NATION: XINJIANG'S NEW RAILWAY P.26 | CULTURE: ONLINE SHOPPING P.42

# BEIJING REVIEW

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China is resolute in defending its territorial waters against Viet Nam





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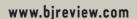


development



Cover Photo: The Chinese oil rig HD-981 in the South China Sea (CFP)

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### **EDITOR'S DESK**

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Photographer: Wei Yao Art Director: Wang Yajuan Chief Designer: Cui Xiaodong Designer: Zhao Boyu Proofreading: Qin Wenli, Ma Xin

Distribution Director: Hu Keqiang 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** 

Tel: 86-10-68996259 **Advertising Department** F-mail- ad@hireview.com.cn

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# **Viet Nam's Worrisome Stance**

The long-standing friendship established by the previous generations of Chinese and Vietnamese leadership faces the possibility of turning sour. Recently, Viet Nam infringed on China's sovereignty over the Xisha Islands and their surrounding waters and allowed violent riots against Chinese people and factories in their country to erupt, bringing injury and death to a number of Chinese citizens.

The situation in the South China Sea has been peaceful for decades. Thanks to the collective efforts of China and other countries whose coastlines touch the South China Sea, a coordination and communication mechanism has been established to resolve territorial disputes peacefully. However, the waters have become troubled in recent years as the United States carries out its "pivot-to-Asia" strategy. The Philippines were the first to make an offensive move against China's sovereignty in the South China Sea, but gained little from the incident aside from becoming a client state for the U.S. military.

Unlike the Philippines, Viet Nam relies heavily on China for its economic development. If Viet Nam continues to act provocatively in the South China Sea, it will find its national reputation deeply damaged.

Seeing as Viet Nam has set offshore oil and gas development as a focus for its economy, escalating disputes and an attempt to claim these resources in the South China Sea would be beneficial to it.

Viet Nam officially admitted China's sovereignty over the Xisha Islands until the 1970s. Even earlier, in 1956, it explicitly agreed with China in 1956 and stated that the Xisha Islands belonged to the latter. The Chinese Government announced a distance of 12 nautical miles as its territorial waters in 1958 and indicated that the breadth of its territorial waters applies to all Chinese territories including the Xisha Islands. On the 10th day after China made the announcement, then Vietnamese Premier Pham Van Dong delivered a diplomatic note to Chinese Premier Zhou Enlai stating that the Vietnamese Government recognized and respected the announcement on the breadth of territorial waters made by the Chinese Government. For a long time following, all governmental documents, textbooks and maps published by Viet Nam identified the Xisha Islands as Chinese territory.

Against the backdrop of the "pivot-to-Asia" policy of the United States, Viet Nam might think there is an opportunity to steal the Xisha Islands. It distorts history and denies facts to try and meet these ends.

China and Viet Nam have more common interests than differences, such as promoting economic growth, improving people's livelihood and maintaining peace and stability in the South China Sea. The anti-China protests in Viet Nam have undoubtedly cast a shadow over its future foreign-investment opportunities.

WRITETOUS

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# **ASHEN ART**

Shi Jianting, the sixth-generation successor of Gaomi ash-patting new-year paintings, draws at a studio in Gaomi, east China's Shandong Province, on June 1. Gaomi ash-patting new-year paintings are a traditional art craft which has enjoyed a history of over 500 years. It has been included in the list of national intangible cultural heritages.



## Ready to Go

A high school student in Yinchuan, capital of Ningxia Hui Autonomous Region, shows his confidence before the college entrance exam.

There are 9.39 million students taking the exam this year on June 7-8, 270,000 more than in 2013. In 28 provincial divisions, migrant students can take the exam in the places they live instead of going back to the place of their permanent residence permit, or *hukou*.

#### Chinese 'Green Cards'

China is considering relaxing its green card policy by lowering the application and approval threshold, in a move to attract more foreign professionals.

Authorities are debating revisions to regulations on permanent residence for foreigners, considering more flexible and pragmatic application standards, the Organization Department of the Central Committee of the Communist Party of China revealed on June 2.

In China as a whole, around 5,000 foreigners from 91 countries and regions have been granted green cards since the scheme was launched in 2004.

The highest numbers of green card applicants have come from the United States, Japan, Canada, Australia and Germanu.

The benefits of holding a green card include that cardholders can enter and leave China without requiring a visa. They can purchase homes and have the

same rights as Chinese nationals when dealing with financial services such as banking, insurance, securities and futures. Their children can attend local schools as well.

#### Serious Situation

China's environment is in critical condition, especially its water and air quality, Li Ganjie, Vice Minister of Environmental Protection, said on June 4.

Li told a press conference that although China's environment has improved in general, the water quality is "not optimistic" and air quality in cities is "critical."

