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North Korea should return to
the right track



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EDITOR'S DESK

A Bright Prospect

Some have attributed the tumble of the stock markets in Europe and the United States in early February to the slowdown of China's economic growth. A number of investors even worry that the Chinese economy will collapse and cause a new financial crisis. Such worries are groundless.

At present the Chinese economy shows no signs of collapsing. To the contrary, the economic fundamentals are good. For example, China's GDP grew by 6.9 percent in 2015, which met the goal of around 7 percent set by the government at the beginning of last year.

As a matter of fact, the country's economic growth rate ranks high on the global scale. According to statistics from the International Monetary Fund, China contributed to over 25 percent of the global economic growth last year. In terms of employment, 13.12 million new jobs were created last year, exceeding the government's target of 10 million, while both registered and surveyed urban unemployment rates remained low. The per-capita disposable income of urban residents increased by 7.4 percent, 0.5 percentage points higher than the GDP growth. Meanwhile, the consumer price index grew by only 1.4 percent.

It can be seen from the aforementioned figures that although China's economic growth continued a downward trend last year, it still stayed within a reasonable range and there are no serious problems hindering economic growth.

Moreover, the slowdown in recent years is partly due to the international financial crisis that is haunting all countries. On the other hand, China's measures of economic restructuring and transformation of growth models—where some high energy-consuming and polluting en-

terprises are being shut down—have also contributed to the slide.

Currently, economic transformation and upgrading have achieved positive results. The contribution of consumption has surpassed investment, the proportion of the tertiary industry outweighs the secondary industry and the value added of the hi-tech industry is growing faster than that of traditional industries. New momentum is building.

Over the next five years, more reforms can be expected concerning budget, taxation, finance, investment, pricing and state-owned enterprises. These moves will create better institutional and market environments for China to change growth engines.

In addition, efforts to promote mass entrepreneurship and innovation will effectively spur the creativity of the whole society, new industries and business formats will become high-growth engines and the updated model for urbanization will result in huge consumption and investment potential. A number of international economic cooperation programs, including the Silk Road Economic Belt and the 21st-Century Maritime Silk Road Initiative, will also create greater opportunities for Chinese businesses' investment and the transfer of production capacities overseas.

After over 30 years of development since the reform and opening-up policies were initiated in the late 1970s, China has formed a complete industrial system. Meanwhile, there is a huge market demand in the country. As a consequence, China has great potential for growth and adequate resilience to withstand risks. Therefore, the economy has the foundation and capability to make a turn for the better. ■

WRITE TO US



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Please provide your name and address along with your submissions. Submissions may be edited.

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HAVING A SAY

Reporters interview Li Xiaolin, a member of the Chinese People's Political Consultative Conference (CPPCC) National Committee, before the opening of this year's full session of the top political advisory body in Beijing on March 3. Li is chairman of the Beijing-based Linda Group, a private firm that invests in sectors ranging from real estate to high technology.

The opening of the CPPCC session, together with that of the annual session of the National People's Congress, the country's top legislature, two days later, ushered in a political high season lasting through mid-March.



Swearing-In

Six senior officials with special committees of the National People's Congress (NPC), China's top legislature, and commissions of the NPC Standing Committee pledged allegiance to the Constitution under the supervision of NPC Standing Committee Chairman Zhang Dejiang at the Great Hall of the People in Beijing on February 26.

It is the first oath-taking ceremony held by the NPC for new officials.

Newly appointed officials at all levels should take a public oath of allegiance to the Constitution while assuming office, according to a resolution of the NPC Standing Committee that took effect on January 1.

Poverty Reduction

China was successful in reducing rural poverty last year with the number of rural poor people falling by 14.42 million to 55.75 million, official data showed on February 29, though the urban-rural gap is still prominent across the country.

Over 17 million urban residents and 49 million rural people received minimum living allowances as of the end of 2015, the National Bureau of Statistics (NBS) said in a statement posted on its website.

"Disparities between urban and rural areas continued to narrow last year," said Xu Xianchun, Deputy Director of the NBS. "Urban incomes were 2.73 times higher than rural incomes, down 2 percentage points from one year earlier."

