WORLD: UPCOMING EGYPTIAN ELECTION P.24 | BUSINESS: NEW SHARES SYSTEM P.36

BEIJINGREVIEW

VOL.57 NO.21 MAY 22, 2014

🕦 🛪 🔏 🛝 WWW.BJREVIEW.COM

A NEW HORIZON

China looks to forego its quantity-based export model for a quality-based one





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

EDITOR'S DESK

02 Living Up to the Title

THIS WEEK

COVER STORY

18 Growing Pains

The difficulties of developing

WORLD

22 A Gas Bond

Sino-Russian energy deal

24 Egypt's Foregone Conclusion

Building up to the election

NATION

30 Running the Rivers

New management system

proving successful

32 Social Media Parenting

Keeping your elders up-to-date



Work Smarter, Not Harder

Taking on new responsibilities

NATION

P.26 | Saving the Ecosystem

Environmental law gets teeth

BUSINESS

P.36 | Can Preferred Shares Gain a Foothold?

New financing method yet to prove itself

BUSINESS

38 Market Watch

CULTURE

42 Beijing Has Readers Covered

Keeping bookworms satisfied

44 A Carnival of Reading

Sharing love for the written word

FORUM

46 Reform of Civil Service

Recruitment System

EXPAT'S EYE

48 Taking Buses in Beijing

The joys of public transport

Cover Photo: A bird's eye view of the Waigaoqiao Shipping Container Port at the Shanghai Free Trade Zone in October 2013 (XINHUA)

©2014 Beijing Review, all rights reserved.

→ World

P.20 | The U.S. Shadow

Outside Meddling in the South China Sea



www.bjreview.com





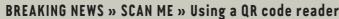
Follow us on











EDITOR'S DESK

经水质准

BEIJING REVIEW

A News Weekly Magazine **Published Since 1958**

President & Editor in Chief: Wang Gangvi Associate Editors in Chief: Li Jianguo, Huang Wei, Assistant Editor in Chief: Wa Chunfang Executive Editor: Ding Zhitao

Assistant Executive Editors: Yao Bin, Zhang Zhiping, Zan Jifang Editorial Administrators: Zhang Xiaoli, Shi Bosen

Opinion Editor: Zan Jifang World Editor: Yan Wei Nation Editor: Yao Bin Business Editors: Yu Shujun, Lan Xinzhen Culture Editor: Liu Yunyun

Editorial Consultants: Joseph Halvorson, Kieran Pringle, Eric Daly Staff Reporters: Tang Yuankai, Ding Ying, Ding Wenlei, Wang Jun, Li Li,

Photo Editor: Wang Xiang Photographer: Wei Yao Art Director: Wang Yajuan Chief Designer: Cui Xiaodong Designer: Zhao Boyu

Distribution Director: Hu Kegiang Advertising Director: Yang Jincheng Human Resources: Hou lin 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 Managing Editor: Francisco Little F-mail: casa201208@hotmail.com

General Editorial Office **English Edition Advertising Department** F-mail- ad@hireview.com.cn **Distribution Department**

Tel: 86-10-68310644

E-mail: circulation@bjreview.com.cn Published every Thursday by

Overseas Distributor: China International Book Trading Corporation (Guoii Shudian). P. O. BOX 399.

Tel: 86-10-68413849, 1-416-497-8096 (Canada) Fax: 86-10-68412166

E-mail: fp@mail.cibtc.com.cn

General Distributor for Hong Kong, Macao and Taiwan

17/Fl, Paramount Bldg, 12 Ka Yip St, Chai Wan, HK Tel: 852-28046687 Fax: 852-28046409

United States for US\$64.00 per year by Cypress Books Cypress Books, 360 Swift Avenue, Suite 48,

Living Up to the Title

China is undeniably a giant in global trade today. Over the past 35 years, foreign trade has played an important role in speeding up its economic growth, creating millions of job opportunities at home and building up the nation's comprehensive strength. Thanks to trade growth, China now holds the largest foreign reserve, and has emerged as the world's second largest economy. And it has also continually ascended into the ranks of the top trading nations in terms of trade volume during the last decade, overtaking Japan in 2004, and surpassing Germany in 2009. As initial WTO statistics indicate. China registered \$4.15 trillion in merchandise trade last year, outdoing the United States to stand as a country with the largest volume of commodity trade.

Despite this thrilling performance in the trade sector. Chinese officials and researchers invariably agree that China has yet to develop into a truly "strong" trading country. Good reasons have been given to expound this argument. For one thing, labor-intensive goods still account for a fairly sizeable share of Chinese exports. This means China is still at the lower end of the global manufacturing chain, which destines many "Made-in-China" products to have only low added values and profit margins. An often-cited instance has been that China has to make 8.4 million pairs of shoes to trade for a Boeing passage iet that sells at \$21 million. Moreover. China does not boast many core technologies or top-notch brands compared with world trade powerhouses like the United States and Germany. Consequently, Chinese companies have proven much less competitive, especially in the high-end market. Take steel for another example. Although China is now the biggest steel producer in the world, it nonetheless has to import high-end steel from Japan and other industrialized nations.

What should China do to catch up? Experts have proposed several priorities, including emphasizing brand building and core technologies, developing services trade, and optimizing China's trade structure—giving more incentives to support the export of hitech and high value-added goods on the one hand, and ensuring key technologies, equipment and strategic raw materials are duly imported on the other. Clearly, all of these cannot be achieved in one go.

