



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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Cover Photo: The opening meeting of the Second Session of the 12th National People's Congress on March 5 (WANG XIANG)

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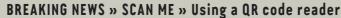












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Photo Editor: Wang Xiang Photographer: Wei Yao Art Director: Wang Yajuan Chief Designer: Cui Xiaodong Proofreading: Qin Wenli, Ma Xin

Distribution Director: Hu Kegiang Human Resources: Hou Jin International Cooperation: Zhang Yajie Marketing/PR Director: Pan Changging Legal Counsel: Yue Cheng

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

Africa Bureau Chief: Li Jianguo Africa Managing Editor: Francisco Little

E-mail: casa201208@hotmail.com

General Editorial Office Fax: 86-10-68326628 **English Edition**

Advertising Department E-mail: ad@bjreview.com.cn **Distribution Department**

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Comprehensive Reform Begins

2014 marks the first year since the Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform was released last November. The new round of reform comes with high expectations, as well as uncertainty.

Reform is certainly the main focus of the Central Government this year. On March 5, Premier Li Kegiang repeatedly stressed his vision of reform in his government work report, demonstrating the Central Government's strong resolution to deepen reform. Li's report also indicates a clear roadmap for the way forward. As the National People's Congress passed the government work report, China has signaled the launch of a comprehensive reform this year.

After 30 years of implementing the reform and opening-up policy, China is now entering another stage in which the country must adjust its economic growth and structure as well as the economic incentive policy. Faced with downward pressure, there is no time to delay China's economic restructure. Furthermore, China has to resolve a series of problems such as excess manufacturing capacity, environmental deterioration and social inequality. All these social and economic problems have spurred the country to deepen reform in many sectors.

A public opinion poll carried out before the annual sessions of the National People's Congress (NPC) and the National Committee of the Chinese People's Political Consultative Conference (CPPCC) showed that comprehensively deepening reform is the biggest concern among Chinese citizens. The Central Government is expected to enact reform measures aimed at breaking through barriers of interests and unleashing economic vitality while improving people's livelihood.

The Third Plenary Session of the 18th Central Committee of the CPC mapped out the plan of deepening reform by issuing 330 measures in 15 sectors. The 2014 annual sessions of the NPC and CPPCC discuss how to implement these schemes and achieve objectives. It is believed that all these reform measures will profoundly alter China's economic, political, cultural, social and environmental landscape.

Local governments will work to implement deepening reform following the conclusion of the two sessions. This year, reform will take effect in the following major sectors: For administrative reform, over 200 items of administrative examination and approval will be cancelled or delegated to local governments. China will continue to reform the financial sector by promoting marketoriented interest rates, establishing a deposit insurance system and fostering the healthy development of Internet-based financial services. China will carry out a more transparent fiscal and tax system and strengthen the protection of property rights.

Reform will also be pushed forward in many other sectors, such as circulation, investment, rural affairs, household registration, education, medical care, income distribution, social relief and aid, as well as reducing official vehicles. All of these show that the reform is already underway.

WRITETOUS



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ANNUAL PARLIAMENT SESSION CONCLUDES

Deputies to the 12th National People's Congress (NPC), China's top legislative body, wave for photographers after attending the closing meeting of the Second Session of the 12th NPC at the Great Hall of the People in Beijing on March 13.



THIS WEEK SOCIETY



Nuclear Check

The Ningde Nuclear Power Station in southeast China's Fujian Province.

China has continuously improved nuclear security, and the safety of its nuclear power plants can be assured, the National Nuclear Safety Administration (NNSA) said on May 11.

The country has stepped up checks on nuclear facilities since Japan's nuclear meltdown in 2011, when a massive quake and tsunami crippled the Fukushima Daiichi reactor and left more than 18,000 people dead or missing. In 2012, a medium-term nuclear safety plan was passed, curbing nuclear pollution as well as raising security at nuclear facilities.

China has 17 nuclear power stations in operation with a total installed capacity of 14.8 million kilowatts. A further 28 units are under construction.

Elderly Homes

Chinese authorities published a regulation on March 12 encouraging homes for the elderly to insure against risks in their services.

The regulation, jointly issued by the Ministry of Civil Affairs, the China Insurance Regulatory Commission and the China National Committee on Aging, pledged to promote liability insurance in the country's nursing homes and create a risk-pooling mechanism in the sector.

It will also help nursing homes strengthen their sense of responsibility as well as their internal management, better protecting senior citizens' rights and interests, it said.

According to the document, a floating premium rate system should be adopted to encourage the insured institutions to work hard in risk prevention.

Moreover, the regulation said, allowances for the premium fees meted out by financial authorities as well as relevant costs of government-sponsored nursing homes will be earmarked in the public budget.

Prior to the regulation, insurance projects for elderly care homes had already been launched in several Chinese regions including Beijing, Shanghai and Guangdong.

Green Island

China's experiment in developing a green economy on Chongming Island in east China's Shanghai has been recognized by the United Nations Environment Programme (UNEP) as a recommended model of green economic development.

The UNEP published its evaluation report on the ecological status of

TASTY FRUIT

A child eats strawberries at the opening of an agricultural event in Lishui District in Nanjing, Jiangsu Province, on March 8



Chongming on March 10. The island is the world's largest alluvial island and the least developed district of Shanghai.

Covering an area of 1,267 square km, Chongming was approved as a national development zone for sustainable development in 2010, and the UNEP was invited by the Chinese Government to evaluate the eco-island construction project.

Development on the island, which has a population of around 600,000, has effectively integrated social, environmental and economic perspectives, according to the UNEP's evaluation.

The UNEP suggested that the Chongming model be promoted in China as an example in developing a green economy for less developed regions.

Organ Donation

China has set up a special committee to supervise organ donations and transplants, the health authority announced on March 7.

Jointly founded by the National Health and Family Planning Commission (NHFPC) and the Red Cross Society of China (RCSC), the new committee is the result of a merger of the Organ Transplant Committee and the China Organ Donation Committee, the NHFPC revealed in a statement.

The committee will be in charge of coordinating and guiding different systems including donation acquiring and distributing, clinical transplant services, postoperative registration, and transplant supervision.

China has the world's secondlargest demand for organ transplants. About 300,000 patients suffer from organ failure each year, but only around 10,000 organ transplants are performed due to a lack of donors.

The country introduced an organ donation system in 2010, with the non-governmental RCSC serving as an independent third party for supervising and facilitating donation procedures.

