

WORLD: CHINA-AUSTRALIA TRADE PACT **P.18** | NATION: RETIREES GET TANNED **P.30**

BEIJING REVIEW

VOL.57 NO.51 DECEMBER 18, 2014

北京周报 WWW.BJREVIEW.COM

THE NEW NORMAL

Central Economic Work
Conference charts the course
for growth next year



RMB6.00
USD1.70
AUD3.00
GBP1.20
CAD2.60
CHF2.60
JPY188


ISSN 1000-9140



9 771000 914147



邮发代号2-922 · 国内统一刊号: CN11-1576/G2



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EDITOR'S DESK

02 Slow But Steady for 2015

THIS WEEK

COVER STORY

WORLD

20 'Black Lives Matter'

Understanding tensions in the U.S.

25 Accounts and Grounds

An in-depth look at the response to the Philippines

NATION

30 China's Florida

China's elderly seek fun in the sun

32 Winter Paradise

Zhangjiajie's skiing season is in full swing

34 Indigenous Furniture Design

Modernizing traditional woodworking

BUSINESS

38 Slashing Debt

Private investment makes a difference

40 Market Watch



14
COVER STORY

Pointing the Way Forward
Setting the path for the new year

WORLD

P.18 | Winners and Winners

Prospering together with Oceania

WORLD

P.22 | Upholding Maritime Claims

Government document clarifies China's position

CULTURE

44 Divine Melodies

Pop-stars go to extreme lengths for fame

FORUM

46 Should Odd-Even Number Car

Restrictions Be Made Permanent?

ESSAY

48 Pledging Allegiance to the Constitution

Bolstering constitutional awareness



NATION

P.28 | Good News Travels Fast

Sino-U.S. flexible travel becomes reality



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Beijing Review (ISSN 1000-9140) is published weekly for US\$64.00 per year by Cypress Books, 360 Swift Avenue, Suite 48, South San Francisco, CA 94080. Periodical Postage Paid at South San Francisco, CA 94080. POSTMASTER: Send address changes to Beijing Review, Cypress Books, 360 Swift Avenue, Suite 48, South San Francisco, CA 94080

北京周刊

BEIJING REVIEW

A News Weekly Magazine
Published Since 1958

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Published every Thursday by

BEIJING REVIEW, 24 Baiwanzhuang Lu,

Beijing 100037, China.

Overseas Distributor: China International Book Trading

Corporation (Guoji Shudian), P. O. BOX 399,

Beijing 100044, China

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

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

Website: <http://www.cibtc.com>

General Distributor for Hong Kong, Macao and Taiwan:

Peace Book Co. Ltd.

17/F, Paramount Bldg, 12 Ka Yip St, Chai Wan, HK

Tel: 852-28046687 Fax: 852-28046409

Beijing Review (ISSN 1000-9140 USPS 2812) is published weekly in the
United States for US\$64.00 per year by Cypress Books,

360 Swift Avenue, Suite 48, South San Francisco, CA 94080

News Postage Paid at South San Francisco, CA 94080

POSTMASTER: Send address changes to Beijing Review,

Cypress Books, 360 Swift Avenue, Suite 48,

South San Francisco, CA 94080

EDITOR'S DESK

Slow But Steady For 2015

At the Central Economic Work Conference held from December 9-11, Chinese leaders reviewed the country's economy in 2014 and mapped out plans for 2015. Maintaining economic development through the furtherance of reforms under the "new normal" characterized by a slowed growth rate was agreed to be next year's focus.

Although China's 2014 growth rate has kept within the range of approximately 7 percent, the economy has shifted downward. Since next year marks the final year of China's 12th Five-Year Plan (2011-15), a crucial year for restructuring the economy, the trend of growth will be greatly significant.

The Chinese economy had long been characterized by rapid growth. However, this has proven costly to the environment and natural resources. By the time of the 2008 global financial crisis, it had become clear that such growth was unsustainable. To guarantee employment and people's well-being, China had to stabilize its economy. Calculations show a 7-percent growth rate is ample and hence represents the new normal of the Chinese economy.

To ensure stable growth occurs under this new normal, China will utilize a prudent monetary policy and a proactive fiscal policy in 2015 and make the transformation of its economic growth pattern and economic restructuring a priority. This means that China will give more support to investment, its key strategic industries

and the service sector.

Bolstering reform is the main means through which China can maintain its economic new normal. Reform and opening-up measures that have served the country so well for more than 30 years are losing momentum. The country needs new driving forces for its economy. The current problems facing China's economic development are in nature institutional ones and require profound changes.

At the conference, the Central Government made concrete plans for expanding reforms. Systemic reforms will be undertaken and plans which can both accommodate next year's circumstances and yield long-term benefits will be put into effect.

