

WORLD: CONTAINING UNCERTAINTIES P.24 | BUSINESS: FIGHTING ZOMBIES P.38

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AN ELEVATED PERSPECTIVE

Xi's trip helps to heighten the playing field in the
Middle East



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EDITOR'S DESK

Partner and Contributor

China's first major diplomatic event of 2016 saw President Xi Jinping visiting Saudi Arabia, Egypt and Iran on January 19-23, including a series of diplomatic activities at the Headquarters of the Arab League (AL) in Cairo on January 21. The visit shows the role China intends to play in the Middle East, with the goal of promoting friendship, cooperation and common development.

Each of the three countries that hosted Xi is influential in the Middle East and boasts time-honored friendships with China. China too has always attached great importance to its relations with the three countries and the region as a whole. Moreover, under the China-proposed initiative of building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (Belt and Road Initiative), the region is of crucial importance as a link between China and Europe and Africa.

Xi's Middle East trip successfully elevated bilateral relations. For instance, China established a comprehensive strategic partnership with Saudi Arabia as well as a high-level committee to guide and coordinate bilateral cooperation. China and Egypt published a guideline for strengthening their existing comprehensive strategic partnership over the next five years at a time when diplomatic relations between the two entered the 60th year.

Xi also put forward proposals for deepening comprehensive cooperation with Iran. Xi was the first foreign head of state to visit Iran after international sanctions against the country were lifted, therefore, the move was of particular symbolic significance.

In addition to consolidating bilateral relations, China has boosted economic cooperation with the three countries in a bid to realize common development. The three countries all agreed to support and participate in the Belt and Road Initiative and respectively signed memorandums of understanding to do so. Moreover, China signed 52 cooperative agreements with the three nations, which cover areas of climate change, economy and trade, energy, finance, telecommunications and more. The scope and depth of cooperation between China and these Middle Eastern countries have been greatly expanded.

Xi highlighted China's policy in the Middle East in his speech at the AL Headquarters, saying, "We should be builders of peace, promoters of development, boosters of industrialization, supporters of stability and partners of people-to-people exchanges in the Middle East."

It is clear from Xi's statement that China's Middle East policy will be focused on peace and development, and hopefully, will provide tangible opportunities to realize this shared dream. ■

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FREEZING COLD

Fishing boats are frozen in sea ice in Yantai, east China's Shandong Province, on January 26.

Most parts of China experienced a rapid drop in temperatures along with snow and rain since the expansion of a strong cold front on January 22. Guangzhou, capital of south China's Guangdong Province, was hit by its first snow in about five decades on January 24.

Winter Fun

Bi Ye, an athlete from Changchun, northeast China's Jilin Province, celebrates after winning a gold medal of snowboarding at the National Winter Games on January 26.

The National Winter Games kicked off in Xinjiang Uygur Autonomous Region on January 21. It is the first time since the National Winter Games were launched in 1959 that the event has been held outside the three northeastern provinces.



Nuclear White Paper

The Chinese Government published its first nuclear white paper on January 27, detailing policies and measures to boost nuclear emergency preparedness and highlighting "a rational, coordinated and balanced" nuclear security approach.

"China has consistently given top priority to nuclear safety in its peaceful use of nuclear energy," said the white paper, China's Nuclear Emergency Preparedness, published by the State Council Information Office.

The document boasted "a sound safety record" since China embarked on its nuclear industry in the mid-1950s, saying that the country's nuclear facilities and activities have "all along been in a safe and stable state" and the safety level of nuclear power stations has witnessed constant improvement.

The white paper attributed the sound record to continual efforts to improve nuclear safety techniques, enforce rigorous nuclear safety supervision, and strengthen nuclear emergency management over the past six decades or so.

As of the end of October 2015, the Chinese mainland had 27 nuclear power generating units in operation, with a total installed capacity of 25.5 gigawatts (GW), while another 25 units with a total installed capacity of 27.51 GW had been under construction.

China plans to raise its installed nuclear power capacity to 58 GW with an additional 30 GW under construction by 2020 and build itself into a strong nuclear power country by 2030.

China will also speed up drafting the nuclear safety law and atomic energy law, according to the report.

Amnesty for Prisoners

A total of 31,527 prisoners, most of whom were juveniles when they committed their crimes, have been released thanks to an amnesty deal, according to an official statement on January 25.

The measure was adopted by the Standing Committee of the National People's Congress, China's top legislature, and signed by President Xi Jinping on August 29, 2015, before a national commemoration of the 70th anniversary of the end of the World War II.

The pardoned prisoners, including war veterans, and the very old, young or infirm prisoners, had been released by the end of 2015 as scheduled.

Of the pardoned prisoners, 50 belong to the first category, 1,428 belong to the second, 122 to the third and 29,927 to the fourth.

Basic living allowances are being provided for those released without a job, with no ability to work, no source of income or nobody to provide for them.

Poverty Ending Plan

The government of southwest China's Tibet Autonomous Region said it will lift 690,000 people out of poverty by 2020, an ambitious plan that aims to end poverty in the region.

According to the Xinhua News Agency on January 26, the region will reduce the poverty rate to less than 5 percent and increase the disposable income for people living below the poverty line by 16 percent during the 13th Five-Year Plan (2016-2020).

China considers people who earn less than 2,300 yuan (\$350) a year as living below the poverty line.

In the first half of the year, Tibet's GDP was 41.9 billion yuan (\$6.35 billion), the lowest among all 31 provincial-level regions.

Authorities promised they would do more to reduce poverty, including relocating more people from impoverished regions with no sustainable conditions.

Tibet's poverty rate was reduced to 32.9 percent by the end of 2015 from 49.6 percent in 2010.

Visa-Free Entry

Shanghai, Jiangsu and Zhejiang provinces will offer a 144-hour visa-free entry for international transit passengers from January 30 as part of renewed efforts to boost business and tourism.

The new policy, unveiled on January 26, covers travelers from 51 countries and regions, including Australia, France, Japan, Russia, the UK and the United States, the Ministry of Public Security announced.

Visitors, for example, could enjoy a 144-hour stay in the Yangtze River Delta upon entry via Shanghai's air, sea and railway ports, Jiangsu Province's Nanjing Lukou

International Airport and Zhejiang Province's Hangzhou Xiaoshan International Airport, providing they have third country visas and tickets to leave for a third country or region within 144 hours.

Shanghai, Hangzhou, capital city of Zhejiang, and Nanjing, capital city of Jiangsu, have allowed 72-hour visa-free entry for international transit passengers since 2013.

The move signals intensified efforts to increase international tourism and commercial and trade cooperation as well as the flow of talent, the ministry said in a statement.

False Declaration

More than 3,900 officials will not be considered for promotion in 2015 after they were found to have deliberately concealed personal information, according to the Organization Department of the Central Committee of the Communist Party of China (CPC) on January 25.

Officials up for promotion or transfer to important positions should have their personal reports scrutinized. If they are found to have intentionally concealed anything vital, they will be disqualified from promotion.

Officials of deputy county level or above are required to report their personal information, including personal and family assets and investment, marital status, overseas travel, as well as the nationality and

occupations of their relatives, to the CPC.

The system began last year with an inspection of 1,550 provincial cadres and candidates. Checks by local governments covered over 60,000 officials at the deputy county level and above.

Portable Internet

About 620 million Chinese, nearly half of the country's population, had used mobile phones to access the Internet as of the end of 2015, according to a report released by China Internet Network Information Center (CNNIC) on January 22.

According to the report, the number of Chinese surfing the Internet via their phones increased by 63.03 million in 2015, accounting for 90.1 percent of the total 688 million Internet users in the country.

Mobile phones have become a major driver of growth in China's Internet user population, the report noted, adding around 127 million Chinese access the Internet only by cell phone.

Internet coverage expansion has also helped improve public services, living standards, and e-commerce.

Drug Discovery Fund

Committed to creating an advanced drug discovery and translational platform, Tsinghua University and the Bill & Melinda Gates Foundation (BMGF) decided to join forces to establish the Global Health Drug



Ethnic Celebration

People of the Miao ethnic group in Tongren, southwest China's Guizhou Province, celebrate the Miao New Year Festival on January 25.

The Miao New Year is observed at different times of the year in different regions, usually in the period from the ninth to the eleventh month of the Chinese lunar year, and lasts from five to 15 days.

Discovery Institute (GHDDI) in Beijing on January 22.

The institute will tackle major diseases faced by many developing countries, including China, and will be the first research and development center of its kind in China, a joint statement released by the two sides said.

As co-founding partners of the GHDDI, the BMGF will provide financial support as well as assistance on institutional development, whereas Tsinghua University will

invest various resources to support the institute, including talents and scientists, programs, facilities, as well as operation and management.

The establishment of GHDDI in Beijing is another important collaboration between the Gates Foundation and China. BMGF is dedicated to driving innovation in global health and development. It endeavors to solve health problems that plague the poorest populations in the world, including diseases such as tuberculosis, malaria and HIV/AIDS.

Festive Activities

A folk artist from central China's Hubei Province showcases her paper-cutting skills in Seoul, South Korea, on January 26, as part of a global Happy Spring Festival program.

The program, initiated in 2010 by the Ministry of Culture in collaboration with other organizations, aims to promote Chinese culture overseas. This year's program features various forms of activities such as temple fairs, artistic performances and firework shows in over 400 cities in 140 countries.

The Spring Festival, the most important holiday for the Chinese, falls on February 8 this year.



Tax Reform Promoted

Chinese Premier Li Keqiang has called for efforts to expand value-added tax (VAT) reform in 2016 to reduce the burden on enterprises and help industrial upgrades.

VAT reform is an important part of China's fiscal and tax reforms. Pilot VAT reform has achieved positive results and expanding it across all industries will reduce tax burdens on enterprises, boost the upgrade of industry and stimulate consumption, according to a statement issued on January 25.

A pilot VAT scheme was tested in 2012 and has gradually expanded. From 2012 to the first half of 2015,

the measure had resulted in tax savings of over 484.8 billion yuan (\$75 billion) for enterprises, accounting for 0.2 percent of China's GDP in the period, according to an earlier report by the China International Capital Corp. Ltd. (CICC), the country's first joint venture investment bank.

This year, China will replace business tax with VAT in four remaining industries—finance, construction, real estate and consumer services, the Ministry of Finance announced last December.

Once all industries shift to VAT in 2016, the overall tax saving will be more than 900 billion yuan (\$137 billion), or 0.4 percent of the GDP, the CICC predicted.

VAT can encourage firms to outsource more services rather than adopting a do-it-all business model, promoting the development of the service sector and the upgrading of manufacturing industries, the report added.

Huawei Eyes PCs

Huawei Technologies Co. Ltd. is likely to release its first personal computer (PC), as part of the tech firm's plan to catch up with Apple Inc. in revenue.

Huawei, the world's largest telecom equipment maker, is working with chipmaker Intel Corp. on a PC that is scheduled to be unveiled

in February, according to a report by the Shanghai-based news site Yicai.com on January 25.

Nicole Peng, Research Director of Shanghai-based market research firm Canalys China, said Huawei will need to overcome a series of challenges to make the PC idea work.

"The PC market, including tablets, is undergoing a tough time with even Apple's stagnant tablet sales," Peng said, adding that the enterprise market could be more important to Huawei as there are still considerable revenue opportunities.

"But Huawei needs to leverage the business-to-business channel to sell PCs instead of using the current retail channel... which is a big challenge for them," claimed Peng.

New Partnership

On January 26, China's top ride-hailing app Didi Kuaidi and leading joint-stock bank, China Merchants Bank (CMB), announced a comprehensive strategic partnership that includes an equity investment, in-app credit card payments, joint bank cards, automobile financing services and driver recruitment.

The equity investment makes CMB the latest addition to the mobile app's powerful backers that include Tencent, Alibaba, the China Investment Corp., Ping An Ventures, CICC Alpha, CITIC Capital, Beijing Automotive Group, and others.

Neither side disclosed the investment figures, though Didi Kuaidi has already raised a record-breaking \$3 billion last year.

At a press conference announcing the partnership, Jean Liu, President of Didi Kuaidi, called the CMB "a heavyweight," saying its relationship with CMB is "strong and trusting."

Liu said that the partnership with CMB would enable the app to connect its financial and mobile online-to-offline platforms to CMB's experience in the banking sector in order to build the world's largest online ride-hailing platform.

With more than 250 million



Construction Underway

The Nujiang Grand Bridge on the Dali-Ruili railway comes into construction on January 24, with its total length reaching 1,024.2 meters. The steel truss railway arch bridge, with the longest span in the world, is an important section of China-Myanmar international railway.



Exploring a Gas Field

The output of a giant gas reservoir from the Longwangmiao Formation hit 10 billion cubic meters in Suining, southwest China's Sichuan Province on January 23. The country's largest single gas reservoir came into production in October 2015, with proven geological reserves of natural gas reaching 440.38 billion cubic meters.

In 2015, the Urumqi airport saw the transit of 280,000 passengers, up 35.34 percent year on year.

Universal Big Data

Three leading big data service providers in China announced their merger in Beijing on January 26. Umeng, the largest provider of mobile app analytics and developer services in China, CNZZ, a world leading provider of Chinese-language Web traffic statistics, and Dratio, a leading Internet data service platform in China, have integrated into a new third-party universal big data service provider, Umeng+. Alibaba Group is an investor in all three companies.

According to figures from Umeng+, it will collect tens of billions of online and offline data from more than 900 million users every day through the use of personal computers, mobile phones, sensors, wireless routers and other devices.

"Big data can only be used best when all the data is well connected,"

said Peng Xinyu, CEO of Umeng+. "Covering data from mobile Internet, personal computers, offline sectors and the Internet of Things, Umeng+ will provide an all-dimensional data service and better make use of big data."

E-Vehicle Market

Volkswagen will expedite its plan to produce new-energy cars in China to tap into the burgeoning market, according to Volkswagen China on January 26.

The announcement comes after data released by the German automaker showed that in 2015 sales on the Chinese mainland and Hong Kong slipped 3.5 percent to 3.55 million units.

Jochem Heizmann, CEO of Volkswagen China, said that the company would roll out 15 new-energy models for the Chinese market in the next three to five years.

The German automaker has developed a new production platform specifically for electric cars.

registered app users and 14 million registered drivers, Didi Kuaidi is one of the most popular apps and online payment platforms, recording 1.43 billion rides last year.

Expanding Presence

Apple Inc. opened its first store in east China's Shandong Province on January 30, according to the Apple website.

With a population of nearly 100 million, Shandong has the third largest provincial economy in China.

China is Apple's second largest market after the United States.

The U.S. electronics maker has set a target of having 40 stores on the Chinese mainland by the end of 2016.

The store is at MixC Shopping Mall in Qingdao, a prosperous port and tourism city in Shandong.

New Flight

The first direct flight linking northwest China's Xinjiang Uygur Autonomous Region to a south-eastern Asian country has been launched recently, according to an announcement by the Urumqi International Airport.

The flight is operated by the China Southern Airlines and transits between Urumqi and Thailand's Bangkok, the airport said in a statement.

Flights are arranged on Tuesday, Thursday and Saturday each week, with a stopover at Lanzhou, capital of northwest China's Gansu Province.

The direct flight shortens the travel time between the two places to around six hours, down from the more than 10 hours required, as passengers used to transit via Beijing and Shanghai to travel to Bangkok.



Independent Manufacturing

Visitors observe an engine at Brilliance BMW's new engine factory in Shenyang, capital of northeast China's Liaoning Province on January 22. The plant features a complete set of manufacturing techniques.



