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# BEUNGREVIEW

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# BURGERGATE

A Shanghai food supplier's back-door practices are brought to light





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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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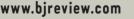
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**NATION** Anti-corruption efforts prove



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# **EDITOR'S DESK**

此亦周报

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# Food Scandal Intolerable

On July 20, the public was appalled as a disturbing scene aired over the nightly TV news broadcast and on the Internet: Workers reprocessing long-expired meat into products at Shanghai Husi Food Co. Ltd., owned by the U.S.-based OSI Group, were caught redhanded by undercover reporters.

It was later revealed that the company had forged production dates on at least 4,300 cases of smoked beef patties. The dates were altered to January 2014 from May 2013. Among them, more than 3,000 cases—each weighing 7.2 kg—had already been sold. More tainted food from the company was sent out to be sampled.

As Husi supplied products to many fast food brands, the food safety scandal has had repercussions across the country. Many brands—including McDonald's, KFC, Pizza Hut and Starbucks—have involuntarily and unwittingly been tangled up in this incident.

Since the report aired, the U.S.-based OSI Group has withdrawn all products made by Shanghai Husi from the market. Sheldon Lavin, Chief Executive of the OSI Group, issued a formal apology and admitted that what had happened was "terribly wrong." The group said it is conducting a thorough internal investigation and will take swift and decisive action against those responsible.

Chinese consumers have long held a fondness for and trust in foreign names, due in part to the frequency of food safety scandals that have rocked the nation in recent years. Multinational food companies have taken advantage of this trust and made a fortune. This favorable reputation, however, does not excuse negligence in ensuring the safety of their products.

Food safety is a vitally important issue that concerns both public health and people's livelihoods. Government departments should strictly supervise the safety control at food-based enterprises and at every step along the supply chain. More stringent legislation on food safety standards should also be put into place, as the current law and regulations are not effective enough in promoting safe practices, enforcing truly punitive penalties, and effectively deterring offenders. If the punishments for wrongdoers in the field of food safety were more severe, violators might be more wary of the consequences before taking risks.

Besides vowing a thorough investigation and punishments for the misconduct. the OSI Group said it would invest 10 million yuan (\$1.62 million) into a three-year food safety education campaign in China and establish an Asia Quality Control Center. Apparently, the group does not want to lose the huge Chinese market, but reclaiming the respect and trust of local customers might be a long uphill battle.

WRITETOUS



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# **DANCE DRILL**

Armed police officers learn an ethnic dance from volunteers in Hefei, east China's Anhui Province, on July 30, as part of this year's Army Day celebrations. Army Day, which marks the founding of the People's Liberation Army (PLA), the principal body of China's armed forces, on August 1, 1927, is observed by the PLA as well as the country's armed police force.



# Lake Expansion

The area of Qinghai Lake, China's largest salt lake located in Qinghai Province, has expanded by 124 square km in the past four years, according to the latest survey.

The area of the lake was 4,373 square km during the dry season in a satellite survey carried out between the end of May and early June.

The lake is approaching its record size of 4477.53 square km recorded in 1974. Since 2005, It has fluctuated in size but kept increasing.

#### **IP Protection**

China's State Intellectual Property Office (SIPO) on July 29 announced that it has issued a guideline to boost intellectual property protection.

The guideline on deepening implementation of the state intellectual property strategy and strengthening and improving management on intellectual property lays out the road to set up an efficient administrative management system on intellectual property by 2020.

It requires stepping up law enforcement to safeguard market order. Service innovations are encouraged to provide better intellectual property services to the public.

The guideline was jointly issued by the SIPO and seven other organizations, including the Ministry of Education, the Ministry of Science and Technology and the Ministry of Industry and Information Technology.

#### No GM Rice

Chinese authorities have vowed to take a zero-tolerance stance on the illegal selling and growing of genetically modified (GM) crops days after the media exposure of GM rice on sale at a supermarket in central China.

"The ministry will punish any companies or individuals who illegally grow or sell GM grains," said a statement sent to Xinhua News Agency on July 29 by the office in charge of GM food safety with the Ministry of Agriculture (MOA).

The ministry has ordered all provincial agricultural authorities to strengthen oversight and fight illegal production and sale of seeds for GM crops, according to the statement.

Chen Xiaohua, Vice Minister of the MOA, said earlier this year that China would continue to take an "active and cautious" policy toward GM crops and had set no timetable on the commercial production of GM products.