Deducting price factors, the per-capita disposable income of urban residents rose 6.6 percent year on

year in 2015, while that of rural residents increased 7.5 percent. The per-capita net income of rural residents stood at 10,772 yuan (\$1,657) last year, according to the statement.

Space Lab

China will launch its second space lab *Tiangong-2* later this year, which will dock with a cargo ship scheduled to be launched next year, sources from the manned space program said on February 28.

The country also plans to launch the *Shenzhou-11* spacecraft, which will carry two astronauts, in the fourth quarter to dock with *Tiangong-2*, according to the program's spokesperson.

After its first test flight at the Wenchang Satellite Launch Center in south China's Hainan Province, a next-generation Long March-7 rocket will put the country's first cargo ship

Tianzhou-1, which literally means *Heavenly Vessel*, into space in the first half of 2017 to dock with *Tiangong-2* and conduct experiments.

China plans to conduct experiments on key technologies, including cargo transportation, in-orbit propellant resupply, astronauts' medium-term stay, as well as space science and application experiments on a relatively large scale, the spokesperson said. Preparation for the space lab program is steadily progressing, they added.

The astronauts chosen for *Shenzhou-11* are receiving training, while the *Tiangong-2*, *Shenzhou-11*, two Long March-2F carrier rockets to be used to lift them into space, the Long March-7 rocket, and the *Tianzhou-1* are either being assembled or undergoing assembly examination.

China's multi-billion-dollar space program aims to put a perma-

nent manned space station in space by 2022, with construction on the station to be completed by 2020, the spokesperson added.

Juvenile Protection

The Ministry of Civil Affairs has inaugurated a new office devoted to protecting minors, especially China's tens of millions of children "left behind" by their parents working away from home in cities.

The office, under the ministry's Department of Social Affairs, plans to assess and improve the management of databases for left-behind children in rural areas, according to a ministry statement.

The new office will be responsible for establishing an inter-ministerial joint conference system to coordinate efforts of different government branches.

More than 60 million children are considered "left behind" in China, and a lack of proper arrangements for many has led to a number of heartbreaking situations, such as the suicide last year of four children in southwest China's Guizhou Province.

Antarctica Trip

Chinese icebreaker *Xue Long*, or *Snow Dragon*, rounded off its second tour around Antarctica on February 27.

The 75-day trip of over 18,000 nautical miles was also the research vessel's first counterclockwise voyage around the ice-covered continent.

During the tour, *Xue Long*, which is on its 32nd expedition mission, made a stopover at the Great Wall Station on the King George Island, China's first Antarctic station on the continent, and revisited Chile's Port of Punta Arenas after 16 years.

On February 6, the icebreaker arrived at the southernmost point of the tour—also the southernmost point ever reached by a Chinese vessel—at 77.47 degrees south latitude and 166.16 degrees east longitude in the Ross Sea, where scientists examined the area in search of possible

locations for China's fifth Antarctic research station.

On February 21, *Xue Long* docked at Australia's Casey Station, bringing it 392 tons of supplies the Australian side had requested the Chinese vessel to help transport under the Antarctic research cooperation framework between the two countries.

After completing more research work in the sea area west of the Prydz Bay, *Xue Long* will conclude its mission and set sail for home on March 10.

TCM Promotion

The nation will develop traditional Chinese medicine (TCM) into a pillar industry, according to a blueprint released by the State Council, China's Cabinet, on February 26. The plan proposes universal access to TCM care by 2020. By 2030, TCM should make a notably greater contribution to social and economic development, it said.

The plan, calling for equal attention to TCM and Western medicine, set out tasks including "Internet Plus TCM," integrating TCM with elder care and tourism, protecting the inheritance of knowledge and technology, developing new drugs—particularly those used in treating major communicable disease and severe illnesses—and boosting industrialized production of drugs.

The plan also calls for changes to the law and standardization, along with teaching TCM basics to primary

and middle school students.

Longer Living

Life expectancy in Beijing rose slightly from 2014 to reach 81.95 years in 2015, according to an annual report by the Beijing Municipal Commission of Health and Family Planning.

The life expectancy rose by 0.14 years from the figure in 2014, the commission said. The infant mortality rate was 0.21 percent.

The top three fatal diseases were cancer, heart diseases and cerebral vascular diseases, according to the report.