Retirement Age

China will introduce its plan on raising the retirement age before 2020, a senior official has pledged, as the government looks to push ahead with the overhaul so as to cope with a shrinking workforce and an aging society.

"As raising the retirement age is among the major tasks that were outlined in the Third Plenary Session of the 18th Communist Party of China Central Committee last November, the Ministry of Human Resources and Social Security will definitely introduce the plan before 2020," Minister Yin Weimin said on March 10.

Yin pledged to carry out the reform in progressive and tiny steps, but he did not elaborate on policy details.

China's retirement age is 60 for men, 55 for female white-collar workers and 50 for female blue-collar employees.

The latest official data showed China's working-age population dropped by 2.44 million to 919.54 million in 2013, the second straight year of decline, while the number of those aged above 60 reached 202.43 million.

Bird Flu Vaccine

Vaccines for H7N9 bird flu could hit the market as early as May, a Chinese expert on infectious disease said on March 7.

The vaccine is currently being submitted to drug control authorities for tests, said Li Lanjuan, an academician with the Chinese Academy of Engineering.

According to official statistics, H7N9 has infected more than 120 people in China and killed at least 36 of them so far this year.

Li said there has not been any substantial evidence for consistent human-to-human infection of H7N9, adding that poultry markets remained the primary source of infection. "If everything goes well, we could have the H7N9 bird flu vaccine on the market within one to two months."

Li Lanjuan, an academician with the Chinese Academy of Engineering





Rising From the Ashes

Dukezong Ancient Town in Shangri-la, Yunnan Province, which was damaged by a fire in January, is expected to be reconstructed with a cost of 120 million yuan (\$19.55 million), local authorities said. Dukezong, meaning "town of the moon," was built 1,300 years ago and is one of the most renowned resorts in Shangri-la.

Internet Museum

China will build its first Internet museum to chronicle the development of the Internet in the increasingly wired country, China's Internet network watchdog said on May 7.

The museum will display the history and fruits of China's Internet development, with a portion of the exhibition open to the public in early April, according to China Internet Network Information Center (CNNIC), one of the museum's major organizers.

Many digital technologies will be used to color the show, including social networking platforms to interact with netizens, with the introduction of a mobile app to enable a virtual trip within the museum, said Li Xiaodong, Executive Director of CNNIC.

China now has over 600 million netizens, with mobile Internet users having expanded to 500 million.
E-commerce and gaming are booming as informatization becomes key to updating the economy.

Green Volunteers

Volunteers in Hangzhou, Zhejiang Province, plant trees along Fuchun River before China's Tree Planting Day, which falls on March 12.

Tree planting has helped China's efforts to become greener with volunteers planting 2.52 billion saplings across the country in 2013, according to a report released by the National Afforestation Committee Office on March 11.

The Chinese Government raised its subsidies for the promotion of better varieties of trees and forests last year to 9.13 billion yuan (\$1.49 billion), up 482 million yuan (\$78.52 million) from 2012, the report revealed.



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THIS WEEK ECONOMY

Trade Deficit

China reported a large trade deficit in February mainly due to distortion related to the Chinese New Year holidays, marking the first deficit since April 2013.

Last month, the trade deficit stood at \$22.98 billion, compared with a surplus of \$14.8 billion last February and \$31.86 billion this January, the General Administration of Customs (GAC) said in a statement.

Total trade dropped by 4.8 percent year on year to \$251.18 billion, with exports dropping 18.1 percent and imports up 10.1 percent, according to the statement.

In January, foreign trade climbed 10.3 percent, with exports rising 10.6 percent and imports up by 10 percent, previous data showed.

"The Spring Festival holiday
(January 31 to February 6) factor contributed to large fluctuations in trade
volume and the deficit last month," the
GAC said.

Chinese companies followed their

tradition of rushing to export before the holiday and prioritizing imports after it, the GAC added.

The dramatic fluctuation in the monthly trade figure has caused some concerns about the health of the trade sector.

However, GAC spokesman Zheng Yuesheng played down the fluctuation, saying that trade growth will likely return to normal after the holiday distortion goes away in March.

Moderate Inflation

China's consumer price index (CPI), a main gauge of inflation, increased 2 percent year on year in February, marking easing inflationary pressure since the end of last year, official data showed.

The growth rate was down from 2.5 percent in the previous month and appeared to be at its lowest level since February 2013, according to figures released by the National Bureau of Statistics (NBS) on March 9.



POWER ON

Staff members check power station facilities at a local grid company in Huzhou, Zhejiang Province, on March 12. Since the beginning of 2014, the company has expanded its power generation capacity to meet increasing demand The slowed CPI increase, in line with market expectations, was mainly attributed to the mild growth of food prices, which account for nearly one third of the weighting in the calculation of China's CPI.

Analysts predicted mild inflation would be sustained for several months amid economic downward pressure and weak global commodity prices.

Inflation has slowed in pace for four straight months in China, as the country's economic growth decelerated amid industrial restructuring and furthering reform.

The producer price index (PPI), which measures inflation at the wholesale level, contracted 2 percent year on year in February after a 1.6-percent decline in January, said the NBS.

China's PPI has been in deflationary territory for 24 consecutive months, the longest-lasting drop since the 1990s, according to the bureau.

Private Banks

China will set up five private banks on a trial basis before the practice is extended to more areas, the chief of the country's banking regulator said on March 11.

The first batch of five banks will be in Tianjin, Shanghai, as well as Zhejiang and Guangdong provinces, according to Shang Fulin, Chairman of the China Banking Regulatory Commission (CBRC).

Ten private companies, including Internet firms Alibaba and Tencent, have been selected to take part in the preparation work for setting up the banks, Shang noted, adding that their eligibility as shareholders will be subject to further examination.

Each of the banks will be cosponsored by at least two private capital providers, Shang said.

Shang did not provide a timetable for the launch of the banks, saying that they will be approved when "conditions are ripe."

Setting up private banks in China was written into an ambitious reform package rolled out after the Third Plenary Session of the 18th Communist Party of China Central Committee in November 2013, representing further opening up of the country's banking sector.



China On Display

Participants talk business at a pavilion featuring Chinese companies on March 11 during the CeBIT held in Hanover, Germany. CeBIT is the world's largest and most international IT expo that is held annually in Hanover.

This year, over 3,400 companies from over 70 countries participated in the event from March 10 to 14. China, with nearly 700 companies on display at the event, has become the largest participating country, second only to Germany.