#### **NEW ID**

Qiao Zonglian, 84, shows her QR code card in Dingxiang community of Hefei, Anhui Province, on July 29. Dingxiang community in Hefei gave out the first batch of personal QR code cards to people over 80 years old. The card can provide the holder's basic information if they get lost



#### Official Auditing

Chinese authorities will focus on environmental protection, science and technology innovation and improvement of people's livelihood when evaluating the performance of officials, a circular published on July 27 said.

According to the document, which was jointly issued by the country's auditing, state-owned asset, and human resources and social security authorities and the Communist Party of China's disciplinary inspection and organization departments, economic responsibility audits of Chinese officials will put the quality and sustainability of economic and social development under the spotlight.

It will also focus on the social, economic and environmental benefits of officials' decision-making and administrative activities, it said.

The audit, first launched in 1999 in China, covers government and Party officials and legal representatives of state-owned enterprises. The results of the auditing will be used as references in performance evaluation, promotion, and the rewarding and punishment of officials.

#### University Transparency

The Ministry of Education (MOE) on July 29 released a circular calling for timely information disclosure following a series of scandals in college admissions and other areas.

The circular designated 50 areas where 75 MOE-affiliated universities must give transparent information to the public, such as admission of recommended candidates for college admission, public bidding for infrastructure construction and university leaders' off-campus posts.

All the universities affiliated to the MOE are required to post the specified information on university websites within 20 days of any event taking place.

The circular comes after a series of scandals, including bribe-taking in college admissions, that have made the public doubt the ethics of higher-education institutions.

#### Hukou Reform

China plans to help an estimated 100

million people without urban ID records settle in towns and cities by 2020, the State Council, China's cabinet, said on July 30.

It issued a circular aimed at accelerating reform of the nation's household registration, or *hukou* system.

The document said the government will remove the limits on *hukou* registration in townships and small cities, relax restrictions in mediumsized cities, and set qualifications for registration in big cities.

At a press conference on that day, Vice Public Security Minister Huang Ming said differentiated approaches will be applied in the *hukou* system, based on the size and population of a city.

Medium-sized cities with a population between 1 million-3 million will have a low threshold, while megacities with more than 5 million residents will try to strictly control the influx of new citizens.

People wishing to settle in megacities like Beijing and Shanghai will have to qualify through a "points system" based on their seniority in employment, their accommodation and social security, according to Huang.

#### **Court Defaulters**

More than 20 percent of people who had defaulted on court fines fulfilled their obligations after punitive measures were introduced, according to the Supreme People's Court (SPC) on Julu 25.

Defaulters have faced travel, financial and employment restrictions after an online database that debuted last October enabled the public to check

"Anyone who has legal residence can register for permanent residence, even temporary tenants."

Vice Public Security Minister Huang Ming





### Festival's End

Muslims perform the Eid al-Fitr prayer in Yinchuan, Ningxia Hui Autonomous Region, on July 29. Muslims across the country celebrated Eid al-Fitr on the day, marking the end of the month of Ramadan.

their names, according to an SPC statement released after a national meeting on court orders held in southeast China's Fujian Province.

Defaulters will be banned from flying and traveling in upper-class sleeper train compartments as well as from taking positions as legal representatives, board members, board of supervisors members and senior executives of a company.

SPC figures showed that 203,000

defaulters were submitted to the list by courts across the country by July 23, and the online database has been visited more than 10 million times since it was launched on October 24.

The database is currently shared with more than 20 financial institutions, including state-owned banks, so they can punish parties in lawsuits who fail to pay damages by freezing bank account funds or declining loan or credit card requests.

# Thirsty Land

A farmer in Henan Province sits beside farmland that cannot be sown with crop seeds due to a shortage of water on July 23.

Persistent drought in north China's Inner Mongolia Autonomous Region and central China's Henan Province has scorched rivers and reservoirs, causing power and water shut-offs and drinking water shortages.

Some 150,000 hectares of farmland and 16.4 million hectares of pastures have been affected in the worst drought to hit the area in three years. About 1.34 million heads of cattle also lack drinking water and the drought has caused direct economic losses of 229 million yuan (\$37 million).



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# THIS WEEK ECONOMY

#### **Banking Liberalization**

The establishment of three private banks, including Webank by Internet giant Tencent, has been approved by regulatory authorities as it steps up financial reforms and opens up the banking sector.

Shang Fulin, Chairman of the China Banking Regulatory Commission (CBRC), announced the move on July 25 and said that the purpose of the reform is "to provide efficient and diversified financial services to the real economy."

Webank, located in Shenzhen, south China's Guangdong Province, will have two other main co-founders, Shenzhen Baiyeyuan Investment Co. and Shenzhen Liye Group, according to the commission.

