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# BEJINGREVIEW

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# THE GREAT AGENDA

China's two sessions focus on the biggest issues facing the nation





An Africa-oriented English monthly covering China and Africa published by BEUING REVIEW, ChinAfrica is the leading publication in China featuring news, views and analysis for an African audience.

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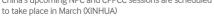
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**Green Animal Farming** Targeting responsible food production

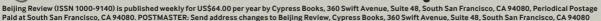


A White-Hot Battle Mobile apps fuel cab service competition



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### THE DESK



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**EDITOR** 

# **More Expectations**

The year 2014 is crucial for China to implement the projects of its 12th Five-Year Plan (2011-15). It is also the year the country will push forward its comprehensive and deepened reforms. As a result, higher-than-average expectations have been pinned on this year's "two sessions" annual plenary sessions of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference. Reform, anti-corruption, stabilizing the economy and cracking down on pollution are all topics of public concern.

The past year was the first year in power for the current Central Government. It seems that the new government has won large amounts of praise from the public. The furthering of the reform throughout 2014 will touch on deeply rooted conflicts and is likely to encounter more obstacles. We believe the new leadership will show their courage and wisdom to cope with these problems. Of the 60 items for reform in 15 areas, which were put forward last year, at least 23 items have seen relevant measures or detailed agendas on how to conduct reforms. Many of the measures have also dealt with vested interests, such as the policy to streamline administration and delegate power to lower levels. In 2014, progress is expected to be made in more areas, such as the reform on income distribution and state-owned enterprises. The work on comprehensively deepening China's reform is moving forward on schedule.

The stability of the country's economic growth is expected to remain unchanged, which has boosted the confidence of decision makers. However, in order to accelerate the transition and upgrading of the country's economic structure, China has slowed down its economic growth slightly. In spite of this, its economic growth rate is still quite high among the five top economies in the world. China is now at a point where it has many strategic opportunities and there is plenty of room for further development in its new type of industrialization and urbanization. These have laid a solid foundation for the country's medium- and high-speed economic development for a certain period of time. The key to China's economic development lies in the building of a new type of economic system and the promotion of opening up. Against the backdrop of global economic recovery, the Chinese economy is closely linked to the global economy and thus a mutually beneficial development mode will play a positive role in maintaining China's steady economic growth.

Of course, China is still faced with complex situations this year, and various problems may arise. This year's "two sessions" is surely an important event in China's implementation of its decisions on comprehensively deepened reforms. We hope that the upcoming "two sessions" will be a great success! ■



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# **NEVER FORGET**

Historians as well as survivors and family members of the victims of the 1937 Nanjing Massacre gather in Nanjing, east China's Jiangsu Province, on February 26, supporting a draft decision submitted to the Standing Committee of the National People's Congress (NPC), China's top legislature, which suggests setting national memorial days to commemorate the victory in the war against Japanese invasion, and the victims of the 1937 Nanjing Massacre.

According to the draft decision, September 3 is proposed to mark victory in the Chinese War Against Japanese Aggression from 1937 to 1945, and December 13 to commemorate the deaths of more than 300,000 Chinese people who were slaughtered by Japanese aggressors near the end of 1937.

On February 27, the NPC Standing Committee approved the two national days.

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## Green Coverage

China's forests such as that pictured to the right covered 21.63 percent of the country's land at the end of 2013, a rise of 1.27 percentage points compared to five years ago, a State Forestry Administration survey showed.

Total forest areas grew to 208 million hectares at the end of 2013, up from 195 million hectares five years ago. Growing stock per hectare increased by 3.91 cubic meters to 89.79 cubic meters over the past half a decade, according to a report of the five-year survey released on February 25.



#### Lawsuit Against Japan

Thirty-seven Chinese citizens filed a lawsuit in a Beijing court on February 26 demanding Japanese apologies and compensation for forced labor during World War II.

It is the first time that forced laborers from China or their relatives have lodged such a class-action case in a Chinese court. Observers said the case will increase pressure on Japan to correct its interpretation of its militarist history.

The forced laborers and their relatives want apologies to be carried by mainstream media outlets

in both China and Japan, as well as compensation from Mitsubishi Materials and Mitsui Mining and Smelting.

Dozens of wartime compensation suits have been filed by Chinese and South Korean citizens in Japan, but almost all of them have been rejected by Japanese courts.

#### **Cross-Straits Pacts**

Chen Deming, President of the Chinese mainland-based Association for Relations Across the Taiwan Straits (ARATS), and Lin Joinsane, Chairman of Taiwan-based Straits Exchange Foundation (SEF), signed two cross-Straits cooperation agreements on meteorological and earthquake monitoring in Taipei on February 27.

The two sides also discussed preventing double taxation, speeding up consultations on an agreement on trade in goods, setting up a mechanism for resolving trade disputes, as well as establishing cross-Straits offices by both organizations.

Heads of the ARATS and the SEF have held 10 rounds of direct talks since 2008 and signed 21 agreements on cross-Straits cooperation.

#### **Petition Reform**

China unveiled a set of reforms to its petition system on February 25,



#### **CULTURAL ACADEMIA**

A postdoctoral workstation is launched at the Palace Museum in downtown Beijing, where 24 emperors lived between 1420 and 1911. The workstation plans to attract both domestic and foreign PhD graduates over the next three years and help them carry out studies on archaeology and the research of cultural relics vowing to uphold the rule of law in handling petition cases and expanding petition channels online to better redress public grievances.

Petitioning, also known as the letters and calls system, is the administrative method for hearing public complaints and grievances. People who are not satisfied with government decisions can request reexamination.

According to the guidelines released by the general offices of the Communist Party of China Central Committee and the State Council, petition cases will be diverted to the courts if they involve lawsuits, and government policy and decisionmaking will become increasingly transparent and enlist more public participation.