China needs to become a stronger trading nation, not in terms of "quantity," or trade volume, but "quality"—more competitive products with high added values. But that is not the only goal for the country. It should undertake more responsibilities in such areas as promoting a healthier global trade environment, on which all nations rely to pursue trade development, and building a more cooperative and harmonious relationship with all its trade partners. In that way, China will become a real trading giant worthy of that title.

WRITETOUS

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

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

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

北京周报 英文版 2014年 第21期 ISSN 1000-9140 广告许可证 0171号北京市期刊登记证第733号 邮发代号2-922·国内统一刊号: CN11-1576/G2 国内零售价: 人民币6.00元



FEMALE REPRESENTATION

The fairer members of the guard of honor receive an inspection in Beijing on May 12. The first group of 13 female members of the People's Liberation Army Guard of Honor—representing the army, navy and air force—made their debut that day.

http://www.bjreview.com MAY 22, 2014 **BEIJING REVIEW** 3

THIS WEEK SOCIETY



Fresh Faces

Migrant workers from the countryside at an electronics factory in Zhengzhou, capital of Henan Province.

The number of young migrant workers totaled 125.28 million in 2013, accounting for 65.5 percent of the rural work force born after 1980, according to a report released by the National Bureau of Statistics on May 12.

The report shows that young migrant workers are better educated and more willing to spend money than their parents and their generation. They prefer to work in bigger cities, with 54.9 percent seeking jobs in big and medium-sized cities, compared with 26 percent from the previous generation.

Graft Clampdown

Prosecutors in China have investigated 10,840 people suspected of involvement in bribery, corruption and embezzlement between January and March of this year, the Supreme People's Procuratorate (SPP) revealed at a press conference on May 15.

A total of 6,759 people were investigated for embezzling more than 100,000 yuan (\$16,050) or taking bribes worth more than 50,000 yuan (\$8,025), accounting for 82.2 percent of all cases.

Some 661 people involved in corruption cases were officials at county-level or above, accounting for 6.1 percent of all cases, according to the SPP.

Xu Jinhui, Director of the SPP's Anti-Corruption Bureau, said that the number of corruption cases in the first quarter of this year had risen 24 percent compared with last year and the number of suspects involved in these cases had risen 19.8 percent.

Xu added that the number of cases involving officials at county-level or above had seen a 46.9-percent rise in the same period. The number of cases in which bribes exceeded 50,000 yuan or embezzlement reached 100,000 yuan had seen a rise of 26.9 percent.

The Communist Party of China launched a nationwide campaign, which is still ongoing, to crack down on corruption at the end of 2012.

Employment Incentives

Preferential policies will be granted to encourage college graduates to work at the community level or start businesses in a move to boost employment, the State Council, China's cabinet, announced on May 13.

Graduates that decide to work for the government at a community level

PICTURES OF YOU

Two girls show off their printed portraits at the Inside Out art exhibition held in Shanghai on May 12. Visitors could go into a van equipped with cameras to take a picture of themselves and display it in public



will be provided with tuition compensation or a reduction in their student loan, the State Council said in a statement.

Small-sum guaranteed loans or subsidies will be given to new graduates to open online shops, it said. Small and micro-sized technology businesses will benefit from similar policies once they recruit a certain amount of college graduates.

Figures from the Ministry of Education show 7.27 million university students will enter the job market this year, mostly in June and July. The number is 280,000 more than last year.

Nuclear Safety

China is working to form a 300-member state-level rescue team specialized in nuclear emergencies, a senior official revealed on May 12.

This team will respond to "serious nuclear accidents in complicated circumstances," said Yao Bin, head of the Nuclear Emergency and Security Division under the State Administration of Science, Technology and Industry for National Defense (SASTIND).

They will be tasked with supporting the operators of nuclear facilities to handle contingencies, such as cordoning off radioactive sources during and after nuclear accidents, rescuing trapped people, as well as controlling the spread of contamination and minimizing the damage, said Yao, also deputy head of a national nuclear emergency response office.

The fast-response team will be equipped with the latest devices, and the country will also build a training base for the team.

The SASTIND and the General Staff Headquarters of the People's Liberation Army are working together on the program, which is set to be finished by 2015, according to Yao.

Yao also said that China will hold a national-level nuclear security exercise next year.

Code-named Shield 2015, the exercise will simulate a nuclear material handling process and will be conducted in south China's Guangdong Province due to its long history in civilian nuclear power use, according to a preliminary plan.

It will be the second national-level

nuclear security exercise since Shield 2009, which was held in November 2009 at Tianwan Nuclear Power Plant in east China's Jiangsu Province.

Anti-Terror Study

The People's Public Security University of China in Beijing will recruit 80 students across the country for its new antiterrorism course.

The subject, set under the Department of Public Security Intelligence, will comprise classes on the research on terrorist organizations, international cooperation against terrorism, security risk assessment as well as reconnaissance and evidence collection of cybercrimes, according to *Beijing Youth Daily*.

Practical courses are also opened to enable students to master tactics and command to fight back against terrorist attacks.

Tibetan Medicine

Tibetan medical services have reached all counties in southwest China's Tibet Autonomous Region, local authorities said on May 12.

According to the regional health department, of Tibet's 74 counties, 22 have established Tibetan medicine hospitals, while the remaining have set up Tibetan medical treatment departments in county-level hospitals.

"Tibet has 33 Tibetan medical institutions, boasting 1,364 beds and 1,901 full-time Tibetan medicine doctors. Additionally, about 40 percent of village doctors can provide traditional medical care for people," said Phurbu Drolma, director of the department.

"The move will facilitate the fight against terrorists who wish to threaten national security and social stability."