In 2015, China plans to further streamline administration, delegate power to lower levels and attempt to maintain the economic new normal by strengthening finance, foreign trade, science and technology; facilitating the creation of mixed ownership companies; and coordinating regional development.

China will also make greater contributions to the world economy, as it advances the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiatives as well as the Free Trade Area of the Asia-Pacific. At the conference, it was requested that China should realize more of its latent domestic demand potential in 2015 so as to reach a balance between imports and exports and between inbound and outbound investment. ■

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JAPAN.....JPY188 EUROPE.....EURO1.90 TURKEY.....YTL5.00 HK.....HKD9.30 NEPAL.....RS40

北京周报 英文版 2014年 第51期 ISSN 1000-9140 广告许可证 0171号北京市期刊登记证第733号

邮发代号2-922 · 国内统一刊号: CN11-1576/G2 国内零售价: 人民币6.00元



SOLID EVIDENCE

More than 7,000 historical documents, objects and photographs bearing testimony to the Japanese invasion of China during World War II are displayed in Nanjing, east China's Jiangsu Province, on December 8.

The items, which were gathered from 14 countries, including China, the United States, Japan, Britain and Germany, were exhibited before China's first National Memorial Day for Nanjing Massacre Victims on December 13. National Memorial Day, established by Chinese lawmakers in February, aims to mourn the victims of the notorious massacre and all those killed by Japanese invaders.

During the more than 40 days following Japanese troops' capture of Nanjing, China's capital city at the time, on December 13, 1937, more than 300,000 civilians and soldiers that had surrendered were murdered.





Confucius Worldwide

The Ninth Confucius Institute Conference is held in Xiamen, Fujian Province, on December 7.

There are currently 475 institutes and 851 Confucius classrooms in 126 countries or regions worldwide, with 3.45 million students having registered during its lifespan.

People in Poverty

China has identified 128,000 impoverished villages and 92 million people living in poverty, said a senior poverty alleviation official on December 6.

According to Liu Yongfu, head of the State Council Leading Group Office of Poverty Alleviation and Development, poverty has declined substantially in China, but the country still has 832 poor counties and districts.

Approximately 116,600 work teams with 466,000 members in total have been dispatched to the villages for poverty alleviation, he told a seminar in central China's Hubei Province.

"Almost all underprivileged households have a government official responsible for poverty alleviation work," he said.

Li Jinzao, head of the China National Tourism Administration, said that the country has so far lifted more than 8 million people out of poverty by developing tourism.

To expand the safety net for those in poverty, the national poverty line was increased from 206 (\$33.5) yuan in 1986 to 2,300 yuan (\$374) per annum in 2011.

Smart City

Karamay, an oil-rich city in northwest China's Xinjiang Uygur Autonomous Region, became the first in the country to provide bundled voice, video and data services to all residents.

Known as the Triple-Play service, the system depends on a converged fiber-optic network jointly offered by Internet, cable TV and telecommunication providers. In 2011, a 220-million-yuan (\$36 million) project was launched in Karamay to pilot the service.

Over the past three years, the fiber-optic connections have been installed into all residential communities in the city, enabling each of the city's roughly 130,000 households to enjoy Internet speeds of 100 megabits.

According to the city's information

management authorities, the combined optic network building has not only reduced telecom infrastructure investment by 75 percent and maintenance costs by 50 percent when compared to the expenditures on facilities built separately by telecom and TV providers, it has also helped residents spend 60 percent less on the services than before.

Karamay has become a demonstration city for the construction of a Triple-Play optic network, said Su Guoping, Deputy Director of the Xinjiang Regional Commission of Economic and Information Technology.

Users can choose each of the telecom providers for the combined Internet, telecommunication and TV services at home.

Elsewhere in the country, the new network, which would help break up traditional telecom and television monopolies, still faces difficulties being implemented.

3D Printing in Space

Scientists have produced a 3D printing machine for use in zero-gravity, the first of its kind in China, which astronauts will be able to use while on space missions, according to the China Aerospace Science and Technology Corporation (CASTC) on December 8.

Additive manufacturing, another term for 3D printing, is the processes in which three-dimensional objects are made through the layering of material. It is advancing rapidly and is being increasingly used for industrial purposes.

The machine is capable of printing optical lens brackets, components for nuclear power testing equipment, impellers used in aircraft research and special-shaped gears used in automobile engines, said Wang Lianfeng, a senior engineer with CASTC Shanghai's research arm.

The machine, which uses both long-wave fiber and short-wave carbon dioxide lasers, can produce items under 250 millimeters long out of stainless steel, titanium alloy and a nickel-based superalloy.

"The products made will have to be tested thoroughly, due to the strict quality requirements for aerospace products," said Wang, adding that the prospects of 3D printing is promising.