In China's 10 most important river basins, about 9 percent of the water was class-V in 2013, the lowest level. Compared to 2012, the percentage of class-V water quality dropped by only 1.2 percentage points. Of 4,778 monitoring sites for groundwater, almost 60 percent reported their water to be poor

#### SWEET GUIDE

Friis Arne Petersen, Danish Ambassador to China, shows how to make *dissert* at the annual Open Denmark Day in Beijing on May 31, which showcases the country's culture, high-quality food and design works to more than 4,000 Chinese guests



or extremely poor.

Water quality offshore is not good either, with 18.6 percent of offshore water areas only reaching class IV. Water quality in the East China Sea and in four of China's nine biggest bays was reported to be extremely poor.

As for air quality in cities, only three of the 74 monitored cities met the national standard for good air in 2013.

Soil pollution and land degradation are also serious, according to Li, who added that agricultural acreage was reduced by 80,200 hectares in 2013, and a total of 295 million hectares, or 30.7 percent of China's land area, also suffered from soil erosion.

#### Flood Repairs

As much as 507 million yuan (\$81 million) will be spent on repairing water projects that were damaged by recent floods, the Ministry of Finance announced on June 3.

The funds will be used to fix dams, locks, barrages, weirs and pumping stations damaged by heavy downpours in some regions in the south.

Flooding has threatened or damaged 61 small reservoirs in nine provincial divisions this year including Guangdong, Hunan, Jiangxi, Fujian and Guangxi, with combined losses estimated at 3.58 billion yuan (\$572 million), according to the State Flood Control and Drought Relief Headquarters.

As of June 3, some 9.93 million people in those regions had been affected by the flooding, with 64 people confirmed dead and another six still missing.

#### Preschool Investment

The Chinese Government's investment in preschool education saw an increase in excess of five times between 2008 and 2012, according to new Ministry of Education data.

Figures revealed in a June 4 statement show that China's spending on preschool education in 2012 reached 74.8 billion yuan (\$12 billion), showing an average annual increase of 49 percent each year from the 13.3 billion yuan (\$2.13 billion) spent in 2008.

"Both central and local governments regard preschool education as a key aspect in the national education

plan, and supporting preschool education is a major project for ensuring and improving people's livelihoods," the statement said.

According to the ministry, the ratio of government spending on preschools in all educational investment also rose from 1.3 percent in 2008 to 3.2 percent in 2012, an increase much higher than for high school, college or vocational education.

#### **Medical Awareness**

The Chinese Government released a circular on May 30 that discussed ensuring children remain safe from potentially harmful medications, raising requirements in various aspects such as research and development, supply and quality management.

Released by six departments, including the National Health and Family Planning Commission and the China Food and Drug Administration, the document noted that pharmaceutical companies lack the motivation to research and develop medicines fit for children, and the improper use of medicines still exists.

The circular said that favorable policies will support companies to improve children's products and price them moderately, and the government will coordinate manufacturing, procurement and storage of medicines that are crucial and might easily run out so as to ensure there is enough for clinical use.

In addition, it urged regulation of traditional Chinese medicines for children's use concerning their functions, consumption, dosage and adverse reactions.

"We're proud that our program has been able to reach more children in need. We have given more than 930,000 insurance contracts to children in 20 provinces and regions."

Heidi Hu, Managing Director of the China Children Insurance Foundation





### Sachets and Colored Ropes

Traditional culture lovers in Beijing on June 1 gather in Taoranting Park, making fragrant sachets by stuffing cloth bags with herbs like mugwort, whose fragrance will protect the bearer from insects in summer.

June 2 was Dragon Boat Festival in China this year, and making such sachets is a traditional custom of the festival.

#### Insurance for Orphans

More than 60,000 Chinese orphans received free health insurance contracts on May 30.

Under a joint insurance program supported by the Ministry of Civil Affairs and the China Children Insurance Foundation (CCIF), each insured child is covered for 100,000 yuan (\$16,000) at a premium of 50 yuan (\$8) a year to cover the cost of treating 12 critical illnesses, including malignant tumors and conditions requiring organ transplants, said Heidi Hu, CCIFs Managing Director.

An insurance fund created through donations will be accessible for one year starting on June 1, according to Hu.

The program was launched in 2009. Insurance contracts have also been donated to children whose families have financial difficulties.

China has more than 570,000 officially registered orphans. However, the actual number is believed to be higher, as some in remote rural areas might have been missed, while other orphans being raised by migrant worker relatives might not be counted when they move to big cities.

### Wonderful Wax

A wax figure of Kate Winslet is on display at Madame Tussauds Beijing.

The Madame Tussauds Beijing lifts the curtain on May 31. It's the fourth Madame Tussauds in China, after Hong Kong, Shanghai and Wuhan in Hubei Province.

Located in the central axis of Beijing at Qianmen Street, the three-story building features eight zones, including The Spirit of China, Leaders, Sports, Music, Film and Television.