The bank will mainly serve individual customers and small and micro businesses.

The other two banks are located in the eastern city of Wenzhou in Zhejiang Province and the northern municipality of Tianjin, said the CBRC.

Chint Group and Huafon Group are co-founders of the bank in Wenzhou, which targets local small and micro companies, individual businesses and residents, as well as clients in rural areas.

The bank in Tianjin, with Huabei Group and Maigou (Tianjin) Group as co-founders, will mainly engage in corporate banking services.

Experts said that the authorization will increase competition in the banking sector and improve financial services to the country's weak links such as agriculture and small businesses.

The CBRC said in March that China will set up five private banks on a trial basis. Each of the banks will be cosponsored by at least two private capital providers.



#### SIGNS OF LOVE

A flower vendor in Yinchuan, Ningxia Hui Autonomous Region, prepares a bouquet before the Double Seventh Festival, also known as the Chinese Valentine's Day, which falls on August 2 for this year

### Continued Surplus

China's current account surplus reached \$72.2 billion in the second quarter, the State Administration of Foreign Exchange said on July 30.

The goods trade surplus hit \$109 billion, but the service trade posted a deficit of \$29.6 billion.

A surplus of capital and financial accounts totaled \$36.9 billion in the April-June period. Net inflows of direct investment amounted to \$40.3 billion.

Due to the surpluses, China's international reserve assets increased by \$35.3 billion.

Among the assets, foreign exchange reserve assets (excluding the influence of exchange rates and prices) rose by \$35.7 billion. Special drawing rights and the reserve position in the International Monetary Fund saw a drop of \$300 million.

For the first half year, the current account surplus was \$79.3 billion while the capital and financial account stood at \$81.5 billion, resulting in an increase of \$160.8 billion in international reserve assets.

The country has witnessed quarterly surpluses in both accounts—the current account and the capital and financial account—since the final quarter of 2012. This may add to appreciation pressure on the Chinese currency yuan and incur problems from international speculative capital inflow.

#### Industrial Plan

China has issued its first development plan for the geographic information industry, according to an announcement from the National Administration of Surveying, Mapping and Geoinformation on July 27.

China sees the geoinformation industry as a new source of economic growth and plans to have established a comprehensive industry system with independent intellectual property rights by 2020.

Focus will be placed on developing remote sensing services as well as manufacturing surveying and mapping equipment and navigation systems, according to the newly released plan.

China's independently developed Beidou navigation satellite system



### Stimulus in Place

Swathes of high-rise buildings stand over the center of Ningbo, which eased home-buying restrictions on July 30.

Around 20 cities with high inventories have lifted or eased bans on ownership of more than one home, introduced in early 2011 as a tool to cool the property market.



# Vintage Architecture

Tourists walk through a winding corridor at the newly opened International Grape Exhibition Garden in Beijing's suburban Yanqing County on July 25.

The garden is an important site for the 11th International Conference on Grapevine Breeding and Genetics, which was held in Yanqing from July 29 to August 2.

achieved positioning accuracy within 1 meter in May and is expected to be applied in sailing, marine exploration and rescue, and maritime monitoring.

The Beidou navigation satellite industry alone will have an output value of 400 billion yuan (\$65 billion) by 2020, according to a geo-spatial information expert.

#### **Gold Discovery**

Geologists have discovered a large gold deposit worth a potential \$6.46 billion in northwest China's Xinjiang Uygur Autonomous Region, local officials said on July 29.

With at least 127 tons of proven reserves, it is the largest gold deposit ever discovered in resource-rich Xinjiang.

It is located in Uqar County, which borders Kyrgyzstan in west Xinjiang, according to the Xinjiang Regional Bureau of Geology and Mineral Exploration and Development.

#### **SKY HIGHWAY**

A bus runs on a highway in Saga County, Tibet Autonomous Region. The region's total highway length climbed from 21,800 km in 1994 to over 70,000 km in 2013



"It's expected the total reserves will exceed 200 tons," said Cui Hongbin, head of the exploration team.

The discovery will not only increase China's gold output, which totaled 211 tons in the first half of this year, but will also benefit local revenue and employment. Cui said.

#### Soaring Ambition

Trial production of the TA600 aircraft, intended to be the world's largest amphibious aircraft, has started in China following completion of the design process, a company executive said on July 27.

The aircraft, with a maximum takeoff weight of 53.5 tons and a maximum range of more than 5,000 km, is larger than a Boeing 737 and could be used for firefighting and air-sea rescue, said Fu Junxu, General Manager of the China Aviation Industry General Aircraft Co. Ltd.'s Zhuhai branch. China began developing the aircraft five years ago. Its maiden flight is expected to happen in late 2015, Fu said. "After a period of trial flights, the aircraft will be put onto the market," he added.