Yangtze Clean-Up

China's top economic planning agency vowed on February 26 to improve the water quality of the Yangtze River as part of wider measures to balance economic activities and environmental protection along the world's third longest river.

In the years leading up to 2020, China will work to ensure that over 75 percent of water in the Yangtze economic belt at least meets the Grade III standard, according to the National Development and Reform Commission (NDRC).

China classifies water quality into six levels, from level I, which is suitable for drinking after minimal treatment, to level VI, which is severely contaminated.

The NDRC said that China aims to make over 97 percent of the water from sources along the Yangtze belt



Open Class

Students paste their written wishes on Chinese dreams to a wall during a patriotic education activity in Zhuhai, Guangdong Province, on March 1.

More than 600 teenagers from Guangdong as well as Hong Kong and Macao special administrative regions took part in the activity.

Grade III before 2020.

Robotic Exoskeleton

A China-developed robotic exoskeleton, which can help disabled people to walk again, will be put into production this year, its developer announced on February 26.

The Center for Robotics at University of Electronic Science and Technology of China, based in Chengdu, Sichuan Province, has been developing robotic exoskeleton since 2010, which is a wearable

robot that can be clasped on one's waist and legs to help with walking and movement.

It can assist those who suffer from hemiplegia and limb paralysis with walking, according to Cheng Hong, Executive Director of the center.

"From mechanical and electric design to software research, all were independently developed by the center," Cheng said. "We hope to see our robotic exoskeleton used as part of medical rehabilitation."

Facilitating Tourism

Chinese and American officials launch the China-U.S. Tourism Year at a ceremony in Beijing on February 29.

The program was announced by Chinese President Xi Jinping and his U.S. counterpart Barack Obama last September.

It aims to increase travel and tourism between the two countries through a variety of methods, including enhancing travel experiences, promoting cultural understanding, and expanding appreciation of natural wonders.

In 2015, two-way tourist visits between the two countries surpassed 4.75 million.



Liquidity Easing

On March 1, China's central bank lowered its reserve requirement ratio (RRR) for commercial banks by 0.5 percentage points, the latest effort to bolster growth.

The move, the first such cut this year, aims to "ensure reasonably ample liquidity in the financial system, guide a stable and appropriate growth in credit, and create a favorable financial environment for supply-side structural reform," the People's Bank of China (PBOC) said in a statement on its website.

The decision surprised the market as the PBOC has conducted open market operations and lending facilities more frequently to pump cash into the market in recent months for fear of further slips by the Chinese currency yuan.

PBOC Governor Zhou Xiaochuan disclosed the fine-tuning of China's policy stance, shifting from a "prudent" monetary policy to one that is "prudent with a slight easing bias" in Shanghai on February 27.

To boost economic growth, which in 2015 slowed to its lowest level in a quarter of a century, the central bank lowered the RRR five times last year.

Recovery Boost

On February 27, G20 nations pledged to use all their policy tools, including monetary, fiscal and structural ones, to strengthen a global recovery.

"The global recovery continues, but it remains uneven and falls short of our ambition for a strong, sustainable and balanced growth," noted a

communiqué issued after the two-day G20 Finance Ministers and Central Bank Governors Meeting in Shanghai.

The participants cited volatile capital flows, slumping commodity prices, escalated geopolitical tensions, a potential UK exit from the EU and increasing refugees as major vulnerabilities affecting the global economy.

To foster confidence, monetary policies will continue to support economic activity and ensure price stability, but monetary tools alone cannot lead to balanced growth, said the communiqué. "We will use fiscal policy flexibly to strengthen growth, job creation and confidence," it added.

The nations reaffirmed their previous exchange rate commitments, including refraining from competi-

tive devaluations and not targeting exchange rates for competitive purposes.

"We will carefully calibrate and clearly communicate our macroeconomic and structural policy actions to reduce uncertainty, minimize negative spillovers and promote transparency," the communiqué pledged.

Relaxed Limits

China's new rules that will further relax quota allocation and foreign exchange control are credit positive for foreign asset managers, Moody's said in a report on February 27.

Earlier this February, the State Administration of Foreign Exchange of China announced that it will give licensed foreign institutional investors—those participating in the Qualified Foreign Institutional Investors (QFII) program—more flexibility to invest in onshore investment products.