NEW LAUNCH

A Long March-4C rocket carrying the *Yaogan-25* remote sensing satellite blasts off from the Jiuquan Satellite Launch Center in Jiuquan, Gansu Province, on December 11.



Illegal Evidence

The Supreme People's Court of China is planning to issue guidelines on the exclusion of illegal evidence to protect human rights and prevent miscarriages of justice, a judicial expert recently revealed.

Under the current Criminal Procedure Law of China, statements obtained from suspects or defendants through torture, and evidence gained by threatening victims, are regarded as illegal and should be excluded from court proceedings.

But the draft guidelines, which consist of 40 articles, are intended to extend the definition of illegal evidence, said the expert. They will make evidence obtained by deceiving or threatening defendants and their relatives illegal, as well as excluding statements obtained through extended interrogation.

The draft stipulates that interrogation sessions cannot last for longer than 12 hours, and suspects should have at least eight hours' rest a day.

Liability Insurance

A total of 25,000 Chinese enterprises have bought pollution liability insurance since 2007, when the country started promoting the program to better compensate pollution victims and boost companies' environmental awareness, said the country's top environmental watchdog.

In a statement released on December 4, the Ministry of Environmental Protection publicized the latest batch of nearly 5,000 enterprises with high pollution risks that are now

←
“We must deepen our understanding of the issue as our government stressed the importance of the rule of law at the Fourth Plenum of the 18th Central Committee of the Communist Party of China. The provision of much clearer definitions of illegal evidence by the top court will be a significant development.”

Fan Chongyi, a law professor at the China University of Political Science and Law



New Logo

On December 5, China unveils the first national logo for volunteering to coincide with International Volunteer Day.

China has over 65 million volunteers in 129,000 welfare organizations, according to the Ministry of Civil Affairs.

covered by the insurance. The businesses are from heavy metals, petroleum, dangerous chemicals, dangerous waste disposal, electricity, medicine, printing and dyeing industries.

Environmental pollution liability insurance helps enterprises with heavy risks to prevent pollution and ensure compensation for victims when they fail.

According to the statement, the

amount of insurance coverage has topped 60 billion yuan (\$9.75 billion) since 2007.

In September 2008, some 120 households in Zhuzhou City in central China's Hunan Province received compensation from an insurance company after falling victim to leakage from a local insecticide factory that caused great damage to the environment.

Corrupt 'Tiger'

Zhou Yongkang, a Standing Committee member of the Political Bureau of the 17th Central Committee of the Communist Party of China (CPC), has been expelled from the Party and arrested, with prosecutors opening an investigation into his suspected crimes, authorities announced on December 6.

The decisions were made after a meeting of the Political Bureau of the 18th CPC Central Committee deliberated over and adopted an investigation report on Zhou's severe disciplinary violations.

The investigation found that Zhou seriously violated the Party's political, organizational and confidentiality discipline. He took advantage of his posts to seek profits for others and accepted huge bribes personally and through his family.



Inflation Eases

In November, China's consumer prices showed the slowest rate of growth in five years, increasing the possibility of more easing measures by the central bank.

China's consumer price index (CPI), the main gauge of inflation, rose by 1.4 percent year on year in November, the slowest increase since November 2009, said the National Bureau of Statistics (NBS) on December 10.

Yu Qiumei, a senior NBS statistician, attributed the record-low inflation level to seasonal and international factors.

On a monthly basis, November's CPI dipped 0.2 percent against the previous month, while data remained flat in October.

For the first 10 months, inflation grew 2 percent year on year, well below

the 3.5-percent full-year target set by the government.

Food prices, which account for about one third of the CPI calculation's weighting, rose 2.3 percent from a year ago in November, lifting CPI 0.77 percentage points, compared to 2.5 percent and 0.83 percentage points respectively in the previous month.

Meanwhile, China's factory gate price decline deepened in November as a slowing economy and housing market downturn weakened domestic demand for industrial goods.

The producer price index (PPI), which measures inflation at wholesale level, dropped 2.7 percent year on year in November, its largest fall in 18 months, the NBS said.

The factory gate prices in November decreased for a record 33rd month in a row. In the first 11 months,



A PROMISING ALTERNATIVES

Pictured is a solar power plant in Xuanhua County, north China's Hebei Province. In the first three quarters, solar power plants have generated 18 billion kilowatt hours of electricity, two times the total electricity generated by solar in 2013

the country's PPI fell 1.8 percent year on year.

Yu attributed the drop to the lower prices of oil and natural gas; refined oil; and chemicals, which contributed to a 0.4-percentage-point fall in November's PPI reading.

Lackluster Trade

China's export growth slowed sharply in November while imports unexpectedly contracted, putting pressure on policy makers to release further stimulus measures.