Li Yan, Deputy Director of the Admission Office of the People's Public Security University of



Career Ceremony

Senior nurses at the People's Hospital of Pingliang, Gansu Province, give dovetail caps to their junior counterparts at a ceremony before International Nurses Day, which falls on May 12.

Satellite Navigation

China's independently developed Beidou differential navigation satellite system has achieved a positioning accuracy of within 1 meter, a major breakthrough for marine applications, according to its developer.

The Beidou Radio Beacon-Differential Navigation Satellite System is an augmentation system that provides improved positioning accuracy for the GPS-like Beidou Navigation Satellite System by broadcasting differential corrections to Beidou receivers in the medium frequency radio beacon band (285-325 khz), explained Wang Cheng, a senior engineer of the Beihai Navigation Safety Administration under the Ministry of Transport, on May 9.

The system has passed its evaluation after more than 130 days of test trials in north China's Tianjin Municipality. It can be applied to sailing, marine exploration and rescue, and maritime charting and monitoring.

After the system's completion, customers can receive free positioning services from Beidou and GPS with a dual-mode receiver.

Heavy Rain

A primary school student in Nanchang, Jiangxi Province, walks through the rain after school on May 9.

Downpours since May 8 and sequent floods had killed at least two people and forced the evacuation of more than 50,000 residents in Guangdong, Hunan and Jiangxi provinces and Guangxi Zhuang Autonomous Region in south and central China, the State Flood Control and Drought Relief Headquarters said on May 11.

It also reported that 1,400 houses were destroyed and 15,000 hectares of cropland were inundated in the disaster.



http://www.bjreview.com

THIS WEEK ECONOMY

Inflation Fases

China's consumer inflation fell to an 18-month low in April and factory-gate prices declined further, underlining sluggish domestic demand and raising concerns about deflation.

Consumer price index (CPI), a main gauge of inflation, increased 1.8 percent year on year in April, down from 2.4 percent in the previous month, the National Bureau of Statistics (NBS) announced on May 9.

Slower increases in food prices were the main contributor to the lower CPI figure. Food prices increased 2.3 percent year on year, down from 4.1 percent in March.

"Inflation is too low for an economy that expanded at an annual rate of 7-8 percent, and continuously low CPI sets alarm bells ringing for deflation," said Chen Hufei, an economist with Bank of Communications Co. Ltd. "As food prices remain subdued in the coming months and money supply growth slows, we cannot see any factor that would pull inflation higher in the near future," Chen said.

In April, producer price index (PPI) contracted 2 percent year on year, following a 2.3-percent decline in March, pointing to weakness in the economy, NBS data showed.

The two inflation readings reflect the weakness of demand including in both consumption and investment, said Lu Ting, chief China economist with Bank of America Merrill Lynch.

"We believe it is time for the People's Bank of China (PBC) to contemplate easing monetary policy further," said Liu Ligang, chief Greater China economist at Australia & New Zealand Banking Group Ltd.

The PBC may cut the reserve requirement ratio for banks by half a percentage point in both the second



A POSITIVE REFLECTION

A worker cleans a solar panel that's about to be shipped out in Shandong Hilight-Solar Co. Ltd. in Zouping, east China's Shandong Province, on May 12. New orders have doubled for the company since the start of 2014

and third quarters and the government could roll out more loosening measures, Nomura Holdings Inc said.

Yuan Bond

Bank of China will list its first offshore yuan bond on the Euro MTF market of the Luxembourg Stock Exchange, according to a press release published on May 12 by Bank of China Luxembourg Branch.

The three-year bond amounts to a total of 1.5 billion yuan (\$240 million). It was named Schengen bond, indicating for free movement within Schengen member countries.

"The successful launch of the Schengen bond is a further step toward the internationalization of the yuan," said Zhou Lihong, General Manager of Bank of China Luxembourg Branch.

Robert Scharfe, CEO of the Luxembourg Stock Exchange, said that the choice of Luxembourg as the listing place demonstrated the confidence of the Bank of China toward Europe and especially Luxembourg as a prime international financial center.

Quicker Loans

A chief of China's central bank has urged the country's commercial banks to be quicker in approving and issuing loans to "eligible" home buyers, mainly first-time home buyers.

The statement was made by Liu Shiyu, Vice Governor of the People's Bank of China (PBC), when speaking to the heads of 15 commercial banks in a meeting on May 12 about housing financial services, according to a statement on the PBC's website.

Liu urged the banks to "properly allocate credit resources and prioritize credit demand of first-time home buyers."

Liu's statement came amid falling home sales and cooling home prices nationwide. Official data showed sales of residential property dipped 7.7 percent during the first quarter of 2014 to 1.1 trillion yuan (\$176.6 billion).

To curb speculative buying, the government resorted to tightening measures such as higher down payments or a 20-percent capital gains tax. Banks have raised mortgage rates for home buyers due to tighter liquidity.



Delta Force

Visitors observe a delta wing aircraft at the 2014 China Import Expo, held in Kunshan, east China's Jiangsu Province, on May 14. The four-day event attracted 667 companies from home and abroad.



Rooftop Cultivation

Workers walk through a roof garden in Liuzhou, Guangxi Zhuang Autonomous Region.

The garden, which belongs to a local wine company, grows rice, vegetables and lotus and keeps fish and field spails

Byproducts from the wine company can be used as fertilizers for crops while the plants can help cool down the workshops below.

A survey by a real estate services firm E-House China, showed that nearly 90 percent of 69 bank branches in 22 Chinese cities have stopped offering preferential mortgage rates to first-home buyers, with some increasing the rates 5 to 10 percent above the benchmark rate.

