



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.



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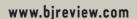
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#### 经水质温

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**EDITOR'S DESK** 

# An Exemplary Partnership

Is it possible for a country to be a U.S. ally and a valued partner of China at the same time? Consider the Republic of Korea (ROK). At a time when Japan and the Philippines have seen their relations with China hit record lows, the ROK's ties with its giant neighbor are thriving.

During Chinese President Xi Jinping's recent visit to Seoul, the two countries signed 12 agreements and confirmed more than 90 joint programs covering 23 areas. These substantive outcomes show that being a U.S. ally does not necessarily entail alienation from China.

China-South Korea cooperation has expanded rapidly in the past two decades. Their trade volume has exceeded South Korea's trade volume with the United States and Japan combined. In addition to this extraordinary economic interdependence, bilateral cultural exchanges have gained momentum—as evidenced by the popularity of South Korean TV dramas in China and the increasing number of students and tourists pouring into each other's countries. Moreover, China and South Korea share the goal of a nuclear-free Korean Peninsula and have worked in concert to promote regional security.

Geographical and cultural proximity, of course, have contributed to the flourishing partnership between China and South Korea. More importantly, the two countries have ostensibly discarded the Cold War mentality that pitted China against the United States and its allies. South Korea's military alliance

with the United States has barely affected its relationship with China, nor is there much hype among critics in China about South Korea colluding with the United States to counterbalance the rising power. This mutual trust is remarkable given the fact that China and South Korea fought on opposite sides during the Korean War (1950-53) and did not establish diplomatic relations until 1992.

The China-South Korea relationship also is a testament to China's peaceful and cooperative foreign policy at work in its neighborhood. China is committed to forging amicable, mutually beneficial relations with all neighboring countries, regardless of their political and social systems. South Korea, a beneficiary of this policy, appears ready to reciprocate by joining hands with China to upgrade bilateral ties and confront security challenges in East Asia and beyond.

By contrast, Japan and the Philippines have fueled regional tensions as they leverage U.S. influence to gain an upper hand in their territorial disputes with China. This approach, reminiscent of the Cold War-era containment strategy, may result in their further estrangement from China.

Against the backdrop of the U.S. pivot to Asia, the question of how to deal with growing U.S. influence in China's neighborhood has become a pressing issue. Rejecting unipolar and bi-polar perspectives in quest of win-win results—a principle that is central to the China-ROK relationship—may provide a solution to the dilemmas of traditional power politics.

WRITETOUS



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# **CATCH ME IF YOU CAN**

Children watch a lion dance during the 48th Smithsonian Folklife Festival in Washington, D.C. on July 6.

The two-week event ended that day after approximately 1 million visitors experienced and enjoyed the living traditions of the world's most populous country. Some 120 Chinese folk artists, including musicians, dancers and craftspeople, displayed how the Chinese are working to preserve and adapt their traditional culture.

The festival, first held in 1967, celebrates the diversity of the world's cultural traditions.

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# Wildlife Growth

Red deer in a nature reserve in Tibet Autonomous Region. According to a government-supported survey released on July 4, the wildlife population of Tibet has risen significantly during the last two decades.

The survey, conducted in the Qamdo Prefecture in east Tibet, found that there had been a steady growth of fauna diversity. For example, the number of red deer has risen to over 900 from about 700 in Riwoche Red Deer Nature Reserve.

Tibetan authorities have been increasing efforts to stop poaching and illegal trading of wildlife.

# Sample Census

China will conduct its fourth 1-percent national sample census next year, covering a population of about 14 million, according to the General Office of the State Council.

The census, which will start on November 1, 2015, will cover about 60,000 residential areas nationwide, said a circular issued by the office on July 7.

Census takers will survey residents' basic information such as name, gender, age, ethnic group, educational level, profession, migration status, social security, marriage, childbirth and housing conditions.

"Data collected in the new sample census will help identify changes in the number, quality, structure, layout and housing conditions of the country's population since the country conducted its last national census in 2010," the circular said.

China, the world's most populous country, has so far carried out six national censuses since 1949.

The Chinese Government first supplemented its thorough national censuses with a sample census of 1 percent of the population in 1987, with another two being conducted in 1995 and 2005.

According to the sixth census, China's population totaled 1.37 billion as of November 1, 2010.