### THIS WEEK ECONOMY

#### **PMI Rises**

Growth in China's manufacturing sector continued to accelerate in May, rising to the highest level this year and adding to signs of a stabilizing economy, official data showed on June 1.

The purchasing managers' index (PMI) increased to 50.8 in May, up from 50.4 in April, according to data released by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP).

The reading, which inched further above the 50-point level marking monthly expansion in factory activity, indicated a pickup in China's manufacturing sector and the economy as a whole.

This is the third consecutive monthly uptick in the widely watched data. The index, seen as one of the key indicators of economic performance, began to climb in March after three consecutive months of decline.

Zhang Ligun, a researcher at the

Development Research Center of the State Council, pointed to the improving data as an indication that "the economy is continuing to stabilize, and this trend is becoming evident."

China's non-manufacturing activity further expanded in May, with the sector's PMI rising to 55.5 from 54.8 in April, according to data released by NBS and CFI P on June 3.

The non-manufacturing PMI tracks activity in sectors including construction, software, aviation, railway transport and real estate.

The rise marks the second straight month of improvement, following a 0.3-percentage-point rebound in April and a decline in March. In January, the index hit its lowest level in more than a year at 53.4.

Business activity in the real estate sector remained lackluster. The sub-index for the property sector still fell below the boom-bust line of 50, with its business outlook sub-index down for three months straight.



# FRONTIER LANDSCAPE

A tourist takes photographs of the picturesque scenery in Namtso, Tibet Autonomous Region, which will enter peak tourism season in June

# Boosting Efficiency In an effort to improve government

In an effort to improve government efficiency, the State Council's executive meeting decided on June 4 to abolish or delegate 52 items of administrative procedures previously subject to the State Council's review.

These administrative procedures, as part of the 200 items that Premier Li Keqiang proposed cutting this year in his annual work report to the legislature, will streamline the administration for investors and business startups, create job opportunities and ensure that favorable policies make full use of innovation in the market, according to a statement released after the meeting.

For example, applications for preferential tax rates for small and micro-sized companies and businesses offering job opportunities to laid-off workers will be streamlined to simplify tax reduction procedures.

The government will continue to reduce the number of items subject to government approval before starting a business and release details about those items to the public for supervision, the statement said.

#### Supporting Xinjiang

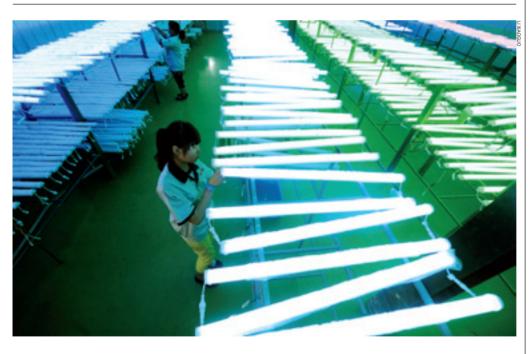
The National Development and Reform Commission (NDRC) said on June 4 that it will work to implement a variety of support policies in employment, education and poverty reduction for northwest China's Xinjiang Uygur Autonomous Region.

In the short term, the NDRC will focus on promoting economic and social development and improving quality of life in southern Xinjiang, which has difficult geographical conditions and experiences lower standards of living.

It will also speed up the building of major transportation, water conservation and agricultural infrastructure.

The NDRC's statement came as part of follow-up moves to major decisions made at the Second Central Work Conference on Xinjiang, a two-day meeting which came to a close on May 29.

To better implement the decisions of the meeting, the NDRC will deepen reform of the administrative approval mechanism, increase the efficiency of the approval process, and create a



# **Technological Innovation**

A worker tests light emitting diode tubes at Xufeng Optoelectronics Technology Co. Ltd. in Bazhou, Hebei Province. In recent years, Bazhou has vigorously carried out a strategy of independent innovation and revitalizing the city through science and technology. By 2013, a total of 419 patent applications had been filed by enterprises and individuals in Bazhou, with 327 of them having been approved, ranking third and first among cities in Hebei, respectively.



## **Embracing the Harvest**

Farmers harvest wheat in Yuanyang County, central China's Henan Province.

As of June 2, roughly one third of the wheat across Henan has already been reaped, with harvesters completing most of the labor.

favorable investment environment.

It will also optimize the allocation of Xinjiang-supporting funds and enhance supervision and inspection over how policies aimed at boosting Xinjiang development are carried out.

#### Non-Stop Flight

Air China has begun offering non-stop flights between Beijing and Washington, D.C. four times a week from June 10 in the latest move to expand its network in the United States.

The flight, operated with Boeing 777-300ER aircraft, is scheduled to leave Beijing at 1:00 p.m. (Beijing time) and arrive at 2:35 p.m. (Washington time) on the same day. The return flight is expected to depart at 4:35 p.m. and arrive at Beijing Capital International Airport at 6:15 p.m. the next day.