The guidelines asked officials to accept petitions from the public in a face-to-face manner at intervals ranging from one day in six months for provincial-level officials and one day every week for township officials. Those found to have showed indifference or hampered people's interests in petition handling, refusing or delaying petitions, will be seriously punished, according to the document.



# PHILOSOPHICAL CLASSIC

Students read the Analects of Confucius at Xiyou Primary School in Hefei, Anhui Province, on February 21, which was International Mother Language Day. The special day was established in 2000 to promote linguistic and cultural diversity and multilingualism

#### **Commutation Rule**

Chinese authorities have vowed to deter judicial corruption in commutation of sentences and probation following a string of convicts who bribed their way out of prisons.

"Terms and procedures on commutation, parole and serving a sentence outside jail for medical reasons should be stringent within the frame of the law," according to an instructive document released on February 24 by the Commission for Political and Legal Affairs of the Communist Party of China Central Committee.

In a high-profile case, Zhang Hai, former board chairman of Jianlibao Group Co. Ltd., a Chinese beverage giant based in south China's Guangdong Province, fabricated evidence in order to have his sentence reduced by five years in a second court trial and had his jail term further reduced by more than four years while he was serving.

Zhang escaped overseas after



he was freed. Twenty-four police officers, prison guards and court officials have been investigated for their role in Zhang's lessened sentence and commutation.

#### Geographic Data

China plans to offer basic geographic information at low costs or even for free in the future so as to boost the development of the geomatics industry, said the national geoinformation authority on February 24.

Geomatics is a relatively new scientific term that refers to the discipline of gathering, storing, processing, and delivering geographic information.

The policy will offer support to companies and promote their value-added development based on this data, according to the National Administration of Surveying, Mapping and Geoinformation at a meeting.

The government also plans to invest more in purchasing services from social sectors, take measures to encourage companies to compete internationally, boost growth in consumption of geographic information, and invigorate private investment in the sector, according to the administration.

It is estimated that the annual total output value of China's geomatics industry reached 260 billion yuan (\$42.5 billion) in 2013, up 30 percent from 2012, figures from the Ministry of Land and Resources show.

#### International Students

About 413,900 Chinese students went abroad to study in 2013, with 353,500 returning, up 3.58 percent and 29.53 percent respectively, the Ministry of Education revealed on February 22.

According to the ministry, in the last 35 years, more than 3 million

people have furthered their studies in foreign countries.

With a growing number studying abroad, more overseas students are also coming to China, and the quality of education is improving.

In 2013, 356,500 people from more than 200 countries and regions worldwide attended courses at 746 universities, scientific research institutions and other educational institutes across China.

#### **Drinkable Water**

Some 680,000 rural residents in northwest China's Xinjiang Uygur Autonomous Region will have access to safe drinking water by the end of this year, according to the regional government.

The central authorities and regional government will invest 500 million yuan (\$82 million) in 2014 to make it happen, Xinjiang's Rural Work Office revealed on February 25.

Xinjiang has been striving to provide more residents, especially those living in rural and pastoral areas, access to tap water since 2010.

By the end of 2013, 10.65 million Xinjiang residents in rural and pastoral areas had access to drinking water that meets safety standards, according to the office.

The government said that 86 counties across the region have drafted plans on building their water quality monitoring network. Sixty-five county-level laboratories that will carry out water quality tests have been set up.

### **Needle Standardization**

Acupuncture, a traditional Chinese medical practice, treats patients by manipulating thin needles that are inserted into specific points in the skin, has had the needles used for it internationally standardized.

It is the first standard set by the International Standardization

Organization (ISO) for the traditional medicine. Standards have been set for texture, diameter, length, hardness and elasticity of the disposable needle.

It was listed as an intangible cultural heritage of humanity by the UN Educational, Scientific and Cultural Organization in 2010.



## End of the Travel Rush

Passengers head to boarding platforms at the Yinchuan Railway Station in northwest China's Ningxia Hui Autonomous Region on February 24. That day marked the end of the 40-day Spring Festival travel rush, which saw 3.32 billion trips.



#### **Growth Cools**

Growth in home prices in Chinese cities continued to slow in January, adding to signs of a cooling property sector, official data showed on February 24.

The trend emerged after local governments took measures to rein in escalating prices and banks tightened lending to property developers.

Month-on-month average growth in new home prices fell to 0.49 percent in January from 0.51 percent in December 2013, the National Bureau of Statistics said.

Of the 70 cities tracked by the bureau, 62 saw home price rise in January from December, compared with 65 cities in December.

Prices in six cities fell in January compared with the previous month, with prices in two cities remaining

unchanged.

Growth in new property prices slowed in January in four major cities—Beijing, Shanghai, as well as Guangzhou and Shenzhen in Guangdong Province, the bureau said.

New home prices in Beijing rose by 18.8 percent compared with the same period last year, the slowest year-onyear growth since August 2013.

In Shanghai, prices increased by 20.9 percent year on year, the slowest since last September.

Property prices rose by 18.9 percent in Guangzhou and by 18.2 percent in Shenzhen from a year earlier, the slowest since last July.

Liu Jianwei, a senior analyst at the bureau, said that two factors contributed to the slowdown in price growth.

First, a slew of provincial capitals have tightened property policies

and increased supplies of affordable housing since November 2013, helping to stabilize market expectations.

Second, a tightened credit supply has reduced property turnover, denting prices.

Shen Jianguang, an economist in Hong Kong at Mizuho Securities Asia, said, "We see firm determination by the Chinese Government to curb the property market.

"Measures on the financial market are having an impact on the property market. We should see a turning point this year when home prices in China's first-tier cities stop rising."

#### **Scrapping Ceiling**

The People's Bank of China, the country's central bank, on February 26 made yet another stride in liberalizing the interest rate, by scrapping the deposit rate ceiling for foreign currencies in a trial free trade zone in Shanghai.