Following the change, the quota allocation process, which determines how much any given foreign investor can invest directly in Chinese assets, is simpler and more transparent, and the quota limits have been relaxed.

This regulatory liberalization is credit positive for QFII-licensed foreign asset managers, such as BlackRock Asset Management and UBS Global Asset Management, as they will enjoy more flexibility in the way they manage their cross-border investments, Moody's said.

This additional flexibility will, over time, favor asset inflows from foreign institutional investors, whose current investment in Chinese capital markets remain marginal, Moody's said.

The rule changes have removed some of the barriers to redemption and repatriation of funds, which in turn will lead to higher liquidity, Moody's added.

Since December 2002, when the QFII program was launched with a total quota of \$4 billion, China has simplified and relaxed access to the QFII scheme, allowing more foreign



Green Wealth

Two women from the Tujia ethnic group show off locally grown tea leaves to visitors in Yanhe Tujia Autonomous County, Guizhou Province, on March 1.

The local government has hired experts to help farmers grow high-quality tea, which generates a revenue of more than 12 million yuan (\$1.83 million) every year.



Maiden Flight Expected

The cabin of a China-made C919 large passenger aircraft at its research base in Shanghai, east China.

C919 is the first civil aircraft produced domestically in accordance with the latest international airworthiness standards. Its first flight is scheduled for later this year.

institutions to invest in a growing amount of assets.

Slipping PMI

China's manufacturing activity contracted for the seventh straight month in February, signaling persistent weakness, official data showed on March 1.

The purchasing managers' index (PMI) fell to its lowest level since August 2012 at 49, down from January's 49.4, according to the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing. A reading above 50 indicates expansion, while a reading below 50 reflects contraction.

NBS statistician Zhao Qinghe attributed the retreat to slowing factory activity during the Chinese Lunar New Year holidays in early February, as well as the trimming of industrial overcapacity.

The breakdown showed that the sub-index measuring production stood at 50.2, down 1.2 points from a month earlier, and that for new or-

ders settled at 48.6, down 0.9 points.

The PMI for the non-manufacturing sector came in at 52.7 in February, down from 53.5 in January.

The service sector sub-index stood at 52.2 in February, down 0.5 points from January.

Businesses related to retail, travel, post and catering services expanded in February, thanks to the Lunar New Year holidays, Zhao said.

The sub-index for new orders settled at 48.7, down 0.9 points from the previous month, showing dwindling demand in the non-manufacturing sector.

Job Commitments

China will make stable employment a priority as structural reform affects the job market, said Vice Premier Ma Kai on March 1.

The government should focus on stable employment along with economic expansion, said Ma at a State Council meeting.

Local authorities should support mass entrepreneurship and innova-

tion since they can create jobs. In addition, migrant workers should be encouraged to start up their own businesses back in their hometown.

Workers that are made redundant as industrial overcapacity is addressed should be relocated and offered training.

Policy makers have made cutting overcapacity a top priority in supply-side structural reform, which will help the world's second-largest economy achieve sustainable growth.

In the process of overcapacity cuts, around 1.3 million people in the coal and steel sectors are expected to lose their jobs, according to Minister of Human Resources and Social Security Yin Weimin.

China has successfully met its employment targets for the past five years with 64 million jobs added and a low registered urban unemployment rate of 4.1 percent, a bright spot in China's economic and social development, Ma said.

Bank Preparations

China and the BRICS New Development Bank signed documents in Shanghai on February 27, marking the completion of the legal procedures before the operation of

the bank.

The documents govern the establishment of the headquarters of the bank in Shanghai and make provision for the requisite immunities, privileges and other facilities to be accorded to the bank.

The multilateral development institution operated by the BRICS members (Brazil, Russia, India, China and South Africa) was launched last July as an alternative to the existing multilateral development bodies such as the World Bank and the International Monetary Fund.

With an initial subscribed capital of \$50 billion to finance, it will "start appraisal of the potential projects in April," said Chinese Foreign Minister Wang Yi. He added that China hopes the bank will support the development and connectivity of BRICS countries and developing economies at large.