Golden Waterway Takes Off

Ships deliver goods via the Xijiang River in Guangxi Zhuang Autonomous Region on March 12.

Since 2008, Guangxi has invested more than 22 billion yuan (\$3.58 billion) in constructing the golden waterway of the Xijiang River. By the end of 2013, the throughput of the waterway had reached 107 million tons.

Compared with existing commercial banks, private banks will be subject to the same regulation and supervision, according to the CBRC chief.

But financial services of private banks will be oriented toward small and micro businesses as well as residential communities, Shang explained.

Risk monitoring will be strengthened and shareholders' behaviors will be regulated, Shang added.

Strong Combination

Chinese Internet firm Tencent plans to buy a 15-percent stake in JD.com, a major online direct sales company in China, before the latter launches its initial public offering (IPO) in the United States.

The purchase, representing 251,678,637 outstanding JD ordinary shares, will cost Tencent \$214.6 million and its e-commerce branches, according to Tencent's statement filed with Hong Kong Stock Exchange on March 10.

After the purchase, Tencent will continue to buy 5 percent of JD's outstanding ordinary shares on a post-IPO basis, the statement said.

In return, JD will take over Tencent's business-to-consumer and consumerto-consumer platforms Wanggou.com

NURTURING THE LAND

Farmers cover up arable land with thin film to combat drought in Yongjing County, Gansu Province, on March 12



and Paipai.com, with all capital, assets, liabilities transferred to JD. It will also gain a minor stake in Tencent's other online shopping website Yixun.com and the right to buy the site's remaining shares.

The deal, dubbed the two companies' overall business collaboration in the e-commerce business, aims to win leverage in the competition with another Chinese e-commerce firm Alibaba, which owns and operates the country's largest online purchase platform.

In addition, Tencent will offer JD level-1 access points at WeChat and Mobile QQ, two of the most popular mobile messaging apps developed by Tencent, to boost the latter's growth in physical goods e-commerce, the statement said.

The two firms will also further ties in mobile apps and online payment solutions, with JD being regarded as Tencent's preferred partner in certain business areas.

Offshore RMB Index

China's most internationalized bank, Bank of China (BOC), rolled out its first offshore renminbi index (ORI) on March 11, in a move to push globalization of the currency.

The bank's ORI mainly tracks development of the yuan's deposit scale, operation, use of financial tools and other aspects with five indicators reflecting performance in the international financial market.

BOC rolled out a cross-border renminbi index (CRI) last year. The two indexes combined offer a comprehensive tracking system for the yuan's internationalization progress, said Chen Siqing, President of BOC.

The ORI increased from 0.32 percent at the end of 2011 to 0.91 percent at the end of 2013, indicating the growing scale of offshore renminbi deposits.

The index showed that Hong Kong is the leading offshore renminbi center while the markets in Africa, Middle East and America offer great potential.

Compared with other major international currencies, the yuan enjoys a limited share in the global offshore market, but is accelerating its internationalization using Southeast Asia as a springboard.

FTA Talks

Australian Prime Minister Tony Abbott announced on March 10 that during his visit to China early next month, he will discuss the proposed free trade agreement (FTA) between China and Australia with Chinese leaders.

When delivering the annual government work report to the National People's Congress in Beijing on March 5, Chinese Premier Li Keqiang said that China will accelerate negotiations for an FTA with Australia.

Australian Trade Minister Andrew Robb said that Li's comments were "most encouraging and highly welcomed."

"The world is acutely aware of the opportunities presented by China. So we need to do all we can to lock in our trading assessment relationship if we are to protect and grow our access to China in the years and the decades ahead," Robb said.

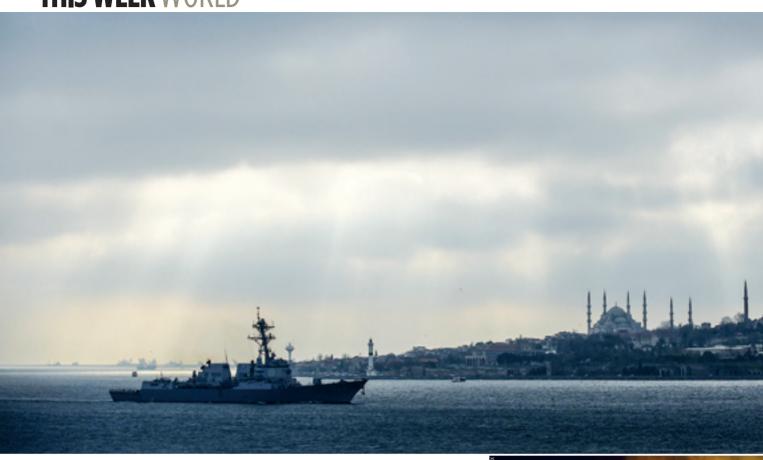
A deal with China, Australia's biggest trading partner, is believed to be a boon for the Australia's agricultural exports, such as beef and dairy.

The FTA is also expected to open the lucrative Chinese market to Australia's financial services, legal services, education and telecommunications, Robb said.

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THIS WEEK WORLD





The USS Truxtun destroyer passes the Bosphorus Strait on March 7 before entering the Black Sea for a joint military exercise with Romania and Bulgaria



Participants release balloons at the start of a race against breast cancer in Guatemala City on March 9







A protester uses a smoke grenade as members of the Portuguese police rally against the government's austerity measures outside the parliament building in Lisbon on March 6



GREECE

German President Joachim Gauck (left) greets members of a Jewish community in northwest Greece's Ioannina on March 7. Gauck apologized for the atrocities committed by Nazi troops in Greece during World War II









VENEZUELA

Venezuelan President Nicolas Maduro delivers a speech marking the first anniversary of former leader Hugo Chavez's death in Caracas on March 5. He also declared a break in relations with Panama for its alleged interference in Venezuela's internal affairs



KAZAKHSTAN

Three astronauts join hands in the steppe town of Zhezkazgan on March 11 shortly after the landing of the Soyuz TMA-10M capsule following a five-month stay aboard the International Space Station

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THIS WEEK PEOPLE & POINTS

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FOOD CHALLENGER



Cui Yongyuan, a member of the 12th National Committee of the Chinese People's Political Consultative Conference (CPPCC), has called on the government to strengthen supervision of genetically modified (GM) crops during the committee's annual session, which concluded on March 12.