China's exports rose 4.7 percent year on year to \$211.66 billion in November, the General Administration of Customs (GAC) said on December 8. The figure sharply contrasts with October's 11.6 percent and 15.3 percent in September.

Imports stood at \$157.19 billion, down 6.7 percent year on year, the biggest drop since March.

Total exports and imports in November amounted to \$368.85 billion, down 0.5 percent year on year with a record-high trade surplus of \$54.47 billion, expanding 61.4 percent.

In the first 11 months of the year, China's imports and exports hit \$3.9 trillion, up 3.4 percent, resulting in a record trade surplus of \$332.5 billion during the January-November period, up 42.2 percent year on year.

The sharp slowdown in export growth threatened China's growth this year, as both domestic and external demand weakened, ANZ economist Liu Ligang said in a report in response to the data.

Maiden Voyage

China Shipping Container Lines (CSCL) *Globe*, the world's largest container vessel, embarked on its maiden voyage to Europe on December 8 in Shanghai.

The CSCL *Globe* leads the line of five 19,100-TEU (20-foot Equivalent Unit) container ships ordered by CSCL in 2013. It was built by Hyundai Heavy Industries in South Korea.

Boasting a huge size of 400 meters long and 60 meters wide, the vessel travels at a speed of 43 km per hour.



Rolling Off the Line

The 2 millionth car made in Liuzhou, south China's Guangxi Zhuang Autonomous Region, in 2014 comes off the assembly line on December 10. Automaking has become a pillar industry for the city.



XIE HANMING

World's Longest Train Journey

A freight train arrives in its final destination Madrid, the Spanish capital, on December 9, after departing from Yiwu, east China's Zhejiang Province, on November 18.

With a length of over 13,000 km, the train route is in line with the new Silk Road Economic Belt. It will open a regular two-way rail link between China and Spain, which could commence operations in early 2015.

Its loading capacity exceeds Maersk Line's 18,000-TEU as the world's largest container vessel.

Compared with ordinary 10,000-TEU container ships, it can save about 20 percent in energy consumption and reduce 30,000 tons of carbon emissions.

CSC, affiliated with the China Shipping Group, is a global container liner service provider. Founded in 1997, the Shanghai-based company is listed both in Hong Kong and Shanghai.

Interbank Forex Market

China's foreign exchange regulator announced on December 10 that it will facilitate financial institutions to enter the interbank foreign exchange market.

China's State Administration of Foreign Exchange (SAFE) said the regulation would hopefully promote a market-oriented and more transparent interbank foreign exchange market.

LUCRATIVE HARVEST

Workers dry up loofah sponges in Fuzhou, Jiangxi Province. Loofah production and export has greatly increased local income



WAN XIANG

The advance-access permission for financial institutions to enter the inter-bank foreign exchange market will be scrapped, allowing the market to play a more definitive role.

SAFE said that it would strengthen supervision over interbank foreign exchange and clarify the trading rules. The regulation will take effect on January 1, 2015.

No Preferential Taxes

China will not allow local taxation authorities to implement preferential tax policies, according to a statement released on December 9 by the Central Government's website.

The State Council recently issued a notice regarding trimming local preferential tax measures that may impair market mechanisms and macro controls, in some cases leading to international trade frictions.

The statement stressed a more orderly and open market and the fight against regional protectionism, seeking to eliminate the barriers hindering market free flow and allow the market dominance in resource distribution.

Adhering to the tax statutory principle, the regulation bans any form of preferential tax policies without approval by the State Council, except for the tax administrative privilege set by law.

The notice also demanded higher standards for managing non-tax revenues from selling land, state-owned assets and illegal exemption from compulsory fees.

Meanwhile, fiscal expenditure shall be strictly arranged to abolish any kind of illegal returns, subsidies and discounts.

The notice set a deadline for local governments to give detailed reports on their regulation processes to the Ministry of Finance by the end of March 2015.

Startup Boom

The simplification of China's business registration rules has led to a startup boom, with more than 2.8 million new companies established since the rules took effect in March, an increase of 54 percent year on year.

Meanwhile, the total registered capital of the new companies amounted to 14.83 trillion yuan (\$2.42 trillion), up 93 percent, the State Administration for Industry and Commerce said on December 8.

The new rules have freed up the private sector in particular. In November alone, more than 350,000 new firms were established, of which nearly 95 percent were private companies.

The service sector saw the fastest increases in the number of new companies, with nearly 277,900 being set up in November.

The State Council announced in February that it would reform business registration by scrapping previous requirements on minimum registered capital for startups and simplifying approval procedures.