NETHERLANDS

Director of the European Police Office Rob Wainwright, Dutch Minister of Security and Justice Ard van der Steur and European Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos (left to right) attend the launching ceremony of the European Counter Terrorism Center in Amsterdam on January 25



UNITED NATIONS

The UN Security Council on January 25 adopts a resolution to establish a mission to monitor the ongoing peace process in Colombia that aims to end the 50-year-long conflict between the government and the Revolutionary Armed Forces of Colombia



ZIMBABWE

A staff member at a wildlife rescue center tries to guide a calf elephant to touch an adult of its species with its trunk on January 22, part of an effort to heal the psychic trauma of the young animal, which had survived a poaching attempt





VIET NAM

President Truong Tan Sang, Prime Minister Nguyen Tan Dung, Chairman of the National Assembly Nguyen Sinh Hung (left to right) and other delegates cast their ballots to elect the Central Committee of the Communist Party of Viet Nam at the party's 12th national congress in Hanoi on January 26



ITALY

Prime Minister Matteo Renzi (right) and visiting Iranian President Hassan Rouhani meet the media in Rome on January 25, after the two sides signed business deals worth billions of U.S. dollars



INDIA

Members of Dare Devils, the motorcycle display team of the army's Corps of Signals, form a triangle with their vehicles during the 67th Republic Day Parade in New Delhi on January 26

↓ AMBITIOUS PLAYER

Zhang Shuai fought her way into the quarterfinals of the Australian Open on January 25, becoming the third Chinese to do so following heavyweights Li Na and Zheng Jie. Although she lost to Britain's Johanna Konta two days later, her performance in Melbourne made history.

Before this year's Australian Open, Zhang ranked 133rd worldwide in singles, having lost all 14 of her previous first-round matches in Grand Slam events. She had even thought of quitting the sport, an idea that she has shrugged off.

Zhang, 27, hails from the northern port city of Tianjin and started playing tennis at age 6. She first came to prominence in 2009 when she became the lowest-ranked player to defeat a reigning world number one—Dinara Safina—at the China Open in Beijing.



Lack of Education Hampers Poverty Reduction

Economic Daily
January 21

In order to realize the goal of lifting all of its rural population out of poverty by 2020, many localities in China have stepped up poverty alleviation efforts. However, in some remote mountainous areas in west China, the low education level of the locals has seriously impeded poverty reduction.

Some of these people are unwilling to relocate for fear of being unable to adapt to a new living environment; some refuse to make a living through their own efforts but would rather depend on relief to sustain a low-cost and low-quality life; others would

rather stick to unprofitable traditional industries. These mentalities have become obstacles for poverty relief.

Moreover, it's hard for rural people with little education to master new skills. Currently, many places are modernizing agricultural production. In the past, farmers without much education can rely on past experience to tend to the farms. However, modern agriculture requires farmers to grasp a number of technologies. Without education, this won't be accomplished. Furthermore, an inability to use the Internet will hinder farmers from selling agricultural products online.

In order to clear the obstacles for poverty alleviation, local cultural and educational departments should pay more attention to promoting education in impoverished areas. For instance, they can hold training sessions for impoverished people to improve their knowledge and help them learn new skills.

Internet Revolutionizing TV

Oriental Outlook
January 28

Over-the-Top (OTT) TV, which refers to the practice of providing videos or other information through the Internet or mobile Internet for viewers to watch on their TV, is gaining popularity in China in recent years.

In the past few years, OTT TV boxes providing free or even illicit videos were the main players in the OTT TV market in China. Customers were able to access videos for only a few dozen yuan. An overhaul of the OTT TV market was jointly launched by several central administrative departments last November. Illegal OTT TV boxes were wiped out of the market and now the entire OTT TV market is undergoing a reshuffle.

A number of Internet companies have unveiled their own Internet TVs, which intimidates traditional TV manufacturers. In 2014, sales of color TV sets dropped by 6.6 percent year on year, the first negative growth seen in 30 years. TV manufacturers have felt the pressure and looked into the market of Internet TV for a solution.

For instance, TV makers such as



"We are going to see an evolution, not a hard landing, and a move toward a sustainable growth."

IMF chief **Christine Lagarde**, rejecting fears of an economic hard landing in China, at the World Economic Forum in Davos, Switzerland, on January 23

"It was the Buddhist Association of China, instead of the United Front Work Department or the State Administration for Religious Affairs, that launched the system."

Xu Zhitao, an official at the United Front Work Department of the Communist Party of China Central Committee, speaking to the *Global Times* on January 27 on the recent launch of an online system to check the authenticity of Tibetan Buddhism living Buddhas on the Chinese mainland



Skyworth, Hisense and Konka have all launched their own Internet TVs. However, the problem with traditional TV makers is their lack of content for their Internet TVs. In the long run, only companies capable of both manufacturing TVs and producing content can survive and grow.

Overseas Shopping Frenzy Highlights Need for Reform

Jiefang Daily
January 21

Statistics recently published by the Japanese Government show that last year saw 4.99 million Chinese tourists visit Japan, who spent 79.4 billion yuan (\$12.1 billion) in the country, registering a two-fold year-on-year increase. The spending spree of Chinese tourists overseas doesn't only happen in Japan but also in Europe, Australia and the United States.

In sharp contrast to the shopping spree of Chinese tourists abroad, many domestic industries are struggling with overcapacity and high inventory levels. The dilemma indicates that domestic supply and demand are misplaced. To be more specific, some enterprises have inherited their business mentality from the economic era of shortages. Their central concern is to expand capacity and reduce cost in order to gain advantages in prices. Nonetheless, for many consumers, a low price is no longer their main concern. They are pursuing quality products and are willing to pay a higher price for such products.

The goal of the ongoing supply-side reform should be satisfying consumers' demand that cannot be fulfilled by the current supply structure. For instance, safe food, especially food for infants and children, high-quality home appliances, and fashion items of well-known brands all have huge market potential. These demands may provide some insights into the supply-side reform.

↓ ACTRESS AWARDED AT DAVOS

Yao Chen was named one of the recipients of the 2016 Crystal Award at the World Economic Forum in Davos, Switzerland, on January 20. The Crystal Award honors artists who have made important contributions to improving the state of the world.

Yao, 37, was awarded for her work on behalf of the UN High Commissioner for Refugees (UNHCR) in raising awareness of the world refugee crisis. A graduate from the Beijing Film Academy, she became famous for her role in the 2006 TV drama *My Own Swordsman*.

Yao has been referred to as the "Queen of Weibo" for having 78 million followers on the popular Chinese social media platform. Since starting her work with UNHCR in 2010, she has met with refugees in the Philippines, Thailand and Ethiopia. In June 2013, she was named UNHCR's goodwill ambassador in China.



"We encourage not-for-profit carpooling services during the holiday. Safe driving should always be a priority. Drivers and passengers should both make their rights and responsibilities clear."

Wang Shuiping, a senior official at the Ministry of Transport, in a recent response to the growing popularity of carpooling services during the annual Spring Festival travel rush, on January 21

"If the [gender] gap continues to exist, it will threaten sustainable economic and social development. The most noticeable impact is in the creation of a marriage squeeze."

Chen Jian, Vice President of the China Society of Economic Reform, responding to statistics that the male population on the Chinese mainland stood at 704 million at the end of 2015, while the female population totaled 670 million



COVER STORY

ACTIVE AND CONSTRUCTIVE

President Xi Jinping's Middle East trip embodies
China's foreign policy in the region By Yu Lintao

In his New Year Message for 2016 on December 31, 2015, Chinese President Xi Jinping noted, "The world is so big and faces so many problems, and the international community wants to hear China's voice and see China's solutions. China cannot be absent."

Soon after, Xi set this diplomatic vision into action with a visit to the Middle East on January 19-23, traveling to Saudi Arabia, Egypt and Iran in turn.

The Middle East was one of the cradles of human civilization. Yet the region has been plagued with various kinds of problems, ethnic and religious conflicts in particular, that have hampered its development. Especially over the last decade and a half—starting with the Iraq and Afghanistan wars—and since the outbreak of the so-called "Arab Spring" five years ago, it has been haunted by persistent turbulence and bloodshed that has claimed hundreds of thousands of lives and displaced millions.

Today many people in the region are suffering from exacerbated poverty, frustration and sectarian conflicts as well as rampant



Chinese President Xi Jinping delivers a speech at the headquarters of the Arab League in Cairo, Egypt, on January 21

extremism, but are praying for peace and the opportunity to improve their livelihoods.

Against this backdrop, Xi's Middle East visit was eagerly welcomed. Over the course of his visit, Xi's announcements of China's assistance for anti-terrorism and humanitarian efforts, as well as the fruitful outcomes agreed to between leaders have not only strengthened bilateral ties between China and the three host countries but also brought new hope for peace and development in the region.

Contributions

In the wake of the unprecedented chaos of the "Arab Spring" and several wars, many countries in the Middle East are hoping to get on the right track for social transition and development, said Liao Baizhi in an interview with *Beijing Review*. Liao is deputy director of the Institute of Middle East Studies under the China Institutes of Contemporary International Relations.

In the meantime, economic relations and personnel exchanges between China and the

Middle East are becoming closer and closer, and China's interest in the region is expanding. Thus, Xi choosing the Middle East as the destination of his first overseas trip in 2016 showcases the importance that China attaches to the region, and that China is willing to play a role in promoting regional peace, according to Liao.

History shows that the roots of the problems in the Middle East are complicated, with prolonged sectarian rifts, national contradictions, weak development and Western intervention all playing a part in dragging the region into crisis. Xi's visit also marked the first trip by a world leader after nuclear-related sanctions on Iran were lifted—and just as the diplomatic feud between Iran and Saudi Arabia flared up—which some claimed shows China's resolve in constructively engaging with the struggling yet promising region.

During Xi's trip, China agreed with Saudi Arabia and Iran to upgrade their respective relationships to a comprehensive strategic partnership, and China and Egypt also vowed to work together with each other to add more value to their pre-existing one. The series of comprehensive strategic relationships are expected to help China shape its role in dealing with affairs in the Middle East and promote pragmatic cooperation.

When addressing the Arab League (AL) at its headquarters in Cairo, Egypt, Xi sent a clear message that what China wants for the region dogged by decades of troubles is peace, development and stability. Xi told his audience that their problems obstruct development and that only through dialogue and development can differences be properly addressed and problems solved.

He stressed that the key to the elimination of divergences is to enhance dialogue and that military force is not the solution. The conflicting parties should focus on promoting a political settlement, Xi added.

The president also expounded on China's Middle East policy. China is not seeking any sphere of influence in the region, looking for proxies, or trying to fill any power vacuum. Instead, it promotes negotiations and seeks to build a cooperative partnership network for mutual benefit, Xi said.

Li Shaoxian, Director of the China-Arab Research Institute at Ningxia University in northwest China's Ningxia Hui Autonomous Region, said on China Central Television that most Middle Eastern countries view China as an impartial external force and welcome its participation in dealing with regional issues.

Last year, China also played an indispensable role in securing the historic nuclear pact between Iran and six major countries that is conducive to regional peace and reducing confrontation. And since 2011, China has explored ways of ending the turmoil grappling Syria, talking with rival sides to try to resolve their differences and providing millions of dollars in aid to respond to the humanitarian crisis in and around the country.

Back in 2013, shortly after Xi took office as president, China invited Palestinian and Israeli leaders to visit China. Xi called on both sides to end their generations-old hostility through negotiations rather than confrontation.

In his speech at AL Headquarters, Xi again called on the international community to safeguard the legitimate national rights and interests of the people of Palestine. "The Palestinian cause is a basic issue for peace in the Middle East. If the international community wants an end to the conflict, it must help resume the peace talks, implement peace agreements and be committed to achieving fairness and justice," he said.

The Chinese president also announced in his speech new economic assistance to regional countries. The Chinese Government pledged 50 million yuan (\$7.53 million) to help improve ►►

the livelihoods of the Palestinians and 230 million yuan (about \$35 million) for Syria, Jordan, Lebanon, Libya and Yemen as humanitarian assistance.

In addition, Xi announced loan programs in support of development in the Middle East, including \$15 billion of exclusive loans, \$10 billion of commercial lending and \$10 billion of concessional loans, as well as joint investment funds worth a total of \$20 billion.

China's contribution toward promoting peace in the Middle East has gained positive reviews from Middle Eastern observers. In an interview with Xinhua News Agency, Ahmadi Mouhssin, a professor of international relations at the Cadi Ayyad University in Morocco, said that Xi's visit sends out a strong signal, especially his speech at the AL Headquarters.

Hazem Ahmed Hosni, a professor of international relations at Cairo University told Xinhua that Xi's visit marks a new chapter in China's policy in the Middle East, and China is set to play a more active role in the region.

Development solution

Based on China's successful development over the past 30 years, Xi suggested focusing on overall development in Middle Eastern countries—an effort that has started to take

hold to resolve a variety of issues in the region. Identifying development as the core solution to reducing turmoil, Xi demonstrated that China is a willing, supportive and cooperative partner with the announcement of several moves to promote development in the region.

On January 13, China released its first policy document specifically addressing relations with the Arab world, noting that cooperation and development come hand-in-hand with peace and stability. During his trip, Xi emphasized this policy, pledging to strengthen cooperation with regional countries on promoting the China-proposed Silk Road Economic Belt and 21st-Century Maritime Silk Road (Belt and Road Initiative), which is a concrete step being taken to promote the common prosperity of the region.

Observers noted that for Middle Eastern countries, most of which are currently undergoing reform and change, political stability and dynamic economic growth are desperately needed.

"Development is the fundamental way in resolving the complicated issues in the Middle East," Xue Qingguo, a professor of Arabic studies at Beijing Foreign Studies University, said in an interview with *Xinhua Daily Telegraph*, a Chinese-language news daily in Beijing. Xue

claimed that China has rich experience in economic development, and that through Middle Eastern countries joining hands with China to build the overland and maritime silk roads, it can greatly help boost their economic development, achieve industrialization and increase employment.

Wu Bingbing, head of the Institute of Arabic-Islamic Culture Studies at Peking University, told Chinese media that China's Belt and Road Initiative provides different mutually beneficial cooperation solutions targeting countries with varied conditions, thus the initiative can be seen as a set of keys for common development. For instance, Wu explained, many Middle Eastern countries are plagued by poor infrastructure as a result of sanctions, economic difficulties or civil conflicts and some countries need to accelerate industrial development in order to accommodate an increasing population and labor surplus. "The Belt and Road Initiative can meet different needs of these countries," Wu said.

During Xi's trip, China signed memorandums of understanding on cooperation on the Belt and Road Initiative with each of the three host countries. In addition, China also completed the signing of 14, 21 and 17 docu-



Chinese President Xi Jinping and Saudi King Salman bin Abdulaziz Al Saud inaugurate the Yasref Oil Refinery, China's largest investment project in Saudi Arabia, in Riyadh on January 20

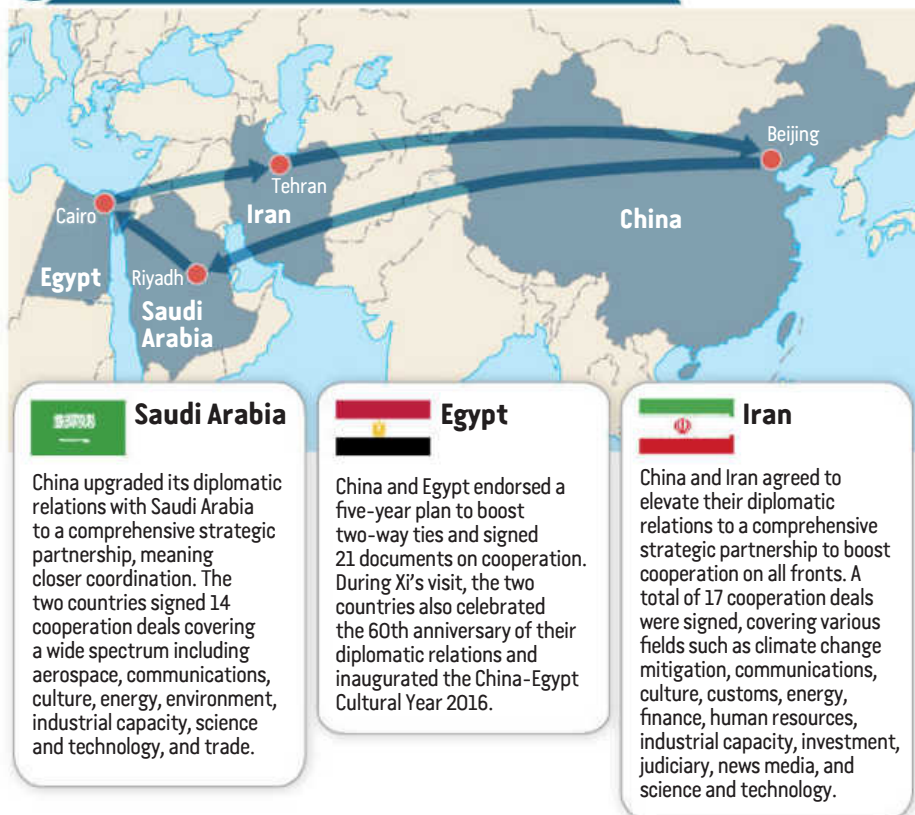


President Xi's Visit to the Middle East

ments on cooperation programs with Saudi Arabia, Egypt and Iran, respectively. These programs cover areas such as economy and trade, energy, finance, aerospace and climate change, elevating cooperation between China and these countries to new heights.