Cui, a former talk show host, said that GM crops, including GM corn and rice, are illegally grown on a large scale in some Chinese provinces when the government has only approved the production of GM cotton, and only on an experimental basis.

Build New Economic Cycle Outlook Weekly March 10

The efforts for economic recovery made by every major economy around the globe since 2008 financial crisis have shown that those who can create new demand will dominate the future global economy. This view has been demonstrated in the TPP and TTIP plan that are being promoted by the United States as well as in Japan's Abenomics.

For China, its export-oriented economic pattern can be sustained no longer. Since the opening and reform policy was implemented in

the late 1970s, China's growth has been relying largely on the export processing industry and export trade. Developed economies are now building a new trade system to find a way out of economic recession. The global economic environment has changed drastically, and the favorable conditions for China are vanishing. Therefore, economic transition is a major task for China's new leadership. In particular, boosting domestic demand is key for economic growth.

The Statistical Communique on the 2013 National Economic and Social Development recently released by the National Bureau of Statistics shows that consumption contributed to over 50 percent of GDP growth in 2013. The tertiary industry accounted for 46.1 percent of the GDP of the same year. For the first time, the share of the value added of the tertiary industry surpassed that of the second industry. Furthermore, the just concluded NPC and CPPCC National Committee 2014 annual sessions have announced that China will carry out a series of significant reform measures in many sectors of the country. It is expected that the huge market of 1.3 billion people will lead to much larger demand.



City Governance China Newsweek March 10

China is prepared to reform its traditional governance system. However, policy making is only the first step of the new round of reforms. How to implement policies is the key question. China is a large country made up by numerous cities and regions. Local governance is directly related to the whole country's governance. To some extent, the Central Government is responsible for top-level design while local governments focus on strengthening executive ability.

The Third Plenary Session of the 18th Central Committee of the Communist Party of China last November pointed out that the economic system reform is the focus of the future reform. The underlying issue is how to strike a balance between the role of the government and that of the market. Local governments are important implementers and conductors that let the market play the decisive role in the allocation of resources.

Today, China gives priority to promoting the development of central and western areas. In the face of new construction opportunities, less developed cities in the country must learn lessons from the past to avoid devel-

"Helping parents who have lost their only children is easier said than done. There must be specific measures to assist them and organizations to evaluate their situations and issue them compensation."

Mo Yan, Nobel laureate and a CPPCC National Committee member, explaining his proposal submitted to this year's CPPCC session "The premise of increasing salaries for civil servants is to make their pay and benefits system unified and transparent."

Li Chang'an, associate professor at the School of Public Administration, University of International Business and Economics



opment traps. For example, along with the acceleration of China's urbanization, many Chinese cities have been troubled by social and economic problems, such as traffic and environmental pollution. To resolve these problems, local governments must shift from ruling to governance and service. Furthermore, city construction should be in accordance with environmental bearing capacity. Local governments should work to improve people's livelihood and create more job opportunities rather than purely chase GDP growth.

Smoke-Free Session March 4 Legal Daily

Before the convening of the session of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) this year, eight non-governmental organizations put forward a proposal: to make this year's session smoke-free. Throughout the opening day, no representatives were found smoking inside or outside the meeting halls, which shows respect for the relevant laws and regulations.

It is widely recognized in the Chinese society that smoking does harm to health, but still smoking on public occasions are often seen. It's by no means an easy job to control tobacco. At the end of 2013, the Central Government issued a document demanding officials to set an example of not smoking on public occasions.

The smoke-free CPPCC session is a tangible implementation of the tobacco ban and also signals the government's strong determination to control tobacco.

Paid Vacation Guangming Daily March 14

The government work report by Premier Li Keqiang at this year's NPC session set forth clearly that the Central Government will put the paid vacation system into practice.

In actual fact, labor laws of China have explicitly set rules for paid leave. But in reality, many enterprises overemphasize their own benefits and interests and neglect the legal rights of their employees, often passing on their administrative costs to them. Enterprises' violations of labor laws are seldom punished. In addition, many employees have no knowledge of the rights granted to them by labor laws.

To change the current situation, mere media exposure or the public voicing of complaints is not sufficient. It is necessary to place the implementation of paid vacation system under the enterprise evaluation system at the top of the priority list, for the sake of the dignity of the employee and the law.

(Ψ)

FALLEN OFFICIAL



Shen Peiping, former Vice Governor of southwest China's Yunnan Province, is under investigation for suspected serious violation of discipline and laws.

Shen becomes the fourth provincial-level official investigated this year. From 2007 to 2013, the 52-year-old Yunnan native worked first as the mayor and later Party Secretary of Pu'er in Yunnan. It is said that Shen improperly dealt with local petitioners.

"An amendment to the Criminal Law has been included in the annual legislative agenda. The legislature will study the possibility of reducing the number of types of crimes to which the death penalty is applicable."

Zang Tiewei, an official of the Legislative Affairs Commission of the National People's Congress Standing Committee, at a press conference on March 9 "Without regulations and arrangements at the top level, local pilot programs on publicizing officials' assets were, without exception, ephemeral. As publicizing officials' assets proved effective in curbing corruption and the public strongly call for it, the Central Government should take the initiative to make it regular."

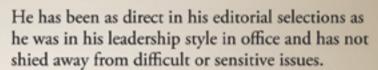
Zhu Zhongbao, a netizen of People.com.cn

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— 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

HU RONGII ON THE RECORD

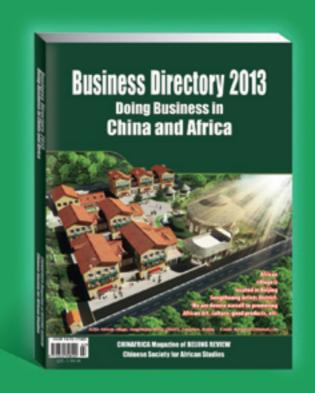
THE ROAD TO

1991-1997

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

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

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E-mail: dongqixin23@gmail.com



FULL STEAM AHEAD

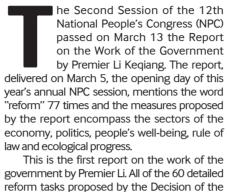
Effectively tackling resistance to reform will represent a major test of the Chinese Government's wisdom and resolve By Lan Xinzhen



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Central Committee of the Communist Party of China (CPC) on Some Major Issues Concerning Comprehensively Deepening the Reform adopted last year are included in this report. Moreover, on issues of taxation, finance, pollution control, urbanization, medical reform and education, the report puts forward even more detailed guidelines.