# **Fewer Primary Schools**

China had 266,300 primary and junior high schools at the end of last year, 15,500 less than the previous year, according to the Ministry of Education.

The reduction was mainly due to closure of primary schools, which was down by 15,100. With urbanization, rural schools have been restructured or merged since 2002 to make better use of resources.

#### MAGIC WORLD

Visitors take a close look at a robot that can solve a Rubik's cube at the China International Robot Exhibition held in Shanghai on July 9



There were 12.77 million rural children attending primary and junior high schools in cities where their parents work, and another 21.26 million in rural hometowns.

The number of private schools and institutions grew slightly to 149,000, with more than 40 million students. The number of kindergartens also increased by 17,300.

China has compulsory free education for all children: generally six years of primary school and three years of junior high school.

## Migrant Childbirth

About 95 percent of migrant mothers in China had their children delivered in a hospital in 2012, according to a report issued by the National Health and Family Planning Commission on July 5.

The commission estimated that the number of married migrant women of childbearing age topped 63 million in that year.

About 70 percent of migrant mothers chose to deliver their children in the area where they were working and living, the report said.

To help this most under-privileged group, China provides in-hospital delivery subsidies for rural women, a program that has made a significant contribution to reducing maternal deaths and neonatal tetanus.

According to China's official statistics, its migrant population hit 236 million in 2012, meaning there was one migrant citizen per six Chinese citizens.

#### **Vaccination Standards**

China's national vaccine supervision system has met or passed all the standard requirements of the World Health Organization (WHO), according to a WHO announcement on July 4.

The WHO stipulates only countries with an approved national vaccine regulatory system can receive WHO accreditation and have their vaccines added to the WHO international vaccine purchase list.

Countries that make it through an initial assessment undergo a second inspection after three years. China passed the initial WHO evaluation in March 2011, and passed the second in October 2013.

China has a mature vaccine regulatory system with supervision reinforced continuously, the WHO announcement said

Zhang Yong, chief of the China Food and Drug Administration, said that China will fulfill its duty as a WHO member in disease prevention and control.

#### Anti-Terror Letter

A total of 354 representatives for entrepreneurs and staff belonging to minority ethnic groups in northwest China's Xinjiang Uygur Autonomous Region have published an open letter denouncing terrorism.

"The terrorists' criminal acts have wronged us and made us unable to operate at ease," said the letter, titled Lofty Obligations and Responsibilities Along the Glorious Silk Road—a Letter to Fellow Uygurs.

The letter, which was posted on July 7, came after a series of deadly terrorist attacks in Xinjiang's capital city Urumqi, as well as in Kunming in southwest China's Yunnan Province and Beijing in 2013 and earlier this year.

"How can we let terrorists push
Uygur identity, with its glorious culture,
into darkness?" said the letter, which was
released at a press conference in Urumqi.

# Genome Sequencing

The first batch of qualified genomesequencing tools for prenatal checks was approved by the China Food and Drug Administration (CFDA) on July 7.

In a bid to regulate the industry, the agency in February called a halt to all genome sequencing in clinical practice

"I believe evil can never prevail over good. As long as we unite as one and fight against the terrorists decisively, our enterprises are bound to grow stronger."

Shewket Ablet, Chairman of Xinjiang Xueke Leather Co. Ltd.





# **Melodic Festivities**

Horse riders sing songs at the opening of a Nadam fair held in Xilin Gol League, Inner Mongolia, on July 9.

*Nadam*, meaning entertainment in the Mongolian language, is a traditional festival during which local Mongol people hold competitions in Mongolian wrestling, horse racing, camel racing and archery.

and said that related appliances, reagents and medical-use software must be registered with the CFDA.

It also said that clinical practices must be approved by the National Health and Family Planning Commission.

Many medical professionals have welcomed the CFDA's recent decision.

"Genome sequencing in prenatal checks can identify 99 percent of all Down's syndrome cases," said Duan Tao, President of Shanghai First Maternity and Infant Hospital. "It also reduces the need for invasive practices such as amniocentesis."

Li Ruzhi with the Obstetrics and Gynecology Hospital of Fudan University, however, said that while genome sequencing is an effective diagnostic tool for diseases caused by chromosome variation it is not effective in identifying diseases related to gene mutation.

Only people with positive results in primary screening or those with a risk of miscarriage as a result of undergoing amniocentesis should be put forward for genome sequencing, according to Li.