The policy is a continuation of a major foreign exchange reform in 2000, when the foreign-currency lending rate was liberalized as well



#### **ROOM FOR IMPROVEMENT**

Workers assemble container-style rooms in Langfang, north China's Hebei Province, on February 25. Those rooms can be recycled and won't produce any construction waste as the deposit rate for accounts over \$3 million.

Interest rates of foreign currencies are fully liberalized in the zone after the move. Analysts believe the central bank is close to making similar steps on the home currency, the yuan, as per a guideline issued in 2002 in which the central bank said interest rate liberalization will start with foreign currencies before moving on to the yuan.

The policy applies to both corporate and individual accounts in the Shanghai free trade zone.

In a press conference in
Shanghai, the central bank also
urged commercial banks to step up
risk management efforts to make
sure the new policy doesn't cause
cross-zone arbitrage, or foreign exchange rate volatility. The bank said
it will watch closely how the policy
fares and any irregularities will be
met with strict consequences.

#### Financing Support

China will offer customized financial services to new farming practices to push agricultural modernization, the country's central bank said on February 21.

Financial institutions should give more credit support to innovative farming entities such as family farms and agricultural cooperatives by adjusting loan rates, maturity length and collateral, according to a statement released by the People's Bank of China.

The move is designed to promote moderate-scale farming operations and modern agriculture by easing financing difficulties for farmers.

Loans' maturity length can be extended up to 10 years if farmers plant fruits, trees and other crops with long growth circles, the statement said.

Diversified and innovative financing choices will be offered to meet different farming business needs, with support focusing on production materials and machinery purchase, land contracts and other infrastructure development.





#### HI-TECH IRRIGATION

Tech-support staff examine wind power-backed irrigation facilities in Liushui Village, Yiyuan County, Shandong Province, on February 24

Qualified family farms may enjoy specially designed approaches in the inter-bank market to sell bonds to investors publicly or privately, the statement added.

Last December's Central Agricultural Work Conference and the No.1 central document on agricultural development issued in early January both highlighted the promotion of new farming business models and the need to encourage diversified agriculture practices.

#### China-Russia Connection

The construction of a cross-border railway bridge linking China and Russia officially began on February 26 in Russia's far eastern Jewish Autonomous Oblast.

The 6,735-meter bridge will connect Tongjiang Port in northeast China's Heilongjiang Province with the Russian village of Nizhneleninskoue.

The bridge, designed with an annual passage capacity of 21 million tons, is expected to highly improve the transportation conditions of



Tongjiang Port and offer a shortcut between China and Russia's Jewish Autonomous Oblast, Amur Oblast, Khabarovsk Krai, Magadan Oblast and Sakha (Yakut) Republic.

The construction is forecast to take two and a half years with an estimated total investment of 2.58 billion yuan (\$422 million).

The China Railway Engineering Corp., the Heilongjiang Provincial Government, and the Far East & Baikal Region Development Fund Open Joint Stock Company are the project's investors.

#### Pipeline Opening-up

China has issued a plan to open up its largely monopolized oil and gas pipelines, in a bid to increase the facilities' efficiency, energy authority said on February 24.

The National Energy Administration (NEA) said in the plan that it encourages pipeline operators to open their facilities close to each other and to users, including fuel producers, refiners, sellers and other industrial users, when pipelines have extra capacity.

Pipeline operators are supposed to provide services including transport, storage, gasification, liquefaction and compression of crude oil, product oil and natural gas, at a price agreed upon by the two sides.

The plan involves both onshore and offshore pipelines, and the implementation of the plan will be supervised by the NEA.

The construction and operation of China's pipelines are largely dominated by major state-owned enterprises. In recent years, there has been a mounting call for the business to be opened up.

China has already begun taking measures to open up the whole oil and gas industry.

#### **Numbers**

#### 90 mln kw

Forecasted on-grid wind power generation capacity in China at the end of 2014, up from 77.16 million kw in 2013

2.9%

Hong Kong's economic growth rate in 2013

#### 27 bln yuan

China's lottery sales in January, up 9.2 percent year on year

## **Rising Fuel Prices**

A gas station employee refuels a car in Changchun, capital of northeast China's Jilin Province, on February 26.

The National Development and Reform Commission, China's top economic planner, announced on February 26 to raise the per-ton retail price of gasoline by 205 yuan (\$33.6) and diesel by 200 yuan (\$32.6) starting February 27.

The increase, the first of this year, will see benchmark retail prices of gasoline go up by 0.15 yuan (\$0.024) per liter and diesel increase by 0.17 yuan (\$0.028) per liter.



#### 18,311 yuan

Per-capita disposable income of Chinese urban residents in 2013, up 10.9 percent over the period in the year

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# THIS WEEK WORLD



A trader from London protests in front of the office of MtGox in Tokyo on February 26. The trading platform for the digital currency bitcoin went offline following a suspected multimillion dollar theft







People light candles near a makeshift memorial in Kiev on February 25 in homage to protesters who died in clashes with riot police



#### **MEXICO**

Captured Mexican drug lord Joaquin Guzman Loera, the most wanted by U.S. and Mexican anti-drug agencies, is escorted by marines at a press conference in Mexico City on February 22







A woman from South Korea embraces her father, who lives in North Korea, on the last day of a reunion for divided families—the first within the past three years—at the Mount Kumgang resort area on February 25



Costumed revelers pose on Saint Mark's Square during the Carnival of Venice on February 21







#### **BELGIUM**

A child wearing a panda hat waits to welcome two pandas from China at the Pairi Daiza zoo in Brugelette, 60 km southwest of Brussels, on February 23

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## THIS WEEK PEOPLE

"Reading books gives you access to the knowledge and culture of the people of different countries. The main problem facing China and Turkey in the field of literature is the lack of translated books."

Chinese writer and Nobel laureate Mo Yan, calling for more translated literature works at a news briefing in Istanbul on February 22



"The exposure will promote Cambodia's tourist sites to the Chinese people. More importantly, it will help to strengthen cultural ties between the two nations."