The flight number for the Beijing-Washington service will be CA817/818.

# OPEN TO TRAFFIC

The Gaolan-Badong section of the 172.65-km Yichang-Badong Expressway in central China's Hubei Province, is put into use on June 1



The United States is a popular travel destination for increasingly affluent Chinese tourists. China is expected to be the top tourist source market for the United States in 2018 with the number of visiting Chinese hitting 4.7 million, according to predictions from the U.S. official tourism and marketing organization Brand USA.

#### Offshore Gold Trading

Offshore gold contracts denominated in yuan will be traded in the China (Shanghai) Pilot Free Trade Zone (FTZ) later this year, top officials of the Shanghai Gold Exchange (SGE) said on June 4.

The People's Bank of China, the central bank, in May gave the green light for setting up an "international board" for gold trading at the Shanghai FTZ.

SGE officials indicated that the plan to accept offshore yuan-denominated

investments will speed up the Chinese currency's internationalization process and make the Chinese bullion market more accessible to overseas investors.

SGE is the world's largest physical gold exchange and handles most of the gold transactions that take place in China.

The central bank statement indicated that the various categories of gold being traded at the SGE will also be made available on the international board.

SGE officials said that most of the preparations are in place and the bourse remained confident of starting trading at the FTZ by the end of the year.

They also said that registration of the Shanghai Gold International Exchange, technical preparations and recruitment of international members will be completed by the end of the third quarter.

#### **Financial Reform**

The government of south China's Guangdong Province said on June 4 that it will deepen financial reforms and encourage more private capital into the financial market.

Social capital and provincial enterprises will be supported in participating in the capital increase, as well as share expansion and restructuring of such local financial institutions as rural and urban commercial banks or rural credit cooperatives, said a document issued by the Guangdong Provincial Government.

The province plans to push forward integrated and innovative development of financing, science and technology and manufacturing.

Financial services for small businesses will be improved and innovative online financing will be promoted, the document added.

By the end of 2013, the added value of the financial industry had accounted for 6.1 percent of Guangdong's GDP, said Liu Wentong, head of the financial work office of the provincial government.

That is forecast to reach 9 percent for Guangdong in 2020, said Liu.

Guangdong, a forerunner of China's reform and opening-up policies more than 30 years ago, has vowed to further reforms in order to maintain its important role in the country's economy.

# THIS WEEK WORLD





#### **IRAN**

Pedestrians walk amid sandstorm that engulfed Tehran on June 2. At least four people were killed and dozens were injured



#### COLOMBIA

A woman braids a traditional Afro-Colombian hairstyle during an Afro-hairdressers' contest on June 1, in Cali, western Colombia







#### **INDIA**

A villager prays over the carcass of an elephant after it was electrocuted in a cornfield near the Mahananda Wildlife Sanctuary, 15 km from Siliguri, on June 1. Villagers had erected electric fencing to protect their crops





#### **KYRGYZSTAN**

John Millard (left), Commander of the Manas Transit Center, hands a symbolic key to a Kyrgyz representative during a ceremony marking its shutdown on June 3. The U.S. Air Force base near Bishkek had been the main military transit point to Afghanistan for 12 years









#### **SYRIA**

Supporters celebrate the re-election of President Bashar al-Assad in Damascus on June 4. Assad won his third seven-year term in the first multi-candidate presidential election in Syria's modern history



#### **FRANCE**

Demonstrators hold a giant EU flag in a rally against the French far-right party Front National in front of the European Parliament in Strasbourg on May 29 following the party's victory in France's European parliamentary elections

### THIS WEEK PEOPLE & POINTS

#### $\Psi$

#### **ACTRESS HONORED**



**Yao Chen**, an award-winning actress starring in some of China's biggest romantic comedies from the past five years, has been listed as one of the World's 100 Most Powerful Women by *Forbes* magazine this year. The 34-year-old star has used her profile to draw attention to troubling social and environmental issues in China. Her microblogging account had more than 69 million followers as of June 4.

As a microblogger aware of her huge reach and impact, Yao has used the platform to draw attention to issues like pollution, food contamination and human trafficking. Last June she was named a UN Refugee Agency Goodwill Ambassador, China's first, to help spread an understanding of refugee issues in the Chinese-speaking world.

#### Restart Telecom Reform Caijing Magazine June 2

Since 1999, China's telecom sector has experienced a complete reorganization and reshuffling four times, creating far more profits and providing more benefit to society than any other monopolized sector in the country.

Now China's telecom market is in need of a new round of reform. Compared with previous reforms, this reform is to be conducted against the background of a new technological revolution. Telecom giants that are at risk of being marginalized have also demonstrated their desire for a reform.