THE MALDIVES

Soldiers from China and the Maldives connect a freshwater pipeline from a Chinese Navy vessel at the port of Male on December 8, transporting about 1,000 tons of fresh water to relieve the water-starved island nation after a fire led to the suspension of a water supply plant



TURKEY

A woman dances in front of riot police during a demonstration against the eviction of squatters from the Kadıköy neighborhood of Istanbul on December 9



PALESTINE

An Israeli soldier grabs Ziad Abu Ein (left), who was in charge of the issue of Israeli settlements for the Palestinian Authority, during a demonstration near Ramallah, on December 10. Abu Ein died from injuries inflicted by Israeli forces during a protest march in the West Bank



FRANCE

Serge Lazarevic (left), France's last remaining hostage who was released after three years at the hands of Islamist militants in Mali, embraces French President Francois Hollande upon his arrival at the Villacoublay military base near Paris on December 10



NORWAY

Kailash Satyarthi (back) and Malala Yousafzai, two child welfare activists from India and Pakistan respectively, present their Nobel Prize medals during the Nobel Peace Prize awards ceremony in Oslo on December 10



THE UNITED STATES

Senate Intelligence Committee Chairwoman Dianne Feinstein (center) speaks to reporters about the committee's report on CIA interrogations at the U.S. Capitol in Washington, D.C., on December 9

↓ FILM PRODUCER AWARDED

Zhang Xun, General Manager of China Film Co-production Corp. (CFCC), was honored with the Gillo Pontecorvo Award for her contributions in the area of co-producing movies with foreign countries on December 1 by Italian Ambassador to China Alberto Bradanini. Zhang is the first Chinese winner of this award.

Zhang started her film career in 1979 in the marketing department of Beijing Film Studio. Several years later, she entered CFCC, starting overseas film co-production. Zhang has been general manager of CFCC since 2007 and has been responsible for the global distribution of over 300 Chinese and co-produced movies, including *Crouching Tiger, Hidden Dragon*; *CJ7*; and *King of Beggars*. In addition, she has been in charge of managing and coordinating China's film co-production with other countries in movies such as *Looper* and *The Crossing*.

The Gillo Pontecorvo Award, established in 2002 by late Italian film director Gillo Pontecorvo, is designed to encourage outstanding moviemakers around the world.



China-Pakistan Economic Corridor

Oriental Outlook **December 11**

By September, deals on the projects making up the China-Pakistan Economic Corridor had been inked between the two countries involved. The concept of the economic corridor was initially put forward by Chinese Premier Li Keqiang while visiting Pakistan in May last year.

China and Pakistan have formulated plans to build roads, railways, oil and gas pipelines, and optic cables running from Kashgar in northwest China's Xinjiang Uygur Autonomous Region to Gwadar Port in Pakistan. The corridor incorporates 30 large projects with total investment of \$32 billion.

The projects will be divided into three groups with the first group to be finished by 2017, the second to be finished by 2020 and the third between 2025 and 2030. Energy infrastructure projects will be accorded top priority because Pakistan is in severe shortage of electricity. The second most important task is the construction of transportation infrastructure.

Once completed, the corridor will not only become an important channel connecting China and Pakistan, but also benefit the approximately 3 billion people living in China, South Asia, Iran and the Gulf region. It will function as a channel for China to get oil and gas from the Gulf. Currently, China relies on the Strait of Malacca to transport energy supplies from the oil-rich region, a route that involves many security risks.



Rethinking Physical Checkups

China Newsweek **December 1**

In China, clinics and hospitals offering physical checkups are thriving, along with the rising public awareness of the importance of receiving regular checkups. In Beijing alone, 204 medical institutions, both private and public, are authorized to carry out checkups and medical staff working in the industry have reached nearly 10,000.

In addition to private institutions, public hospitals have also set up their own health checkup centers. The profit level of the industry has reached 20 percent and checkups now constitute one of the main sources of a hospital's income.

For those diagnosed with chronic diseases, it is necessary to receive checkups regularly. For instance, those with high blood pressure should check it regularly and receive ECG and urine tests to see whether or not the disease has caused damage to the heart or kidneys. For healthy people, checkups may offer an opportunity to communicate with doctors and receive advice concerning diet, physical exercises and healthy lifestyles. Above all else, prevention is better than cure.

"As a developing country, China will try its best to cooperate with other developing nations to actively tackle climate change."

Xie Zhenhua, China's top climate official, announcing China will present its post-2020 goals for coping with climate change ahead of schedule at a forum on December 8 during the UN Climate Change Conference in Lima, Peru

"Developed countries should not only rise to their historical responsibility to reduce emissions in line with their own capabilities, but also should be committed to providing necessary funding and technological support to developing countries."

Huan Qingzhi, a professor at Peking University, talking about emission reduction recently



However, some experts warn that health checkups may not be useful as previously thought, and may even prove harmful. They have cautioned that physical checkups may have unintended side effects. For example, certain physical indexes of healthy people may be erroneously identified as abnormal during a checkup, causing unnecessary concern. Repeated checkup procedures such as X-rays and CT scans could potentially harm the body.