# **Judicial Reform**

Judges hear a case in Fangchenggang City, Guangxi Zhuang Autonomous Region, on June 19.

The Supreme People's Court, China's highest judicial body, published a guideline on July 9 outlining reforms in the country's court system over the next five years, underlining efforts to ensure independent trials.

The reform will be focused on efforts to remove deep-rooted problems affecting the capability and fairness of the country's judicial system, and to ensure the courts exercise their judicial power in a legal, independent and just manner, according to the document.



# THIS WEEK ECONOMY

# **Extending Foreign Aid**

China has exchanged experiences and explored practical cooperation with international organizations in its foreign aid in an increasingly open-minded manner, said a white paper on China's foreign aid released on July 10.

From 2010 to 2012, China contributed a total of 1.76 billion yuan (\$281.78 million) to assistance programs initiated by multilateral organizations, including the United Nations Development Program, the World Bank, the International Monetary Fund and the World Health Organization, according to the white paper released by the Information Office of the State Council.

The funds were used to fight AIDS, tuberculosis and malaria, and to support other developing countries in poverty reduction, food security, trade development, crisis prevention and reconstruction, population development, maternal and child health care, disease prevention and control, education, and environmental protection.

Meanwhile, the country has strengthened cooperation with regional financial institutions such as the Asian Development Bank, the African Development Bank and the Caribbean Development Bank to channel more capital into the fields of infrastructure, environmental protection, education and health care in developing countries.

By 2012, China had donated a total of \$1.3 billion to these regional financial institutions.

# **Trade Gaining Steam**

China's exports in June increased 7.2 percent year on year to \$186.8 billion, as the country's foreign trade continued its warming trend, customs data showed on July 10.

Imports went up 5.5 percent to \$155.2 billion and total foreign trade volume increased 6.4 percent to \$342 billion, the General Administration of Customs said. Trade balance realized a surplus of \$31.6 billion in June.

The combined foreign trade



# TRADITIONAL HANDICRAFT

Villagers make woolen yarn from wool in Xigaze, Tibet Autonomous Region volume in the first half of this year saw a year-on-year growth of 1.2 percent to \$2.02 trillion.

Exports increased 0.9 percent and imports went up 1.5 percent in the first half, while the trade surplus stood at \$102.87 hillion.

#### Inflation Fases

The consumer price index (CPI), a main gauge of inflation, softened to a 2.3 percent year-on-year growth in June, triggering concerns of broader monetary policy easing.

The growth was in line with previous market forecasts that the CPI in June would take a further dip compared the previous month's figures. NBS data also showed the CPI grew 2.3 percent year on year in the first half.

"The lower inflation rate in June was mainly because of lesser impact from the carryover effects from last year, and fewer new factors for price gains compared to May," said Yu Qiumei, a senior NBS statistician.

China's producer price index for industrial products, which measures inflation at the wholesale level, fell 1.1 percent year on year in June, according to the NBS.

The data marked the 28th consecutive month of drops, but the pace has narrowed from the 1.4-percent fall in May, 2 percent in April and 2.3 percent in March.

The trend indicates some "positive changes" in the industrial market, said Yu.

## **New Delisting Rules**

China's securities watchdog on July 4 released a draft of proposed changes to the delisting regime for companies listed in Shanghai and Shenzhen.

The new rules allow more voluntary delisting and introduce a mandatory delisting mechanism for companies that have broken the law, according to the China Securities Regulatory Commission (CSRC).

Delisting was introduced into China's Company Law in 1993. The revised Securities Law in 2005 granted bourses the right to delist. Before this, this right belonged solely to the CSRC.

A total of 78 listed companies have been delisted so far, but few willingly, said CSRC spokesman Deng Ge.



# Clean Energy

Xiluodu Hydropower Station commences the first flood discharge of this year since entering the flood season on July 8.

Put into full operation on June 30, the world's third largest hydropower station has an installed capacity of 13.86 million kilowatt, which can generate 57.12 billion kwh of electricity every year.



# **Water Planting**

Farmers have managed to grow vegetables on the surfaces of fish ponds in Shuanglong Village of Bishan District, southwest China's Chongqing Municipality.

Since soilless cultivation was first incorporated with fish breeding in May 2010 in Chongqing, farmers have earned 520 million yuan (\$84 million) in profit.