Diversifying Ownership

PetroChina, China's top oil and gas producer, announced on May 12 it will use part of its pipeline business to form a new company, which will then be sold as part of its mixed-ownership drive.

The new company will be based on assets and liabilities concerning the west-east gas pipeline managed by its pipeline subsidiary and all shares will be transferred after its establishment, according to a PetroChina announcement

TECH GOALS

Visitors watch a robot play football at the 17th China Beijing International Hi-Tech Expo. The expo, held on May 14-18, attracted over 2,000 companies to display their latest technological breakthroughs



 $filed\ with\ the\ Shanghai\ Stock\ Exchange.$

Total assets involved are estimated at over 82 billion yuan (\$13 billion), with total liabilities of around 53 billion yuan (\$8.42 billion) and net assets at 29 billion yuan (\$4.61 billion), the announcement said.

PetroChina said the move will improve its distribution of resources and financing structure, as well as boost its mixed-ownership progress.

The new firm, which could possibly be called East Pipeline Co., will be established in Shanghai with registered capital at 10 billion yuan (\$1.6 billion).

Customs Reform

China's General Administration of Customs (GAC) announced on May 14 that it will launch customs clearance reform in Beijing and Tianjin on July 1, which will be expanded to neighboring Hebei Province from October.

The GAC said the reform will unify customs clearance in Beijing, Tianjin and Hebei, through sharing a new information system of customs declaration, risk control, data checks and site work.

The reform will also cover sectors like supervision on tariff-free zones, cracking down on smuggling, business management and inspection, the GAC said.

The administration said the reform will make customs clearance more convenient in the area and local enterprises will be able to use the customs office of any of the three locations.

The reform will be promoted in other areas like the Yangtze River Delta and Pearl River Delta with faster economic development and frequent customs clearance, according to the GAC.

Narrowing Income Gap

The State Council said on May 14 that it has approved the establishment of an inter-ministry joint conference mechanism to coordinate income distribution reform.

The mechanism, led by the National Development and Reform Commission (NDRC), includes the ministries of education, science and technology, public security, civil affairs, finance, human resources and social security, according to a statement on the website of the Central Government.

Other ministries or departments in charge of land and resources, taxation, housing, state-owned assets supervision and administration are also members of the regime.

The joint conference, chaired by head of the NDRC, will be tasked with coordinating all work in deepening income distribution reform, such as in conducting policy studies, making policies and reform plans, and coordinating ministries involved in the reform.

The joint conference should monitor, track, assess and review the process of the reform before reporting to the State Council.

Its establishment is widely seen as a boost to the reform which is complicated and involves a wide range of government departments.

http://www.bjreview.com

THIS WEEK WORLD





TURKEY

A miner is rescued by friends after an explosion in Manisa, on May 13. As of May 14, the death toll was 238



UKRAINE

Members of an election commission count ballots at a polling station in the eastern Ukrainian city of Donetsk on May 11. An organizer said the turnout for the referendum shows 89.07 percent of voters backed independence







INDIA

Brides take part in a mass marriage ceremony in Mumbai on May 11. Social organizations commonly facilitate mass marriages to cut down ceremony costs, which may include the custom of dowry and expensive gifts from the bride's family





THE UNITED STATES

Major General Kristin Lund of Norway and UN Secretary General Ban Ki-moon hold a media conference at UN headquarters in New York City on May 12. Lund was appointed the new head of the UN military peacekeeping force in Cyprus, becoming the organization's first female military commander









MADAGASCAR

A helicopter from the UN Food and Agriculture Organization flies through a swarm of locusts to spread pesticides on May 7 in Tsiroanomandidy



PERU

Police agents show counterfeit U.S. dollar bills after a forgery ring was dismantled in Lima on May 10. About 1.8 million counterfeit bills were seized at a clandestine printing plant in the operation that day

http://www.bjreview.com MAY 22, 2014 BEIJING REVIEW 9

THIS WEEK PEOPLE & POINTS

Ψ

MUSICIAN PASSES AWAY



Renowned *erhu* performing artist Min Huifen, 69, passed away in Shanghai on May 12.

Min began learning *erhu*, a traditional two-stringed Chinese instrument, at the age of 8 and later went on to win a national competition at 17.

During her career, Min performed extensively both in China and abroad and released more than a dozen albums. Min is known as an exceptional virtuoso who used her technical prowess to forge her own style that featured a unique blend of many genres of traditional Chinese music, such as Peking opera.

Return of Zhang Yimou China Newsweek May 12

Zhang Yimou, one of China's leading film directors, was thrown into the limelight again after the screening of his artistic film *Return*, which stars famous Chinese actress Gong Li as the heroine. The film is a moving love story is set during the "cultural revolution" (1966-76), in which the hero tries to restore his wife's memory of him after coming back from a labor camp.

Zhang said that the novel on which the film is based on is excellent and reflected his own emotions. He described it as one of the few great novels which he has been lucky enough to discover.

Starting as a cameraman, Zhang has grown to be the most successful movie director in China. Most of his films in recent years have been big hits at the box office. Besides films, Zhang also directs Peking opera, ballet, classical opera and large-scale outdoor stage performance. He was also the director of the opening of the 2008 Olympic Games in Beijing.

Despite the rising fame, Zhang was criticized as becoming more and more commercial, straying far from his origins—literary films. But he said he had not changed from what he was 30 years ago. He has still been engaged in shooting films with values. His latest film is seen as proof of his persistence and return.