In an interview with Xinhua, Khalid Abdle Khaliq, an expert with Egypt's Ahram Center for Political and Strategic Studies, claimed that the Belt and Road Initiative is warmly welcomed by Middle Eastern countries and that Saudi Arabia and Egypt have expressed their willingness to restructure their ports and roads in order to join the huge project.

Hua Liming, a senior researcher on Middle East studies with the China Institute of International Studies, was quoted by *Xinhua Daily Telegraph* as saying that under the co-operation framework of the Belt and Road Initiative, China can transfer part of its advanced but oversupplied industrial capacity to the Middle East, which can not only benefit the economic restructuring in China but also help create more jobs in recipient countries. ■



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COVER STORY

IMPETUS FOR PEACE & DEVELOPMENT

What can China offer the Middle East? By Ma Xiaolin



The author is an op-ed contributor to *Beijing Review* and a professor at Beijing Foreign Studies University

Chinese President Xi Jinping kicked-off his 2016 diplomatic schedule with state visits to Saudi Arabia, Egypt and Iran on January 19-23. It was his first trip to these countries since taking office in March 2013.

While the Middle East has witnessed continuous turbulence over the last five years, China's policy toward the region remains distinct from other major countries in the world, being constructive without interfering. Countries in the Middle East have valued China's positive role in the region.

In addition, China's initiative of building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (Belt and Road Initiative) is winning over countries in the

region due to its future benefits for their own development. Personnel, cultural and trade exchanges between China and the Middle East have a long history, flourishing more than 2,000 years ago after the ancient Silk Road was opened as an important trade route between the East and West.

Economic cooperation

As the world's largest energy consumer, China will continue to be a huge market for petroleum-exporting countries in the Middle East, the region that has the largest oil and natural gas reserves in the world. Most local economies there are heavily dependent on oil and gas resources and related industries, so maintaining a huge and stable oil-consuming market is vital to sustain revenue. Local leaders therefore appreciate that the Chinese represent a major and reliable buyer.

Meanwhile, China continues to undergo robust growth and change in regards to industrialization, urbanization and modernization. Oil

and natural gas account for an increasingly high proportion of China's strong energy demand, especially until clean energy alternatives become a larger proportion of its energy mix.

China has been a net oil importer since 1993, and 50 percent of its imports are bought from the Middle East. For a long time, many oil-exporting countries in the region have benefited from China's stable energy demand. In 2014, there were four Middle Eastern countries among China's top six oil trading partners—Saudi Arabia, Oman, Iran and Iraq. Since October 2014, oil prices have plummeted, and China is increasing its oil imports to create a strategic stockpile. According to the latest statistics released by the General Administration of Customs of China, the country imported a record high of 335.5 million tons of crude oil throughout 2015, an 8.8-percent increase from a year earlier.

Though Russia's oil exports to China have increased following the signing of a series of energy cooperation deals between the two countries, Saudi Arabia and Iran remain as





Chinese Foreign Minister Wang Yi (third right) attends a foreign ministers' meeting of the P5+1 countries (China, France, Russia, the United Kingdom, the United States, plus Germany) on the Iranian nuclear issue in Lausanne, Switzerland, on March 29, 2015

in construction. Chinese investors should expand their business to more fields, such as oil exploration, refinery and transport. Moreover, China and Saudi Arabia should enhance bilateral cooperation on a wider range including defense, nuclear energy, aerospace and new energy.

Egyptian President Abdel-Fattah al-Sisi has put forward an impressive plan to boost the domestic economy, including a number of key infrastructure construction projects, such as the development of the Suez Canal Corridor and the construction of a new administrative capital. In light of Egypt's need for economic development, Chinese investors could open factories manufacturing garments, toys, metal ware and consumer goods in the country, which would be helpful in creating jobs for Egyptian people and increase Egypt's exports to neighboring and European markets. Additionally, Chinese companies could participate in Egypt's infrastructure construction, supplying reliable and affordable equipment, machines as well as metro and railway systems.

Iran also needs to enhance infrastructure construction and develop industries, as the country has suffered from tough economic and trade sanctions for over three decades. As nuclear-related sanctions were lifted in mid-January after Iran had completed necessary steps to restrict its nuclear program, the Iranian Government is shifting its priority to economic development. Under such circumstances, Iran will embrace more opportunities of economic cooperation with China.

Over the past 20 years, China and Middle Eastern countries have enjoyed rapid trade growth, marking a 60-time increase from \$5.2 billion in 1993 to \$300 billion in 2013. The region as a whole has become China's fourth largest trading partner, and in 2014, ►►

China's two leading oil suppliers.

Apart from oil trade, there is huge market potential for China and countries in the Middle East to jointly tap into fields such as infrastructure construction, industrial development and investment. China has been promoting the Belt and Road Initiative since Xi first proposed it in 2013, aiming to enhance infrastructure connectivity and pursue common prosperity in Asia and beyond. It also proposed establishing the Asian Infrastructure Investment Bank and launched the Silk Road Fund. The bank and the fund are now in operation.

The Middle East has a strong demand for infrastructure construction. In recent years, Chinese companies have witnessed steady growth in the fields of project contracting and the export of labor services in the region.

Industrial upgrading is also a key priority for many Middle Eastern countries. In Egypt and Iran, their population has reached nearly 100 million, and their younger generations have become the majority in the compo-

sition of their demographics. Therefore, developing industries and manufacturing in these countries is not only a necessary approach to boost economic growth but also an effective way to create jobs. So, it will be mutually beneficial to conjoin their development strategies with the Belt and Road Initiative and focus on cooperation on infrastructure construction as well as the transfer of industrial capacity and technology.

China's largest trading partner in the Middle East, Saudi Arabia, is preparing approaches for large-scale economic reform. The country plans to restructure its largest oil company, appeal for additional foreign investment, cut down energy subsidies and encourage innovation in order to stimulate the economy. China should take the chance to expand its investment in Saudi Arabia, in particular with more active participation in oil production in the country. For example, Chinese companies should improve their positions in the value chain and no longer be sub-contractors who only do business

their trade volume was worth \$341 trillion, according to statistics from the General Administration of Customs of China.

Through joining the Belt and Road Initiative with the domestic development strategies of countries in the region, particularly Saudi Arabia, Egypt and Iran, the aggregate imports and exports between China and the Middle East are expected to exceed \$600 billion in the next 10 years.

Efforts for peace

Since the First Asian-African Conference (Bandung Conference) was held in Indonesia

in 1955, China has established close bilateral relationships with many countries in the Middle East. These parties have since reached a consensus on safeguarding national independence, defending sovereignty and territorial integrity as well as opposing hegemony and foreign interference, which all serve as strong bonds in their ongoing relationships.

Today, in spite of great changes in the international situation, China and many Middle Eastern countries often uphold and express support for each other in defending their core interests. For example, the China-Arab States Cooperation Forum and

the Forum on China-Africa Cooperation are two important frameworks under the joint efforts of China and relevant countries, and have become major platforms for deepening relations between China and countries in the Middle East and Africa. These days, many countries are calling on China to play a larger role in the region.

China is committed to safeguarding the international nuclear non-proliferation regime, and actively promotes peace, security and stability in the Middle East. It has tried to persuade all involved parties to settle disputes through peaceful means. When there is conflict or civil war in a country,

Reporters visit an economic development project in Egypt on November 11, 2014. The project is operated by Egypt TEDA Investment Co., a subsidiary of China's Tianjin TEDA Investment Holding Co. Ltd.



China never interferes in that country's internal affairs. Furthermore, China is willing to mediate and offer peaceful approaches to conflicts in the Middle East. Since 2002, China has appointed four special envoys to the Middle East for mediating the Israeli-Palestinian conflict.

China has opposed any solution through the use of force or resorting to the threat of force in regards to the Iranian nuclear issue. Meanwhile, it also firmly stood by sanctions and resolutions approved by the UN Security Council that called on Iran to follow the Treaty on the Non-Proliferation of Nuclear Weapons.

Most importantly, China played an important role in the multilateral negotiations for an international deal to impose restrictions on Iran's nuclear program, conducting arduous mediation with patience between the United States and Iran. China also helped narrow the divide between the two sides, offering compromised approaches and technical support. Finally, an agreement was reached in July 2015 after 12 years of prolonged efforts. The commitment by China has been appreciated by both Iran and the United States, and the international community speaks highly of China's contributions in solving the issue.

In the Syrian conflict, China is also playing a constructive role. In 2013, the alleged use of chemical weapons in war-torn Syria

became an international concern. In support of a UN Security Council resolution, China and Russia sent naval fleets to escort the ships that transported chemical weapons out of Syria for disarmament. The destruction of Syria's chemical weapons under international surveillance prevented terrorism groups from getting their hands on these dangerous weapons and materials.

So far, China has cast opposing votes four times in the UN Security Council on draft resolutions that tried to allow foreign military intervention in Syria. After five years of fighting, China's adherence to a peaceful settlement of the Syrian crisis has been acknowledged by more and more countries. Syrian Foreign Minister Walid al-Moallem visited China in December 2015, followed by opposition leader Alptekin Hocaoglu, President of the National Coalition for Syrian

Revolutionary and Opposition Forces, in early January. During their stay in Beijing, they announced their acceptance of the Resolution 2554 adopted by the UN Security Council on December 18, 2015, and agreed to participate in peace talks. The peace process in Syria has since been initiated, and shows that China's role as a mediator in the Syrian conflict has been accepted by both sides, and with the utmost respect.

With both growing strength and international reputation, China can and should make more contributions to the peaceful settlements of conflicts in the Middle East for the benefit of all those involved. ■

Employees of China's oil producer Sinopec Corp. and Saudi Arabian Oil Co. pose for a group photo in an oil field in Saudi Arabia on August 14, 2015



COVER STORY

CHINA'S STYLE

Chinese president's visit to the Middle East is not just an economic, but diplomatic investment **By Kerry Brown**



The author is an op-ed contributor to *Beijing Review* and director of the Lau China Institute at King's College, London

China's friendly diplomatic links with Middle Eastern countries are not a new phenomenon. Some would argue that they go back centuries to the era of previous imperial trade links, and the Silk Road routes that carried spices, resources and precious metals between the two regions. In modern times, however, China has forged a unique relationship, one in which it has been able to enjoy positive connections with every player across the region, despite the ongoing turmoil.

Chinese President Xi Jinping's first overseas visit this year embraced Saudi Arabia, Egypt and Iran one after another. Speaking to the 22 members of the Arab League in Cairo, Egypt, on January 21, Xi announced a \$20-billion investment fund for the region, and possible major humanitarian assistance for Syria, Jordan and others struggling to cope with the refugee crisis brought on by the war in Syria. To coincide with his visit, the Chinese Government also issued a white paper addressing links with the Arab world, speaking in terms of them being strategic partners.

Points of common interest

Egypt, the second country Xi went to, is a well-established partner for China, having been the first in Africa or the Middle East to recognize in

1956 the People's Republic after its founding in 1949. But Saudi Arabia and Iran matter to China because of the more recent phenomenon that they are important suppliers of petroleum. Of China's energy profile, a tenth comes from the Middle East region, with Saudi Arabia accounting for the largest amount, followed by Iran. This produces a very tangible common interest. With global oil prices falling, the United States increasingly using domestically sourced natural gas, and other markets diminishing, China really matters as never before as a consumer for Middle Eastern powers who are highly dependent on oil revenue.

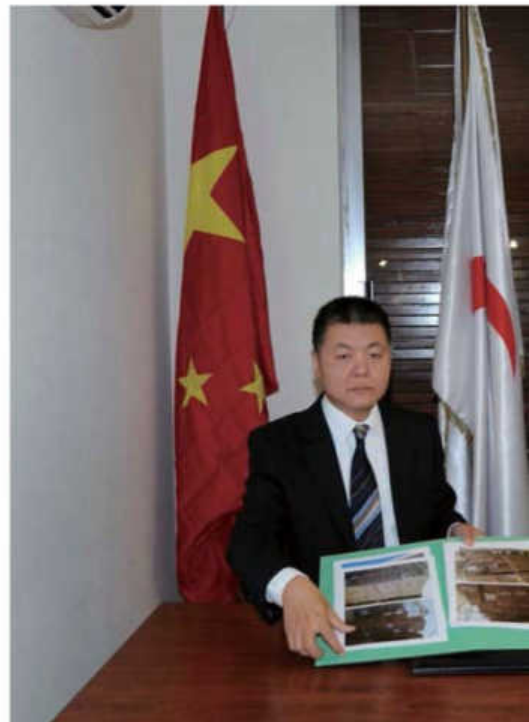
Yet it is clear that the last thing China wants is to be drawn into burgeoning commitments and binding diplomatic dependencies in an area that has some of the most volatile and complex politics in the world. China did not veto the 2011 UN Security Council resolution on NATO involvement in Libya when the regime there was collapsing. It simply abstained. But it felt the subsequent "mission creep" of the NATO-led alliance went beyond what had been mandated, and this caused it to be especially cautious later when a similar resolution was brought to the UN Security Council involving the Syrian civil war, which China vetoed, along with Russia, despite pressure from the United States.

Four years later the Syrian situation remains challenging. But things have changed with the rise of the so-called "Islamic State" extremist group, or Daesh, who have annexed large parts of territory across Syria and into Iraq, with their murderous form of radical politics, and their killing of civilians and hostages—along with support for acts of sickening violence in France, Turkey, and across the rest of the region.

The focus has now become one of trying

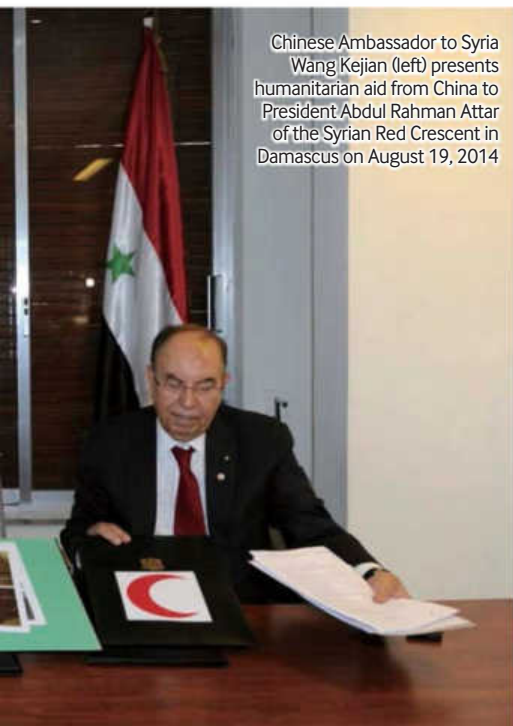
to contain, and then defeat the extremist group who so far has over 60 countries opposing them. China itself tragically lost a hostage to Daesh operatives in late 2015. If the world does not deal with Daesh, the extremist group is evidently keen to come out and unleash violence anyway. In this context, China has not remained neutral, but expressed clear solidarity with France and other victims of terrorist attacks.

The negotiations over the nuclear deal between Iran and P5+1 nations (China, France, Russia, the United Kingdom, the United States,



plus Germany) in 2015 also showed China starting to play a different role, moving away from pure neutrality and making commitments to non-proliferation and involvement in negotiations. Its mediation role here was a sign of the sort of impact it could have in Middle Eastern politics.

