would be required to pay part or all of the minimum pension for low-income groups and encourage charitable organizations to give financial assistance to participants in pension schemes.

In 2009, China initiated pilot projects for unifying pension plans for urban and rural residents in Shanxi, Anhui and some other provinces. Li Zhong, spokesman of the Ministry of Human Resources and Social Security (MOHRSS), said that at present, 15 provinces have established uniform basic pension systems for urban and rural residents, offering examples to the rest of the country.

### **Bridging the divide**

Currently in China, the pension plans for government officials, public institution staff, enterprise employees, rural residents and unemployed urban residents are different. A unified pension system for urban and rural residents will integrate pension plans for rural residents and unemployed urban residents, which were introduced in 2009 and 2011, respectively, and which now cover the majority of the country's population.

Under the dual pension system, rural residents and unemployed urban residents are ▶▶

### **China's Pension Program**

	2013	2012	Growth
Number of Participants (mln persons)	497.5	483.7	2.9%
Pension Funds Collected (bln yuan)	215.4	182.9	17.8%
Pensions Paid (bln yuan)	145.37	115	26.4%

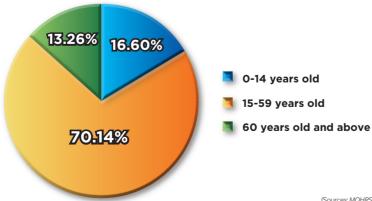
### **Urban and Rural Population**

	2010	2000
Urban Areas	665 million	458 million
Rural Areas	674 million	807 million

subject to unequal treatment, and pensions for urban residents are five to 10 times the amounts farmers can get.

More importantly, such inequality has already had negative impacts on economic and social development. According to the MOHRSS figures, there are over 200 million migrant workers in China, 70 percent of whom are working permanently in cities. However, they can only participate in pension schemes in their hometowns, and not the places in which they are working. According to the MOHRSS, more than 30 million migrant workers have abandoned their pensions.

### **Population Composition, 2010**



(Sources: MOHRSS, National Bureau of Statistics)

Li said after urban and rural pension plans are integrated, urban and rural residents will be able to enjoy the same rights and almost the same amount of pension entitlement. The State Council executive meeting proposed the introduction of uniform social security cards across the country, which will remarkably improve the management of pensions and prepare for the free transfer of pensions between different regions in the future.

In short, the fact that the pension system will become more equitable and that pensions can be freely transferred as participants move will better meet the demand of the labor flow required for China's economic growth.

### More benefits

Yang Yansui, Director of Research Center of Employment and Social Security at Tsinghua University, said a unified basic pension system reflects social equality. The Third Plenary Session of the 18th Central Committee of the Communist Party of China proposed to "establish a fairer and more sustainable social security system." Therefore, integrating the pension system for urban and rural residents is but one step toward fully achieving this goal.

According to Yang, unifying the pension system is also an important measure to implement the Party meeting's decision to integrate urban and rural development. It is also a supporting policy in reforming the household registration system and establishing a unified labor market.

Pension, education and healthcare are the three most prominent areas of inequality brought about by China's household registration system, which discriminates between urban and rural areas.

After a unified pension system is set up, pension standards for citizens will no longer be decided by the type of their household registration, but by the price levels and cost of living of the place where they are living. Integrating the basic pension systems for urban and rural residents will accelerate the end of China's dual household registration system that has existed for over 60 years.

Li said an integrated pension system will also help raise Chinese people's spending power. Since China's social security system is still weak, many people, both in cities and the countryside, have to save more money for healthcare and their old age. This has reduced potential consumption, and that's why household consumption has not increased significantly in spite of the Chinese Government's efforts to stimulate domestic demand.

Li said among the country's 1.3-billion people, 70 percent are rural residents. After the pension systems are integrated, rural areas will receive more support. With fewer worries for their old age, rural residents may be willing to save less and spend more.

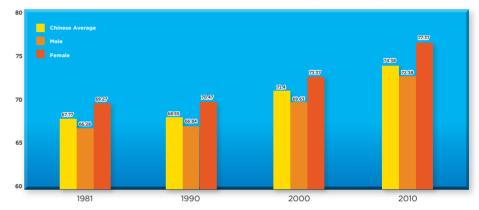
To stimulate consumption with an integrated pension system may be the wish of China's top leaders. The State Council executive meeting particularly pointed out that establishing a unified basic pension system for urban and rural residents so as to make all the citizens enjoy equal basic old-age security is vital to China's economic and social development and is a prerequisite to advancing industrialization, IT applications, urbanization and agriculture modernization. This is conducive to boosting labor flow and ensuring that public expectations on the steady improvement of living standards are met, It will also play a significant role in stimulating consumption and in encouraging people to start up their own businesses.

Wang Zhenyao, Director of China Philanthropy Research Institute affiliated to Beijing Normal University, said integrating the pension system will encourage future reforms. It is actually laying the foundation for the realization of equal basic public services by 2020.

Besides pensions, there are also insistent appeals for unifying medical insurance systems for urban employees, unemployed urban residents, government employees and public institution staff, as well as allowing the free transfer of medical insurance between different regions.

Based on the ethos of boosting social equality, wider and deeper reforms are also worthy of expectation. "A unified pension system





breaks through the separated systems between urban and rural areas, and more systematic barriers should be broken in the future," said Wang,

### **Challenges remain**

Li said the accumulated fortune brought about by the reform and opening up serves as a support for unifying social welfare between urban and rural areas. However, this does not mean China has enough financial strength to eliminate the urban-rural gap immediately. Ensuring timely payment of pensions will be the biggest challenge in implementing a unified basic pension system for urban and rural residents.

China has been facing serious financial pressure on its pension funds in recent years. The regions which have, since 2009, been subject to pilot programs for a unified basic pension system have been unable to solve problems such as low pension levels. A shortage of money has been the major reason.

Pension funds are pooled by individuals, employers and the government. Unifying the basic pension systems for urban and rural residents means that pensions for farmers will increase and the government will have to provide more subsidies to the pension pools. The rate of aging population in China's rural areas is higher than that of urban areas. Calculating with the pension standard in 2013, the Chinese

Government needs to offer an additional subsidy of 300 billion yuan (\$49.1 billion) each year.

Zheng Bingwen, Director of the Center for International Social Security Studies of the CASS, said the process of unifying the basic pension systems for urban and rural residents comprises two aspects: the transfer of pensions for migrant workers in cities, which is not very difficult; the other is to unify pensions in different regions. For financial reasons, some local governments, especially those in under-developed regions, will obviously not be enthusiastic about doing so.

According to Zheng, most of the pensions paid for rural residents and unemployed urban residents come from transfer payments from the Central Government, followed by funds from local governments, while rural collective economic organizations contribute very little. Such a structure of financial sources will impose very little pressure on the budgets of community-level governments.

Social equality should be considered from a nationwide perspective. How to unify pension standards not only for urban and rural residents, but for all is one of the most contentious and important issues China faces today.

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