Ang Kim Eang, President of Cambodia Association of Travel Agents, commenting on a Chinese crew's filming of an episodic drama series titled *Love is Brave* in Cambodia, which started on February 25



"I wish I knew more about Chinese music. [The pieces that performed by Li were] a great way to learn more about the wonderful and fascinating Chinese culture."

Nicholas Beale, a business executive, after attending Chinese pianist Li Yundi's concert at the Royal Festival Hall in London on February 25 evening, where Li played both classical and Chinese folk music



"More foreign universities have begun to accept that Chinese students with high scores in China's national college entrance exam are qualified to sit in world-class classrooms."

Zhang Feng, marketing manager for projects in Australia and New Zealand for EIC Group, an overseas study consultancy, on February 24



#### OFFICIAL UNDER INVESTIGATION



Vice Governor of south China's Hainan Province Ji Wenlin is now under investigation for suspected serious disciplinary and legal violations, the discipline watchdog of the Communist Party of China (CPC) said on February 18. Ji, 48, was appointed mayor of Haikou, Hainan's capital city, in February 2011 and was later promoted to the vice governor in January 2013. Ji was directly supervised by Guo Yongxiang, former Vice Governor of Sichuan Province, when they both worked for the Ministry of Land and Resources and the CPC Sichuan Provincial Committee in the late 1990s and early 2000s. Guo is also currently under investigation for suspected disciplinary violations.



#### ORGANIZED CRIME KINGPIN



Prosecutors in Hubei Province brought nine murders and other charges against 36 members of an alleged organized crime gang led by Liu Han, a former mining magnate, on February 20.

The gang is the largest of its kind to be prosecuted in recent years in China. Liu and his younger brother were charged with 15 crimes, including intentional homicide, injury and illegal detention.

Liu, 49, is chairman of the board of the Hanlong Group, the biggest private enterprise in Sichuan Province, as well as the publicly listed Jinlu Group. He owns dozens of subsidiary companies involved in electricity, energy, finance, mining, real estate and securities. Estimates put his worth at tens of billions of yuan.

# China's Electric Vehicle Dilemma

#### Caixin February 10

2014 marks the fourth year since China launched its industrialization of electric vehicles. However, even in pilot cities like Beijing and Shanghai, it remains difficult for consumers to buy an electric vehicle.

In order to promote electric vehicles, which are more expensive than traditional fuel-burning vehicles, both the central and local governments have provided subsidies to electric vehicle purchasers. For example, for an

E6, an electric car produced by BYD Co. Ltd., which sells for 360,000 yuan (\$59,076), the buyer can receive about 60,000 yuan (\$9,846) from the Central Government and another 60,000 yuan from the local government. This means that the purchaser can get the E6 for only 240,000 yuan (\$39,384).

But in practice, local governments are only willing to pay the subsidy to local enterprises.

In this case, because BYD is headquartered in Shenzhen of Guangdong Province, to buy an E6, Shenzhen citizens need to pay 240,000 yuan, while Beijing citizens would have to pay



300,000 yuan (\$49,230). Due to this subsidy policy, China's electric vehicle market is divided into separate and closed territories.

The subsidy policy has not only twisted the market, but also twisted electric vehicle manufacturers. Many enterprises have made big investments into electric vehicles, but so far are seeing little hope of industrialization. Against this backdrop, they

have turned to obtain the government's special funds and subsidies as the only goal. They don't even consider whether their vehicles can meet the demands of the market.

#### Studying Abroad

People.com.cn February 24

China's Ministry of Education recently published a list of overseas universities on its website. The list contains over 10,000 universities in 44 countries where there is strong demand for admissions by Chinese citizens.

A ministry official said the list aims to help Chinese applicants who plan to study abroad identify a certified overseas university and prevent them from being misled by unqualified educational organizations.

Many Chinese families have a strong wish for their children to study abroad. But most of them know little about overseas universities. In past years, a good number of Chinese families were cheated by unqualified education organizations abroad. These students received an uncertified diploma after their families paid large sums of money for expensive tuition and living expenses abroad.

In China, it is widely believed that overseas education is better than domestic choices. Thus, a person who has studied abroad always has more opportunities to get a good job. For this reason, some people attempt to buy a diploma from abroad. As a result, uncertified educational organizations are rampant in the educational market and such fraud cases continue. To some extent, the university list published by the education ministry is a guideline for Chinese citizens to carefully choose a qualified university abroad.

# Transparency for Government Departments

Beijing Youth Daily February 25

The Institute of Law under the Chinese Academy of Social Sciences (CASS) pub-

lished The Index Report of Governmental Transparency on February 25. The report issues a ranking list for major governmental departments. The Ministry of Education ranks at the top and the restructured National Railway Administration comes at the bottom of the list.

The transparency study was carried out in 2013 covering 55 departments of the State Council, 31 provincial-level governments and 49 big city authorities. In the list, those governmental departments ranking high are close to people's livelihood or social concerns. They draw much attention from the public.

The Regulation of Government Information Disclosure became effective as early as in 2008 in China. In recent years, Chinese government departments have made progress in publicizing information. But many departments have so far failed to meet the expectation of the public. All parties of the society should make persistent efforts to supervise and urge government departments to improve their transparency. In a new round of deepening reform, to make government more transparent has become an important objective for the Central Government.

#### Land Trusts in Rural China

#### Caijing Magazine February 17

Amid China's urbanization and agricultural modernization, the need for transferring of contractual rights to land is increasing in the rural areas. Against this backdrop, land trusts have emerged.

In rural China, rights to the use and ownership of land are separate. Land is collectively owned and individual farmers only have the right to use a patch of land through holding its contract. This separation leads to a lack of the land dividends due to individual farmers. Because the contractual rights to land cannot be mortgaged at the bank, it is difficult for farmers to turn their property into cash.