However, these achievements are not sufficient to cope with the arrival of the new era. The application and use of new mobile technologies, products and services depend on telecom networks, and this is forcing the government and telecom companies to give up more and more monopolized resources.

For years, it has been anticipated that a unified supervisory and monitory institution overseeing the related government departments would be set up. Monopoly remains in the sector and the reform on state-owned enterprise is not yet complete. However, as long as these crucial hurdles can be surmounted, the reform will be effective and thorough.



# Common Challenge Oriental Outlook May 29

In May 2014, UN Secretary General Ban Ki-moon visited Shanghai and Beijing and also attended the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA). In an interview with *Oriental Outlook*, Ban answered a series of questions on a number of topics ranging from CICA and climate change to sustainable development.

He said that the Asia-Pacific region is a vibrant land, full of possibilities. Despite differences and conflicts from time to time, there is still a bright prospect for common prosperity among all of the countries in this region. An important objective of the CICA is to strengthen preventive actions and thus avoid conflicts. He acknowledged that some conflicts exist among Asian countries. However, he stated as long as all sides stand ready to conduct dialogues sincerely, it's more than possible to solve all of these issues.

He went on to say that though the UN is only an observing organization of the CICA, it has always insisted that conflicts should be solved through peaceful means, and dialogues and trust should be strengthened to promote development.

Ban said that climate change is a key part of his tour in China. China is expected to play a leading role in coping with climate change. He observed that China has suffered much hardship owing to climate change and

"Critics of the arts try too hard to meet the entertainment needs of the audience. This approach has already proved harmful in the past."

**Zhong Chengxiang**. Chairman of the newly founded Association of Chinese Critics

"Contemporary art is becoming more and more popular among young Chinese collectors. There is great potential as contemporary art becomes more affordable for young collectors."

**Evelyn Lin**, head of contemporary Asian art at Sotheby's, at the preview of an auction in Beijing on June 1



natural disasters. He stated that nature is emitting signals toward us: the Earth is ill. If we do not pay more attention to this issue, it will not be curable. He elaborated that the Earth is our home and also the home of all future generations and that we must try to make this planet a pleasant place to live while maintaining sustainable development.

He said that the UN Climate Change Conference will take place this coming September, and by then, it will be a platform for all participating countries to share their experience in coping with climate change and explore the possible directions of further actions in the future. This will be a summit committed to producing solutions to climate change.

# HIV/AIDS Tests Changjiang Daily June 4

Recently, provincial health and education authorities in central China's Henan Province jointly issued a notice, demanding that new college freshmen undergo HIV tests. The intention is to publicize facts about HIV prevention and educate new students, and the tests will be involuntary and confidential.

The move of the province is quite questionable. Schools are populous places, and the task of publicizing HIV prevention there is not only an important, but also an arduous, one. However, if the aim of HIV tests is to compile crucial information and then impose surveillance on HIV carriers, leading

to invisible isolation, it's unacceptable. This initiative may be welcomed by some students, as it will monitor their well-being, but the laws are to protect people's basic social rights even if they are HIV carriers. It's not a game where the minority should follow the majority.

If the HIV virus were to spread rampantly, and was impossible to control, then compulsory isolation would necessarily have to be imposed, and the relevant tests and surveillance would be reasonable. However, this is not the current case. There are already many ways to protect people's safety while ensuring HIV carriers can live a normal life. On this precondition, they have the legitimate right to mingle with others in their social lives and this right requires safeguarding.

SNACK ENTREPRENEUR



Adil Memettur, a young Uygur man from northwest China's Xinjiang Uygur Autonomous Region, has turned a traditional Uygur cake into a booming online business with plans for a brick-and-mortar store after recently receiving free office space from a microenterprise incubator program.

Adil, 23, started selling the popular Uygur snack *qiegao*, a dense nougat made from nuts, candied fruits, and malt syrup, online with the help from his two classmates, both of Han ethnicity, at the end of 2012. By doing this, Adil hopes to popularize his hometown's confection.

"Teenagers'—especially girls'—ability to protect themselves is sadly lacking in a society that tends to think of itself as sexually conservative. Reports of sex crimes are on the rise. If girls were properly educated about sexual assault, a large number of these crimes would never occur."

**Ye Xingtong**, a journalist and a volunteer from the Girls' Protection Project under the China Social Assistance Foundation

"I really enjoyed taking part in the film. I am honored to be part of such a splendid production, especially since the Transformers were among my favorite cartoon characters when I was a kid."

Professional boxer **Zou Shiming**, confirming his guest appearance in the upcoming science fiction action film *Transformers: Age of Extinction* 

**COVER STORY** 

# A SEA OF STORMS

Viet Nam's provocative actions not only disrespect China's sovereignty, but also jeopardize order in the region By Ding Ying



he situation in the South China Sea suddenly became extremely tense with the escalation of territorial disputes between China and Viet Nam triggered by Viet Nam's harassment of Chinese oil-drilling operations in China's territorial waters.