The draft follows a May initiative by the State Council to improve the capital market, and will help to complete the basic functions of a capital market, Deng said.

#### **Double Remedies**

The Ministry of Commerce (MOFCOM) said it welcomes the ruling of the World Trade Organization (WTO), which found that the United States' failure to avoid double remedies in its punitive measures against certain Chinese products was against WTO rules.

MOFCOM spokesman, Yao Jian, said the ruling was consistent with China's standpoint, according to a statement released on July 9 on the ministry's website.

The WTO's Appellate Body's report, issued on July 7, rejected the appeal requested by the United States and upheld most of China's claims.

The report found that the United States failed to make duty adjustments to avoid double remedies in 25 countervailing and anti-dumping investigations

#### IN PLAIN SIGHT

Visitors stand before a private plane manufactured by a Gansu-based enterprise at the 20th China Lanzhou Investment and Trade Fair on July 6



against China in 2006 and 2012, which was inconsistent with WTO rules.

Yao urged the United States to cancel any countervailing measures targeting Chinese products imported to the United States before GPX legislation was enacted in 2012.

The GPX legislation authorizes the U.S. Department of Commerce to impose countervailing duties on goods from "non-market economy" countries and allows the application of a retroactive period starting from November 20, 2006.

# Railway Fund

The Chinese Government on July 8 unveiled a guideline on the management of a fledgling railway development fund to attract private investment into the railway sector.

The China Railway Development Fund of the China Railway Corp. (CRC), will last for 15 to 20 years and could be extended if approved by the State Council, according to the guideline jointly compiled by the National Development and Reform Commission, the Ministry of Finance and the Ministry of Transport.

The announcement of the guideline came after Sheng Guangzu, CRC General Manager, said in April this year that China will increase railway fixedasset investment to 720 billion yuan (\$117 billion) in 2014.

According to a five-year plan from 2011 to 2015, 230,000 km of new railway lines will be built in central and western regions, with an investment of 1.85 trillion yuan (\$296.19 billion).

As the guideline pointed out, the new fund will serve as a market entity for railway investment and financing. The CRC will represent government investment and be responsible for the daily management of the fund.

The fund must invest at least 70 percent of its capital in railway projects approved by the state, while the rest can be invested in business projects such as land development for higher returns.

# Fair Competition

The State Council on June 8 unveiled guidelines to "promote fair market competition" and "safeguard normal market order."

The guideline is intended to enable the market to play a decisive role, bolster the government's role in allocating resources, and to address the problems of "incomplete market system, excessive government intervention and insufficient regulation," said the State Council quideline.

To achieve this goal, the State Council first urged a relaxation of market access, saying the government should not restrict any market access unless the investment activities are forbidden by law or harm the interests of a third party, the public interest or affect national security.

According to the guideline, market regulation will be strengthened and monopolies and unfair competition will be harshly penalized.

The State Council aims to establish a market regulatory system featuring sophisticated mechanisms and clearly defined rules and regulations by the end of 2020.

# THIS WEEK WORLD





Smoke and flames are seen billowing in the sky following an air strike in the southern Gaza Strip city of Rafah on July 8 after Israeli Defense Forces launched air strikes to halt rocket attacks on south Israel from the Hamas-controlled coastal enclave



Kim Jong Un, North Korea's top leader, visits the Kumsusan Palace of the Sun in Pyongyang, the final resting place of the country's former leaders, on July 8, which marks the 20th anniversary of the death of his grandfather Kim II Sung







A dog surfs with its owner in Kanagawa-ken, on July 6, as a growing number of surfing enthusiasts have begun taking their pets along for the ride





# YEMEN

Children from Amran Province gather on the street outside the presidential palace in Sanaa on July 8, seeking shelter after fleeing from fierce fighting between army and Shiite rebels

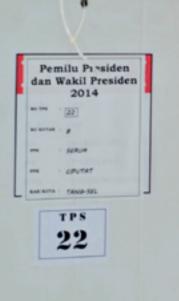






# **FRANCE**

A model showcases a new fashion design by the brand On Aura Tout Vu at a show in Paris on July 7







# **INDONESIA**

A woman casts her vote at a polling station in Tangerang on July 9 for the presidential election between Joko Widodo, Governor of Jakarta, and Prabowo Subianto, an ex-army general

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# THIS WEEK PEOPLE & POINTS

# FORMER PREMIER PUBLISHES MEMOIR

Former Premier **Li Peng** released an autobiography that has become a national bestseller. The book recounts Li's life and career from his birth in 1928 to 1983 when he was named vice premier. The tome contains 16 chapters with 480,000 characters and more than 130 photos.