Upon completion, TA600 will replace Japan's ShinMaywa US-2 aircraft as the largest amphibious aircraft in the world.

#### Anti-Trust Probe

The State Administration for Industry and Commerce (SAIC) has launched an antimonopoly investigation into Microsoft Corp.'s business on the Chinese mainland, it confirmed on July 29.

According to a statement made by the SAIC, the investigation involves Microsoft China Co. Ltd., and three of its branches in Shanghai, Guangzhou in Guangdong Province and Chengdu in Sichuan Province. The administration said that the firm had not fully disclosed anti-competition information about its Windows operating system and Microsoft Office applications as required.

Inspectors are investigating a Microsoft vice president and several senior managers, and have made copies of the firm's financial statements and contracts, the SAIC said.

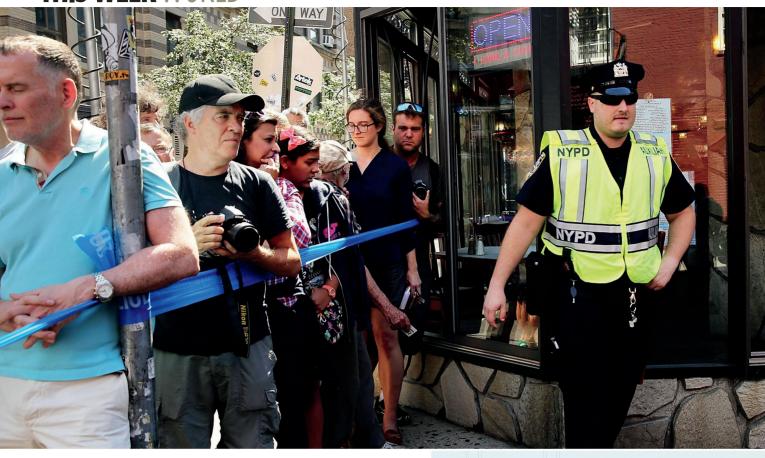
The administration has seized documents, e-mails and other data from Microsoft's computers and servers. It has not been able to complete its investigation because key personnel of Microsoft are not in China or cannot be contacted, according to the statement.

In June last year, the SAIC investigated complaints from enterprises that Microsoft had used tie-in sales and verification codes in its Windows operating system and Microsoft Office applications, causing software incompatibility issues.

Microsoft failed to fully disclose information as required by the SAIC about such complaints in its reports submitted to the regulator, and may have breached China's Anti-Monopoly Law, the statement said.

Under the law, companies or individuals should not abuse their market dominance to exclude or restrict competition and should be supervised by the public.

## **THIS WEEK** WORLD





#### THE UNITED STATES

People look on at a crime scene where two U.S. Marshals and one New York Police Department detective were shot on July 28 in the West Village of Manhattan, New York City



#### **EGYPT**

People gather around the blast site in Giza on the outskirts of Cairo on July 30. A bomb-laden car exploded in Giza that day, killing three suspected militants







#### **GERMANY**

Pianist Stefan Aaron hovers above the Munich airport Franz-Josef-Strauss in south Germany on July 23, playing a piano aboard an aluminum structure reminiscent of a flying carpet





#### THE PHILIPPINES

Newborn baby girl Jennalyn Sentino, who was designated the Philippines' "100 millionth baby," sleeps during a reception at a hospital in Manila on July 27









#### **MOROCCO**

Soldiers conduct a parachute jump on July 30 to mark the 15th anniversary of King Mohammed VI's accession to the Moroccan throne



#### **FRANCE**

A paleontology student poses on July 29 with a 34-cm long phalanx from a presumed 40-meter-long Sauropoda dinosaur he found four days prior during excavations in Angeac-Charente

# THIS WEEK PEOPLE & POINTS

#### HISTORY-MAKING CYCLIST

Despite finishing in 164th position, the last on the final list, 27-year-old Ji Cheng made history by becoming the first Chinese cyclist to ever complete the Tour de France, which ran luly 5-27 this year.

Ji is from Harbin in northeast China's Heilongjiang Province. He was disabled at the age of 8 due to a traffic accident, which fractured the base of his skull and left him partially paralyzed. With his mother's help, he learned to walk again. Ji practiced middle-distance running before shifting to cycling in 2002, eventually joining the Dutch Giant-Shimano team in 2007.