Zhao Xijun, Vice Dean of the School of Finance of Renmin University of China, said the report indicates that the Chinese Government is implementing the blueprint of reform formulated by the Third Plenary Session of the 18th CPC Central Committee last November, and it has enough determination and confidence to effectively implement the blueprint.

China's measures of comprehensive reform are also good news for the world economy. Because the fortunes of the Chinese economy are so indelibly linked with those of the global economy, sound economic and social development in China will bring opportunities to the wider world.

High expectations

Zhao said that according to the Report on the Work of the Government, reform measures among the nine key aspects of government work can be divided into three categories. Those pertaining to the economy include streamlining administration and delegating power to lower levels, tax reform, financial reform and accelerating economic transformation. Those relating to social development and management include advancing urbanization, improving people's well-being and reforming the household registration system. Finally reform in ecological progress comprises measures advancing the transformation of energy production and consumption.

Reform is the primary theme of the govern-

ment's work this year, with economic reform in particular being the paramount task, In contrast to bygone years, this year's reforms will mainly tackle the difficulties that, up to now, have not been addressed. For example, last year, the government reduced the number of items subject to government review and approval, and this year the government may work on some more contentious items.

According to the report, the government will introduce a system to list all items over which government review and approval are required, and only those items not listed will be subject to government review and approval. China will also refashion its business registration system nationwide and carry out registration of subscribed capital. In addition, annual inspections of businesses will be replaced by annual reporting. For the government, this is a selfimposed revolution with the aim of incentivizing potential market participants.

Another area of difficulty is fiscal and tax reform. Zhao said reform of the fiscal and tax system basically involves how much the government will take, how much the market will reserve and how much residents can get. With regards to government itself, it also involves how much fiscal revenue is allocated to the Central Government and how much goes to local governments. It is a reform of the fiscal and tax system, but in fact it involves relationships between interests in the government, the market and among the common people. It also involves the relationship between interests within the Central Government and various local governments. Therefore, navigating through this jungle of conflicting interests and attitudes in order to forge a path to clear solutions will be a very challenging job.

Zhao said that the commitments to financial reform made by the report are likely to be honored. Owing to factors such as shadow banking and local government debt risks, the academic circle has questioned the overall health of the Chinese financial industry. The report vows to deepen reform of the financial sector, including measures such as continuing to liberalize interest rates. Zhao believed issuance of large-denomination negotiable certificates of time deposit, or CDs, is considered a key step toward interest rate liberalization. He estimated that this year, financial institutions will be enabled to engage in activities such as regularly issuing negotiable certificate of deposit (NCD) and directly issuing CDs to individuals and enterprises, setting up an interest rate corridor ▶▶



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ONE-STOP SERVICE: A company manager (left) handles a registration procedure at the Shanghai Administration for Industry and Commerce in November 2013

for open market operations, formulating regulations regarding the bankruptcy of financial institutions and deposit insurance system, regulating Internet-based financing and establishing private banks.

The public is also concerned about reforms of ownership. Premier Li's report vows to formulate measures for non-state capital to participate in investment projects of state-owned enterprises, and allow non-state capital to take on a number of projects in areas such as banking, oil, electricity, railway, telecommunications, resources development and public utilities. The government will formulate specific measures to permit non-public enterprise participation in franchising, to reform the railway investment and financing system, and to open competitive operations in more areas so as to create a platform for the full participation of private capital. In the meantime, China will also strive to improve its property rights system.

Zhao went on to say that although China has announced the introduction of many measures to support development of the non-public economy, the "glass door" for non-public capital to enter state-owned monopoly industries has not yet been broken through. This year the government will take larger strides in this regard.

Zhao once made his own investigations and analyzed the results of online polls conducted by websites of *People's Daily* and China Central

Television. In general, the public eagerly anticipates breakthroughs this year in administrative reform, improvement of the market system, reform of state-owned enterprises, fiscal and tax reform, financial reform, reform for integrated development of urban and rural areas, establishing new institutions for open economy and reform of the ecological progress system.

Strong resistance

"It is not easy to implement these reform measures," said Yang Weimin, deputy head of the Office of the Central Leading Group on Finance and Economic Affairs. "The biggest resistance not only lies in the difficulty and complexity inherent in the reform measures themselves, but also comes from vested interest groups.

According to Yang, after 36 years of development, the benefits of the previous round of reforms have been almost exhausted. Facing problems, old and new, and demands from interests in all areas, the process of implementing reforms for the future is becoming increasingly difficult. From Premier Li's report, people will find that implementation of reform measures have touched a nerve among vested interest groups. To carry out reform measures, China must therefore break through the obstacles presented by mental shackles and vested interests with great determination.

The report meets the demand by last

year's CPC plenary session that steps be taken to "make the market play a decisive role in resource allocation." This year, China will cancel or delegate to lower-level governments an additional 200 plus items subject to government review and approval, items over which many government departments are reluctant to lose control.

At a press conference held on March 6, Li Yining, a member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) and a renowned economist, expressed his concerns regarding resistance to reform.

Li said today's reform climate is different from three decades ago, because the problems that most need to be addressed all represent thorny issues. The resistance to reform comes mainly from two areas. First and foremost are the interest groups, as they think reform will damage their interests. The second source is a feature of human nature, namely, people's innate resistance to change. Having become accustomed to one way of doing something and having grown to rely on that system, people are generally loath to try alternative methods.

China needs to shift its focus from management of demand to management of supplies, Li continued. The government must offer better products and services to consumers. It should encourage improvement of product quality, establishment of





independent brands and offering products that meet the customer demand.

At an interview with the press on March 8, Chi Fulin, a CPPCC National Committee member and President of the Hainan-based China Institute for Reform and Development, said China must pay special attention to balancing the relationship between various parties and coordination of the reform at this critical moment, As far as reforms go, now comes the hardest part, Given the presence of conflicts of interest within, and indeed between, different departments, industries and localities, any reform must address multifaceted problems and attempt to circumvent the hurdles put in place by vested interests and people's natural resistance to change.

Making breakthroughs

China's reform used to be led by the government, but the future reform will be a revolution imposed by the government on itself. This will be a painful process, which needs not only great determination, but also great political wisdom.

Yang said that in order to carry out the reform measures, six strategies should be employed.