Suicide Prevention Measures Needed

China Youth Daily December 9

On November 30, 19-year-old Zeng Pengyu from Luzhou, southwest China's Sichuan Province, broadcasted live the process of him committing suicide on his microblog. He posted photos of a stove with coal burning inside which he intended to use to suffocate himself alongside descriptions of the process.

His posts soon received massive attention in cyberspace, with some calling the police and trying to dissuade him from suicide, some suspecting that the whole exercise was a ploy to grab attention and others encouraging him

to kill himself. Zeng finally died of overdose of sleeping pills combined with excess inhalation of carbon monoxide from the burning stove.

Many blamed the Internet users for having prompted the young man to kill himself. It's undeniable that the indifference shown by some toward the incident is extremely unpalatable. However, it would be unrealistic to expect microbloggers to be capable of effectively foiling a suicide attempt.

To prevent suicides from happening, it's necessary to detect the psychological and mental problems of those at risk of self-harm in real life and to intervene beforehand. A sound suicide intervention system should be established to provide those with psychological problems proper treatment so that they have places other than the Internet to turn for help when in dire straits.



HISTORICAL TRUTH TELLER

Zhu Chengshan, Curator of the Nanjing Massacre Memorial Hall, has pledged to promote information about the massacre with the publication of an encyclopedia detailing the atrocities committed by Japanese troops. The first volume of the four-volume encyclopedia, which Zhu edited, was released on December 7, six days ahead of China's first National Memorial Day for Nanjing Massacre Victims.

Japanese troops engaged in a massacre that lasted six weeks after occupying Nanjing on December 13, 1937, killing more than 300,000 Chinese people. Right-wing politicians in Japan, however, have attempted to whitewash or deny this slaughter.

Zhu, born in Nanjing in 1954, has been studying the history of China-Japan relations, particularly the Nanjing Massacre, over the past few decades. He said that the Japanese right wing's reluctance to do justice to history has prompted researchers to pay more attention to international cooperation.



"Faced with the facts, every time I have read the indictment, I have asked myself, 'Is this me? How did I end up like this?'"

Liu Tienan, former deputy head of the National Development and Reform Commission and former head of the National Energy Administration, speaking in court on December 10 after being sentenced to life imprisonment for bribery

"It's extremely irresponsible and a groundless accusation to accuse China of grabbing resources and markets in Africa."

Liu Junfeng, Deputy Director General of the Department of Foreign Assistance of the Ministry of Commerce, stressing that China provides aid to Africans to help them realize poverty relief and attain faster growth

孤儿保障大行动

Safeguarding Orphans' Health Program



每50元善款即可为一名孤儿提供一年期、保障额度为100,000元，
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towards an orphan for one year against 12 types of critical illnesses.



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COVER STORY

POINTING THE WAY FORWARD

China's top leadership convenes to map out economic and reform plans for 2015

By Zhou Xiaoyan



LAND REFORMS BEAR FRUIT: Machines harvest rice in a pilot rural land reform area in Wuxing District, Huzhou, east China's Zhejiang Province, on October 22

The Central Economic Work Conference, a much-watched annual economic meeting in China, was held in Beijing from December 9 to 11 to focus on lowering the risks of a downturn and speeding up reforms in key areas with a focus on adjusting to the "new normal" in 2015.

China's central authorities decided at the meeting that the country will stick to its prudent monetary policy and proactive fiscal policy. Fiscal policy will be more forceful in 2015 and monetary policy will strike a balance between tight and loose. Emphasis was put on economic progress while maintaining stability and great significance was attached to structural rebalancing, improving the quality and efficiency of growth.

China has now entered the period of a new normal, demonstrating resilience, mas-

sive economic potential and plenty of room for the government to maneuver. According to opinions voiced at the conference, the nation should adapt macroeconomic policies to the new normal and keep growth rate within an acceptable range next year.

During this year's APEC meeting in mid-November, Chinese President Xi Jinping defined the economic new normal as follows: shifting from breakneck economic expansion to moderate to high-speed growth, continuous improvement in the country's economic structure and moving away from factor- and investment-driven growth to innovation-driven growth.

"China's top leadership frequently mentions the 'new normal' because they think structural rebalancing is more important than GDP growth," said Li Yining, a renowned economist and professor at Peking University. "Now is the time for structural adjustment. Missing out on such an opportunity would be a huge loss for China."

Slower, yet steady

China's reform-minded leaders are now showing a greater level of tolerance for slower growth, and they have reiterated on many occasions that the country is capable of maintaining growth "within a proper range."