He finished 175th, in last position, at the 2012 Vuelta a Espana (Tour of Spain), though sickness prevented him from completing last year's Giro d'Italia (Tour of Italy).

Ji said he hopes to be a pioneer for his countrymen, but it will take more than just him to change the state of cycling in China.



#### Putting a Stop to Land Pollution Caixin Century Weekly **July 14**

According to China's Ministry of Environmental Protection (MEP), of all the soil samples obtained at testing sites, 19.4 percent are polluted, a sharp rise from the 10-percent pollution rate of the 1990s. This is undoubtedly bad news for China, whose per-capita arable land is only 40 percent of the world's average.

In April, the Ministry of Land and Resources in cooperation with the MEP enumerated three major ways polluted soil harms the country. First, it leads to the decline of grain output and quality, and most impor-

tantly, for those ingesting this produce over an extended period of time, long-term health concerns. Second, polluted soil in turn contaminates the surrounding environment and further affects human respiratory and physical health. Finally, polluted soil jeopardizes China's ecological environment.

The pollution of soil, particularly in arable land, is so terrible that work must begin now if there's any hope of repairing the damage done. However, the restoration of polluted arable land is a very difficult project both technically and financially. So far, there has not been a successful land reclamation project anywhere in the world that can be emulated.

The good news, however, is that earlier this year, the MEP passed an action plan on the prevention and treatment of soil pollution. Many detailed measures are mentioned in the plan to prevent soil pollution and move forward with land protection, which are designed to reverse the deterioration of soil pollution and bring contamination under effective control by 2020.



Current disputes regarding genetically modified (GM) food focus on the safety of such agricultural products. However, another equally important issue that is often overlooked is GM food-related intellectual property rights (IPR), and IPR-based business expansion.

Species across the globe should not be subject to anyone. Those modifying the genes of certain species and applying for patents, however, can now claim these species as their private property, forcing others to pay for access to them.

Traditional methods like hybrid technology are slow to bring profits, but GM technology is quick in producing new species. Pesticide-resistant genes found in bacteria can be transplanted into corn, beans, potatoes and many other crops, and in this way seed companies can apply for more than one patent. This in turn brings in long-term profits.

Since the 1990s, when GM crops were first allowed to be used for commercial purposes, pesticide resistance has been the focus of the majority of GM patent applications. Comparatively, other scientific



"Around 83 percent of Chinese doctors feel excessive pressure during work hours and more than 90 percent do not get enough sleep."

Lin Hua, a doctor with the Orthopedics Department of Nanjing Drum Tower Hospital, speaking about a survey conducted by several Chinese medical organizations, on July 30

"The next financial center might be in Asia, likely in China. China is becoming more important. In the past, Chinese students went overseas to pursue studies; now some international students choose to come to China to get in touch with the possible next center."

James Warner, Managing Director of Leadership and Talent Consulting at the China branch of Korn Ferry, a global executive search firm, on July 28



People's Daily
July 29
In the past decade or so, the number of dogs kept as pets has increased sharply across China. Now, people are raising dogs not just for their company, but also as part of a grow-

Humans or Dogs at

Fault?

kept as pets has increased sharply across China. Now, people are raising dogs not just for their company, but also as part of a growing trend in pet ownership. It is important to remember that dogs are not human beings—they require human care and training. Some dogs are dangerous by nature, and cannot control their basic impulses. Thus, if owners do not or cannot control them, these pets may pose a risk to others.

In cities, dogs live together with their masters in apartment buildings and share the community at large with other dogs.

It is not surprising that disputes related to dogs are happening more and more frequently. The major reason behind this is that many dog owners care only about their own rights, ignoring the effects their pets might have on others. Without the attention of owners, dogs pollute the urban environment and might even attack other dogs or people. Therefore, training a dog to make it safe is the responsibility of its owner.

The government, for its part, should strengthen management of dog ownership. The lack of control over incompetent owners is the first issue that must be fixed. Tens of millions of dogs are now living together with hundreds of millions of people. In order to make the overall situation more beneficial for both humans and dogs, governmental dog ownership management is absolutely necessary.

achievements in seed research are rarely seen. This is harmful to the overall biological science behind agriculture.

Worse still, as a result of the monopoly over seed research and its market, farmers will have to struggle against heavier economic pressures due to rising agricultural costs. They will someday find most of the natural seeds they are familiar with disappearing from the market, with only a few expensive GM species left in their place.

#### FORERUNNER IN PRIVATE ROCKET LAUNCH

**Hu Zhenyu**, founder and CEO of China's first private rocket-launching firm Link Space, has recently gained wide attention for his lofty goals.