Commenting on the downward pressure faced by BRICS economies, Wang said that economic growth slowdown is not unique to the BRICS members, but a problem worldwide.

"The BRICS countries are poised for growth and an increasing role in international political and economic affairs," Wang said.



Spring Ploughing

Farmers select rotary cultivators in an agricultural machinery factory in Julu County, Hebei Province, on March 1.



INDONESIA

Hot lava and volcanic ash rise from Mount Sinabung during an eruption in Karo, North Sumatra, on February 29



PALESTINE

President Mahmoud Abbas chairs a meeting in Ramallah on March 1 where he reiterated the Palestinian leadership's commitment to working with international partners to initiate regional peace negotiations



SOUTH KOREA

Actors perform during a ceremony on March 1 in Seoul to celebrate the anniversary of the Independence Movement against Japanese colonial occupation in 1919



SWITZERLAND

UN Secretary General Ban Ki-moon (second right) attends the opening of the 31st Human Rights Council session in Geneva on February 29



THE UNITED STATES

Leonardo DiCaprio wins the Oscar for Best Actor in a Leading Role for his performance in *The Revenant* at the 88th Academy Awards in Hollywood on February 28



ZIMBABWE

People burst into cheers when they got the news that former Vice President Joice Mujuru formally launched her new party to challenge President Robert Mugabe in the 2018 election



↓ FORMER PROPERTY TYCOON'S MICROBLOG CLOSED

The microblog accounts of **Ren Zhiqiang**, a former property tycoon, were shut down following the instruction of the Cyberspace Administration of China (CAC), China's top Internet regulator, on February 28.

Ren had tens of millions of followers throughout various microblogging platforms before his accounts were closed. Netizens reported that Ren had regularly posted information that was the source of "vile influence," according to the CAC.

Ren, 65, was chairman of the Beijing Huayuan Property Co. Ltd. before retirement. He is a member of the Communist Party of China (CPC) and a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, the capital city's political advisory body.

On February 29, the Xicheng District Committee of the CPC—where Ren's Party membership is registered and managed—vowed to handle the issue according to Party rules.



Ethics and Freedom In Cyberspace

Nanfang Daily
March 1

The Internet is nowadays becoming an inseparable part of people's daily life. However, due to the lack of mature ethics and legal regulations, online rumors are often seen. Recently, the Cyberspace Administration of China, the country's cybersecurity watchdog, has warned against using cyberspace to spread rumors or share illegal information.

There are worries that the administration's moves are going against the Constitution, which stipulates that the freedom of speech is a part of citizens' rights. Indeed, citizens do have the right to

speak and write on the Internet, but while doing so they must refrain from infringing on others' equal right to do so. Those who intentionally spread false information online do harm to other Internet users by tricking them into developing false concepts.

The Chinese Government began to tighten the reins on cyberspace in 2015 through the establishment of relevant laws and regulations, but the efforts are still falling far behind the rapid expansion of the Internet.

In real life, communication between people is based on mutual respect, which means one is fully aware that he or she should be responsible for what he or she says. Similarly, this rule also works in cyberspace. Featuring virtualization and the rapid speed of circulating information, cyberspace operates smoothly by depending on the balance between freedom of speech and respect for ethical codes.

Internet Plus: One Year On

China Financial Weekly
February 22

Internet Plus, a national strategy proposed in March 2015 as a new engine for economic growth, calls for the integration of the Internet with traditional industries. It has presented unprecedented opportunities for China's economic and social transition. It has also posed challenges that deserve much attention.

For instance, as new business models are developed under the Internet Plus strategy, they have unveiled potential risks and a supervision vacuum. The fiercest conflict arises in the model of Internet Plus Traveling, where online taxi-hailing business moves the cheese of conventional taxi service providers.

At the same time, supportive policies and measures are still absent in some fledgling commercial areas. There is also a shortage of professionals good at both Internet operations and conventional businesses.

The development of Internet Plus largely depends on basic infrastructure construction like cloud computing and broadband, but despite the burgeoning broadband network in the past few years, China is still plagued by slow speed and excessively high Internet service charges. As

"Corrections of flawed judgments show our determination against wrongful convictions. The acquittal of defendants also builds public trust in the law."