New Generation of Migrant Workers Outlook Weekly May 12

For more than three decades, by taking advantage of its incomparable "demographic dividend" as well as a cheap labor force mainly composed of migrant workers, China has reaped the economic benefits of being the "world factory."

By the end of 2013, China's migrant workers had reached 269 million, 70 percent of whom were born in the 1980s and 1990s. Compared with their parents, the new generation of migrant workers have received a better education and thus possess a broader vision. They tend to identify themselves with their urban peers, and feel themselves estranged from rural life. Thus, they are strongly eager to get settled in cities, where they can access the benefits and welfare their hosting cities offer.

However, they find it difficult to become real urban residents. They are poorly paid, as most of them are engaged in simple manual work. Besides, they spend most of their time at work and inhabit areas dubbed "villages in cities," and are basically isolated from normal urban life. Most of them can't envisage a future in cities. When China's most energetic

"[We] hope that everyone can see clearly the nature and intention of violent terrorist groups and support China's effort to combat terrorist activities, safeguard social order and stability, and protect people's lives and property."

Foreign Ministry spokeswoman **Hua Chunying**, commenting on a video released by the Turkistan Islamic Party that claimed responsibility for a deadly terrorist attack at a railway station in Urumqi, capital of Xinjiang Uygur Autonomous Region, at a press briefing on May 14

"In China the salaries for college graduates are even lower than those of the migrant laborers and nursery-maids. This indicates that there is something wrong with our production structure. We should put more emphasis on the quality instead of quantity of the jobs we create."

Eminent economist **Wu Jinglian**, research fellow of the Development Research Center of the State Council



young labor force has lost their vision, the whole country's future is placed somewhat in danger.

This young generation represents a precious human resource for China. Enabling them to partake in the modern job market and improving their overall quality of life is essential for the country's economic progress. Businesses need to pay them more so that they can enjoy a higher standard of living and more importantly, the government should work hard to provide them with equal social security.

Protecting Courtyards

Beijing Youth Daily May 13

The first overall investigation undertaken as part of an effort to better protect courtyard houses, has come to an end. Nowadays, most of these old houses are in a dilapidated condition because too many people are still living there. A few courtyard houses have been repaired and used for purposes other than residence, but there is a lack of the bustling atmosphere of daily life in areas containing such properties.

What is being done in Jinhua, east China's Zhejiang Province, might be able to serve as an example. The local government has not spent a penny on the protection of local historical buildings, but these houses and

relics are receiving ample upkeep, thanks to a government scheme that allows people to "adopt" historical houses. Any applicant that meets the government's assessment requirements is able to do so. The property rights still belong to the state while the "adopters" enjoy a 30-year lease, without having to pay the government anything. However, occupants still have to pay for expenses related to maintenance.

Courtyards are a traditional architectural style unique to Beijing. They are an attraction to visitors from around the world. It would be a pity to see these historic building and their surrounding gardens fall into disrepair. It has been suggested that courtyard houses should also find "adopters" who can properly renovate them.



CHINESE GENERAL VISITS U.S.

Fang Fenghui, Chief of the General Staff of the Chinese People's Liberation Army (PLA), paid a visit to the United States on May 13, starting with a tour of an American aircraft carrier. Shortly after his arrival in San Diego, Fang visited the nuclear-powered *USS Ronald Reagan* at a base of the U.S. Third Fleet, escorted by the head of the U.S. Pacific Command, Admiral Samuel Locklear.

As an effort by the two countries to improve military ties, Fang's visit would feature a tour of the National Defense University in Washington D.C., a meeting with his U.S. counterpart Martin Dempsey at the Pentagon and a visit to the U.S. State Army Forces Command in North Carolina, according to the published schedule.

Fang, who has served in the PLA since 1968, was appointed to his current position in 2012.



"China's status as an upper middleincome country based on its per-capita GDP doesn't mean that its resident income level is above the world average, despite a close link between the two indicators. Without proper distribution policies, there could be a deviation between them."

Su Hainan, Vice Director of China Association for Labor Studies, talking to *China Economic Weekly*

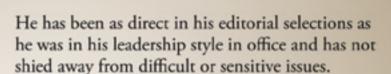
"The [popularity of] Chinese language and culture is growing very quickly [in America]. There is perhaps no relationship that would be more important for the future in our world than for China and the United States to begin to more deeply understand one and another."

David Coleman, President of the College Board of the United States, talking to Xinhua News Agency

http://www.bjreview.com







—— Henry A. Kissinger

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

——Helmut Schmidt

Zhu Rongji on the Record

ZHU RONGJI ON THE RECORD

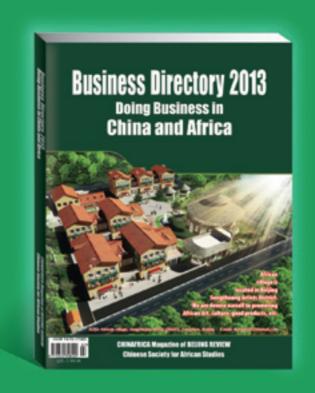
THE ROAD TO M

1991-1997

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

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

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



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

This Business Directory:

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

Subscribe NOW, to benefit from business opportunities.