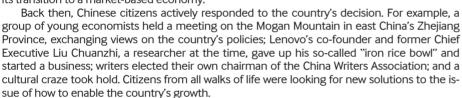
Li worked in the power industry after graduating from the Moscow Power Institute in 1955. He served as Chinese premier in 1987-98. He retired in 2003 after completing a five-year tenure as chairman of the Standing Committee of the National People's Congress, China's top legislature.

In the book, Li, the son of Li Shuoxun, an early leader of the Communist Party of China who was killed in 1931, also recalls his interactions with the founders of the People's Republic such as Mao Zedong and Zhou Enlai. It clears up, too, a long-circulated rumor that he was Zhou's adopted son. One chapter of the book is dedicated entirely to Li's marriage and family.

In its preface, Li said that he will write another memoir drawing on his experiences from 1983 through to the present day.

# Decades Later, a Fateful Decision China Newsweek June 30

Since 1984, when China made the decision to expand its reform program from rural to urban areas at the Third Plenary Session of the 12th Central Committee of the Communist Party of China, the country has accelerated its transition to a market-based economy.



Today, 30 years later, China is showing more respect for individual rights and has blended into the greater international society, becoming the second largest economy in the world. The young economists who once held discussions on the Mogan Mountain have become the country's decision makers; entrepreneurs who founded companies have achieved worldwide fame; and literature, too, has paid more attention to the individual and the human condition.

Faced in 2014 with choices as stark as three decades ago, China will still choose reform, this time expanded from the economy to an all-round transformation. Perhaps there are lessons from 1984 that can inspire and promote innovation for the next round of reforms.



# Where Is the Baby Boom?

#### Caixin Magazine June 23

China's stance on family planning was softened half a year ago, allowing a couple to have a second child if either of them is their family's sole offspring.

The strict family-planning policy, in place for over 30 years, has had a visible impact on society and the economy. Facing a continually decreasing fertility rate and working-age population, the government expects this new policy to stimulate the total number of childbirths in the country. It also intends to guard against a possible massive birthrate rebound in a short period of time. In order to avoid a 21st century baby boom, local family-planning departments are continuing to use strict approval procedures to control the speed of second births and trying to persuade qualified couples to delay conceiving a second child.

However, a review of the new policy's implementation across China shows that people's willingness to have a second baby has not been as eager as expected. Instead, challenges have emerged from a large number of as-yet-undefined rights, such as those couples who meet the requirements of the new policy but have already given birth to a second child, and thus face huge fines; unwed mothers whose children are unable to obtain permanent household registra-

"You need to book the services of senior yuesao (nannies who specialize in newborn and maternal care following childbirth) at least three months in advance."

**Li Jielu**, General Manager of Beijing Ainong Homemaking Service Co., a cleaning service and baby care provider, on July 8 "We urgently need to cultivate counter-terrorism specialists to improve our preventive and terror-fighting capabilities."

**Cheng Lin**, President of the People's Public Security University of China, explaining the university's new move to invite overseas counter-terrorism experts to serve as visiting professors to help train anti-terror personnel, on July 9



tions; and parents who have lost their only child, asking for compensation from the government. Though these families, who are unable to benefit from the new policy, have different appeals, they have one thing in common: demanding equal reproductive rights.

In the past 30 years, the Chinese Government has taken strict measures, including charging high fines for parents violating the family-planning rules and denying their children the right to permanent household registration, in order to control population numbers. As new reforms unfold, the once infallible family-planning policy is being reexamined by the whole of society. Except for those benefiting from the new policy, though, can other groups' demands for relaxation of the childbirth guidelines be satisfied?

# Time to Fight Fire With Fire

# **Changjiang Daily** July 8

Within just minutes, the destinies of those riding a bus in the downtown area of Hangzhou, capital of east China's Zhejiang Province, on July 5 were irreparably changed when the vehicle caught fire. Thirty-two people inside were injured, 24 among them critically.