In the new complex and evolving situation, one which is highly unpredictable, China's strategy is likely to be played out on two tracks. On the one hand, it has increasing investments and assets in the region, which needs to protect. During Xi's visit, oil deals with Chinese companies were announced, along with new investments in the energy sector in both Iran and Saudi Arabia.



Chinese Ambassador to Syria Wang Kejian (left) presents humanitarian aid from China to President Abdul Rahman Attar of the Syrian Red Crescent in Damascus on August 19, 2014

On the other hand, it does not want to raise expectations of a more unilateral, significant diplomatic role that might cause it to be dragged into conflicts and arguments between, in particular, the United States and partners in the Middle East. China does not want the region to become a new kind of front line in which it faces American interests and aspirations. It would prefer to maintain its hard-won neutrality, and where it acts, to do so in concert with other players. Avoiding exposure is its main diplomatic objective.

Balancing act

The combination of Iran and Saudi Arabia on this visit is a good illustration of how hard this is going to be. Both have been engaged in a fractious war of words since the Saudi execution in early January of a Shia cleric who was supported by Iran.

To add to the complexity, Saudi Arabia has come under increasing pressure from the United States over reigning in Islamic fanatics and fighting against Daesh. At the same time, the signing of the nuclear freeze deal with Iran means that UN sanctions have finally been lifted, and Western ties with Tehran have actually warmed. This illustrates how the dynamics of alliances in the region is changing. Those who were friends yesterday are cool to each other today, at the same time diehard foes of yesteryear are suddenly talking to each other more harmoniously.

Xi's visit to both countries, despite the tension between them, shows the ways in which they have factored good relations with China into their global thinking and how important China's influence now is. But Xi's words toward the leaders of both were careful, largely focused on trade and investment, and kept away from any overt commitment to the side of one against the other.

The same can be said for China's white paper referred to above. It stressed China's

commitment across the region, avoiding indications of any specific favoritism or bias.

This is something the outside world will probably see value in. China taking a more interventionist, unilateralist role instead would only have created risk and new complexity. Other countries also prefer its neutrality, which might soon become even more significant.

The Syrian conflict is still far from any likely resolution. But if and when that day comes, there is a monumental job of reconstructing the economies of both Syria and adjoining countries. Having decent trade links into the market opportunities of China will figure hugely here, as will the ability to receive Chinese aid.

China is best placed to contribute to the rebuilding of the Middle East, because of the clear complementarities between its needs and those across the region. For this reason alone, China's voice has a different authority in the Middle East, and one that is listened to more widely than perhaps any other.

Xi's visit therefore is not just an economic but a diplomatic investment. It sets the basis for something that will play out into the next decade, rather than delivering big returns immediately.

Of all the regions linked to the China-proposed Silk Road Economic Belt and 21st-Century Maritime Silk Road, it is probably the Middle East that might eventually play the strongest role. Their resources matter, and will continue to matter, for China and their need for reconstruction will be an area China can help tremendously. And Middle Eastern leaders will see China as a place that has more benign historic and political links across the region, unlike in particular the United States, who has been a long-term player, but one that is regarded in sharply different ways depending on who one asks. ■

COVER STORY

A CLEARER ROLE IN THE MIDDLE EAST

China lays out its vision for increased cooperation in the region **By Hichem Karoui**



Chinese President Xi Jinping (center, front row) meets with chief delegates of Arab nations who were attending the Sixth Ministerial Meeting of the China-Arab States Cooperation Forum in Beijing on June 5, 2014

region. Nor has the United States succeeded in its over half a century of mediation efforts between Arabs and Israelis. The series of imbroglios into which the United States has been drawn demonstrate that playing referee in the Middle East while trying to protect American interests is no easy task.

In Syria, Washington's role is perceived negatively by all parties. In Yemen, the U.S. Government first supported the GCC initiative that brought to power the government of Abd Rabbu Mansour Hadi, and opposed the coup attempt of the Houthis (supported by Iran), before turning to criticize Saudi Arabia's endless war in that country. In Iraq, the Americans have also lost their bets, being criticized by all those involved. Actually, the problem is not that the Americans have been passive, but have been over-actively involved militarily in those conflicts, either by arming, pushing or fighting.

Moscow would also not have succeeded where Washington has failed, at least because of two recent events (ignoring past failures from an older period): the rift with Turkey, today a major player in the Middle East; and a bias too pronounced in favor of Syrian President Bashar al-Assad, still rejected by the majority of opposi-



The author is an expert on international affairs and author of several books on the Middle East/North Africa region

On January 13, China published its first Arab policy paper, reaffirming the strategic significance that it attaches to the region. The release of this important document and the recent state visits of Chinese President Xi Jinping to Saudi Arabia, Egypt and Iran coincided with the 60th anniversary of Sino-Arab diplomatic relations and present the role that China seeks to play in the Middle East.

As mentioned in China's Arab Policy Paper,

Xi had already pointed out areas and trends of priority for cooperation for the relevant parties in his speech opening the Sixth Ministerial Meeting of the China-Arab States Cooperation Forum in Beijing in June 2014. Now the agenda for dialogue with Arab and Iranian leaders includes economic cooperation, anti-terrorism, the Syrian crisis, and the acceleration of free trade agreement negotiations with the Gulf Cooperation Council (GCC).

Mediation: a role for China?

China has long remained distant from Middle East conflicts, trying to maintain a neutral stance. Meanwhile, the United States is unlikely to have a big chance of success in mediating a political settlement of the current diplomatic tussle between Iran and Saudi Arabia, due to their deep distrust of America's interests in the

tion forces, as well as other Arab leaders, Saudi Arabia included. This makes Russia a powerful ally of Saudi Arabia's arch-nemesis, Iran, which has the same stance concerning Syria.

What becomes crystal clear from reading China's Arab Policy Paper is the fact that while presenting a roadmap for future Sino-Arab relations as seen from Beijing, we can understand the Chinese worldview, with emphasis on concepts such as "pragmatic cooperation," "dialogue between civilizations," "exchanges between different religions" and "harmony and tolerance," as well as the new initiative of building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (Belt and Road Initiative).

In fact, we may already be witnessing China's role evolving into that of a positive mediating force. When Chinese Foreign Minister Wang Yi met with Foreign Minister Mohammad Javad Zarif Khonsari of Iran in New York City on December 17, 2015, he made some remarks about the Third Foreign Ministers' Meeting of the International Syria Support Group to be held the next day. In his view, although some progress had been made in previous meetings,

missions such as the integration of oppositions and screening of terrorist organizations remained uncompleted. Thinking of the big picture, the Chinese side decided to participate in the meetings and was willing to—with an objective and an impartial stance—make constructive contributions to advancing political settlement of the Syrian issue.

On December 24, 2015, while receiving Syrian Foreign Minister Walid al-Moallem in Beijing, Wang made the case for the first time of the Chinese position of a three-point adherence: First, to stick to the direction of politically resolving the Syrian issue; second, to insist that the future and destiny of Syria should be decided by its own people; and third, to adhere to the UN's role as a main mediator. Wang said that the three-point adherence constitutes an important part of the UN Security Council Resolution 2254 adopted on December 18 last year, which won approval of all its members and serves the interests of Syria and its people.

Relationship roadmap

In 1955, the First Asian-African Conference (Bandung Conference) in Indonesia was an

opportunity for Chinese leaders to get in touch with the Arab world and the Middle East. From that time, China's relations with African and Arab countries have improved. Diplomatic ties with Egypt, Syria and Yemen were established in 1956. A few others followed, such as Iraq, Morocco, and the Sudan, while other Arab countries would join later on. Today, China has established diplomatic ties with all Arab countries, and 50 of the 53 African countries.

It is important to note that Arabs have welcomed a benevolent Chinese role, for peace, stability, and sustainable development in their region; and China has finally responded favorably to such solicitations.

In the foreword of China's Arab Policy Paper, readers are reminded of China's clear support to the Arab national causes of independence and development—including Palestine—starting from the 1950s. In return, the Arabs have given China strong support in restoring its lawful seat at the UN and on issues like the Taiwan question.

In 2004, the China-Arab States Cooperation Forum was established, which was a major step toward the later establishment of the strategic cooperative relations of comprehensive cooperation and common development between China and Arab countries. China's Arab Policy Paper, as it explains, celebrates 60 years of friendly cooperation with Arab countries and helps one to understand China's policy and objectives in the Arab world.

Xi's state visits to Saudi Arabia, Egypt and Iran have served to emphasize these choices, which inaugurated a new age of close cooperation with the Arab world. China's policy in the Middle East has already gained ground with the Belt and Road Initiative, and Arab and Iranian leaders are getting a taste of Chinese inclinations. This is the occasion for China to link the development in the Middle East to its initiative. Conjugated with the new blueprint on China's Arab policy, Xi's meetings with leaders of host nations would also have an important impact on the prevailing situation in the region, alongside the ever-important agenda of advancing economic cooperation and trade. ■



The Royal Jordanian Armed Forces Band performs during the Second China-Arab States Expo in Yinchuan, northwest China's Ningxia Hui Autonomous Region, on September 10, 2015

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Strategy Assessment

The U.S. policy of pivoting to the Asia-Pacific is expected to continue By An Gang



The author is an op-ed contributor to *Beijing Review* and a researcher at the Pangao Institution

Recommendations made by the Asia-Pacific Rebalance 2025 report have outlined a clear goal—the containment of China's growing clout in order to maintain the United States' dominant role in the Asia-Pacific region. The report, unveiled by the Washington-based Center for Strategic and International Studies (CSIS) on January 20, has reviewed the U.S. Government's Asia-Pacific rebalance strategy.

The report was authorized by the U.S. Congress last year, which assigned the U.S. Department of Defense to commission an independent assessment of the U.S. military strategy and partnerships in the Asia-Pacific region for the next decade.

In the report, the CSIS study team highlighted priorities in four areas: aligning the U.S. strategy in Asia with its allies and partners in the region; accelerating efforts to strengthen capabilities, capacities, resilience, and interoperability of its allies and partners; sustaining and expanding U.S. military presence in the Asia-Pacific region; and accelerating the development of innovative capabilities and concepts for U.S. forces.

As a decade-long strategy assessment, the report shows that Washington has been preparing to extend its Asia-Pacific rebalance policy—one of the most important legacies left by U.S. President Barack Obama—to the next president who will take office in 2017.

Daniel Russel, U.S. Assistant Secretary of State for East Asian and Pacific Affairs, said that the U.S. Government would not stop the Asia-Pacific rebalance in an interview on January 22. Russel, who was attending

the fourth U.S.-Singapore Strategic Partner Dialogue in Singapore, stressed that it is a long-term strategy for the United States, even while the country prepares for a presidential transition.

Pivoting steps

Since the rebalance policy was launched in 2011, the Obama administration has enhanced its actions in the Asia-Pacific region considerably.

Obama announced a new military strategy in January 2012, vowing to deploy 60 percent of U.S. naval ships and 60 percent of its overseas air force to the Asia-Pacific region before 2020. The U.S. Government has made efforts to fulfill that objective in the past years.

In 2015, the U.S. Government released the Asia-Pacific Maritime Security Strategy, which clarified that the country's major security interests in the region lie in three fields—safeguarding the freedom of the seas, deterring conflict and coercion as well as promoting adherence to international law and standards.

The Obama administration has made substantial progress in implementing the Asia-Pacific rebalance strategy in the last five years. Despite the cuts to the United States' defense budget, Obama's resolution has not been affected.

In 2014, the Pentagon announced that the total strength of the U.S. Army would be cut down to 440,000 troops from 520,000. Nonetheless, it has been taking steps to increase the troops of Army and Marine Corps stationed in the Asia-Pacific region. In 2014, U.S. Marine Corps deployed 19,000 troops in the area, and by 2017, that figure will grow to 22,000—the highest level since 2003.

According to a five-year combat plan released by the U.S. Navy in 2014, the number of U.S. naval ships deployed in the Pacific will increase from 50 to 65 by 2020. This

means that some of the world's most advanced warships and combat aircraft will be amassed in that zone.

The U.S. Government has also enhanced its military cooperation with allied countries and partners in the region. For example, Australia has allowed U.S. Marine Corps to use Darwin as a harbor in north Australia since 2011. In 2014, the two governments further expand this cooperation to double the number of stationed U.S. troops to 2,500 in Darwin by 2017.

In addition, Japan has also adjusted its defense policies. Last year, Japan adopted new security bills to break its exclusively defense-oriented strategy, which it had kept since the end of World War II. Recently, the Japanese Self-Defense Force has undertaken more and more reconnaissance and surveillance tasks in coordination with the U.S. forces in the South China Sea.

Also, according to an agreement on military cooperation between the United States and Singapore reached in 2012, the U.S. Navy was allowed to deploy up to four advanced littoral combat ships in Singapore. At present, two of them have been stationed there. At the end of 2015, the two sides also agreed to deploy a number of U.S. Navy's P-8 Poseidon multi-mission maritime aircraft in Singapore.

In 2014, the Philippines agreed to open up to five military bases to U.S. aircraft, warships and troops. More than 20 years after they were pushed out, U.S. forces have returned to the Southeast Asian country. And In November 2015, the U.S. Government announced to offer \$259 million to help its allies and partner countries strengthen maritime security.

Aimed at China?

Undoubtedly, the Asia-Pacific rebalance strategy is aimed at dealing with China's rise.

The CSIS report, however, outlines that the containment strategy, which was

employed during the Cold War against the former Soviet Union, would not be “feasible or appropriate vis-à-vis China today.” It suggests that the U.S. Government should combine a variety of measures including engagement, deterrence and reassurance in its relations with China.

In practice, the United States is actively extending dialogue and cooperation with China. At the same time, it is also concentrating its efforts on strengthening its alliance with Japan, South Korea, Thailand, the Philippines and Australia, to provide a counter-balance against China’s growing power, according to statements made by Hillary Rodham Clinton, former U.S. Secretary of State and the front-runner for the 2016 Democratic presidential nomination, in her book *Hard Choices*.

The Asia-Pacific Rebalance 2025 makes an analysis of the so-called major security risks to the United States in the region. China ranks number one, followed by North Korea, Russia and nonstate actors.

The CSIS report also expresses a concern over growing tensions between China and the United States, stressing that constructive U.S.-China relations are of great importance in order to maintain security and prosperity in the Asia-Pacific region. It suggests leaders of the two countries should deepen their dialogue, in particular over the issue of Asia-Pacific security. They are also called to thoroughly implement existing agreements and take additional efforts to forge crisis-management mechanisms. The United States should also encourage its allies—Japan and the Philippines included—to build trust with China through bilateral channels, according to the report.

Key factors

However, the implementation of the ambitious Asia-Pacific rebalance strategy has been influenced by a complex variety of factors due to the current global situation. Since the United States plays a global role—but is unable to focus its attention and resources solely on the Asia-Pacific—it is unlikely to accomplish all of its goals in the region.

For example, the imbroglio with Russia and the Ukraine crisis has dragged the United States into a geopolitical struggle. The Obama administration has imposed sanctions on Russia in an effort to curb

Moscow’s attempts to strengthen its sphere of influence. Nonetheless, a strategic stalemate between the two countries perseveres to this day.

Moreover, Western interests are facing unprecedented challenges in the Middle East, including the rise of the so-called “Islamic State” group, and the ongoing conflict in Syria. That is in addition to sectarian tensions as well as the Israeli-Palestinian conflict. Because of these issues, the United States is unlikely to withdraw from the Middle East completely.

What’s more, defending its homeland against terror attacks has been a top priority for the U.S. Government since the September 11, 2001 attacks by Al-Qaeda. Furthermore, the seeping spread of terrorism in Europe has resulted in a number of disastrous attacks.

Against that backdrop, the United States needs to maintain and concentrate its efforts on the fight against terrorism.

As for other world affairs, climate change is an increasingly important issue for the leadership of the United States as well as China, which has become an indispensable partner for the United States in that regard. Washington is fully aware that the two countries must collaborate on this issue.