The Shenzhen-based company aims to put a launch vehicle with a diameter of more than



3 meters into space by 2021. Its business plan also envisions point-to-point sub-orbital manned transportation, which would enable passengers to fly from Hong Kong to California in about 30 minutes.

The 21-year-old Hu successfully launched a sounding rocket to a height of 4 km in a desert in Inner Mongolia Autonomous Region in July last year, the first such rocket made by university students in China. He is from Jiujiang City, east China's Jiangxi Province, and graduated from the South China University of Technology in June.

Despite his ambitious plans, Hu's company is facing serious obstacles, such as inadequate funding and blurry government regulations regarding rocket launches by individuals or civil organizations.

"Job security and stability are still the reasons that college graduates favor state-owned enterprises (SOEs). However, private companies are becoming increasingly attractive to job seekers who have three to five years' experience".

**Zhao Zifeng**, Director of the human resources company ChinaHR.com's Research Institute, drawing on his institute's report that 36 percent of university students and recent graduates consider SOEs the best employers, on July 25

"Among many factors, the change in Chinese people's eating habits over the past few decades is taking its toll on people's health and contributing to increasing weight and obesity problems."

**Zhaoping Li**, professor of medicine and Director of the Center for Human Nutrition at the University of California, Los Angeles, in a recent interview with *China Daily* 



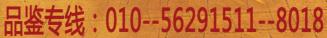






Chinese Yellow Tea

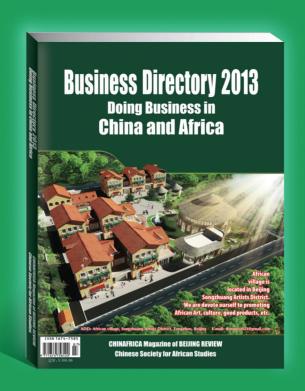
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**COVER STORY** 

# PULLING A FAST ONE

Food safety scandal involving Shanghai Husi Food invokes calls for stronger oversight By Wang Hairong



# ON FAST FOOD



n the morning of July 29, customers arriving at the McDonald's in the Ganjiakou area of Beijing's Haidian District were disappointed to find that the store served nothing more than drinks and taro, pineapple and potato pies.

"Chicken nuggets and hamburgers are not available," said a female clerk, pointing at prominent signs posted on every cash register on the check-out counter, which stated McDonald's commitment to food safety and said that availability of these products will be resumed as soon as possible.

On July 28, McDonald's announced that it had stopped purchasing products from all Husi food factories in China; on the evening of July 20, Shanghai-based Dragon TV aired a program exposing Shanghai Husi Food Co. Ltd. for using expired and substandard meat.

Eighteen tons of frozen chicken skin and breast that expired half a month ago were ground up, coated with layers of starch paste and fried into the chicken nuggets that would later be shipped and served at McDonald's restaurants.

Veal chops that expired seven months ago were repackaged, with the original expiration date prolonged for another year. Meat products of inferior quality were blended into and sold as regular products.

These images, along with others shot at Shanghai Husi Food Co. Ltd., have shocked Chinese consumers, especially those who frequent Western fast food chains.

Shanghai Husi was the main meat supplier for a number of big-name international fast food brands with strong presence in China. The scandal has dragged a number of them into the fray with it—including McDonald's, Pizza Hut, Kentucky Fried Chicken (KFC) and Burger King.

Western fast food chains are popular among Chinese consumers. China is the thirdlargest market by number of restaurants for McDonald's and the top market by revenue for Yum! Brands—which owns Pizza Hut and KFC, according to Xinhua News Agency. Yum! Brands, Inc. also announced that its KFC and Pizza Hut restaurants had stopped using meat supplied by OSI China Holding Co. Ltd. (OSI China), which is a subsidiary of OSI Group, a U.S.-based global food processor. In addition to Shanghai Husi Food Co. Ltd., OSI has a number of factories in other part of China such as Henan, Shandong, Hebei, Yunnan, Fujian and Guangdong provinces.

Undercover reporters from Dragon TV broke the story, which took them two and half months to capture on footage.

#### Responses

After the scandal was exposed, OSI China posted a statement from Sheldon Lavin, Chairman, CEO and owner of the OSI Group on its website. Lavin wrote, "What happened at Husi Shanghai is completely unacceptable. I will not try and defend it or explain it. It was terribly wrong, and I am appalled that it even happened in the company that I own."

He then apologized on behalf of Shanghai Husi Food and the OSI Group. "I sincerely apologize to all our customers in China. We will bear responsibility for these missteps, and will make sure that they never happen again. That is my commitment."