Firstly, the introduction of easily implemented measures first, followed by difficult ones. Whether a measure is easy or difficult depends upon the public acceptance of it, not the scope involved. If society has reached agreement on a measure, it should be carried out in a timely manner. To the reforms on which society has not yet reached agreement, the government can reach consensus through discussions, research and pilot projects.

Secondly, accelerating the overall reform objective through smaller measures of an incremental nature. For example, in fiscal and tax reform, the focal point for this year is to extend trials for replacing business tax with value-added tax. This may seem to be a small measure, but it will help to pave the way toward reform of the whole local tax system, which is in turn pivotal to reform of the division of power between central and local governments.

Thirdly, grasping the core and key points in the reforms of various fields.

The fourth strategy is to control the tempo of reform. The government should be both bold and steady in advancing reform. For example, current reform must be carried out under the existing legal framework, though some breakthroughs can still be made. The government

\downarrow) Reform Tasks for 2014

Deepening reform of the administrative system. This year, China will cancel or delegate to lower-level governments an additional 200-plus items requiring government review and approval: introduce a system to list all items over which government review and approval are required and release that list to the public.

Basically completing the reform of government bodies at the provincial, municipal and county levels, and continuing to reform public institutions. China will reform the business registration system nationwide and carry out registration of subscribed capital. Issuing an operating permit before a license, which was the practice in the past, will be replaced with the practice of license first, operating permit second. Annual inspections of businesses will be replaced by annual reporting.

Exercising stronger oversight over delegated matters when they are being handled and after they have been handled. A blacklisting system will be introduced to make those who lose credibility pay the price and smooth the way for those who have credibility.

Giving high priority to reforming the fiscal and tax systems. China will ensure transparency of public finance and make it easy for people to understand and oversee it. The reform of the tax system will be advanced, including extending trials for replacing business tax with VAT to the railway transport, postal and telecommunications services industries, abolishing fees and replacing them with taxes, reforming the excise tax and resource tax, and moving ahead with legislation on a property tax and environmental protection tax. China will grant additional tax breaks to micro-businesses with low profits and reduce the burden on businesses. A standard financing mechanism for local governments to issue bonds will be set up to guard against and defuse debt risks.

Deepening reform of the financial sector. China will continue to liberalize interest rates, establish a deposit insurance system and promote the healthy development of Internet banking.

Enhancing the vitality of economic entities under all forms of ownership. China will improve the distribution and structure of the state-owned sector of the economy, accelerate the development of mixed-ownership economic entities, formulate measures for non-state capital to participate in investment projects of central government enterprises and formulate specific measures to permit non-public enterprise participation in franchising. The property rights system will be improved to ensure that property rights are inviolable in both the public and non-public sectors.

(Source: Premier Li Keqiang's Report on the Work of the Government, March 5, 2014)

should not advance the reform blindly without first considering present limitations.

The fifth point is to make steady progress and strike sure blows. Based on full assessment and reaching agreement, reform measures must achieve real effects.

The final strategy is to focus on concrete results and measurable achievements. At present, some departments and localities are swift to action, but few of their measures have made any substantive progress.

According to Yang, when drafting Premier Li's work report, the State Council organized several discussions and collected opinions from insiders from various industries. An important principle to decide this year's reform measures is to ensure stable economic growth and avoid unnecessary risks. Therefore the reform measures must facilitate economic growth.

The Chinese Government has determined that the process of comprehensively deepening the reform will be completed in seven years, and 2014 marks the first year. As it stands, directions of many reforms have been made clear and the measures have been readied for implementation. However, it is of vital importance that reform measures must be issued at the proper time and tempo, Yang concluded.

lanxinzhen@bjreview.com

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PM MEETS THE PRESS

At a press conference on March 13, the closing day of the National People's Congress (NPC), Chinese Premier Li Keqiang answered a range of questions from Chinese and foreign journalists, including those concerning this year's full sessions of the NPC and the National Committee of the Chinese People's Political Consultative Conference, which are the country's top legislature and top advisory body respectively. The following are edited excerpts:



Malaysia Airlines Flight MH370

The Chinese Government is deeply concerned about the safety of the passengers. There are eight Chinese vessels at the suspected crash site, and 10 Chinese satellites have joined the search. China has asked parties con-

cerned to improve their coordination. We will enhance international cooperation to ensure the safety of Chinese citizens abroad.

Financial and Debt Risks

There is concern about downward

pressure in the Chinese economy. Last year, China achieved its GDP growth target. The comprehensive public audit last year showed that government debt is controllable, and below the internationally recognized warning line. The government has tightened regulation and implemented Basel III accord on capital and liquidity standards. Defaults may not be avoidable in some cases but the government will work to reduce systemic risks.

Anti-Corruption Drive

The Party and government are firm in fighting corruption with zero tolerance. China has rule of the law. All corrupt officials will be dealt with equally, regardless of their position. A list of powers will be released to the public. There will be a full audit in key areas like land transfers and mining rights so that corrupt officials have nowhere to hide.

Neighborhood Diplomacy

China is determined to follow a path of peaceful development, and uphold its sover-eignty and territorial integrity. As long as our neighbors can accept differences and respect each other's interest then there will not be clashes.

Economic Growth

The biggest challenge has been downward pressure. There was a money squeeze last year in the inter-bank lending rate and some key indicators showed slumps. Some said that there would be a hard landing in the Chinese economy. Institutional solutions were necessary, including macro-control, restructuring and allowing the market to play a greater role. We met our targets. This year there are greater challenges—maintaining growth and employment, controlling inflation and environmental protection. We need to be prepared. The Chinese economy has great potential and we have the ability to maintain full control this year.

Streamlining Administration

Last year, 416 administrative approval items were cancelled or delegated to local governments. The reform has made the market more dynamic. Newly registered companies grew by 27.6 percent last year and private companies grew 30 percentthe highest figure in 10 years. Streamlining administration is the key to energizing the market. Letting go doesn't mean the government will not be in control. It means making improvements, punishing IPR infringements and polluting industries harshly and increasing market oversight. The government is determined to see the reform through and manage the governmentmarket relationship.

Healthy Development

I have read negative reports about the Chinese economy. Last year we met our growth targets without stimulating the economy, so why can't we do it again this year? We are most concerned about employment, people's livelihoods and growth in household incomes. I have visited homes where none of the family members have a job. We need appropriate GDP growth to safeguard employment. We are flexible. We are looking for GDP growth that can benefit the people and contribute to environmental protection.