China's GDP growth slowed to 7.3 percent in the third quarter, the weakest since the global financial crisis, weighed down by a flagging housing market and tighter credit conditions.

Against this backdrop, economists and major financial institutions said the government may lower its GDP target from 7.5 percent to 7 percent. A decision to cut the whole-year growth target for 2015 may have been made during the Central Economic Work Conference, although detailed targets are unlikely to be confirmed and announced until the National People's Congress session in early March next year.

JP Morgan has forecast in a report that China will lower its growth target for 2015 to 7.2 percent while UBS, Bank of China, the Chinese Academy of Social Sciences (CASS) and the State Information Center all have predicted that the target will be lowered to 7 percent.

"It's very much likely that the GDP growth target for 2015 will be lowered to 7 percent," said Zhang Guobao, former Vice▶▶

Major Tasks for 2015

- Maintaining steady economic growth
- Fostering new growth points
- Upgrading agricultural production
- Coordinating regional development
- Strengthening social security network and improving people's quality of life

Eight Emphases for 2015

- Fulfilling people's demand
- Analyzing the consumption market and consumer psychology
- Guiding societal expectations
- Strengthening protection of property and intellectual property
- Fully tapping into entrepreneurial talent
- Improving education and increasing human resource competence
- Improving the ecological environment
- Advancing technology and innovation

What does 'new normal' mean?

- **Consumption:** Mass featureless consumption has come to an end and customized consumption is becoming mainstream.
- **Export and international balance:** China still has competitive edge in exports; high-level imports and large-scale exports coexist.
- **Market competition:** Quality-based differentiated competition has replaced quantity-based price competition.
- **Environment:** Plans for green, low-carbon production and recycling will be adopted in the face of global climate change.
- **Investment:** Infrastructure interconnection, new technology, new products and new business models have enabled massive investment opportunities.
- **Production:** Smarter, smaller-scale professional production will gain more popularity.
- **Risk control:** Economic risks are controllable in China, though it may take time to defuse risks caused by high leverage and asset bubbles.
- **Macro-regulation:** The effects of massive stimulus measures are decreasing. China should digest the excess capacity while using market mechanism to explore industrial development in the future.
- **Production factors:** Cheap labor force used to be China's biggest comparative advantage, but China's economic growth is currently more dependent on the quality of human resources and technological progress.

(Source: Xinhua News Agency)

Fiscal and Monetary Policies

	Fiscal policy	Monetary policy
2014	Proactive	Prudent
2013	Proactive	Prudent
2012	Proactive	Prudent
2011	Proactive	Prudent
2010	Proactive	Prudent
2009	Proactive	Moderately loose
2008	Proactive	Moderately loose
2007	Prudent	Tight
2006	Prudent	Prudent
2005	Prudent	Prudent
2004	Prudent	Prudent

A prudent fiscal policy means balanced fiscal revenue and fiscal spending.

A proactive fiscal policy means increasing fiscal spending to stimulate domestic consumption, to spur private investment and to expand exports.

A prudent monetary policy means adjusting the policy according to economic fluctuations. When there is any sign of economic recession, the monetary policy will be fine-tuned toward loose; when there is any sign of overheated economic development, the policy will be fine-tuned toward tight.

A moderately loose monetary policy means increasing money supply by printing money, buying bonds in open markets, cutting reserve requirement ratio for commercial banks and lowering loan rates.

A tight monetary policy means expanding the money supply more slowly than usual or even shrinking it.

(Compiled by Beijing Review)

Minister of the National Development and Reform Commission (NDRC), China's top economic planner.

Zhang Zhuoyuan, a senior researcher with the CASS, said 7 percent is a more practical target for 2015 and this target will remain the standard for quite some time.

Song Qinghui, a financial commentator,



COMPENSATION IN FULL: Li Shunan, a resident in Luzhou City, southwest China's Sichuan Province, receives a refund for his medical bill on November 4

said the growth target shouldn't be set too high so that there could be more room for structural rebalancing and reforms.

"It can't go too low either; otherwise it would cause a spike in bad loans, job losses and business failures. The most important thing to watch out for is employment conditions. Central authorities should keep a close eye on the job market," he suggested.

To prevent further slowdown, China's central bank cut the benchmark one-year lending rate by 0.4 percentage points to 5.6 percent and the one-year deposit rate by 0.25 percentage points to 2.75 percent on November 22.

The long-anticipated rate cut came at a time when the country's economic growth slipped to the lowest in months. "The purpose of the cuts is to bring actual interest rates back to a proper level and lower the financing costs facing many enterprises," the central bank said in a statement.

However, arguments are prevalent in the market that one rate cut alone is far from enough. Other means, such as reducing the reserve requirement ratio (RRR), should be given full play to add liquidity to the market.