Lavin said that local Chinese authorities have inspected OSI Group's other facilities in China and have not found any issue.

On July 26, the OSI Group declared that it will withdraw all products manufactured by Shanghai Husi Food from the marketplace.

The multinational company said that it is "conducting a thorough internal investigation into any possible failures on the part of current and former senior management" and a new management team has been brought in to China to ensure that operations run effectively.

At 7:30 p.m. on July 20, shortly af-

ter the program was aired, investigators from Shanghai Municipal Food and Drug Administration (Shanghai FDA) arrived at Shanghai Husi Food.

Law enforcement personnel ordered the company to suspend production, and confiscated all paper and electronic production records, as well as all ingredients and finished products in the warehouses. They also questioned staff and talked to the head of OSI China.

Meanwhile, the Shanghai FDA launched an all-out inspection on meat producers and fast food chains in the city and demanded fast food chains remove any potentially contaminated or affected products from their shelves.

On July 22, the food and drug safety watch-dog released its preliminary investigation report, saying that Shanghai Husi Food was suspected of illicit production. It had talked to 22 fast food companies and found that the problematic products had been supplied to nine of them. The authority already seized five batches of meat products containing a total of 5,108 boxes including chicken nuggets, veal chops and meat pies. Seized products weighed approximately 100 tons in total.

Gu Zhenhua, Deputy Director of Shanghai FDA, said that they found some of the company's malpractices were not the choice of any single individual, but instead were that of the management.

On July 26, the Shanghai FDA released updated investigation results. As of July 25, it had inspected 1,181 companies producing or selling food, and seized 144.1 tons of tainted products in total.

In addition, the Shanghai FDA revealed that it had also found new evidence showing Shanghai Husi Food changed the production date of around 32 tons of meat pies in 4,396 boxes from May 2013 to January 2014. The meat pies expired in February 2014, but by July 26, approximately three quarters of them had been sold, mostly to buyers out of Shanghai.

Shanghai Husi Food's quality manager told the Shanghai FDA that using expired ingredients had been the company's policy for years, and the practice was permitted by the company's top executives.

Dragon TV's reporters found that the company kept two sets of production records, with one for internal use and another one containing tampered data for external use.

On July 23, Shanghai police detained five people at Shanghai Husi Food, including a top

executive and a quality manager.

Food and drug administrations in other places of China have also beefed up safety inspection.

According to the Zhejiang Food and Drug Administration, as of July 22, 48 tons of tainted food materials had been removed from McDonald's and Pizza Hut franchises in the province and sealed up. No KFC restaurants in the province used meat supplied by Shanghai Husi Food.

That same day, a total of 10.23 tons of problematic products were found in Sichuan Province, according to the Sichuan Food and Drug Administration.

On July 23, Guangdong's Pizza Hut and Burger King restaurants respectively sealed up 23.59 tons and 4.02 tons of expired products containing meat supplied by Shanghai Husi Food, according to the Guangdong Food and Drug Administration.

Problematic meat products were also discovered in some other provinces such as Shandong and Gansu, but the amount was comparatively smaller.

The Beijing Food and Drug Administration also demanded all fast food chains in the city immediately intercept or quarantine all food materials produced by Shanghai Husi Food. Starting July 22, the Beijing authority tightened supervision over more than 2,000 chain food and beverage companies in the city, as reported by Beijing Times.

#### **Blind spots**

In recent years, China's food industry has already seen a number of scandals, including melamine-tainted baby formula milk, clenbuter-ol-contaminated pork and food cooked with recycled "gutter oil."

Foreign fast food chains have not been immune to food safety scandals, either. For instance, in late 2012, Shanxi-based Suhai Group, a supplier to major fast food chains such as KFC and McDonald's, were reported as feeding antibiotics and other additives to prevent chickens becoming sick and making them grow faster. The time for one of their chickens to grow to maturity took only 45 days while normally the process takes months. Early in 2005, KFC was caught adding carcinogenic dye to their food to make it look more appealing,

The 2008 melamine-tainted baby formula milk scandal caused at least six infant deaths and illness of more than 300,000 others. It



prompted the Central Government to attach great importance to food safety regulation. In 2009, a food safety law was adopted in China.

In 2013, the government revamped its food safety regulatory system and created an over-arching agency, the China Food and Drug Administration (CFDA), to oversee food safety.

Previously, food safety regulation was performed by several government agencies. For instance, the State Food and Drug Administration (SFDA), the predecessor of the CFDA, oversaw food safety in the catering industry, whereas the General Administration of Quality Supervision, Inspection and Quarantine supervised food safety in the production process and the State Administration for Industry and Commerce monitored the food distribution process. Poor coordination among these organizations was blamed as the source of regulatory loopholes.