Police investigations found that the 34-year-old man responsible for the fire lit flammable liquid and poured it on the bus. His motives remain unclear. He is among those severely injured and is being treated at a local hospital. Though there have been no reported deaths, the injured are destined to suffer huge physical and psychological tolls

for the rest of their lives, particularly those suffering serious burns.

A bus arson represents a willful challenge to public security. It is uncertain when and where such a tragedy could occur again. So long as commuters and the public rely on buses, everyone may be a potential victim.

Unlike the subway and planes, which employ strict security measures, a bus driver cannot prevent flammables and explosives from coming on board. However, were bus security measures tightened, these tragedies might occur less frequently. The bus design itself also needs to be upgraded by adding more escape hatches and installing an emergency exit in order to increase the speed of evacuation if or when a fire breaks out.

It is of the utmost importance, too, that the motives of criminals behind bus arsons are carefully studied and treatment measures are put into place to prevent a similar tragedy from taking place in the future.

#### $(\Psi)$

#### COACH SPLITS WITH TOP TENNIS PLAYER

Argentinean coach **Carlos Rodriguez** recently split with his top student Li Na, China's two-time Grand Slam winner.

Rodriguez, who for 15 years coached Belgian seven-time Grand Slam title winner Justine Henin, was hired by Li in August 2012. He helped Li claim her second Grand Slam title at the Australian Open earlier this year.



Some of Li's fans attributed the breakup to her recent lackluster performance at the Wimbledon Championships and the French Open, where she crashed in the first round. However, Ding Ding, President of Potter's Wheel International Tennis Center, the academy where the 49-year-old coach works, said Rodriguez's decision was not about Li's inconsistent performance but his growing sense of responsibility for guiding the academy's operations.

"Over the past few years, the quantity and competence of Chinese staff working at the UN have indeed improved significantly. However, this number is still very small compared with China's financial contribution to the organization's annual budget."

**Lu Yulin**, an official in charge of international cooperation at the Ministry of Human Resources and Social Security, revealing China's plan to invest more in training highcaliber professionals for working at the UN, on July 7 "Today, our sales team in Hong Kong is supporting these Chinese businesses. We are of course exploring ways that we can provide even more support in the future."

**Debbie Frost**, a spokeswoman for Facebook, said on July 5 in an e-mailed statement regarding reports that say the company has leased space in Beijing to open a China office



# FORESEEABLE PROGRESS

Chinese president's trip to South Korea produces encouraging results By Yu Lintao



**DRIVING DIPLOMACY:** 

Visiting Chinese President Xi Jinping and President of the Republic of Korea Park Geun Hye meet the press after their talks in Seoul on July 3

> held talks in Beijing, and pledged to boost cooperation and issued a joint statement along with an action plan to enhance their strategic partnership.

Through their latest meeting, observers said, the two presidents have ushered in a new era in bilateral relations featuring "comprehensive upgrading" and "strengthened political and economic ties." Agreements reached include deals for the launch of a renminbi clearing service in Seoul, greater political and security cooperation, and expanded people-to-people exchanges.

Xi's latest visit further enriched the two countries' strategic cooperative partnership and pointed the way to future development of bilateral ties, said Yang Xiyu, a senior researcher with the China Institute of International Studies (CIIS).

South Korean scholars shared similar views. In interviews with China's Xinhua News Agency, Kim Han Kwon, Director of the Center for China Studies at the Asian Institute for Policy Studies in South Korea, said Xi's visit has bolstered the two country's cooperation in such fields as security, economy and culture.

"It is a boost not only to the political trust between leaders of the two countries, but also to the friendship between the two peoples. It has put a new driving force behind the future development of relations between South Korea and China," added Kim.

Ha Young Ae, a professor at Kyung Hee University, said Xi's visit has won the confidence of the South Korean public in the development of ties between the two countries. Ha told Xinhua that she would encourage her students to carry forward the South Korea-China friendship and shoulder the heavy responsibility of Asia's peaceful rejuvenation.

hile China and the Republic of Korea (ROK) relations have been in a state of close economic ties, the two countries are now moving to forge stronger political ties as well—as evidenced by Chinese President Xi Jinping's Seoul tour in early July. His visit helped to map out a clearer course for the future of bilateral relations and showed China's commit-

#### **Deepening mutual trust**

ment to regional stability in the Peninsula.