Land trusts provide a solution to this situation. It ensures that farmers get their due dividends through their share in the trust plan. The trust company executes the management rights of the farmers' land affairs and manages the land through the proper means.

Currently, land trusts have no legal barriers except from market and natural risks. For instance, a drop in wheat prices or the occurrence of natural disasters can lead to problems. In addition, there is no clear regulation on how the farmers' rights in land trusts should change after the urbanization of rural areas. All these questions cannot be solved by the land trust system itself, but require the efforts of the government in formulating laws and regulations.

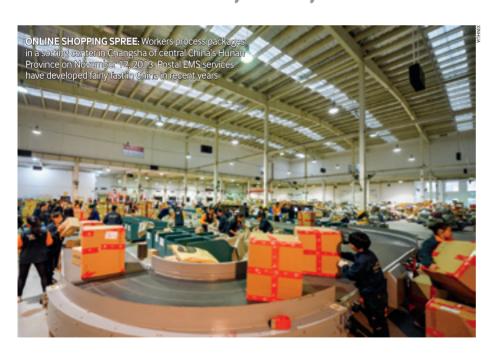
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Consultative Conference in the nation's capital in March

**Editor's Note:** The following three stories lay out an overview of the hot issues to be addressed in the upcoming two sessions of the National People's Congress as well as the Chinese People's Political

# LOOKING TO THE TWO SESSIONS

China's growth model, pollution and corruption are just a few of the major issues to be discussed By Mei Xinyu



he Chinese economy has consistently delivered staggering results over the past three decades, but it is facing heavy pressure that threatens to magnify some social conflicts.

China is now experiencing painful economic

restructuring. The previous growth model created some astonishing economic miracles, but domestic demand, finance and environmental pollution are increasingly restricting economic growth.

Outside China, the world economy

has entered a low-growth period that may continue for 10 years or longer. The United States is tapering its quantitative easing policy, and some emerging economies, including Russia, India, Brazil, South Africa, Turkey, Indonesia and Argentina, are on the verge of, or have already fallen into, monetary and financial crisis. Economic fluctuations in several emerging economies are likely to cause social unrest, hence replaying the debt crisis that swept developing countries, the former Soviet Union and Eastern Europe in the 1980s. Emerging economies have contributed to half of China's foreign trade, therefore the crisis in these countries will affect China's capital flow and exchange rate.

With such a scenario in mind, the 2014 sessions of the National People's Congress and the Chinese People's Political Consultative Conference will be held, with economic, reform, anti-corruption and environmental protection issues major topics. In the present world of complexities, we need to take the overall situation into account in order to solve all these problems. China must ensure social stability and sustainable economic growth. To achieve this, several measures should be taken.

Firstly, an attempt should be made to reduce the impact on legitimate consumption

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and service sectors coming from the anticorruption campaign. The government must properly increase salaries of government employees so as to obtain more public support for the anti-corruption campaign and to establish sustainable systems for clean government.

Secondly, it is important to avoid excessively reducing investment ratio, excessively increasing consumption and excessively reducing existing production capacity and foreign trade during the process of the transformation of our economic growth model. This situation has been replicated in many developed and developing countries, and China should steer clear of making the same mistakes. For example, the issue of whether or not production capacity is excessive must be reviewed by considering the whole global market and a complete economic cycle, instead of only considering the domestic market and stagnation periods.

The readjustment of our economic growth model must be carried out with cautious and thorough consideration and the avoidance of overcorrection. The growth model of being highly dependent on domestic demand has been adopted by the United States and Europe as well as many emerging economies such as India. Over the past decade, this model has received a significant amount of acclaim, and many believe this should be the direction of China's economic restructuring.

However, we must recognize that, in an open global economic system, excessive dependence on domestic demand as well as high spending rates and low investment rates are exactly the reasons why emerging economies are not stable and sustainable. This is because the continual deficits in the trade in goods and current account inherent in the model carry with them great potential risks for economic and financial crisis, which will inevitably tamper with the stability of a country's currency. National savings and investment are always sources of sustainable economic growth.

Economic powers holding the core status of the international monetary system can certainly endure current account deficits for a long time, but continual deficits in the current accounts of these emerging economies will definitely lead to economic and financial crisis. Highly praising the domestic demand-driven

model in India and excessive criticizing of the adverse impact of China's trade surplus actually fall into the trap of accepting some longstanding mistaken ideas regarding international liauidity.

In the last 10 years, the international payment risks have been largely ignored, but the adverse impact of continual trade surplus and huge foreign exchange reserves were exaggerated. The most important reason for this is that the total international liquidity volume has been growing remarkably on the whole. According to my estimations, in 1995, the global foreign exchange reserves accounted for 26.3 percent of total imports by all world countries. The proportion rose to 28.9 percent in 2000 and 60.2 percent in 2012. However, such a huge international liquidity is to a great degree unevenly distributed among different economies. Therefore, the speedily rising proportion of foreign exchange reserves against total imports by all countries does not mean the risks of international payment crisis have diminished. Considering that global capital flow is growing even faster during this period, the risk of an international payment crisis should never be ignored.

When its economic growth is dropping drastically or is likely to drop, a country with a current account surplus that is highly dependent on exports usually will not face conflicts regarding policy targets and does not need to worry about measures such as curbing inflation. However, a country with a current account deficit will lose this advantage. For this reason, different emerging economies will have varying degrees of freedom when it comes to choosing policies that ensure stable economic growth, widening the gap among different emerging economies in development trends.

While hazy weather is sweeping the country, environmental protection topics will certainly attract great attention. However, we must be very prudent and even vigilant when faced with propositions to reduce coal consumption rapidly and drastically. This is because technology for the clean utilization of coal has made marked progress, and emission standards can be sufficiently met by shutting down small power plants and supporting their larger counterparts.