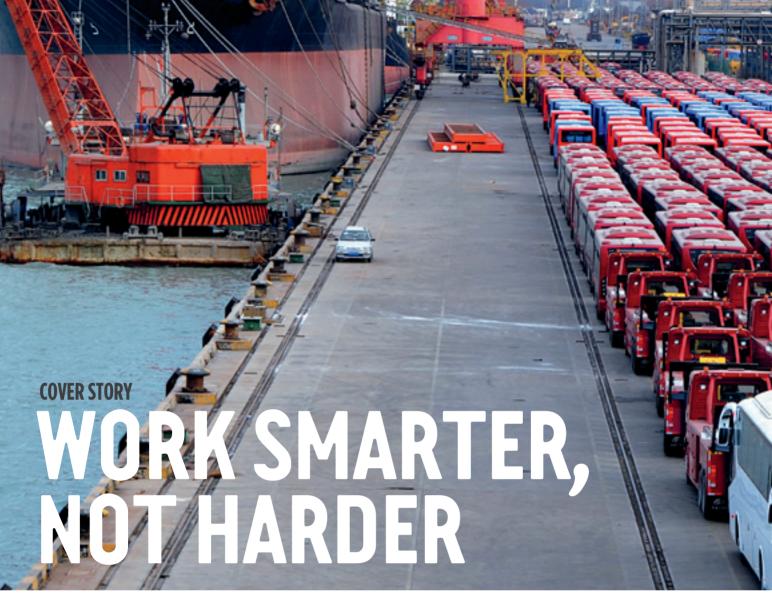
To be sold at RMB380.00 or \$59.99

Available at: bjreview.taobao.com

Contact: Marketing Department of CHINAFRICA Magazine Fax: +8610-68328738

Tel: +8610-68996301

E-mail: dongqixin23@gmail.com



China has overtaken the United States to become the world's biggest goods trading nation. What's the next step? By Zhou Xiaoyan

UMEC Group Corp. is one of the largest exporters of machinery products based in east China's Jiangsu Province, an economic powerhouse in the Yangtze River delta. Founded in 1978, the company used to be a mere original equipment manufacturer for foreign big names. Facing faltering demand and decreasing profit margins after the financial crisis since 2008, the company made a tough decision to change its business model, which later enabled it to transform to an original design manufacturer and finally an original brand manufacturer.

By integrating resources with domestic research institutions and universities, SUMEC has developed many hi-tech products and greatly increased its profitability.

For instance, gasoline engine generators under the company's brand Firman have oc-

cupied the No.1 market share in Africa. Highpressure washers under the brand name of Cleanforce are the top seller in the North American market. To date, exports of products under the company's own brands have accounted for 30 percent of the total.

Cai Hongbo, Chairman of SUMEC, said industrial upgrade is the only way out for exporters. "Our core competitiveness should be based on technological innovation and better branding, instead of cheap prices."

Economic data released earlier this year showed that China had surpassed the United States as the biggest goods trading nation.

China's total goods trade volume in 2013 stood at a record high of \$4.16 trillion. Exports reached \$2.21 trillion and imports, \$1.95 trillion. The World Trade Organization confirmed that China's goods trade in 2013 was \$250 billion

more than the United States.

As big as it is, China is far from a strong trading nation, experts and government officials argue. More needs to be done to improve the country's trade structure by adding value to exported goods and fostering trade in services.

A rising force

China's rise to dominance in world trade happened over a very short period, with the value of Chinese trade roughly doubling every four years over the past three decades.

Since the reform and opening-up policy was adopted in 1978, China's trade volume has surged from \$20.6 billion to \$4.16 trillion, representing a compound annual growth of 16.4 percent.

China accounts for 12 percent of global



BRANCHING OUT: Domestically produced vehicles are about to be shipped to Venezuela for sale at a port in Lianyungang, east China's Jiangsu Province, on December 26, 2013

trade volume and is now the largest trading partner of 120 countries and regions. Foreign trade adds 180 million jobs to the country each year and contributing 18 percent of China's tax revenues. One out of every four employees in the country works in foreign trade-related businesses, according to the Ministry of Commerce (MOFCOM).

"Foreign trade has become the most dynamic driving force for social and economic development," said Gao Hucheng, China's Commerce Minister.

Bai Ming, a research fellow with the Chinese

Academy of International Trade and Economic Cooperation, attributed the leapfrog development of China's foreign trade to the reform and opening-up strategy, a global industrial shift and China's low cost advantage.

"Since World War II, the global industrial shift has been accelerated. Many industries were transferred from the United States to Japan, and then to the Four Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan) and later to the Chinese mainland. After that, China became the world's factory," Bai told Beijing Review.

Weak links

Analysts, however, said the top trader spot is no reason for gloating as China is far from being a strong trading nation due to a lack of hi-tech exports and the lackluster service-trade data.

"Among our exported goods, most of them have an economically low added value and we have few of our own brands. We still lag behind in global marketing networks and models," said Gao.

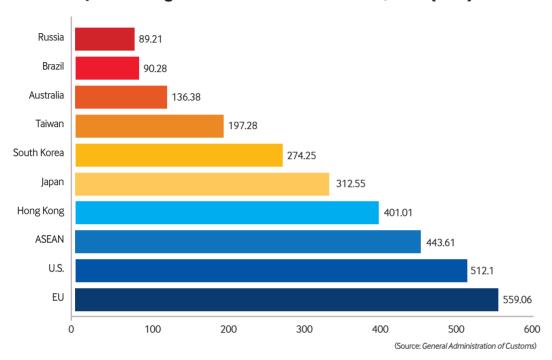
In 2013, China's exports of hi-tech products accounted for 29.9 percent of its total exports, but 73 percent of those products were made by foreign-invested companies, according to data from the MOFCOM.

Processing trade still occupies the bulk of China's foreign trade, said Liu Yuanchun, Deputy Dean of School of Economics at the Renmin University of China. A large amount of components are brought to China to be assembled and then re-exported. MOFCOM figures show the processing trade made up 32.6 percent of total imports and exports in 2013.