President Xi's first trip as Chinese President to the Korean Peninsula was also his first overseas trip exclusively to one country. The dedicated nature of President Xi's trip to the ROK demonstrates the high importance that China attaches to China-South Korea relations, said Gao Fei, a professor on international studies at the Beijing-based China Foreign Affairs University (CFAU). "Since diplomatic relations were established in 1992, bilateral ties have undergone positive and upward development, making big steps forward every five years or so," he said.

Gao added that Xi's Seoul tour could be seen as a reciprocation for South Korean President Park Geun Hye's state visit to China in June 2013.

Park's China trip last year put an end to Seoul's annual diplomatic routine of visiting Tokyo ahead of Beijing,

During Park's visit, the two heads of state

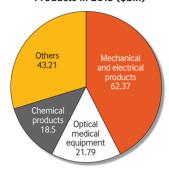
#### Reinvigorating economic ties

Xis trip has been an impetus for major progress in the China-South Korea free trade agreement (FTA) negotiations. During the visit, Xi and Park agreed to try to conclude FTA negotiations by the end of this year.

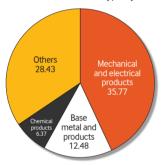
The FTA talk was launched in May 2012 with a goal of reaching a comprehensive, balanced and high-level FTA. The 12th round of talks is scheduled for later this month in South Korea.

After more than two decades of rapid development, bilateral economic and trade ▶▶

#### South Korea's Exports to China by Products in 2013 (\$bln)



South Korea's Imports From China by Products in 2013 (\$bIn)



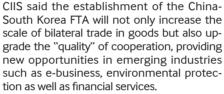
(Source: Ministry of Commerce of China)

relations have matured and both countries are now in search of new opportunities. China is now South Korea's largest trading partner, largest market for exports, largest source of imports, and largest destination for overseas investment. South Korea, in turn, was China's third-largest trading partner and fifth-largest source of foreign investment in 2013. Statistics from China's General Administration of Customs show that China's two-way trade with South Korea totaled \$274.25 billion last year, indicating an annual increase of 7 percent. The figure equates to South Korea's trade volume with the United States and Japan combined. The leaders of the two countries have also promised to raise that figure to \$300 billion by 2015.

The FTA, when finalized, is expected to help the two countries improve the mutual complementarity of their markets and strengthen the foundation for regional economic integration. The FTA negotiation is said to be one of the three major negotiations this year which will, to some extent, determine whether bilateral trade will reach

the promised \$300 billion next year. South Korea would thereby reinforce its position in the Chinese market and pave the way for China to set up FTAs with other world players.

Yang of the



Joining Xi's trip were over 250 Chinese entrepreneurs from the manufacturing, finance and IT sectors. Among them were Jack Ma, Executive Chairman of Alibaba Group, Ren Zhengfei, President of Huawei Technologies, and Li Yanhong, Board Chairman of search engine Baidu. The entrepreneurs have had their eye on potential business opportunities in the country which may arise once the bilateral FTA is established.

In addition, Yang said the FTA could also serve as an institutional support for bilateral economic ties. Moreover, the move will set a good example for the free trade framework of Northeast Asia. China, Japan and South Korea had agreed to set up a trilateral FTA, but due to certain issues—mainly concerning Japan—the trilateral FTA came to a deadlock.

"The China-South Korea FTA may kickstart the trilateral FTA talks, especially given the current chaotic state of political and security matters in the region," said Yang.

Professor Gao of the CFAU echoed Yang's remarks, adding that the China-South Korea FTA could even lay the groundwork for the Regional Comprehensive Economic Partnership (RCEP).

Comprising 10 ASEAN member nations as well as China, South Korea, Japan, India, Australia and New Zealand, the RCEP aims to integrate all of ASEAN's existing FTAs into one system. Upon its completion, it would



(Source: Ministry of Commerce of China)

account for over 30 percent of the world's GDP and cover about 45 percent of the global population.

Wei Zhijiang, a professor of South Korean studies with Zhongshan University in south China, said the FTA will bring concrete benefits to the peoples of both countries. "Once the FTA is established, South Koreans will have access to much cheaper agricultural products from the Chinese mainland while Chinese people will be able to purchase cheaper cars produced by Hyundai," he said.