A combination of proactive fiscal policy and prudent monetary policy has been in place in China since 2010.

"In 2015, the tone won't be changed, but the monetary policy will be fine-tuned toward being looser. There will be at least one inter-

est rate cut and one reduction of RRR," said Li Huiyong, chief analyst with Shenyin and Wanguo Securities Co. Ltd.

A record-low inflation level also raises the probability of more easing measures by the central bank as it offers more room for monetary loosening.

China's consumer price index (CPI), the main gauge of inflation, rose by 1.4 percent year on year in November, the slowest increase since November 2009, said the National Bureau of Statistics (NBS) on December 10. The producer price index (PPI), which measures inflation at wholesale level, dropped 2.7 percent year on year in November, its largest fall in 18 months.

Wang Jun, a senior economist with the China Center for International Economic Exchanges, said China is now facing mounting deflationary pressure.

"This tendency will continue into 2015 and it requires immediate responses from the Central Government in monetary policy. Combating deflation means China's prudent monetary policy should be fine-tuned to 'prudent' and yet lean toward 'loose,'" Wang suggested.

"Cutting rates and lowering RRR should be alternately used next year to lift market sentiment," Wang suggested.

A recent report from Goldman Sachs also said although the basic tone for 2015 is still pro-

active fiscal policy and prudent monetary policy, the government stance won't be confined by those expressions, as evidenced by the recent interest rate cut in November.

Quicker pace of reform

One of the most fruitful developments of last year's Central Economic Work Conference was the decision to establish a central leading team for "comprehensively deepening reform" to spearhead reforms across all areas of society.

The team convened seven times in 2014, resulting in concrete progress in the areas of fiscal policy, the *hukou* (household registration) system, rural land transfers, the Shanghai free trade zone, anti-corruption efforts and judicial reform.

According to a statement released after this year's conference, China will accelerate reform in nine areas next year including the capital market and market access for private banks.

Reform will ideally speed up through administrative approval, investment, pricing, monopolies, franchising, government-purchased services and outbound investment. This takes into consideration both next year's needs and long-term interests.

More efforts will be made to transform the reform into growth. The evaluation system for reform and general public access to the reform work will also be improved.

"The fact that China has entered an economic new normal indicates the country should boldly roll out reforms in key areas so as to release the dividend of reforms and to unleash market vitality to shore up growth," said Liu Yuanchun, Vice Dean of the School of Economics at the Beijing-based Renmin University of China.

On November 30, China started soliciting public opinion on a draft regulation regarding the establishment of a deposit insurance program, which will be in full operation in six months or a year. The deposit insurance program is one important component of a safety net that protects financial stability. China has extensively discussed the setting up of such a program for years.

Guo Tianyong, a professor of banking at the Central University of Finance and Economics, said such a scheme is badly needed in China's

market-oriented financial reform.

Zhu Ning, a professor of finance in Shanghai Jiao Tong University, said the implementation of deposit insurance will greatly expedite market-based interest rate reform in China.

"The lack of deposit insurance system has severely held back other financial reforms. After interest rates are full liberalized in China, the country's banking sector will witness real changes."

Another task high on China's economic agenda is to strengthen regional integration and promote trade by resurrecting an ancient trade route.

In a speech at Kazakhstan's Nazarbayev University in September 2013, President Xi proposed establishing a Silk Road Economic Belt, similar to the Silk Road of more than 2,000 years ago, to boost political and economic ties between China and Eurasian countries.

China has also been trying to revitalize an ancient seaway to promote economic ties with the ASEAN nations since October 2013 when Xi proposed the 21st Century Maritime Silk Road during a visit to Indonesia.

The initiatives aim at enhancing connectivity and trade ties with Central Asia and South Asia by building roads, railways, ports and airports across the two land masses. On November 8, China announced it would contribute \$40 billion to set up a Silk Road infrastructure fund to boost connectivity across Asia.

"The two initiatives will be the most important mid- and long-term national strategies for China, in terms of China's major-country diplomacy, regional integration and industrial upgrade," said Guan Qingyou, Assistant Dean of Minsheng Securities Research Institute.

Zhang Yansheng, Secretary General of the Academic Committee of the NDRC, said China's labor- and resource-intensive industries can profoundly benefit from the construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road.

"It will help increase exports of products, equipment and laborers from China to countries along the proposed trade routes," Zhang said. ■

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The Central Economic Work Conference

An annual meeting of China's top leadership where they map out the country's macroeconomic policies for the next year. It has been held at the end of each year since 1994 and lasts for two to four days. Participants of the conference include members of the Central Committee of the Communist Party of China and the State Council, provincial leaders, heads of financial regulators and executives from centrally administered state-owned enterprises.

Central Economic Work Conference Themes



(Compiled by Beijing Review)

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