After the restructure, the CFDA integrated the food safety regulatory functions of related government departments to ensure more effective oversight. In 2013, China also started procedures to amend the Food Safety Law. The draft was adopted in principle at an executive meeting of the State Council on May 14.

Highlights in the amendment include implementing whole-process management in food production, circulation and consumption, holding local government leaders and regulatory personnel responsible, establishing food safety standards and risk



**COMING TO A HALT:** Production in Shanghai Husi Food Co. Ltd. has been suspended since July 20

assessment and evaluation standards, as well as rewarding whistleblowers and setting up food safety insurance. The draft will be further amended and then sent to the National People's Congress for deliberation.

After Shanghai Husi Food was exposed as using expired meat, people could not help wondering why the problems had to be exposed by undercover reporters rather than food safety regulators.

According to analysis done by *Beijing News*, even though the CFDA assumes much more responsibility than the SFDA did, its staff has not increased. A district-level FDA in Shanghai usually has 20 to 30 staff members, making it difficult for them to monitor so many food companies personally. Currently, they mainly supervise food companies by examining their paperwork. Moreover, some regulatory departments may relax supervision of foreign companies.

In addition, large food companies tend to restrict access to their production facilities. One undercover reporter from Dragon TV told *Beijing Youth Daily* that FDA inspectors were usually required to change clothes and sanitize themselves before entering the plant. The process took about half an hour, which was enough for workers to cover up anything incriminating.

It was reported that when Shanghai FDA investigators arrived at the scene on the night the scandal was aired by Dragon TV, they were stopped by security guards at the main entrance. They were made to wait for about 40

minutes before being admitted into the plant,

"Of the food safety cases exposed all over the world, few were found out by the government, while most were disclosed by employees, rivals or consumer rights protection organizations," Feng Wenxi, a lawyer specializing in food safety issues told Guangdong-based Southern Weekly.

Actually, before sending undercover reporters to Shanghai Husi Food, Dragon TV was tipped off about the illicit practices of the food company by a former employee who had been fired.

But in many cases, people are reluctant to oust law breakers out of fear of retaliation.

In 2011, the State Council issued a circular on setting up an award for food safety whistle-blowers. According to Sun Xiaomin, a professor at Shanghai-based Tongji University, 31 provincial-level administrative units in China have set up awards for food safety watchdogs.

In 2013, 784 such awards were granted in Shanghai. Shanghai FDA is taking measures to encourage whistleblowers to speak up, an unnamed official told *Southern Weekly*.

On July 27, the Shanghai Municipal Government held a special meeting on the incident. The meeting was chaired by Han Zheng, a member of the Political Bureau of the Central Committee of the Communist Party of China and Party Chief of Shanghai. Han stressed that government regulatory departments must exercise the strictest supervision over food safety.

Han praised the media for its role in uncovering the illicit practice of Shanghai Husi Food, and said that reporters and whistleblowers will be protected. "Any company breaking the law must be severely punished according to law," he said

#### Legal penalty

Penalties for malpractices such as producing or selling putrid, deteriorated, spoiled food or expired food are specified in Article 85 of China's current Food Safety Law.

According to the article, regulatory departments should confiscate illegal gains, illegally produced or distributed food, as well as utensils, equipment, raw materials and other articles used.

In addition, perpetrators that have produced less than 10,000 yuan (\$1,587) worth of food illegally shall pay a fine between 2,000-50,000 yuan (\$317-7,937), while those having illegally produced food worth more than 100,000 yuan (\$15,873) shall pay a fine that is between five to 10 times the value of such food produced. If the circumstances are serious, the violator's license will be revoked.

Article 143 of China's Criminal Law also stipulates that "Whoever produces or sells food that is not up to hygiene standards, thus putting consumers at risk of food poisoning or diseases caused by food-borne bacteria, shall be fined between half and two times the amount of earnings from sales."

The article also states that such violators can be sentenced to prison terms ranging from criminal detention of no more than three years to life imprisonment depending on the seriousness of the harm done.

Some people think that these penalties are not severe enough to deter food safety misconduct. *China Youth Daily* analyzed 2,000 messages posted within two days after the Shanghai Husi Food scandal was exposed. About 20.1 percent of these messages were calls for more severe punishment.

According to China Youth Daily, the draft amendment on the Food Safety Law has raised the maximum penalty for such misconduct to 30 times the value of illegally produced or distributed food.

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