"The core technologies are in the hands of foreign companies or joint ventures while Chinese manufacturers are still at the lower end of the industrial chain, living off very thin profits," said Liu.

"For a long time, Chinese products have





Top 10 Trading Partners of Chinese Mainland, 2013 (\$bln)

relied on quantity and price advantages for international competitiveness, while lacking core competitiveness and added value," said Bai. "China is making products that other countries are not willing to. Although it is the top trader of goods, profits belonging to China are definitely not in line with that status."

Besides the structural problem in China's trade of goods, another piece of evidence for China not being strong enough in trade is that its service trade still lags far behind the United States. International trade, however, is now edging away from commodities to services and intellectual property, which happen to be China's weaknesses.

China's shortcoming in service trade represents a stumbling block on the country's path to becoming a stronger trading nation. According to the MOFCOM, China's service trade reached \$539.64 billion in 2013, accounting for 11.5 percent of its total trade volume, far below the world average of 20 percent. The amount is also less than half of that for the United States.

The country also saw a widening deficit of \$118.46 billion in service trade in 2013, surg-

ing 32.1 percent from the \$89.7 billion deficit in 2012. Overall, the country has witnessed a deficit in service trade for 12 consecutive years, according to the MOFCOM.

Zhang Monan, an associate research fellow at the China Center for International Economic Exchanges, said a structural upgrading is also happening in global service trade.

In recent years, service trade has become more dependent on the development of knowledge-, technology- and capital-intensive industries, such as telecommunications and finance, computer software and data processing, rather than on traditional labor- or resourcesintensive service industries such as tourism and sales services.

In China, traditional industries like tourism and transportation still make up the bulk of its service trade, while knowledge- and capital-intensive sectors are relatively weak compared to developed countries. Despite the fact that high value-added industries like insurance and finance have registered robust growth in the past few years, they are far from being capable of playing a leading role, said Zhang.

"Compared with trade of goods, growth

in China's service trade is much slower. Improving competitiveness in that regard is a must for China at a time when the country is marching toward being a stronger trading nation," Bai said.

"To support exportoriented service companies, the government should, under the rules of the WTO, grant preferential policies, such as more convenient registration procedures for

businesses, introducing clients to them, holding exhibitions to enable them to meet with potential clients and helping to solve disputes between them and their foreign counterparts," Bai suggested.

Zhang Xiaoyu, a researcher with the Chinese Academy of International Trade and Economic Cooperation, said a "strong trading nation" is not something that a country should deliberately pursue, but should be a natural outcome after having adjusted their domestic





CLIMBING UP THE VALUE

CHAIN: Workers sew clothes in a factory in Fumian District of Yulin, southwest China's Guangxi Zhuang Autonomous Region. Dubbed the 'world hub of trousers manufacturing," the district produces over 200 million clothes annually

tion to become a frequent target of trade disputes.

"It's not just an issue for China. When Japan and the Four Asian Tigers emerged as big trading nations, they were faced with the same problem. Till today, trade disputes between the United States and Japan or South Korea still occur frequently."

"The tallest tree is the one most swayed by the wind," Bai said. "Since the financial crisis, trade protectionism has become increasingly severe. Restrictions on import quotas from China imposed by other countries are aimed at saving their own economy."

Zhang said China should treat trade protectionism rationally.

"China's peaceful development has broken up the previously established balance. How to increase trading strength while getting along with trading partners is a tough issue China has to face."

"China does lag behind developed countries in terms of advanced trading concepts, environmental protection and labor protection stan-

dards. We should constantly learn from them and shoulder our responsibilities," Zhang said.

"As painful as it is, it will bring about a better outcome. China's trade development should be based on structural adjustment and should be healthy and sustainable. Only when we are willing to give up some current interests can future gains be secured," Zhang said.

economic structure.

"A country's trade structure is in line with its domestic economic structure. Only when China carries out domestic industrial upgrades and economic rebalancing can it improve its overall trade structure," Zhang told *Beijing Review*. "It's bound to be a long process."

"High-end service exports, such as financial services, cultural products and technology transfer, are China's weakest links. Also, China's

service sector is not as opened up as the manufacturing sector. This problem should be addressed."

A frequent target

China's foray into the global trade market has not always gone smoothly. It has been the most targeted nation in anti-dumping investigations for 18 consecutive years and countervailing investigations for eight consecutive years.

Bai said it's inevitable for a big trading na-

zhouxiaoyan@bjreview.com

http://www.bjreview.com MAY 22, 2014 **BEIJING REVIEW** 17

COVER STORY

GROWING PAINS

Despite the recent win in goods trade, China faces new challenges in international commerce By Li Jian



The author is a research fellow and director of the Institute of Foreign Trade, Chinese Academy of International Trade and Economic Cooperation

hina became the world's largest country in goods trade in 2013. However, it has come first place only in a single area, while the United States is still the world's largest importer and service trader, and in terms of science and technology, education and industrial development as well as human resources, China still lags far behind. It appears that China's comprehensive strength will continue to rank second in the world for a long time to come.

However, as a rapidly growing large nation, China has contributed 11.8 percent to global exports and 10.3 percent to imports, and this is set to rise even further. Every action China makes is affecting the world. Since China is now undeniably a major economy in the world, its foreign trade is facing unprecedented challenges.