Hong Kong & Macao

Hong Kong has continued to prosper in difficult economic conditions. It has maintained its competitive edge. It has also made an important contribution to China's reform and opening up. The Chinese Government's policy toward Hong Kong and Macao is consistent and clear-cut. The government will continue to support Hong Kong as a financial, shipping and trading center.

China-U.S. Relations

Last year [Chinese] President Xi Jinping met with [U.S.] President Barack Obama in the United States and reached a consensus on building peaceful and mutually beneficial cooperation. There are differences [between us] but these are necessary pains in growing cooperation. As long as differences are managed, then relations can be improved. There are more common interests between China and the United States than differences. Wise

people seek common ground and the foolish focus on differences.

Breakthrough in Reform

China is deepening reform in all areas. Out of the 40 executive meetings of the State Council held in 2013. 30 have been related to reform. Our focus is to increase the vitality of the market and the creativity of society and to allow the people to benefit. Thirty years ago I was a village head. The people just wanted to get enough to eat. The land was later contracted to the villagers and they could decide how to use it. We solved the problem of subsistence. Our reform will come about as the result of a process. This year we will continue to delegate power and allow the market to play its full role. We will continue financial and fiscal reforms. For example, there will be new tax reduction measures this year for small and micro enterprises, and a focus on insurance for seniors. We want the people to benefit. Some government departments will lose power and companies will face pressure, but we will carry out our reform without hesitation.

Cross-Taiwan Straits Ties

The people on both sides of the Taiwan Straits are one family. Last year, the media on both sides chose the Chinese character for "progress" for 2013. This is representative of the trend of development. People-to-people exchanges and trade between the two sides are important components. Eight million visits were made between the two sides last year—a new high. We are making progress within the economic framework.

Real Estate Regulation

The government's goal is to make sure everybody has housing. We will take diverse measures according to the situations in different cities. We will renovate at least 4.7 million housing units to help meet the people's basic housing needs. Even one small action is more important than a thousand words. We will take a differential approach to regulating the housing market. There will be a long-term mechanism for the real estate market.

War Against Smog

Control of PM2.5 (fine particles less than 2.5 micrometers in diameter) has become a major issue for the people. We are not declaring war against nature. We will upgrade our growth model. We monitor PM2.5 in 161 cities. The government is taking more responsibility and

has set a target to reduce energy intensity by 3.9 percent this year. We will hold businesses that do not take responsibility accountable. We need to continue to actively fight smog. It is a long-term endeavor.

China-EU Trade

Promoting the rights and interests of Chinese companies overseas is part of my job. As I said to European leaders, Chinese companies can deliver high-speed rail equipment very quickly. We are upgrading our industries and making them more competitive. We can't just export toys. We buy a lot of parts from abroad. There are benefits for both sides. My message for Chinese companies is: We have given our words about the quality of Chinese equipment, I hope that you will not prove us wrong. If Europe and China respect each other, then we can solve trade disputes. We don't want to lose out on Europe because of individual cases, as it is our largest trading partner. We are currently carrying out Europe-China investment negotiations to create the conditions to increase mutual investment

Social Security

We have three major tasks: meet basic needs, provide a safety net and increase social equality. We want to improve the safety net covering areas including education, housing and medical care. We will expand the coverage of various programs. This year we will increase the standard for security for senior citizens, bring it in line with the market, and unify the medical and senior citizen insurance systems in urban and rural areas. China is still a developing country. The social security standards are still low. Many people need aid in times of disaster. In these cases, basic welfare is not enough. The government should always prioritize the needs of the people.

We will get rid of the people's worries regarding employment and starting businesses, and create a level playing field. We are increasing educational equality and giving more people in poor areas access to high-quality education. We will improve education in rural areas, and make sure that everybody has an equal chance to develop themselves.

(Source: China.org.cn)

yaobin@bjreview.com

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RESPONDING TO THE WORLD'S CONCERNS

Officials address domestic and international issues for a global audience By An Gang



The author is an op-ed contributor to *Beijing Review*

he Second Session of the 12th National People's Congress (NPC)—held in Beijing from March 5 to 13—is seen as a test of the sincerity of the Chinese Government in honoring its commitment to reform. More than 3,000 reporters, including about 1,000 from abroad, gathered in Beijing with an eye on China's policy trends.

Most of their attention was focused on two questions: First, can China advance its reform faithfully and continue to be the engine of economic growth in the Asia-Pacific region and beyond? Second, what kind of global strategy will China pursue after becoming stronger, and will it adopt a hard-line foreign policy?

Active foreign relations

In his first government work report as Chinese premier, Li Keqiang expounded on the progress his cabinet has made during the past year and revealed the government's future plans, pledging to advance comprehensive reform in all fields with steadfast determination as well as courage. In the 17,000-character report, Premier Li devoted only about 350 characters to China's foreign policy, reiterating that China is firmly committed to pursuing the path of peaceful development and a win-win strategy of opening up.

Three days later, when China's Foreign Minister Wang Yi was invited to an NPC press conference to take questions from domestic and foreign media about China's foreign policy

and external relations, Wang said that in 2014 China will continue to pursue an active foreign policy that serves domestic reform. The foreign minister defined the key tasks of his ministry for this year as: strengthening friendly relations with all other countries in the world, especially neighbors; creating a more enabling external environment for domestic reform and development; pursuing vigorously economic diplomacy; deepening win-win cooperation with other countries; and creating more favorable conditions for the transformation and upgrading of China's economy.

Since China introduced the reform and opening-up policy in 1979, its national strategy has focused on domestic economic development combined with low-profile diplomacy. After 35 years, though China has become the second largest economy as well as the No.1 trade power, the country is faced with more complicated domestic obstacles. The present administration admits frankly that China's reform has entered a critical stage and a deep-water zone. China faces arduous tasks in maintaining economic growth, adjusting the economic structure, improving people's livelihood as well as fighting corruption. It will continue to be a domestic-oriented country. Thus, its diplomacy must maintain a high degree of consistency and stability.

The outside world has long judged China's external strategy by the rapid growth of its national defense budget. China's defense budget this year totals 808.23 billion yuan (\$132 billion), a rise of 12.2 percent year on year. The newly added defense spending will be mainly used to step up the modernization of weapon systems, improve soldiers' living standards and promote military system reform. The moderate growth of China's defense budget is fair and reasonable and meets the demand to safeguard China's se-

curity. In response to foreign concerns, Fu Ying, spokeswoman for the Second Session of the 12th NPC, told a press conference that peace can only be maintained by strength.