Moreover, the proportion of coal in the world's total energy consumption has increased nearly 2 percentage points in the past decade, and developed countries such as the United States and Germany are no exception. As the world's largest manufacturer, trading nation and power generator. China produces and consumes half of the coal in the whole world. If China blindly reduces coal consumption, it will just offer a good opportunity for oil and natural gas exporting countries.

Anti-corruption is undoubtedly the topic in the past year that has aroused the most attention and extensive public support. But every coin has two sides, and the anti-corruption campaign could also have some negative side effects on the legitimate consumption and service sectors, If policymakers are inattentive and act rashly, this impact could potentially be disastrous and even damage supporters of the anti-corruption campaign.

For example, while a crackdown on the sex trade in Dongguan, Guangdong Province is correct, the legitimate industries and the overall image of the city must not be tarnished.

Dongguan is a leading manufacturing city in the world and an important international trade city. With more than 11,000 manufacturing companies and numerous trading companies, Dongguan inhabits a very important global position in the industries which manufacture IT products, furniture and other commodities. In 2013, the trade volume of Dongguan-originated products totaled \$169.03 billion, rising 6.5 percent year on year, even surpassing the foreign trade volume of most world countries.

In the course of the crackdown on the sex trade, Dongguan's image has become something of a laughing stock. Whether the jibes aimed at the city were for fun or ill-willed in intention, Dongguan's real economy has been unfortunately affected. Anti-corruption campaigners would do well to take heed of this city's example going forward.

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# SPENDING APPROPRIATELY

# Efforts are being made at both the central and local level to prevent the misuse of taxpayer money By Yin Pumin

or years, government expenditure on vehicles, receptions and overseas trips for officials—also known as the "three public-funded consumption categories"—has been a topic of contention among the Chinese public due to the large sums of money coupled with a lack of transparency.

At a work conference of the State Council, China's cabinet, on February 11, Premier Li Keqiang reiterated the Central Government's determination to solve the problems concerning the misuse of public funds. He required governments at all levels to produce detailed accounts of their expenses and to guarantee complete transparency.

"The misuse of public funds has long been accused of being a major source of corruption and waste. If left unchecked, the government's credibility will be undermined," said Wu Zhongmin, a professor at the Party School of the Central Committee of the Communist Party of China (CPC).

Zhu Lijia, a public administration professor at the Chinese Academy of Governance, said that transparency is one of the major standards used to evaluate a government's credibility. "What matters most is that detailed accounts, listing each specific purchase or trip paid with taxpayers' money, should be delivered to the public for their supervision," he said.

Zhu also recommended that prior audits be conducted by an independent party to give more credibility to the official data released in government agencies' financial accounts.

#### Downward trend

Just a month after their election, the new CPC leadership launched a campaign in December 2012 to promote frugality and cut out extravagance. Against this backdrop, publicly funded expenditure by officials has attracted greater attention from both the authorities and the public.

According to statistics released by 28 provincial-level governments in their work reports to local legislatures in January, excluding Hainan, Hunan and Anhui provinces, these regions' budgets for the "three public-funded consumption categories" have been cut by 5 to 30 percent compared with that of last year.

On January 16, Li Qiang, Governor of east China's Zhejiang Province, pledged to cut local expenditure on government vehicles, receptions and officials' overseas trips by 30 percent this year, the largest among all projected reductions. The money saved will be used to build water conservation projects, improve water quality and control water pollution, Li said.

The municipalities of Beijing and Shanghai, as well as Guangdong, Hubei and Shaanxi provinces, have slashed their budgets for the three categories by more than 10 percent.

The Guangdong Provincial Government said that it planned to spend 56.41 million yuan (\$9.29 million) on officials' overseas trips this year, down 25 percent from last year. Its budgets for government vehicles and receptions are expected to be reduced to 435 million yuan (\$71.6 million) and 258 million yuan (\$42.47 million) respectively this year, a cut from 500

million yuan (\$82.3 million) and 289 million yuan (\$47.57 million) in 2013.

The government of northwest China's Shaanxi Province announced a 70-million-yuan (\$11.52 million) cut from the 2013 budget for the three categories, and said that all of the money saved will be used to tackle air pollution.

Some local governments have made concrete rules in order to standardize expenses on government vehicles, receptions and officials' overseas trips.

For example, the Guangzhou Municipal Government in Guangdong requires that the annual expense on each government vehicle be limited to less than 37,000 yuan (\$6,090).

However, observers say that the governments' efforts to slash public expenses still fall short of public demand and they call for more details in reports on how government departments are using public funds.

In July last year, the State Council issued a circular, ordering that provincial governments make detailed spending of public funds starting from 2013, while 2015 was set as the deadline for city and county governments.

In a regulation issued on November 25 last year, the CPC Central Committee and the State Council urged government agencies to disclose information on the use of public funds, curb unnecessary expenses and practice frugality during official receptions and trips.

"The central authorities have realized the importance of keeping up with the public's growing awareness of transparency and are pushing for change, especially at a time when many government agencies are still treating public requests without care," said Han Fuzheng, a Hebei-based lawyer.

He complained that currently there's no clear standard but only general categories that determine what should be disclosed. "Some departments even refuse to disclose under the premise of confidentiality, or give vague responses," he noted. "We urgently need to set up a specific information disclosure system, and make clear rules on what punitive measures will be taken should officials violate the rules."

#### Corruption on wheels

Official statistics show that vehicles make up the largest portion of expenditures on the "three public-funded consumption categories."

For example, Guangdong spent 864 million yuan (\$142.21 million) on the three categories last year, of which 500 million yuan (\$81.64

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million) went toward vehicle purchases and maintenance.

"Reform concerning government vehicles should be regarded as the core method to further reduce officials' expenditure that are covered by public funds," said Ye Qing, Deputy Director of the Hubei Provincial Bureau of Statistics.