Observers warn that Viet Nam's provocative behavior is caused by both domestic elements as well as external support. They advise Viet Nam to stop stirring up trouble and return to rational dialogue before further damage is done to bilateral and regional relationships.

#### **Groundless accusations**

Viet Nam has been disrupting oil-drilling activities in China's offshore waters since May 2 in spite of China's dissuasion and warning. Hanoi accused China of illegally placing the oil rig HD-981 inside Viet Nam's territory.

In late May, anti-China riots erupted in Viet Nam. Chinese businesses and nationals were attacked and burned. At least 20 people were killed in the riots.

On June 4, a Vietnamese ship approached the oil rig and disrupted operations. A Chinese coast guard vessel fired water cannons at the vessel. The two boats later collided though no injuries were reported.

"The Vietnamese Government should take full responsibility for the casualties and damages," said Chen Qinghong, a researcher on Southeast Asian studies with the China Institutes of Contemporary International Relations (CICIR). He pointed out that disputes stirred up by Viet Nam in May in the South China Sea had damaged China's sovereignty and jurisdiction, jeopardized the friendly China-Viet Nam relationship as well as regional stability.



"The exploration and drilling activities around the rig have been performed in waters under China's administration," said Chen. According to the researcher, the drilling site of the oil rig is only 17 nautical miles away from China's Zhongjian Island, a part of the Xisha Islands, which means China owns the rights to exploration and management of the waters as per the UN Convention on the Law of the Sea. Plus, China has been carrying out exploration and drilling activities in waters off the Xisha Islands for more than 10 years.

Besides, Chen recalled that China's sovereignty and jurisdiction can be traced back to over 1,800 years ago. In 1958, Viet Nam officially recognized China's sovereignty over the Xisha Islands and the Nansha Islands in the South China Sea.

Teng Jianqun, a researcher with the China Institute of International Studies, stressed that as the Xisha Islands are under China's administration, it's China's legal right to conduct exploration and drilling at the site. He pointed out that the Vietnamese Government has an inescapable responsibility for the escalation of regional tensions.

#### **Lingering tensions**

Observers believe that recent tensions between China and Viet Nam go beyond simple territorial disputes.

The Vietnamese Government tried to shift attention from domestic dissatisfaction, government corruption and its economic downturn to China, said Chen from the CICIR.

Sun Xiaoying, an expert on Southeast Asian studies with the Guangxi Academy of Social Sciences, pointed out that Vietnamese Prime Minister Nguyen Tan Dung has been involved in corruption cases for the last two years at least. By provoking territorial disputes with China and fanning up nationalist sentiment, the prime minister has succeeded in diverting domestic focus away from his corruption issue. "The Vietnamese Government has stirred up the country's nationalism to the extreme. They must be aware that the nationalist fever can easily get out of control, which will make the damage hard to recover," warned Sun.

Moreover, Sun reminded that Dung has been warming relations with Washington since taking office in 2006. Under his leadership, the U.S.-Vietnamese joint military drill has become a regular event. Dung recently declared Viet Nam has "evidence" and is "waiting for the right time" to take legal action.

Chen pointed out that Viet Nam attempted to seize the opportunity of Washington's "pivot to Asia," intending to stir up disputes in the South China Sea, and promote its interests with U.S. support.

Washington and Tokyo have publicly sup-▶▶

ported Viet Nam at the recent Shangri-La Dialogue in Singapore.

U.S. Defense Secretary Chuck Hagel accused China of "destabilizing" the South China Sea. "Japan offers its utmost support for the efforts of ASEAN countries, as they work to ensure the security of the seas and the skies, and thoroughly maintain freedom of navigation and freedom of flight," said Shinzo Abe, Japanese Prime Minister.

The stance of Washington and Tokyo is "unacceptable" and "unimaginable," said Wang Guanzhong, Deputy Chief of the General Staff of the People's Liberation Army, who was the highest-ranking military official in the Chinese delegation at the Asia-Pacific security forum. Wang stressed, "China has never taken the first step in provoking trouble. China has only been forced to respond to the provocative actions of other parties."

China demanded Viet Nam 'withdraw its vessels and personnel immediately" from waters near the Chinese oil-drilling site in the South China Sea on June 3. "The Vietnamese are raising tensions in Chinese waters, a violation of international law and the basic rules of international relations," Foreign Ministry spokesman Hong Lei said that day in Beijing.

Hong said China has consistently asked Viet Nam to stop its use of force against the regular operations of China's oil drilling platform in waters close to the Xisha Islands and to stop infringing on China's sovereignty, rights and

**SURVEILLANCE OVER WATERS: A** Chinese ocean surveillance ship departs from Yongxing Island, the largest of the Xisha Islands, for a patrol mission on March 10, 2013

interests as well as jurisdiction.