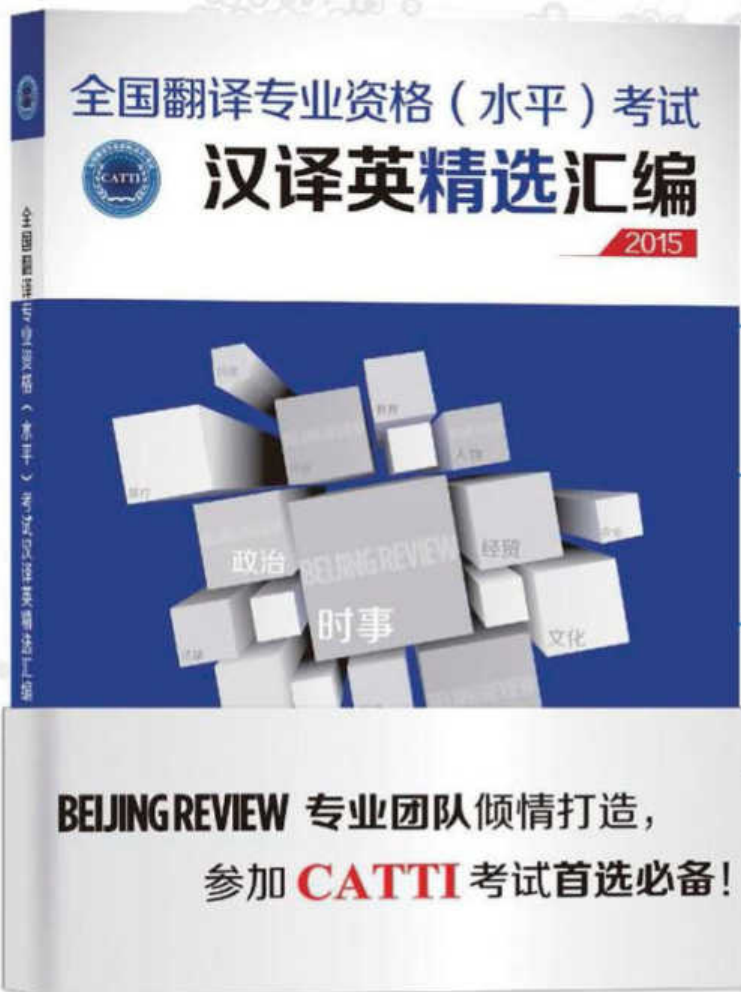
Few people challenge the assertion that China will become the center of the Asia-Pacific



Chinese and U.S. soldiers participate in a joint rescue drill in Seattle on November 21, 2015. The drill was an effort to deepen bilateral cooperation on humanitarian rescue and disaster alleviation

region in the 21st century. Regardless of who will be elected as the next U.S. president, the United States will be sure to pour more of its strength into the region. Yet, despite its pivot to the Asia-Pacific region, the United States is unwilling to weaken its presence and influence in Europe and the Middle East. The takeaway is that the United States is unlikely to concentrate all its strength on countering China. ■

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Relentless Efforts

The government pledges to strengthen its anti-corruption campaign By Yin Pumin

China's top anti-graft watchdog has vowed to keep up the intense pressure in 2016 to try and eliminate corruption, putting an end to a practice that had become widespread both in and out of China's halls of power. The Communist Party of China (CPC) will maintain a "heavy-handed approach against corruption," said a communiqué released on January 14 at the end of the sixth plenary session of the 18th CPC Central Commission for Discipline Inspection (CCDI).

The communiqué credited the intensified anti-corruption drive, which began after the 18th CPC National Congress in late 2012, as having consolidated the political foundation for the CPC's governance. Since the campaign was launched, the CPC has worked to create a culture where officials "do not dare, are not able, and are unwilling to be corrupt," said Xi Jinping, Chinese President and General Secretary of the CPC Central Committee, at the opening of the three-day plenary on January 12.

"The CPC is fulfilling its promise of strictly governing the Party, which has won it public trust and support," said Gao Bo, a political

researcher with the China Anti-Corruption Research Center of the Chinese Academy of Social Sciences, in a recent article by Xinhua News Agency. Gao believes the CPC is on track to advance the clean governance campaign, better manage the Party and enforce strict codes of conduct for its members.

According to a public opinion poll conducted by the National Bureau of Statistics in 2015, 91.5 percent of respondents were satisfied with the anti-graft drive, and over 90 percent had confidence in the campaign.

Promoting austerity

According to the CCDI's communiqué, the style of work and life of Party members have been improved with strengthened discipline and severe punishments.

Over the last three years, the CPC has made both arrests and discipline for corruption cases high profile, setting examples of low-level "flies" to high-ranking "tigers" who had been found guilty and punished. Ousted officials include former senior leaders, such as Zhou Yongkang, Xu Caihou, Guo Boxiong and Ling Jihua.

In 2015, 37 provincial- and ministerial-level officials were put under investigation, the CCDI said in early January. The 37, including 10 from the Central Government and nine from centrally administered state-owned enterprises (SOEs), came from 31 provinces, municipalities and regions, the CCDI reported. On January 12, Li Dongsheng, former Vice Minister of Public Security, was sentenced to 15 years in prison for accepting bribes.

Moreover, anti-graft inspection teams were sent to SOEs by the central authority starting from 2013 and have covered all 55 centrally administered SOEs in the past two years. According to the CCDI, the outstanding problems with SOEs include "abuse of power in exchange for illegal profit, personnel selection and promotion, as well as undesirable work and life styles."

A January 4 Xinhua article reported that, Wang Tianpu, the previous general manager of

oil giant China Petroleum and Chemical Corp. (Sinopec Group), "was found to have taken bribes, offered benefits in exchange for his own promotion and embezzled public assets."

Meanwhile, lower level bureaucrats have been found guilty of embezzling public funds, the use of public funds for banquets, and accepting bribes. Some 29,000 officials were admonished for violating austerity rules in the first 11 months of 2015, bringing the total number of those punished since late 2012 to more than 130,000, according to the CCDI.

Yu Guodan, an associate professor with the China University of Political Science and Law, said that the corruption of low-level officials could seriously damage the image

of the CPC and the government, during a recent interview with Xinhua News Agency. "A mosquito sucks a little blood but leaves a large mark, which hurts. The CPC must spare no effort to swat them," Yu said.

In addition to the crackdown on "mosquitos," "flies" and "tigers," the anti-graft watchdog has also been busy hunting "foxes," a term used to describe officials "hiding out abroad" that are suspected of corruption. China has since concluded dozens of extradition treaties with other countries, with a total of 1,023 fugitives returned from some 70 countries by the end of 2015, the CCDI claimed.

Of the fugitives extradited to China, 18 were on the most-wanted list, said Wu Yuliang, Deputy Secretary of the CCDI, at a press conference organized by the State Council Information Office on January 15. "It's the first time that the fugitives brought back to the country has outnumbered the new fugitives," Wu said, adding that efforts are underway to end corruption completely.

"With the efforts over the last three years, fighting corruption has become the firm consensus among Chinese society, gaining unstoppable momentum," said Zhuang Deshui, Vice Director of the Research Center for Clean Government Construction at Peking University, according to a January 13 Xinhua story. He also added that new measures by the Party to further the drive could be expected.

Maintaining pressure

President Xi said during the CCDI's plenary session that the country's anti-corruption efforts would not be relaxed in 2016 and that the campaign against corruption should continue to cover all sectors, with "zero tolerance" shown to violators. He continued, saying that violators should be punished to "safeguard people's immediate interests" and that the campaign's achievements should be more tangible to members of the public.

According to the CPC communiqué, the Party's constitution is the fundamental code ►►



(Source: CPC Central Commission for Discipline Inspection)



Li Huabo, a fugitive official from Jiangxi Province who was suspected of corruption, is extradited back to China in May 2015

of conduct for all Party members. "In order to manage the Party strictly, high standards must be upheld," it reads. "If all Party members pursue these high standards and bear in mind the awe and fear, they will firmly obey discipline and help make the CPC forever clean and advanced."

The CPC document urged Party organizations at all levels to take lead responsibility in the comprehensive and strict management of the Party, while disciplinary departments were urged to exert full efforts to supervise officials and pursue violators. "Priority targets" of the anti-corruption drive are "corrupt officials in key posts," the communiqué said, stressing, "Stricter than the law, Party discipline must serve as the benchmark and unassailable bottom line for the management of the Party."

More supervision needed

There are about 380,000 CPC members in the central-level Party and government organs. According to a plan released by the CCDI on January 5, all government organs, including the central Party organizations, will be under the watch of inspection agencies "to further eliminate blind spots in the CPC's intra-Party supervision." One hundred and thirty nine central organs will be checked by 47 inspection agencies directly answering to the CCDI. Twenty-seven out of the 47 agencies will also be required to inspect multiple targets in an effort to improve the independence of inspection agencies.

"These agencies have direct ties with only one department but supervise more, which makes them less attached and thus more independent. It's easier for them to focus on their work," said Yang Xiaodu, another Deputy Secretary of the CCDI, in a *People's Daily* article on January 6. Yang also explained that many of the central Party and government organs are "tainted, and the anti-corruption situation there is arduous and complicated." He believes that effective management will set proper examples for the public service system as well as individual Party members, regardless of position.

The CPC communiqué also stressed in-

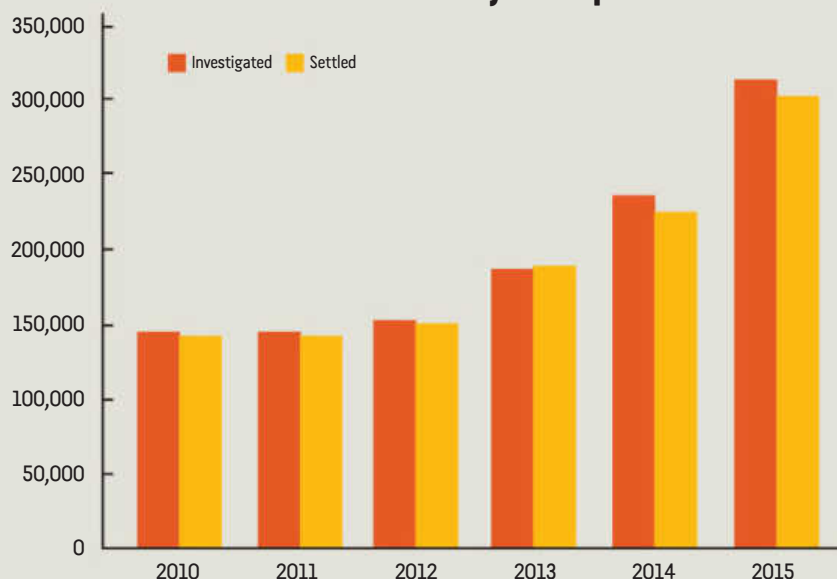
creasing public access to the monitoring of officials. On January 1, the CCDI launched its official WeChat account on the popular messaging platform. The account intends to provide users with first-hand, authoritative information and serve as a single-click resource for users to report any violations by Chinese officials. In addition, the CCDI has a website and a mobile application, which sometimes publishes information on officials who have fallen from grace.

According to the CCDI, the anti-graft authority has received more than 270,000 tips from the public since 2013 and transferred some 8,400 pieces of evidence to judicial organs.

Yet the CCDI admitted that more work needs to be done to strengthen the system so that officials "are unable and unwilling to be corrupt." The CPC communiqué therefore called for the revision of the administrative supervision law "to further strengthen intra-Party supervision." ■

Copyedited by Mara Lee Durrell
Comments to yinpumin@bjreview.com

Cases the CCDI and the Ministry of Supervision Handled



(Source: CPC Central Commission for Discipline Inspection)



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A Medical City

Taizhou plans to lead the world in both new and traditional Chinese medicine

By Mara Lee Durrell

If local government leaders have their way, the name Taizhou will soon be synonymous with China's Medical City (CMC), as it aspires to become the pharmaceutical and medical technology capital of Asia. Taizhou, even with a population of 5.08 million, is a third-tier city located in the country's Jiangsu Province, on the northern bank of the Yangtze River.

Taizhou's authorities highlighted both their progress and plans to become leaders in all things related to medicine at a presentation to the media on January 7. Lan Shaomin, Secretary of Taizhou's Municipal Party Committee, described a "vigorously developing health industry," with a stated goal that by 2020 the city will have built itself into a "world-famous medical center."

At the same time, officials are working to establish the region as a medical tourism center for traditional Chinese medicine (TCM), aimed at a domestic audience. Already, city planners and politicians have begun amassing a large number of multinational companies and foreign direct investment into the sprawling mass of buildings being constructed in and around the footprint of China's Medical Hi-Tech Zone.

A modern metropolis

The actual campus of CMC is located across more than 120 square km, and is studded with massive, modern buildings that dwarfed its visitors. A full-scale model of the city boasted ecological areas along the Yangtze River Delta, health centers strategically located based on anticipated need, restaurants, hotels, post offices, churches and residential housing units. All of it is being built and provided for the large amount of foreign and returning Chinese researchers that Taizhou's officials hope to recruit.

"We have mostly domestic companies

now but we hope that companies from foreign countries will come and join us soon, so we can become a big family," said Fiona Wang, Deputy Director of international business development for the CMC. "We even have a museum and a children's playground to enrich people's lives after work," she explained enthusiastically.

The CMC aims to have a local healthcare industry worth more than 100 billion yuan (\$15.2 billion) and house 1,000 pharmaceutical enterprises over the next three to five years. In 2010, the city began hosting the China (Taizhou) International Medical Expo, which is now held each fall. What started as a local initiative has been upgraded into a national priority, receiving central funding to support its expansion.

"Our focus on healthcare is in part due to China's aging population, and it is also a priority under China's next five-year plan," Wang told *Beijing Review*, referring to China's 13th Five-Year Plan (2016-20). "Taizhou has been chosen as a focus for biochemistry, biotech, and medical tourism and has developed over the last nine years into a national hi-tech zone."

According to the CMC, it currently hosts more than 560 medical enterprises, including 12 vaccine companies, TCM and general medical universities, in addition to a children's hospital. The range of medical projects in the works includes regenerative medicine, biotechnology, medical devices, and stem cell research.

The CMC staff and local officials alike spoke in earnest about their desire to recruit more foreign students to study at local universities, and were keen to draw attention to the prestigious university degrees held by the center's resident researchers.

The campus is also strategically located near the offices of local regulatory agencies, and it also offers offices to rent and research facilities to small and medium-sized businesses. The CMC claimed that most large organizations have preferred to build and manage their own facilities. In addition, the CMC has its own human resources staff "to help companies recruit domestic and foreign talents," Wang said, "as well as an intellectual property office to assist companies."

Demand for TCM remains

Yet for all of the focus on the new, sleek and modern trends that the CMC campus represents, Taizhou is known locally as a charming green city, with waterways covering 17 percent of its acreage, and a 2,100-year history. Taizhou's municipal Party secretary, Lan, told the story of Marco Polo when he visited the region seven decades ago. The explorer wrote that "the city is not very big, but is filled with all kinds of happiness."

The city certainly feels more laid-back than China's larger cities. The Taihetang Museum of Traditional Chinese Medicine, for example, felt more like a spa retreat than

The CMC aims to have a local healthcare industry worth more than 100 billion yuan (\$15.2 billion) and house 1,000 pharmaceutical enterprises over the next three to five years



Baby Deng Deng receives massage therapy from a doctor at the Taihetang Museum of Traditional Chinese Medicine in Taizhou, Jiangsu Province, on January 8

museum. It featured sunlit courtyards filled with people in bright white linen practicing tai chi, while others received foot massages, dozing in their chairs. Once a large family home with “99 and a half rooms,” it was reformed into a museum just last year, now serving as a publicity and education base for TCM tourism. According to museum staff, its goal is to “integrate the functions of traditional medical care nursing and health keeping.”

The center’s walls are decorated with scrolls imparting the wisdom of ancient healers, reading “look, listen, question and feel the pulse”—the four traditional rules that TCM doctors follow as they examine patients. The elderly and infants at the center were all brought by family members from nearby cities to use the TCM facilities with the hope of curing a variety of ailments.

One young couple travels to Taizhou every day to bring their 6-month-old son, Dai Xiaotong, for a half an hour massage, part of a year-long treatment prescription. “The treat-

ment is magic,” Dai Xiaotong’s mother told *Beijing Review*, “It is mainly relying on a kind of massage of the acupuncture point as a treatment to activate the muscle, and it has good therapeutic effects.”