Space for growth

Since the outbreak of the global financial crisis, the world's economic growth has slowed down, demand expansion has weakened, supplies of industrial products have become excessive and international competition has intensified. "Made-in-China" can be seen everywhere in the consumer product market, indicating that Chinese goods have gained a formidable market share. In the meantime, with a rapidly growing national wage level and continual appreciation of the yuan, the low cost advantages previously boasted by Chinese companies are weakening. Within the existing industrial development level and export structure, China has been faced with a market size "ceiling" and it will be increasingly difficult for China to maintain high growth.

In the past three decades, China received transfer of industrial production from more advanced countries and regions, gaining market shares from its trade partners. The international competition China faced was not so fierce. But now, Chinese companies have started to enter some high-end industries and production links, which is considered a threat by developed countries such as the United States, and they are becoming less and less willing to give up their market share. Instead, they have adopted various measures to restrict expansion of Chinese exporters. On the other hand, other de-

veloping countries are also learning from China and seizing China's market shares with lower production costs.

In the past three decades, most of the products made by foreign-invested companies in China were sold to the international market, and domestic companies made more money from exports than they did from domestic sale. But now, as external demand shrinks, China has become a market that companies from all over the world covet. When entering China, foreign companies aim at this 1.3-billion-strong market, and some export-oriented Chinese companies are similarly transferring their focus to domestic sales. Changes in the supply and demand in domestic and international markets have brought challenges for China in expanding development spaces for foreign trade and promoting economic growth.

Sino-U.S. trade ties

More and more "made-in-China" products are replacing their "made-in-U.S."

As China becomes the largest country by goods trade, it will face the contradiction of a growth in trade volume and a "ceiling" of the global market size

counterparts and more and more Chinese companies are entering industries and markets that had previously been U.S.-dominated, which will inevitably touch on the traditional interests of the United States. In the meantime, China and some developing countries are trying to break through the international trade rules championed by the United States and establish a more reasonable and fair international economic order, the need for which the United States is not willing to recognize.

There are some people from both countries who have not yet dispensed with their "Cold War mentality." While dealing with trade disputes, they are not well versed in communication and mutual respect and cannot seek common ground while maintaining their individual reservations regarding related issues.

As the largest developing and developed countries in the world, respectively, China and the United States have many common interests and extensive fields in which they may cooperate. The two countries are complementary to each other in terms of economic and industrial structure. One side needs the assistance and cooperation of the other in solving structural imbalance, and they also need to engage in mutual understanding, cooperation and support when dealing with a series of global economic and trade issues. The two countries are both responsible for promoting common development.

Over the past three decades since the establishment of diplomatic ties, China-U.S. trade volume has soared 180-fold, bringing real benefits to the economic growth of both countries. Most U.S. multinational corporations have investments or businesses in China. This fact indicates that China and the United States will benefit from cooperation but suffer from confrontation, and sound and sustainable economic and trade relations are in keeping with the fundamental interests of the two countries.

The United States has been the world's largest economy for more than a century. It

will not be easy for China to deal with its relationship with the "No.1." On one hand, China's economic strength is valued by the United States. Particularly after the global financial crisis, the United States hopes China can help the U.S. economy to recover, and that the top two economies can be evenly matched in trade conditions. On the other hand, the No.2 can easily fall prey to being the target of attack, as it is naturally viewed as a strategic rival by the No.1 country. Therefore it will be arduous and complicated for the two countries to avoid disputes and set up stable trade relations that benefit both sides.

Global responsibilities

When China's economic scale was small, no other country was overly concerned about China's macroeconomic policies. But now China has become the world's second largest economy and is one of the driving engines for the world economy, the international community will scrutinize its monetary, fiscal and foreign trade policies as well as exchange rate changes. As a large developing country, China must protect its own interests and also consider the global impact of its policies.

In promoting development of multilateral trade mechanism, China used to only participate in and obey the rules. But having risen to the rank of No.2, China is now considered a major rival by other major economies and the interest groups involved in international negotiations. They hope China can make more active commitments to opening up, although China still considers itself a developing country and a new WTO member.

With regard to ensuring the stability of bulk commodity prices in the global market, China is the biggest importer of bulk commodities, but conversely, has little pricing power. China will be the biggest victim if bulk commodity prices destabilize, but it is also considered a major reason behind such instability. The international community hopes China can play a bigger role in ensuring

stable bulk commodity prices in the market.

In assisting developing countries to accelerate their development, China is one of the developing countries that has opened up the most to less developed countries. However, the international community, including developing economies, still has expectations that China will grant more favorable policies in trade and investment, as well as offer more aid.

While coping with climate change, China now faces severe pressure in cooperating with major world economies to reach new emission reduction agreements since it is still engaged in the process of industrialization and its carbon emissions are quite considerable.

As China becomes the largest country by goods trade, it will face the contradiction of a growth in trade volume and a "ceiling" of the global market size. Its economic growth is slowing down and it has to change the condition of a national economy that is certainly large, but not yet strong.

More importantly, China should not only consider its own economic and trade growth, but also global economic growth as a whole. China relies on the international market, and in the meantime it is also an important part of the global market. It should not pursue just economic growth on a purely national scale, but also whether or not its trade growth will benefit sound and sustainable development of the world economy and trade.

China must establish stable trade relations based on mutual trust with its trading partners and ensure its major trade policies are consistent with those of its partners.

China should also play a more active role in solving key global issues, establishing a more reasonable and fair new international economic order and promoting joint and sustainable development. Only when the world economy realizes sustainable development can China develop in a sustainable way.

yushujun@bjreview.com

http://www.bjreview.com MAY 22, 2014 **BELJING REVIEW** 19



NE-TIGER

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



扫描二维码了解更多