Li Guogiang, a researcher on China's neighborhood studies with the Chinese Academy of Social Sciences, pointed out the riots and attacks against foreign enterprises not only damaged China-Viet Nam relations, but also hurt Viet Nam's economic interests.

The economic relationship between

China and Viet Nam has become valuable. China has been Viet Nam's top trade partner during recent 10 years. According to statistics from Viet Nam, bilateral trade reached \$50.2 billion in 2013, about 15 percent of Viet Nam's total foreign trade. According to Chinese data, the trade volume of last vear was \$65.48 billion, about 24.85 percent of Viet Nam's total. Over 7.57 million foreigners visited Viet Nam last year, about a quarter of whom were Chinese, By March 2013, China had invested over \$7.6 billion in Viet Nam. According to a joint statement issued on October 15, 2013, during Chinese Premier Li Keqiang's visit, the two neighbors agreed to increase bilateral trade to \$100 billion in 2017.

Chen brought up the fact that China and Viet Nam signed an agreement in 2011, promising to advance maritime cooperation in less sensitive fields, seek steady progress in negotiations regarding the maritime demarcation of the bay mouth of Beibu Gulf and discuss the joint development of the sea area. In 2013, the two countries pledged to

set up a working group to explore the joint development of disputed waters. "Obviously, Viet Nam has completely betrayed its commitments," said Chen.



dingying@bjreview.com

#### ◆)Truth About Xisha Islands

The Xisha Islands have been China's inherent territory since ancient times. China discovered the Xisha Islands when they explored in the South China Sea during the Han Dynasty (206 B.C.- A.D. 220). Historical documents prove that the Chinese had fished and traded around the Xisha Islands during the Song (960-1279), Yuan (1271-1368), Ming (1368-1644) and Qing (1644-1911) dynasties, which serves as proof of China's right to jurisdiction over the area.

During the Song Dynasty, the imperial court organized a naval squad, whose regular

patrols in the South China Sea established China's jurisdiction over the Xisha Islands. During the Yuan Dynasty, an observatory was set up on the Xisha Islands. Afterward, the Ming and Qing dynasties both put the South China Sea islands and its adjacent waters under their jurisdiction, and since then it has become a common practice for China's naval forces to make inspection tours for coastal defense and exercise sovereignty over them. China has continued exercising its sovereignty over the Xisha Islands since the founding of the People's Republic of China in 1949.

Viet Nam had no argument against China's sovereignty over the islands until the mid-1970s. In 1956, Vice Minister Dung Van Khiem of the Democratic Republic of Viet Nam admitted that "according to Vietnamese data, the Xisha and Nansha Islands are historically part of Chinese territory." In September 1958, Vietnamese Premier Pham Van Dong recognized China's sovereignty over the Xisha Islands and the Nansha Islands in the South China Sea in a diplomatic note to Chinese Premier Zhou Enlai.

(Source: China Daily)



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# A NO-WIN SITUATION

#### Viet Nam should not let maritime disputes hurt relations with China By Lei Xiaohua



The author is an assistant researcher with the Institute of Southeast Asian Studies, Guangxi Academy of Social Sciences

he Xisha Islands in the South China Sea should not be a point of contention as Viet Nam recognized China's sovereignty over the islands in a 1958 diplomatic note to the Chinese Government. Disputes surfaced several weeks ago, however, when Vietnamese ships harassed a Chinese oil company operating in waters off Zhongjian Island, one of the Xisha Islands. Soon, anti-China demonstrations broke out in Viet Nam, escalating into violent riots against Chinese and other foreign companies, in which four Chinese citizens were killed and more than 100 others were injured.

These recent developments have led to reflections on why serious conflicts have occurred despite agreements between the two countries on settling maritime disputes peacefully, and how they should manage their relations in the future.

#### Causes of the conflict

The tensions came as a surprise to many scholars and observers. But they did not emerge purely by chance; instead, they resulted from the aggravation of Viet Nam's domestic problems over the years, coupled with evolving international politics.

Given the impact of the global financial crisis, Viet Nam's economy is under mounting downward pressure. High unemployment and a growing wealth divide have fueled public discontent with the government. A few people use the maritime clashes as a pretext to instigate protests in order to vent their dissatisfaction.

Also, human rights and pro-democracy groups both in and outside Viet Nam colluded to instigate anti-China riots by capitalizing on Vietnamese patriotism. Anti-China protests first broke out outside Viet Nam's borders, with some of the protesters being anti-government activists in exile. While the real target of the protests might have been the Vietnamese Government, Chinese companies and people in Viet Nam became the primary victims.

In addition, the protests showed Vietnamese people's mixed feelings toward foreign enterprises. Foreign businesses have poured into Viet Nam and thrived in the country under its reform and opening-up policy. The Vietnamese public, however, continues to hold a love-and-hate attitude toward these companies.