Firm stance on core interests

Premier Li stressed safeguarding China's sovereignty, security and development interests in his government work report. Specifically, he stated, "We will safeguard the victory of World War II and the postwar international order, and will not allow anyone to reverse the course of history." This statement is a clear message to Japan showing China's resolution to fight against the Shinzo Abe administration's right-wing policies.

In the past year, maritime disputes in the East China Sea and the South China Sea have put a severe strain on China's relations with Japan and the Philippines. In response to a question over territorial and maritime disputes, Wang replied that China's position is firm and clear on issues of territory and sovereignty.

"We will not take anything that isn't ours, but we will defend every inch of territory that belongs to us; we will never bully smaller countries, yet we will never accept unreasonable demands from smaller countries," Wang said. Wang declared China would like to carry out equal-footed consultation and negotiation to properly handle the issues by peaceful means on the basis of respecting historical facts and international law. "There will not be any change to this position," the foreign minister concluded.

The Chinese Government also refuted accusations from other countries that China is more assertive in handling its disputes with neighboring countries and denied that China's firm stance on sovereignty issues signals the shifting of its diplomatic strategy. Wang said, "China is committed to the path of peaceful

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development, and we hope other countries will also take the path of peaceful development."

A responsible global power

China deeply understands that its contribution to the world should grow with the increase of its national strength as it strives to become a responsible global power. However, its efforts sometimes have been neglected.

Wang gave a detailed explanation of China's policies on hotspot issues at the NPC press conference. Regarding the Korean Peninsula nuclear issue, Wang articulated China's "red line": China will never allow war or instability on the Korean Peninsula. He further pointed out that the six-party talks, which involve China, North Korea, South Korea, the United States, Russia and Japan, are the only dialogue mechanism acceptable to all the parties concerned. Only with denuclearization can the Korean Peninsula enjoy genuine and lasting peace.

Wang claimed that it is not accidental that the situation in Ukraine has reached its current point of crisis. He said that China urges those involved to heed the interests of all ethnic communities in Ukraine and uphold regional peace and stability. The priority now, he said, is to exercise calm and restraint. The parties should carry out dialogue and consultation to put the issue on the track of a political settlement,

On the Afghanistan issue, Wang announced that China will for the first time host a ministerial conference of the Istanbul Process on Afghanistan in August. China hopes that through this conference, the parties will build more consensus and work together to support Afghanistan's efforts to complete its political, security and economic transitions.

Wang also gave an outlook of China's allround diplomacy in 2014. He confirmed that Chinese President Xi Jinping will visit Europe in March. Xi will also visit some Latin American

countries within the year and attend the BRICS Summit in Brazil. Premier Li will take a trip to

Wang said that the "China-Russia relationship is at its best point in history." He pointed out that the most important task for Sino-Russian relations is to ensure that the comprehensive strategic partnership of coordination will continue to grow. Talking about China's ties with the European Union (EU), Wang said China hopes to speed up the negotiation toward a China-EU investment agreement, with a view to future free trade arrangements.

Since the beginning of 2014, due to Sino-Japanese tensions as well as U.S. President Barack Obama's meeting with the Dalai Lama, signs of more differences between China and the United States are increasing. Washington fears that the Chinese military may attempt to capitalize on the Obama administration's perceived weakness and push to drive U.S. forces out of the western Pacific rim. However, during this session of the NPC, China showed its resolution to build a new model of major-country relations with the United States.

Wang said that at the heart of this new model of major-country relationship is mutual respect, win-win cooperation and an absence of conflict or confrontation. This is the common direction the two sides have set. It is a positive strategic outlook the two countries show to the world and a solemn commitment to the international community. He said the China-U. S. relationship is both very important and very complex, "The Asia-Pacific should be the testing ground of our commitment to building a new model of major-country relations, rather than a competitive arena," he said.

In 2014, China will play host to two major international conferences: the Conference on Interaction and Confidence-Building Measures in Asia Summit in Shanghai and the Asia-Pacific Economic Cooperation Leaders' Meeting in Beijing. Wang said that China will make the most of its role as the host country to show its sincerity in promoting Asian security as well as Asia-Pacific economic integration, striving for a new breakthrough in launching a free trade area of the Asia-Pacific.

People-oriented diplomacy

Premier Li's work report has upgraded "protecting the legitimate rights and interests of Chinese citizens and legal persons overseas" to being on par with safeguarding national sovereignty, security and development interests, echoing the governing task of "making coordinated efforts to ensure and improve people's well-being" mentioned in the work report.

Early on the morning of Wang's press conference, a Malaysian civil aviation flight bound for China with 239 passengers and crew members—including more than 150 Chinese—lost contact with ground control. Wang mentioned the incident before the opening of the press conference and expressed his concerns, adding that the Chinese Foreign Ministry and relevant diplomatic and consular missions of China had activated the emergency mechanism.

Before the end of his press conference, Wang introduced the latest progress in China's consular protection and services. The foreign minister said that nearly 100 million Chinese travel abroad each year and his ministry needs to handle tens of thousands of consular cases annually. He noted it is the abiding purpose of China's diplomacy to serve the people. The Foreign Ministry will establish a global emergency call center for consular protection and services. The ministry will continue to implement the initiative to better protect and serve overseas Chinese and further improve consular

After the press conference, Wang immediately returned to the Foreign Ministry to deal with the missing Malaysian flight. That morning, President Xi and Premier Li instructed China's diplomatic authorities to employ their full efforts to handle the aftermath of the incident. Premier Li also talked with Malaysian Prime Minister Naiib Razak on the phone in an urgent call that afternoon. A massive international searchand-rescue operation was soon underway in Southeast Asia.

yanwei@bjreview.com

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b京:(艺术形象店)侨福芳草地大厦一层L1-04单元

电话: +86 10 85622882

北京:(拾 艺 生 活 馆) 侨福芳草地大厦D座3层01-04单元

电话: +86 10 85632882

海: 力宝广场商场203-204 | 青岛: 阳光百货二层

电话: +86 21 60752008 | 电话: +86 532 866771 哈尔滨: 中央大街73号2楼 | 沈阳: 新地阳光百货一层 电话: +86 451 84689588 | 电话: +86 24 2256156



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