The treatment cost is 70 yuan (\$10.77) per day, including the administration charge. But if you require a specialist, the charge increases, she explained. Though generally speaking, the cost is much lower than treatment in hospitals in larger cities, said Dai’s mother.

“My baby was born with his disease, which can only be cured by Chinese traditional treatment; if you resort to Western medicine, doctors can only perform an operation by cutting part of the muscle,” the mother said. “But the operation can cause some damage to the body, and is too painful for the baby. In contrast, the Chinese traditional treatment is painless.”

Nearby, another infant, Deng Deng, was also being given massage treatment to specific parts of his body, including his cheeks, to cure his ailments and avoid surgery. His mother and

grandmother both echoed their beliefs of the effects of TCM as “magic.”

When asked about the scale of demand for TCM versus Western medicine, Wang Hua, a gynecologist and head of the local TCM hospital, told *Beijing Review*, “we have seven TCM hospitals here and 55 country medical centers to improve the technology for medical treatment for our patients.”

“The hospital was founded about 160 years ago. We have 700 beds, 394 doctors and 105 post graduates,” Wang continued. “One Taizhou TCM hospital is getting a new building with 1,005 beds, which will be opening soon. We have over 2,000 years of TCM history here. Over 120 years ago, a book was written by a local doctor to blend TCM and Western medicine together to cure diseases, so we have a long history of integrating these two traditions.” ■

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Cheng Zhigang, the General Secretary of CAIF, was invented to attend the interview of Xinhua News Agency.

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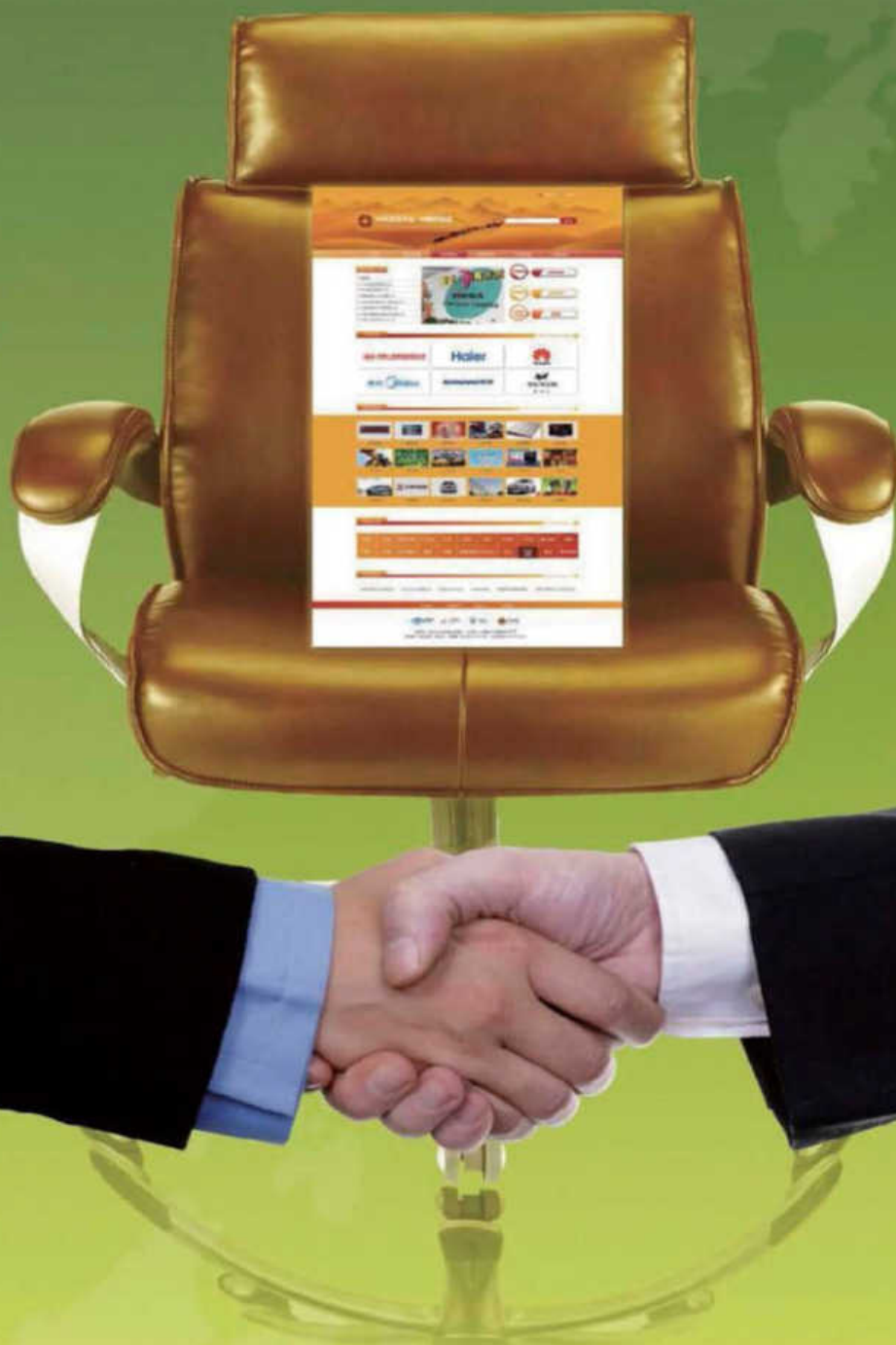


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An investor fixes his eyes on a display at a securities business hall in Hangzhou, capital of east China's Zhejiang Province on January 26. On that day, the SSE Composite Index plunged 6.42 percent. "Green" means "down" in China's stock market

A Market Health Check

Securities regulators look to smooth out the wrinkles in the stock market **By Deng Yaqing**

China's stock market was fraught with breathtaking and chaotic moments throughout the past year and a half. To assuage investors' concerns and anxieties, China's securities regulator is mulling over new reform measures.

From July 2014 to June 12, 2015, China's three major stock indexes—the SSE Composite Index, SZSE Component Index and ChiNext Index—soared 152 percent, 146 percent and 178 percent, respectively. However, within a mere 17 days of trading from June 15 to July 8, 2015, the SSE plunged 32 percent, according to data from the China Securities Regulatory Commission (CSRC).

"Such sharp fluctuations reflected that China's stock market is still immature, its trading mechanism is incomplete, its market system is

deficient and the supervision system is inappropriate," said Xiao Gang, Chairman of the CSRC, at the National Securities and Futures Regulatory Work Conference held by the CSRC in Beijing on January 16.

"An excessively fluctuating market is a market of speculation where only a few will gain the most benefit while most people suffer," Chinese Vice President Li Yuanchao told Bloomberg News at the World Economic Forum's annual meeting held in Davos, Switzerland, on January 20-23. "The Chinese Government is going to look after the legitimate interests of most of the investors."

"On the one hand, we need to make the stock market more dynamic, but on the other hand we also need to strengthen regulation of the stock market, and we have resolved to do

that," Li said in the interview.

In the days to come, the CSRC will focus on strengthening supervision by standardizing leverage financing, conducting stricter management on program trading, strengthening the management of transactions in the futures market, and enhancing efficiency.

"Some people argue that leverage financing, program trading and going short are also financial tools, and strengthening the supervision of these activities will deprive the market of its free will. Actually, only freedom within the law can be described as freedom. Otherwise, society will be thrown into a mess. The same applies to the securities market," said Song Qinghui, a financial commentator, in an article published in the *Finance and Investment* newspaper. Song believes that a prerequisite for stable market operation is the eradication of behavior that is speculative and harmful.

To underpin supervision, efforts should be made to properly handle the relations between the virtual economy and real economy, development and supervision, and innovation and standardization. All of this should be done while simultaneously learning from international experiences, as well as considering national conditions.

"The real economy is the foundation. Partaking in excessive speculation in the virtual economy will eat away the real economy from inside," said financial commentator Ye Tan in an article on *National Business Daily*. Ye noted that top priority should be given to the real economy

↓ Key Points From Xiao Gang's Speech

- The abnormal level volatility in the market has reflected the substantial immaturity of the Chinese market and investors, the flaws in the trading and market system, as well as the incompetence of the regulatory capability.
- To underpin supervision, efforts should be made to properly handle the relations between the financial sector and the real economy, development and supervision, innovation and standardization, as well as learning from international experiences and considering national conditions.
- The awareness of social responsibility should be reinforced. For a long time, the leaders and employees of some institutions put personal gains before social responsibility, seeking quick success and instant benefits, and were intent on nothing but profit. Amidst abnormal market volatility, some institutions failed to take their responsibility to stabilize the stock market seriously, and turned a blind eye to behaviors against related laws and regulations. The government should strengthen supervision over institutions' fulfillment of social responsibility and increase self-discipline within the sector.
- Institutional rules should be put in place with regard to the registration-based initial public offering (IPO) system. The reform will be a gradual process, and the IPO pace and pricing will not be completely deregulated all at once, as the regulator will seek to prevent a massive supply of new shares from burdening the market.

- Listed companies should conduct market value management appraisals to maintain a sustainable level of corporate value growth. Directors, supervisors and senior managers should not abuse their power to seek personal gains or make profits for others, and prevent false disclosure, market manipulation and insider dealing. Special attention should be paid to the supervision of cash bonus distribution, market value management, acquisitions and reorganizations, as well as refinancing activities.
- Efforts should be made to standardize leverage financing and manage program trading in a stricter way.
- The regulator will strengthen its supervision of public offering of fund liquidity by improving supervisory regulations and establishing a comprehensive risk prevention and control mechanism.
- It will also strive to improve the supervision of IPOs and financing activities by private equities in the Over-the-Counter market, and reinforce the investigation and punishment of illicit behaviors such as profit transfers and rat trading by acquiring over 5 percent of a listed company's shares.
- China will further broaden the channels for domestic companies to get listed and finance overseas. That is in addition to efforts made to work out a solution for the full circulation of H-shares, while gradually increasing the quota for Qualified Foreign Institutional

Investors (QFII) and Renminbi Qualified Foreign Institutional Investors (RQFII), as well as push A-shares to be included in global indices. China will encourage the creation of long-term funds including sovereign wealth funds and foreign pension funds to increase investment in China.

- The country will initiate the Shenzhen-Hong Kong Stock Connect, and will also improve the Shanghai-Hong Kong Stock Connect and study the feasibility of a Shanghai-London Stock Connect.

● Financial opening up pilot programs will be launched in free trade zones. The country will also seek to attract overseas institutional investors to the domestic bond market through QFII, RQFII, Shanghai-Hong Kong Stock Connect and free trading accounts.

Hong Kong- and Macao-funded brokerages will be allowed to establish joint ventures on the Chinese mainland; meanwhile, mainland institutions that operate securities, funds and futures will be encouraged to develop branches overseas.

- Progress will be made in propelling the mutual recognition of domestic and Hong Kong funds, and also the steady advancement of the registration of Hong Kong mutual recognition funds on the Chinese mainland, and promoting exchanges and cooperation in cross-border supervision.

(Compiled by Beijing Review)

↓ China's Securities Market

- As of the end of 2015, a total of 2,827 companies had been listed domestically, with a gross market value of 53.13 trillion yuan (\$8.08 trillion).
- The total assets of the 125 securities companies amounted to 6.42 trillion yuan (\$975.84 billion), with net assets reaching 1.45 trillion

yuan (\$220.4 billion), up 57 percent and 58 percent year on year, respectively.

- A total of 112 licensed asset management institutions operated with funds of 8.4 trillion yuan (\$1.28 trillion), up 85 percent year on year.

● The total assets of the 150 futures companies stood at 93.22 billion yuan (\$14.17 billion),

up 30 percent year-on-year.

- Roughly 25,000 registered private equity management institutions operated funds of 5.1 trillion yuan (\$775.2 billion), up 138 percent year on year.

(Source: China Securities Regulatory Commission)

and the transformation and upgrading of the manufacturing industry.

Supervision is not intervention, and shouldn't be distorted as prejudice or permissiveness toward certain segments of the market. Beyond that, China should not blindly imitate countries like the United States and Britain in pursuing financial innovation, because China and these countries are quite differentiated from each other in terms of their trading circumstances, laws and governance systems.

Financial innovation in China should be reflected in risk control, accurate pricing, strict laws and high market efficiency, said Ye.

In addition, when learning from other countries, national conditions, characteristics and the rules of their domestic markets should be taken into account, claimed Ye.

The extensive use of the "circuit breaker" mechanism made us believe that it was also fit for China. However, since China's stock market is dominated by retail investors, the pressure

to dump stocks became overwhelming as they panicked when the stock markets in emerging countries plunged, said Fang Xinghai, Vice Chairman of the CSRC, during the World Economic Forum's annual meeting.

"The regulator has admitted that the circuit breaker is not a suitable mechanism for China," said Fang. ■

Copied by Bryan Michael Galvan
Comments to dengyaqing@bjreview.com

Hunting Zombie Companies

China attempts to revive inanimate enterprises as part of its structural reform

By Wang Jun

The final sentence has been written for the shutdown of zombie companies. The Central Economic Work Conference held in December 2015 vowed to resolve industrial overcapacity, wherein a crucial aspect for its success will be the restructuring of zombie companies. Most of those defunct companies will be shut down or reorganized within three years, said Zhang Yi, Chairman of the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), at a meeting held in Beijing on January 15.

"Industrial overcapacity will not be thoroughly resolved, and economic restructuring will not be realized unless zombie companies are closed," said Feng Fei, Vice Minister of Industry and Information Technology. "We can only make progress after we shut down enough zombie companies."

Three defects

U.S. economic commentator Peter Coy defined zombie companies as organizations that have no way to continue their operations, but have not gone through bankruptcy. These enterprises use bank loans or government funding to survive.

Feng also defined zombie companies as those that suffer losses for a long time, and therefore have no hope to make up for their arrears, but are nevertheless difficult to shut down.

"These companies are much like the zombies you see in horror films. They have lost their vitality, but are still hanging on due to 'blood' transfusions. Sometimes they are even quite harmful," described Wang Jiang

vividly. Wang is a research fellow at SASAC's research center.

Undoubtedly, these inoperative companies will damage their industries and intensify potential risks in the macroeconomy.

Zombie companies produce no economic benefits but still consume a large amount of resources such as land, funds, energy and labor, reducing the efficiency of resource allocation and making it impossible for resources to be distributed to sectors of higher economic benefits. In Jinhua of east China's Zhejiang Province, there were a total of 1,542 companies at the end of 2014 that had reported no income tax for three consecutive years, even though those companies occupied a combined 1,713 hectares of land in the city, according to a report from *People's Daily*.

Being uncompetitive in business, some zombie companies even disrupt the market order. For instance, in previous years when steel prices were high, some of those moribund companies "rose from the dead" and rushed into the steel industry, intensifying overcapacity and further cutting down the profit rate in the industry. "For the purpose of maintaining social stability, some local governments still offer support to zombie companies. This causes unfair competition," Feng said.

Without solvency, yet still leeching vitality, those inanimate companies are likely to increase financial risk. According to Wang, zombie companies borrow a lot from banks and even private lenders. To avoid a zombie company's bankruptcy, which would result in their loans becoming bad assets, some commercial banks have continued pumping

credit into them. Therefore, these companies must be dealt with in order to prevent an increase in non-performing loans.

Difficult disposal

Why is it difficult for zombie companies to exit the market?

According to Feng, such companies in China can be either reorganized through market-oriented ways or go bankrupt in accordance with the law. "But in practice, complete exit mechanisms are not yet available," he said.

One of the difficulties is the settlement arrangement for those companies' employees. According to Wang, some zombie companies were left over by the reform of state-owned enterprises in the 1990s. For large organizations or those with complicated ownership and debt disputes, undergoing reform was too complex to succeed, despite their poor business performance.