What complicates matters is that views on Viet Nam's relations with China vary greatly among Vietnamese leaders. While the pro-China camp underlines the importance of friendly ties, a few senior leaders represented by Prime Minister Nguyen Tan Dung cling to the realistic dogma of putting national interest above everything else—a position that appeals to nationalists and young people. Small wonder then that the prime minister made remarks and gestures that directly led to the Vietnamese Government's inefficient handling of the anti-China riots.

Externally, influence of the United States should not be underestimated. With geopolitical interests around the globe, the United States feels obliged to play a leading role on the international stage. China's rise, however, has evoked fear among many in the United States, who perceive the emerging power as a threat. In response, Washington has claimed that it is ready to address China's "provocation" with its "pivot-to-Asia" strategy. The United States

has leveled criticism at China on the latter's disputes with neighboring countries in the East China Sea and the South China Sea. It has also strengthened relations with its allies and supported their claims in the disputes in an attempt to advance its own interests in the Asia-Pacific region.

Though Viet Nam is not an U.S. ally, Washington's support for Japan and the Philippines have emboldened Hanoi. In the belief that the United States will back its claims and actions, Viet Nam has resorted to brinkmanship by adopting an increasingly tough and provocative stance toward China. In its opinion, China, which is focused on realizing its goal of national renewal, will not use force against Viet Nam in the South China Sea in the next decade. Viet Nam therefore feels an urge to make the most of this period to solidify its interests in the region.

Moreover, as a U.S. ally, Japan has fanned the flames in China-Viet Nam disputes. While engaging in a fierce contest with China over the sovereignty over the Diaoyu Islands in the East China Sea, Japan has offered encouragement and assistance to incite countries embroiled in territorial disputes with China in the South China Sea to stir up new trouble.

#### The way forward

The anti-China riots abated after China exerted pressure on the Vietnamese Government. At sea, however, Viet Nam continues to harass the Chinese company by forcefully intruding the warning area around the Chinese oil rig. While Chinese and Vietnamese ships continue to clash as Viet Nam seeks to assert its self-perceived "sovereignty," chances for the conflicts to escalate again are slim. This is because Viet Nam will not able to win this asymmetric "battle," nor can it afford to prolong it.

The deterioration of China-Viet Nam rela-



tions and open conflicts between them are detrimental to both countries. The anti-China riots jeopardized Viet Nam's international credibility and image as an investment destination. The Vietnamese Government's failure to protect foreign investors will prompt prospective investors to reassess Viet Nam's investment climate and social stability, posing a challenge to the country's efforts to attract further foreign investment. The riots also dealt a blow to Viet Nam's ailing economy as 60,000 workers lost their jobs in Binh Duong Province in the aftermath. Also, they brought to light strategic disagreements among the Vietnamese leadership, pushing the Vietnamese Government to the brink of a public relations crisis.

The riots had disastrous consequences for China as well. They inflicted losses of life and property on Chinese companies, thus dampening their confidence in investing in Viet Nam. They also set a negative precedent for other countries involved in disputes over the South China Sea. The Philippines, for instance, sent a complicated message when it openly expressed concerns that the Filipinos may follow in the footsteps of the Vietnamese.

The door to diplomatic negotiations between China and Viet Nam remains open. The problem is whether Viet Nam is willing to return to the negotiating table. Viet Nam knows that it has little room for maneuvering in negotiations. On May 22, Dung proposed to resolve disputes over territorial waters with China by legal means for the first time. He said that Viet Nam was considering various "defense options" against China, including legal actions. If Viet Nam turns to international law, the already strained bilateral ties will become even tenser. The bilateral trade relationship will also suffer.

China's position on maritime disputes is clear. It will never waver in its efforts to protect national interests in the East China Sea and the South China Sea. At the same time, it is committed to resolving disputes through negotiations. In the face of unilateral provocations, it will not be daunted, but will react reasonably, effectively and with self-restraint to defend its interests. It will also take measures to prevent tensions from spinning out of control, preserve existing consensus and safeguard regional stability and order.

The economies of China and Viet Nam

have yet to become highly integrated as their trade and economic cooperation are still at the low end of the value chain. Moreover, despite frequent youth exchanges and close cultural cooperation, the two countries have yet to forge a special relationship culturally. Viet Nam not only allows anti-China rhetoric to prevail in society but also deliberately portrays China as an aggressive power that lords itself over weak countries. As a result, young people in Viet Nam hardly identify with China.

In a nutshell, economic and cultural ties between China and Viet Nam are not strong enough to convince them that negotiations are the premium option to settle disputes. Against this backdrop, China needs to improve dispute settlement mechanisms while making bilateral agreements more binding and workable. In the long term, however, enhancing economic interdependence and building cultural rapport provide the most viable solution.

yanwei@bjreview.com



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