In December 2012, the central authorities issued rules aiming to cut excessive spending of public funds, with decreasing the misuse of government vehicles as one of the priorities.

However, the CPC Central Commission for Discipline Inspection (CCDI) circulated a notice in mid-November last year, citing 4,851 cases involving either the misuse of government cars for private purposes or the purchase of excessively luxurious cars. These two violations of the frugality guidelines accounted for one third of all that were recorded.

Plenty of government officials treat official cars as if they were personal property and use them to send their children to school, attend weddings and even go shopping or traveling in them.

It is also common for government departments to require subordinate enterprises or institutions to "temporarily transfer" vehicles whose prices go beyond their budgets to higher-level departments.

Some officials have been caught shielding vehicle plates or driving under the influence while in government cars. Last August, four people were killed when Xu Jianping, a deputy head of the forestry bureau of Nanchang, capital of east China's Jiangxi Province, drove drunk in an official vehicle.

Car use also creates more opportunities for corruption, as some officials run up large bills on gasoline and "repairs" in order to receive reimbursements from the government, according to anti-graft experts.

In an effort to combat the trend, the government of Xinyu in Jiangxi decided last December that it would auction off 83 percent of the vehicles belonging to it. As a result, up to 15 million yuan (\$2.45 million) in administrative costs is estimated to be saved each year.

Less stringent, but still effective, moves have also been implemented in other regions.

In Yongsheng County in Lijiang City, southwest China's Yunnan Province, government cars are clearly marked, allowing the public to easily identify them and report misuse. This practice is shared by the government of Sihong County in east China's Jiangsu Province.

In Guangzhou, GPS technology and a user

identification system were adopted two years ago to track misused government vehicles, a move which local supervisory authorities estimate helped save 40 million yuan (\$6.58 million) in a year.

The 400 government vehicles in Qitai County, northwest China's Xinjiang Uygur Autonomous Region, are also monitored via GPS at all hours.

However, it's still widely believed among the public that "corruption on wheels" cannot be eradicated unless the decades-old system of government vehicles is reformed.

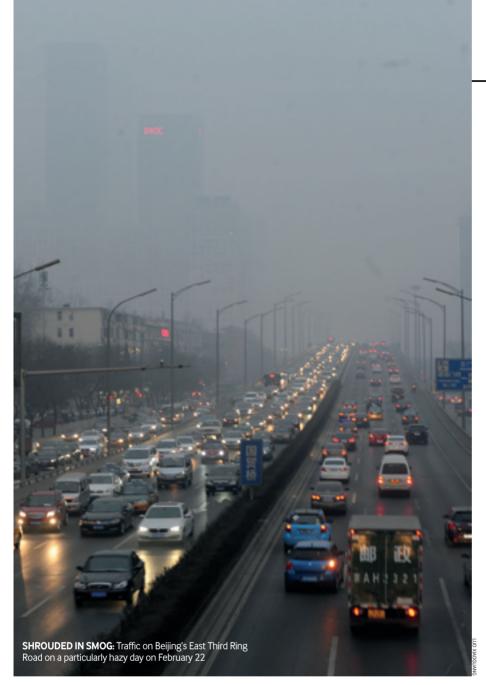
According to a survey conducted recently by China Youth Daily, more than 71 percent of the respondents support the abolition of vehicles for officials.

The survey sampled 5,100 people, who blame lax enforcement of existing measures for vehicle-based corruption.

According to Ye, China may have more than 2 million government cars, "It is hard for discipline watchdogs to monitor the use of every car," Ye said.

The ultimate goal of the reform is to abolish the system of government cars, except for a very few vehicles for special use, Ye added. ■

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DRAWING UP A
NEW BLUEPRINT

Local governments plan to tackle pollution and change growth modes for 2014 By Li Li

hoking smog lingered, covering an area of 1.43 million square km in central and east China, an area more than twice the size of France, for a whole week starting from February 20.

Beijing and part of the neighboring Hebei Province suffered most. On February 25, readings of PM 2.5, fine particulate matter 2.5 microns or less in diameter, in different parts of Beijing exceeded 300 micrograms per cubic meter, 12 times the level deemed safe by the World Health Organization.

In the country's capital city, break time exercise for students was moved from playgrounds into classrooms, and hospitals battled a surge of patients experiencing respiratory problems, including some with emphysema and asthma.

In response, Beijing and several other severely affected cities activated their emergency anti-smog action plans, which led to the shutdown or suspension of operations by polluting enterprises, halt of construction work, and limits of the number of vehicles on the roads.

According to a study jointly conducted by the Chinese Academy of Social Sciences and the China Meteorological Administration, during the first 10 months of 2013, China as a whole experienced an average of 29.9 days of hazy weather, the longest since national meteorological records began. The report, which was issued in November 2013, also identified a considerable increase of smoggy days in eastern areas of the country, particularly the Yangtze River Delta and the Pearl River Delta.

Under these circumstances, it is no wonder that "fighting pollution" has topped the agenda in most provincial-level governments' work plans for 2014, which were adopted by local people's congresses at their annual sessions in January and early February.

#### Fighting the smog

Pressured by a torrent of public complaints about the health hazards brought by air pollution, many local governments have prioritized measures to reduce smog in their work reports to local people's congress sessions this year. Out of the 31 provinces, municipalities and autonomous regions on the Chinese mainland, a total of 29 mentioned curbing air population and 15 mentioned reducing hazy weather and monitoring PM2.5. In 2013, only eight provinces and municipalities mentioned hazy weather and PM2.5 in their government work reports.

Beijing has vowed to cut coal consumption by 2.6 million tons and close down 300 polluting companies throughout 2014. Shanghai proposed the setting up of a joint mechanism for fighting air pollution together with other provinces on the Yangtze River Delta. The approach of combined regional efforts against

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air pollution also appeared in the work reports of the provincial governments of Guangdong, Hebei, Shanxi and Sichuan.