Heilongjiang Longmay Mining Holding Group Co. Ltd., for example, is the largest coal company in northeast China. The group reported net losses of 800 million yuan (\$121.95 million) and 2.3 billion yuan (\$350.61 million) in 2012 and 2013 respectively. In 2014, the losses reached 6 billion yuan (\$914.63 million). The production capacity of Longmay is only one tenth of that of the industrial leader Shenhua Group, but both organizations employ about 200,000 workers. Organizing the compensation of such a large number of employees would be inevitable regardless of whether Longmay is shut down or reorganized. Their employee rosters are almost equivalent to the



On March 3, 2015, workers from the Huacheng Electrical Machinery Plant in Guangdong Province are informed that the factory has shut down due to outstanding debts

population of a small city, complicating re-employment prospects.

"How are zombie companies to compensate their employees?" said Wang, pointing out that arranging the employees' settlements is particularly difficult in third-tier cities. According to him, it is difficult for some cities that are small in economic scale to attract private investment for the restructuring of zombie companies. Due to the cities' limited economic sizes, they are unable to create enough jobs, and most of the laid-off workers are poorly educated, making it more difficult for them to find new jobs. "In response to concerns that poor employee settlement agreements might affect social stability, some local governments require commercial banks to continue offering loans so as to maintain their business operations," said Wang.

In addition, the legal system for the shutdown of zombie companies is not sound. According to Feng, some provisions in the Enterprise Bankruptcy Law are too general, and more detailed measures must be drafted. For example, it is difficult for companies to file for bankruptcy, and the bankruptcy procedures are too lengthy.

Also, some local governments as well as moribund companies have their own selfish

schemes to save money, further prolonging their malaise. To complete the liquidation procedure, a company must pay back taxes and wages. If there are debt disputes that must be solved through litigation, zombie companies would have to pay a large sum of court costs and attorney fees.

Government's role

"There are many reasons for the formation of zombie companies," said Wang. "This reminds us that in the new round of reform, we must be bold enough to crack hard nuts such as these. We should also be more prudent in shaping new industrial policies so as to prevent any more of these companies from emerging."

The government can become a "matchmaker" to facilitate the reorganization of defunct companies, according to the report of *People's Daily*, which provided an example of a zombie company's reorganization in Zhejiang's Shaoxing. Due to the economic slowdown and shortage of capital since 2013, Yuezhou Papermaking Co. Ltd. had become seriously indebted. The government of Shangyu District, where Yuezhou Papermaking is located, had several discussions with the company and had reached an agreement for the disposal of its assets as well as the settlement agreement for its

employees. With the help of the Shangyu District Government, Xiamen Hexing Packaging and Printing Co. Ltd. from Fujian Province acquired Yuezhou Papermaking through a judicial auction, taking over both the 64,000-square-meter workshop and the 100-plus disabled workers of the latter.

Feng thinks that market-oriented measures should be used in most restructuring cases. "The government should mainly provide support in the settlement of employees, but not directly offer financial aid to rescue zombie companies," said Feng.

"The United States has had success in disposing zombie companies in the past—formulating targeted policies for different types of organizations, while reducing governmental risk. On the other hand, Japan also offers some lessons—the government didn't take decisive measures, and as a result, many companies lost opportunities for growth," said Liu Xingguo, a research fellow at the China Enterprise Confederation.

"Under current circumstances, classified guidance is very necessary," said He Weida, a professor at the Dongling School of Economics and Management at the University of Science and Technology Beijing. He thinks that in pillar industries, zombie companies must be shut down, but the government should continue to support some companies in order to promote the sound development of their industry. To the companies in conformity with the country's innovation and environmental protection policies, but with poor business performance, the government must offer even more support, avoiding rigid uniformity in disposing inactive companies.

Wang also warns against possible injury by mistake. "The government must be prudent in distinguishing zombie companies and avoid defining those in cyclical difficulties as targets for liquidation, which could adversely affect the foundation of the national economy," he said. ■

Copiedited by Bryan Michael Galvan
Comments to wangjun@bjreview.com

OPINION

Soros' 'War' on the Yuan Unlikely to Win

Billionaire investor George Soros declared a "war" against China at this year's World Economic Forum held in Davos, Switzerland, from January 20-23, betting that Asian currencies would fall against the dollar. Due to his influence, fluctuations in the international financial market have intensified, and Asian currencies are facing increased pressure from speculative attacks.

However, there is no doubt that Soros' challenge against the yuan and Hong Kong dollar is unlikely to succeed.

Since last year, China's economic growth has receded, the stock market has kept shifting, and the yuan has fallen against the U.S. dollar. However, while the global economy is slowing down, China's economic fundamentals remain relatively sound.

In 2015, China's economic growth was double that of the United States, and its exports dropped by 1.8 percent in contrast to the 10-percent decline in global trade. Also, China's industrial structure continues to improve, as advanced manufacturing industries and emerging service industries are growing, and China strives to become world leader in many sectors.

All these factors indicate that China's macroeconomy is much more stable than those of other BRICS countries (Brazil, Russia, India and South Africa), as well as most developed economies. Economic turmoil alone cannot topple China. Rather, China is still capable of maintaining sound growth among major world economies. Because of the structure of China's ethnic groups and its cultural uniformity, it is also easier for China to maintain social stability compared to other countries.

That said, the yuan has been depreciating in small measures against the U.S. dollar since mid-2015. However, market players must recognize that considering the annual average exchange rate, the yuan had been appreciat-

Soros' "war" against Asian currencies will create opportunities for China to improve financial cooperation in East Asia and for the Belt and Road Initiative

ing against the U.S. dollar for 20 years, from \$1 equaling 8.6187 yuan in 1994 to \$1 being equivalent to 6.1428 yuan in 2014. It is very rare for a currency to appreciate against the U.S. dollar for such a long time and with such a large margin. It is therefore normal that the yuan is now falling slightly.

Moreover, since China has become the second largest economy in the world, the Chinese currency is unlikely to be unofficially pegged to the U.S. dollar forever. In a world of frequent capital flows, China—for the sake of the independence of its monetary policy—is willing and able to endure temporary, slight fluctuations in the exchange rate. Market players should recognize and accept this sooner or later, and they should not overreact to it.

Under current circumstances, a strong U.S. dollar may continue to reign for a long time against most emerging economies' currencies, but not against the yuan. That is because China now still has a trade surplus, which is growing, while the U.S. financial sector is knee-deep in "the Dutch disease"—an increase in the eco-

nomic development of a specific sector which causes a decline in other sectors. The United States is eager to consolidate the foundations of its real economy, but its reindustrialization seems unable to move forward, which further worsens the balance of its trade. It is inevitable that the ongoing period of a current strong U.S. dollar against the yuan will come to an end, which is likely to happen in the near future.

Actually, Soros' "war" against Asian currencies will create opportunities for China to improve financial cooperation in East Asia and for the Belt and Road Initiative.

International monetary cooperation includes international financing collaboration, joint intervention in the foreign exchange market, coordination in macroeconomic policies, joint exchange rate mechanisms and the creation of a single currency. Deepening international monetary cooperation usually comes as a natural reaction against currency speculators' attacks.

The monetary cooperation in East Asia now stays at the level of regional financing collaboration, featuring currency swaps and repurchase networks.

Soros has triggered a "war" against Asian currencies while emerging markets are volatile. Isn't it an opportunity for China and other East Asian economies to elevate their monetary relationship from simple financing cooperation to joint exchange market intervention and even coordination in macroeconomic policies? ■

This is an edited excerpt of an article written by Mei Xinyu, a researcher at the Chinese Academy of International Trade and Economic Cooperation, and published in *People's Daily Overseas Edition*

Copyedited by Bryan Michael Galvan
Comments to yushujun@bjreview.com

NUMBERS

(\$1=6.6 yuan)

2.3%

Decrease in profits of industrial enterprises above a designated size—principal business revenue of more than 20 million yuan a year—in 2015

620 mln

Number of Chinese that had used mobile phones to access the Internet as of the end of 2015

172 mln

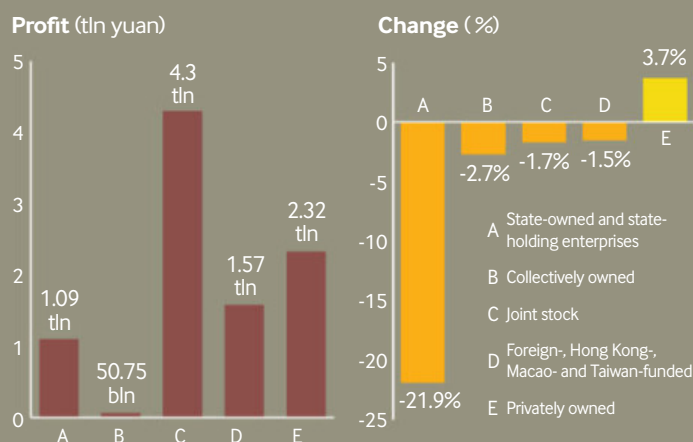
Car ownership in China by the end of 2015, with 23.85 million new cars registered in 2015

\$4.5 bln

Investment received by Chinese mobile Internet startups in 2015, up 69.4 percent from a year earlier

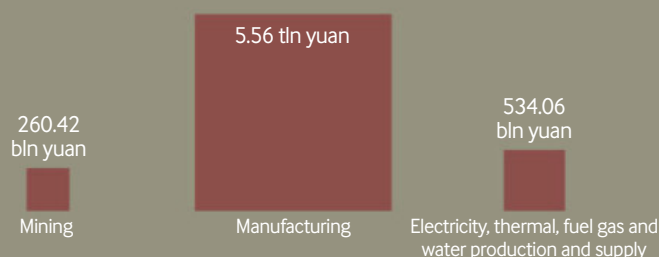
Industrial Enterprises' Profits and Changes by Business Type

2015



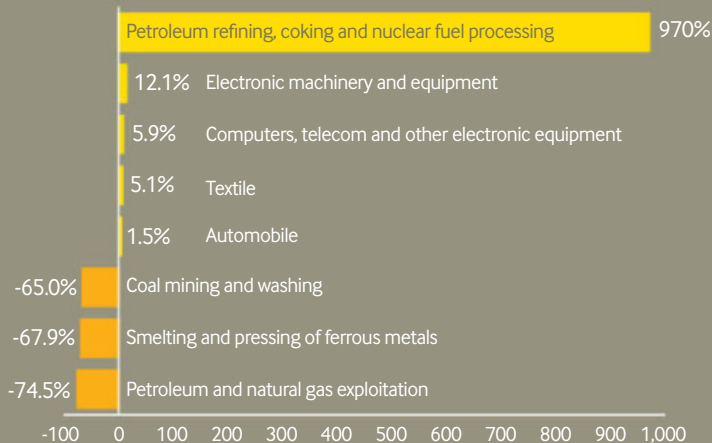
Industrial Enterprises' Profits by Sector

2015



Profit Changes for Major Industrial Sectors

2015



(Source: National Bureau of Statistics)

68%

Growth of spot gold trading in China in 2015, with total trading volume exceeding 10 trillion yuan

3.36 bln tons

China's national rail freight volume in 2015, down 11.9 percent year on year

244.76 bln

yuan

Combined net profits of 125 brokerage firms in 2015

18 bln yuan

Profit earned by Haier, China's leading home appliance maker in 2015, a year-on-year increase of 20 percent



A Review Of the 20 Years Development History of HNA Group

Since its successful maiden flight on May 2, 1993, HNA Group has been prospering into a giant conglomerate based on the core businesses of aviation, industry, finance, tourism and logistics. During this 20-plus years, the Group's business landscape has expanded from Hainan Island, the pearl of the South China Sea, to the whole nation and the rest of the world, with its total asset value reaching nearly 500 billion Yuan including 11 joint-stock and holding listed companies. In 2014, HNA Group had a revenue exceeding 150 billion Yuan, while providing more than 110 thousand opportunities of employment to the society. Now, the HNA Group ranks 99th in China's Top 500 enterprises, and lands on Fortune's Top 500 for the first time, ranking 464th with an operation revenue of 25,646.4 million dollars.



HNA's African operations

Civil aviation operation

In 2012, the HNA Group acquired a French company Aigle Azur, an airline mainly offers scheduled flights between France and North Africa, as the 2nd largest shareholder. HNA Group is also the co-founder of Africa World Airlines Limited (AWA) in Ghana, with China-Africa Development Fund (CADF). AWA is the first civil aviation business invested by Chinese enterprises in Africa, which not only marks a network of air passenger route that connects China, France and Africa has been preliminarily formed, but also shows the China's investment in Africa has been upgrading from traditional mineral exploitation and project contracting to service industry like aviation.



Logistics service

Cumulatively, the HNA Group has conducted the engineering logistics businesses in 10 African countries and regions by now, with the annual revenue in this business reaching approximately 10 million RMB and the transport volume grown to over 20 thousand revenue ton. In African countries like Equatorial Guinea, Congo, Cameroon, Gabon, Madagascar, Zambia and so on, the HNA Group are cooperating with some large Chinese state-owned enterprises, for instance the China Road and Bridge Corporation, the China National Machinery and Equipment Import & Export Corporation and the Sinohydro Ltd, and provides them excellent engineering logistics service in infrastructures construction projects. In addition, the HNA group also has a business to transport the bulk cargo of iron ore and coal exported from South Africa to China.



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Hosting Exotic Cultures

Foreign cultural centers thrive in China, as the country focuses on globalizing its own image **By Li Nan**

Is it feasible to enjoy a Romanian concert free of charge in Beijing? Can one take free Romanian-language classes with native-speaker tutors available in China? Constantin Lupeanu, chief of the Romanian Cultural Institute in Beijing (RCIB), claimed that yes, all of that is possible.

The RCIB, the first branch of the Romanian Cultural Institute in Asia, was inaugurated by the country's government in July 2015. It aims to introduce Romanian culture and arts to China, increase people-to-people interaction, and enhance dialogue between the two societies.

During its first six months in Beijing, the RCIB has organized a variety of cultural events, including lectures, concerts, stamp exhibitions, painting exhibitions, as well as seminars on Romanian literature. The RCIB invited Alexandru Tomescu—a great Romanian violinist—to perform in Beijing last December.

Facilitating publishing collaboration between China and Romania is high on the RCIB's agenda. It organized the Romanian debut at the Beijing International Book Fair in August 2015, and a number of publishing contacts have been signed since, so that both countries will publish each other's books in the future.

In addition, the RCIB featured free Romanian-language lessons, folk music and dances, and lectures about Romanian history, customs and lifestyles.

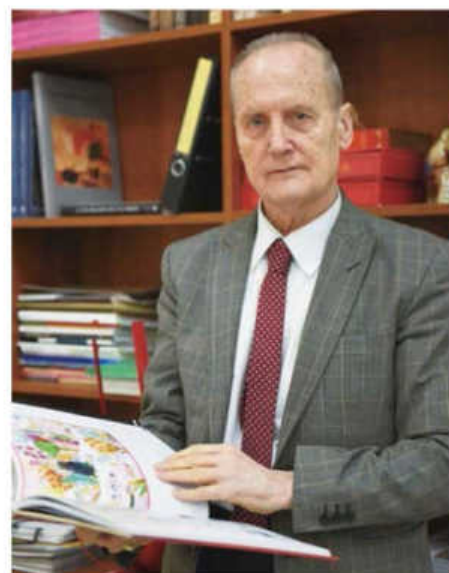
A public diplomacy advocate

Lupeanu, 74, is an eminent Romanian sinologist and translator focusing on Chinese literature and ancient philosophy. Before being nominated as chief of the RCIB, he was his country's ambassador to Viet Nam, Singapore and Thailand, as well as a diplomat to China for 15 years.

Lupeanu, born in Murgasi in southwest Romania, fell in love with China when he first read a Romanian version of Tang poems translated from German in secondary school. The poems of Li Bai (701-762), one of the most prestigious poets in ancient China, impressed him so much that he decided to learn Chinese in order to read the original texts. He studied Chinese in Bucharest University and thereafter started his research in Chinese.

To help more Romanians understand China and enjoy Chinese literature, Lupeanu translated original Chinese texts in his spare time. His first translation was the autobiographical novel *Gao Yubao*, published in 1973. In the following decades, he managed to translate and publish 30 works, ranging from the classics *The Book of Songs*, *The Book of Changes* and *The Analects* and the Ming Dynasty (1368-1644) novel *Journey to the West* to *Selected Works of Deng Xiaoping*.