Another tangible result of the visit was a memorandum of understanding between the two central banks on renminbi clearing in Seoul—a development that will push forward direct trading of the yuan with the won, the South Korean currency. The move would eliminate the need to exchange either currency into U.S. dollars when settling accounts, and it is believed that it would save transaction fees and hedge against foreign exchange volatility. In addition, China will grant an 80 billion yuan (\$13 billion) quota of investment to South Korea under the Renminbi Qualified Foreign Institutional Investors (RQFII) program. Launched in 2011, the RQFII program allows foreign investors to invest in Chinese onshore stock and bond markets with offshore renminhi-

Observers said the new deal will also encourage the use of renminbi by banks and businesses in international transactions. Seoul's bid to become an offshore center for the renminbi has enjoyed increasing international popularity, backed by China's rapidly stabilizing economy.

"The direct trading of the yuan against the won would not only reduce the trans-



action costs for enterprises from the two countries, but could also be helpful for promoting the internationalization of the two currencies," Wei said.

In the last year, the world's second largest economy has reached agreements with Germany, Britain, France and Luxembourg to open local renminbi trading hubs, as the Chinese currency has been increasingly used in global trade and investment. The Chinese currency rose to become the seventh most used payment currency globally earlier this year. RMB payments grew by 29 percent month-on-month in March with a market share of 1.62 percent, up from 1.42 percent in February, according to global transaction service firm SWIFT.

Professor Gao noted that setting up a renminbi clearing hub in Seoul is a significant step for China-South Korea financial cooperation.

"Unlike establishing a renminbi trading center in London or Luxembourg, China and South Korea enjoy much closer trade relations and a large bilateral trade volume—their financial cooperation is thus strongly supported by real economies," said Gao. The new move is both helpful for promoting the economic status of South Korea worldwide and conducive for the internationalization of the renminbi. he added.

## **Promoting regional security**

During Xi's visit, the two leaders reached important consensus on the Korean Peninsula issue, pledging that the two countries are firmly committed to pushing for a nuclear-free Peninsula, maintaining peace and stability in the region, as well as promoting the Korean Peninsula denuclearization process and facilitating resumption of the six-party talks.

In their meetings, President Xi responded positively to Park's proposal of a "Korean Peninsula trust-building process" and voiced his support for the improvement of relations between North Korea and South Korea to realize reconciliation and cooperation and ultimately achieve independent peaceful reunification.

Xi also pointed out that all sides should be treated in a balanced way to guide the nuclear issue into a sustainable, irreversible and effective settlement process.

Gao said the consensus has demonstrated the increasing mutual trust between the two countries over the highly sensitive Korean nuclear issue.

Naturally, China and South Korea are major stakeholders in the Korean Peninsula issue, as it concerns the core interests of both countries. Moreover, a nuclear-free and peaceful Korean Peninsula is crucial for all countries in the wider Asia-Pacific region.

Observers also claimed the latest mutual visits by Park and Xi show that both leaders have broken with the traditional mindset that has inhibited their bilateral relations. They attempted to eliminate the external factors limiting China-South Korea cooperation. Xi's Seoul trip even put an end to an unspoken diplomatic routine wherein China would first visit Pyongyang before moving on to Seoul.

In the meantime, observers noted that as Beijing and Seoul draw closer, Pyongyang has become more active in negotiations with Tokyo over the issue of its past abductions of Japanese nationals. The two sides had a meeting in Beijing on July 1. On July 3, Japanese Prime Minister Shinzo Abe announced that Japan would partially lift its sanctions imposed on Pyongyang.

In recent years, due to the rightward shift in Japanese politics, its attitude toward its war past has drawn criticism from both China and South Korea, the two major victims of Japan's war crimes. Most recently, despite pronounced international concern, Abe has gutted Japan's pacifist Constitution in order to allow Japanese forces to fight abroad. Given Abe's unrepentant historical attitude, the move poses a grave menace to regional stability.

During their meeting, Xi and Park expressed worries about Japan's continued historical revisionism and its attempt to expand the right to self-defense.

In addition, Anbound Consulting, an independent think tank in Beijing, claimed that Japan is also concerned about the China-South Korea FTA. Japan, which is currently engaging in the Trans-Pacific Partnership (TPP) negotiations, worries the China-South Korea FTA will have an impact on the TPP—an agreement that intends to enhance trade and investment among a host of countries but which, notably, does not include China and South Korea.

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