In the monthly air-quality ranking of over 74 major cities in China compiled by the Ministry of Environmental Protection, cities from Hebei stubbornly occupied at least half of the top 10 positions for the worst air throughout 2013. Hebei produces more than a quarter of the steel made in China. In October 2013, the State Council announced that it would cut out 80 million tons of the national steel production capacity within five years so as to curb pollution, and 60 million tons are put out by Hebei.

In order to cope with air pollution, the Hebei Provincial Government has imposed a strict ban on the production of steel, concrete and glass. "An increase of even 1 ton of production capacity in these industries necessitates the immediate removal of local government and Party chiefs from their positions," reads one government work report.

Efforts by local governments to tackle smoggy weather are expected to have a positive economic effect. Sun Junwei, an HSBC macro-economic analyst based in Beijing, told Economic Information Daily that hazy weather is deeply rooted in the extensive growth mode, while cleaning up the environment equals more input in technological upgrading and new manufacturing equipment that boasts energy conservation and low emissions.

Zheng Xinli, Executive Vice Chairman of the China Center for International Economic Exchanges, believes the investment in the environmental protection industry could also create new job opportunities and become a new engine of economic growth.

#### Fine-tuning growth engines

As revealed by their annual development goals, of all the 31 provincial-level regions, Guangdong stands out as the only one to increase its projected GDP growth rate for 2014. The province, known as China's export-oriented manufacturing hub, bumped up its projected growth rate to 8.5 percent from its goal of 8 percent for 2013. However, the coastal province had lowered the growth forecast in its government work report for both 2012 and 2013.

Other provincial governments either favor maintaining their current rate of growth or have made projections for an economic slowdown. The most pessimistic is the province of Jilin in northeast China, whose provincial government is aiming for a GDP growth rate of 8 percent in 2014, a sharp drop compared to its12-percent goal for 2013.

During a visit to central China's Hunan Province in November 2013, Chinese President Xi Jinping said that the practice of using GDP growth as the major gauge of local officials' performance should be abandoned, "Transforming the economic growth mode is a historic task in front of us. To fulfill this task, economic growth must maintain a proper speed, otherwise the relationships between resources, capital and market will be strained, dooming the transformation to failure." Xi commented.

Xi's call has been reflected in the more prudent economic forecasts of provincial-level governments.

Chen Xikang, a senior research fellow with the Center for Forecasting Science under the Chinese Academy of Sciences (CAS), told Shanghai Securities News that it was common for a local government to set an economic growth goal between 12 and 13 percent, or even 15 percent, in the past. He said that to maintain such high-speed growth, many policies were devoted to increasing investment, which hindered the task of transforming the growth model.

According to Chen, many localities failed to meet their preset growth targets in 2013, which forced them to be more realistic.

Wang Shouyang, another forecasting expert with the CAS, said that the lack of optimism could be linked to the sluggish growth in local industrial revenue and taxation.

Despite this, many local governments have increased their investment in programs to improve local residents' living standards while promising to reduce spending on official hospitality, overseas trips for official purposes and purchases of official vehicles.

In southwest China's Sichuan, the provincial government budgeted a total of 16.6 billion yuan (\$2.73 billion) for educational appropriation this year, up by 11 percent year on year.

The Tianjin Municipal Government announced it would increase the per-capita subsidy to participants of the governmentrun medical insurance scheme from 420 yuan (\$69) to 520 yuan (\$86) this year. As a result, participants will pay a smaller proportion of their hospitalization bills and their insurance cap for hospitalization expenses will be raised.

In the southernmost island province of Hainan, Governor Jiang Dingzhi vowed to implement 10 programs to improve local people's living standards in 2014, including launching development-oriented poverty-reduction projects in 60 impoverished villages and beginning the construction of 35,000 government-subsidized apartments for the urban poor.

Beijing initiated a new program at the beginning of this year under which the government shares in the ownership of apartments with individual citizens, in an effort to help middle-income families afford buying houses. For example, if a person has 1 million yuan (\$165,000) or 2 million yuan (\$330,000) in savings, but the house price is 3 million yuan (\$495,000), the difference can be made up for through shared property.

Xinjiang Uygur Autonomous Regions has promised to complete the construction of government-subsidized housing for 300,000 rural families and government-subsidized settlements for 30,000 herding families in 2014.

#### Speeding up reform

According to People's Daily reports, in the government work reports of all 31 provincial-level regions, "reform" is mentioned 1,438 times, averaging out at 46 times per report.

Last November, a decision on comprehensively deepening reforms was adopted at the Third Plenary Session of the 18th Central Committee of the Communist Party of China. The central leading group for overall reform, which has sub-groups covering reforms in six areas—economic structure and ecological progress, democracy and rule of law, cultural system, social system, system of Party building, and the discipline inspection system convened for its first meeting on January 22. Speaking at the meeting, President Xi called for adequate understanding of the difficulty, complexity and urgency of reforms, as more and more interest groups will be affected as reforms go further.

By February 21, at least 28 provincial-level governments had officially formed corresponding leading groups for overall reform with similar sub-groups.

In Zhejiang, the provincial government has been focusing its efforts on reducing administrative examination and approval procedures since the second half of 2013. Throughout 2013, it reduced the number of administrative licensing procedures by nearly 40 percent and slashed other examination and approval procedures by 83 percent. The provincial government report promised to further reforms in this area for the rest of 2014.

In its work report, the Hebei Provincial Government promised to improve the market environment for the private sector by tearing down investment barriers that they face and by facilitating investment in infrastructure construction, basic industries and utilities. "Their investment will be welcome in any sector where there are no regulations against private investment," the report stated.

Tianjin's reform measures include encouraging private enterprises to participate in the restructuring of state-owned enterprises, giving private enterprises financial and tax incentives, and reforming the enterprise registration system. Similar steps have also been taken in other regions across China.

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