His translations have reached millions of readers, and he has set a good example for



Constantin Lupeanu, Director of the Romanian Cultural Institute in Beijing

Chinese learners of Romanian in bridging the two languages and cultures. In 1988, thousands of copies of *Selected Works of Deng Xiaoping*—his only political translation—were sold out in only five days. He is now working on a Romanian version of the ethnic Yi poet Jidi



COURTESY OF RCIB

Visitors attend a puppet exhibition at the Romanian Cultural Institute in Beijing in July 2015

Majia's collection. "A newly printed book is like my own child," Lupeanu told *Beijing Review*.

To translate Chinese literature with accuracy, Lupeanu studied a large quantity of books about the Chinese way of thinking, geography, philosophy and so on. He also studied a variety of different periods in Chinese history. Lupeanu is so fascinated with Chinese culture that he came back to China to run the RCIB, starting a new life while helping improve cultural exchanges between the two countries.

A glimpse into exotic cultures

The RCIB, in fact, is the ninth member of a club of registered foreign cultural centers in China. Cultural centers are government-funded organizations established in other countries to disseminate their cultures and stimulate people-to-people exchanges. In short, they are cultural ambassadors for their overseas target audiences.

The first registered foreign cultural center in China was set up by France in October 2004. The following decade witnessed eight more centers springing up throughout Beijing. They were respectively established by Germany, Spain, Japan, Russia, Nigeria, Denmark, Hungary and Romania.

Language training, information services and cultural events, mostly done free of charge, are common features of these cultural centers.

Xiao Dun, a multilingual editor in Beijing, learned Spanish with tutors from Spain's Cervantes Institute. Also, the French Institute's library has been his favorite weekend destination for a long time. "The library boasts an extensive collection of French books and films. I can enjoy them without charge," Xiao said.

Gourmet festivals hosted by cultural centers are one of the most popular events for Chinese foodies—one can have a bite of authentic foreign food without setting a foot outside the country. "The Cervantes Institute is where I first tried Spanish food. It was delicious and impressive," said Xiao.

The centers also use social media to attract more Chinese people to have a closer look at their cultures. Most centers have their own official websites and accounts on China's micro-blogging network Weibo. The Weibo account of Germany's Goethe Institute, for example, is followed by 30,000 fans.

Two-way communication

While these cultural centers provide a window into foreign countries, China has signed a series of agreements to establish Chinese cultural centers in many countries abroad.

Since 1988, a total of 25 Chinese cultural centers have been established in countries across Europe, Africa, Asia and South America, including France, Denmark, Egypt, Mauritius,

Thailand, Australia and Mexico. A Chinese cultural center will open later this year in Romania.

The functions of the Chinese cultural centers abroad are similar to their counterparts in Beijing. They hold cultural activities including performances, exhibitions, art festivals, and offer training courses on Chinese language and culture. Libraries have also been set up to provide China-related information or data.

Nonetheless, compared to some of its fellow centers, China's cultural centers have yet to tap into their full potential. The Goethe Institute in China, for example, has set up four branches in Beijing, Shanghai, Hong Kong and Taiwan, becoming a valuable representative of Germany in China. The Cervantes Institute has been the first stop of every Spanish eminent artist visiting China. With their headquarters founded in 1951 and 1991 respectively, the Goethe Institute and the Cervantes Institute are good examples for China's own overseas centers.

Communication entails a two-way flow of information. The establishment of foreign cultural centers in China is good for the latter's own cultural improvement. It also shows that China is becoming more and more confident in disseminating its culture. ■

Copiedited by Bryan Michael Galvan
Comments to linan@bjreview.com

Military Reform Necessities

China has recently reorganized its four military headquarters—staff, politics, logistics and armaments—into 15 new agencies under the Central Military Commission (CMC), as part of the ongoing military reform launched last November.

The new structure includes six departments for joint staff, political work, logistical support, equipment development, training, and national defense mobilization respectively. This is in addition to three commissions and six other agencies undertaking duties ranging from discipline inspection to international cooperation.

In this round of reform, China also created a general command for its Army, which used to be supervised by the four headquarters. Moreover, it upgraded the Secondary Artillery Force—the country's strategic deterrent force—into the Rocket Force and established the Strategic Support Force.

Experts have expressed their views on the recent military reshuffle. Excerpts of the views of three faculty members of the University of National Defense of the People's Liberation Army (PLA) are as follows:

Li Daguang (China.com.cn): The previous system consisting of four headquarters had played an important role in promoting the development of the PLA and ensuring the accomplishment of various major tasks. However, as time changes, problems lurking within the system have become increasingly prominent. Under the new system, the original four headquarters have been turned into 15 agencies directly under the CMC. Compared with the old system, the new system is more specialized since each agency is responsible for a specific function. This system will contribute to the development of national defense and the modernization of the Chinese military.

The target of the current round of military reform is to achieve major breakthroughs in improving the management and joint combat systems by 2020 in order to build a modern armed force adept at information warfare and capable of effec-

tively completing military missions.

The adjustment will strengthen the leadership of the Communist Party of China (CPC) Central Committee and the CMC over the PLA and enable the CMC departments to fulfill their functions of strategic planning and management more efficiently. The new system has centralized the leadership and command of the PLA into the hands of the CPC Central Committee and the CMC. As modern warfare usually breaks out abruptly, decisions have to be made swiftly. The new system was prepared with that purpose in mind.

As a milestone reform in the history of the PLA, the current military reform is thoroughly revolutionary. The number of units and departments involved is unprecedented. The top-down reform will put the CMC in charge of the overall administration of the armed forces, with battle zone commands focusing on combat-related operations, and different military services pursuing their own development. It will enhance the PLA's combat preparedness and guarantee the smooth flow of orders.

Wang Xiaohui (Southern Weekly): The time is ripe for a thorough reform of China's national defense and military structures.

The maneuvering of major regional powers and the serious security risks in areas surrounding China necessitate an accelerated military reform, in addition to the construction of a military capable of winning wars. If problems restricting the combat ability of the Chinese military fail to be addressed, the PLA may suffer. The fast speed of modern warfare, in which a military target is almost immediately destroyed once it is detected, highlights the urgency for reform.

At present, integrated joint operations have become the primary form of combat for major global military powers, which also fits into the mold of information warfare. The command management reform will equip the PLA with the ability to launch integrated joint operations, thereby strengthening the Chinese military, in three ways:

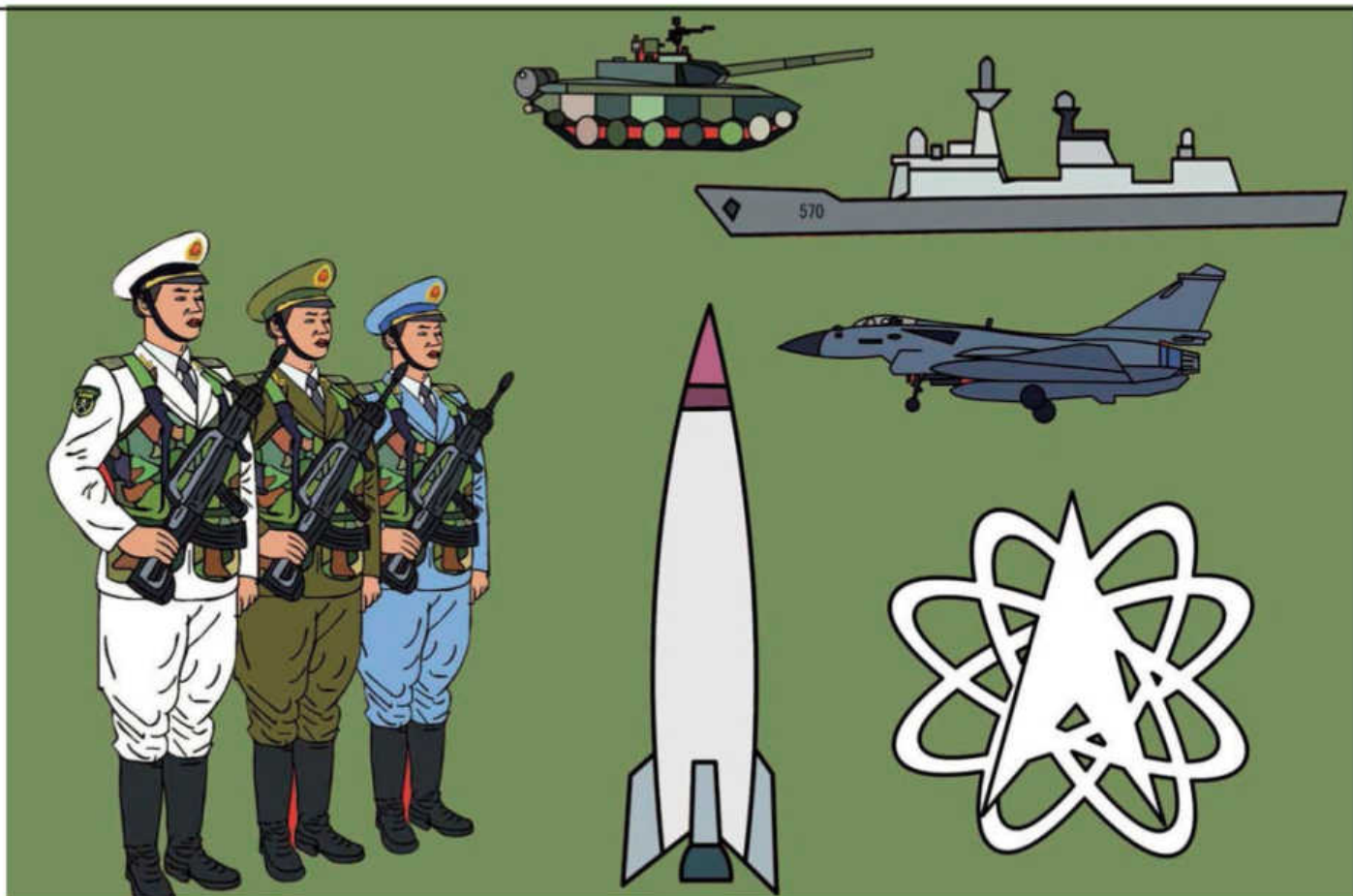
First, a variety of battle zone commands

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will realize the joint operations, and establish command agencies for their activities. The command agencies for the Army, the Navy, the Air Force and the Rocket Force will relinquish their integrated joint operation functions and be made responsible mostly for the day-to-day training and construction of their respective forces. During times of war, they will provide various battle zone commands with qualified troops as well as other forms of support.

Second, the barriers between the different services of the PLA will be broken down and different military services will act as a whole. Under the current reform, various battle zone commands will have the right to mobilize and command all services at once, if so desired. The Army, the Navy, the Air Force and the Rocket Force will be integrated into one seamless force in order to fight together.

Third, joint military training and logistical support will be carried out in the future to facilitate the integrated operations.

Ren Tianyou (Cankaoxiaoxi.com): Any major revolutions in science and technology or production methods will lead to sweeping changes in weaponry and combat methods,

thereby pushing overall reforms into the military arena.

The rapid development of advanced technology, embodied by the information technology revolution that started in the 1970s, has provided great innovations in terms of military capabilities and weapons. Within a few decades, information technology has been widely used in surveillance, transmission and control. With the rapid development of modern information technology, and its application in the military field, a global military revolution is taking place. Its inception can be traced back to the Gulf War that broke out in the early 1990s.

The United States has stepped up its military reform since the 1980s and has constantly been promoting integrated joint operations. Russia has carried out multiple military reforms since the 1990s and has achieved substantial progress in building a flexible, efficient and mobile modern military force. Military reforms have also been carried out in the United Kingdom, France, Germany and Japan.

This round of global military reform covers the areas of military technology, weaponry and equipment, military theories,

combat methods and organizational structures. The key component of the current drive for modernization is the reform of military institutions and systems. Only through such improvements can a new military system be established which meets the realities of modern information warfare.

It can be seen from the wars in Afghanistan and Iraq that countries lacking advanced weapons and equipment are no match for opponents with superior technology and organization. Moreover, countries with advanced weapons and equipment which nonetheless choose to stick to old military systems and combat methods can hardly win even when faced with a weaker opponent. Historically, armies relied on firepower to defeat enemies, while in modern wars, superior control over information determines the outcome.

In the face of the new military revolution, countries which take the initiative to reform their military will be better prepared for the future. Only by stepping up military reform can countries gain strategic advantages in national defense. ■

Copiedited by Bryan Michael Galvan

Learning From Confucius

By Mara Lee Durrell

As a history buff, political hack and someone whose beloved uncle was a professor of Chinese philosophy, I know enough to admit that I actually know very little about Kong Qiu, known in the West as Confucius, the famed philosopher whose ideas continue to play a central role in leadership and political theory. On my bookshelf in Beijing sit several books that espouse his teachings, as well as ancient Chinese thoughts and fables, many of them half-read. Learning more would be a good project for my time in China, I thought.

That is in part why, on our very first day after moving to China, my husband and I spent it visiting the Confucius Temple in Beijing, a place that I have already gone back to in the six months since and sincerely appreciate. There I saw firsthand how China is reemphasizing the teachings of Confucius, as dozens of school groups wandered the grounds with us, reciting short sayings at their teachers' commands.

For all that I was learning about Confucius, however, I would have never equated Confucius with dance, or with artistic matters at all. I only associated him as a teacher and writer, with a focus on the virtues of personal integrity, moral leadership, and the value of learning itself in order to make wiser, more just decisions.

But on a frigid January evening in Beijing's famed Poly Theater, I watched an impressive modern dance performance simply titled *Confucius*. Created and performed by the China National Opera and Dance Drama Theater, the show presents the life and experiences of the thinker, writer and teacher. The drama was choreographed and directed by Kong Dexin, who is a direct descendant—77th generation—of the philosopher himself.

Some 2,500 years after Confucius' life, Kong wrote and directed the dance drama to narrate her distant relative's journey to the various states of ancient China in order to spread his ideas. Through a mix of traditional Peking operatic and acrobatic scenes—complete with stunning stage design, talented young dancers, and brightly colored, flowing costumes—the director and choreographer



Director and choreographer Kong Dexin (in black), a 77th-generation descendant of Confucius, is joined by the cast of her dance drama *Confucius* at the conclusion of its Beijing performance on January 10

focused our attention on the travels and experiences of its central protagonist, rather than on the philosophy he espoused.

After seeing the performance dedicated to the story of Confucius and how he struggled to be heard, I was keenly reminded there is still much I needed to learn about his experiences, and how those would—almost amazingly as it was highly unlikely—lead to the “pearls of wisdom” oft-quoted by leaders today.

Reportedly Confucius' ambition was to become appointed to a political position in one of the Chinese courts himself, but instead spent most of his life as a teacher, blaming the war-loving leaders of his time for not paying attention to his philosophy. After his travels, Confucius returned to the state of Lu, and spent the rest of his life training a group of devoted students. Like so many artists and important political thinkers, the story goes that his teachings were taken to heart only much after his own life ended.

Still, at least according to Kong's interpretation, the philosopher did experience moments of joy and redemption in own life, perhaps partly as the result of the selfless dedication of his students to learning, recording and spreading his collections of thoughts and advice.

One act of the performance was dedicat-

ed to a dream that Confucius had, depicting an ideal implementation of the political wisdom he had worked tirelessly to try and sell to the short-sighted leaders of the time. “In the dream the state was powerful and prosperous, where individuals took responsibility for their individual roles,” the introduction to the act read.

One does not have to be a student of political science to understand why such an idea would be an ideal goal for state leaders—former and current—to realize. Nor is it difficult to understand why individuals themselves are drawn to his ideas of a benevolent government that rules by virtue and not by force.

His constant pursuit of peace, treating people with dignity and respect, and spreading knowledge are attributes that make it easy to understand why people around the world are eager to learn from Confucius two and half millennia later.

“Real knowledge is to know the extent of one's ignorance,” said Confucius. Looks like my project of learning more about this sage will keep me busy well past my time in China. ■

The author is an American living in Beijing
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A small Midea logo is visible on the upper part of the tall, cylindrical building, appearing as if it's part of the building's facade or a sign.

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