Li Shaoping, Vice President of the Supreme People's Court (SPC), responding to a report of judicial reforms issued by the SPC on February 29. Over the past three years, 23 wrongful verdicts have been corrected

"The Counterterrorism Law and the two draft laws [on cybersecurity and the management of foreign NGOs] won't affect companies' lawful businesses or the legitimate rights and interests of citizens and organizations."

Foreign Ministry spokesman **Hong Lei** on March 1 in response to media reports saying that several foreign ambassadors have written a letter to the Chinese Government expressing concern over the laws



for this issue, schemes have already taken shape at the national level. For instance, efforts will be made to ensure an almost 100-percent coverage of optical networks in cities.

One important option to reach success is to make the most of Internet-savvy professionals and give a bigger role to them in a company's decision-making process. When conventional businesses are joined by such people, successful transformations will come more easily.

Overcapacity Dilemma

The Beijing News
March 1

According to Yin Weimin, Minister of Human Resources and Social Security, three factors will pose big challenges to employment in 2016: the releasing of workers from certain industries suffering from overcapacity; heavy pressures on the economy; and roughly 7.6 million new graduates from college.

During the transitional period of an economy, rising industries demand a bigger labor force, while sunset industries need to get rid of redundant workers. As a result, unemployment and vacancies appear at the same time. Why is the structural unemployment occurring today becoming an obstacle to the resolving of overcapacity? The key is that this round of unemployment largely involves the laying off of workers in state-owned enterprises (SOEs).

Overcapacity is nowadays concentrated on heavy industries like coal as well as iron and steel, mainly large SOEs, which ensure an "iron rice bowl" for their staff. When these industries are gradually squeezed out by the market, even the "iron rice bowls" will have to be broken.

China saw large-scale layoffs happening to SOEs in the late 1990s. It was later found out that the free movement of labor was an important factor that supported China's economic boom in the following two decades.

Today, when the market already has effective labor circulation channels, redirecting laid-off SOE workers, so that they can get reemployed in suitable positions, will not be more difficult than it was in the 1990s. Market-oriented reforms in SOEs should not halt for fear of a new wave of layoffs.

↓ DOCTOR GROWS VEGETABLES AT SOUTH POLE

Wang Zheng, an orthopedist from east China's Jiangxi Province, has successfully grown vegetables at the South Pole.

During his over-400-day tenure at Zhongshan, one of China's four Antarctic research stations, Wang was tasked with exploring the possibility of growing fresh vegetables, in addition to being a physician. Previously, teams based at all these stations had to solely rely on food deliveries from the icebreaker *Xue Long*. A one-way trip takes 75 days. The only vegetables that the teams could eat were therefore dehydrated.

Wang used a specialized hydroponics system developed by a Shanghai-based polar research center to grow plants in the extreme conditions. The lettuce, cucumber, tomato and Chinese cabbage grown by Wang yielded a good harvest.

Wang said he had to warm the greenhouse by burning oil in order to withstand Antarctica's extremely cold temperatures. Nonetheless, the amount of energy consumed was still much less than that of the *Xue Long*.



"More Chinese companies are investing in driverless car R&D, but related regulations and policies lag behind."

Robin Li, CEO of China's Internet giant Baidu and a member of the Chinese People's Political Consultative Conference National Committee, writing in a proposal submitted to the ongoing annual session of the top political advisory body

"Our measure aligns well with official GDP figures, indicating official GDP figures remain a useful and valid measure of Chinese economic growth."

Jun Nie, a senior economist with the Federal Reserve Bank of Kansas City, commenting after evaluating China's GDP growth under an alternative model



PROSPEROUS YEARS AHEAD

China's growth outlook in the coming five years
remains bright in spite of challenges By Lan Xinzheng

Despite a slowing economic growth in recent years, observers are staunchly confident in the country's potential and future.

"During the 13th Five-Year Plan (2016-20) period, China's economy will grow between 6 and 8 percent annually," said Wang Jun, a researcher with the China Center for International Economic Exchanges, a Beijing-based think tank.

He made the remarks ahead of this year's full sessions of the National People's Congress (NPC) and the National Committee of the Chinese People's Political Consultative Conference (CPPCC). These high-profile gatherings, officially known as the Fourth Session of the 12th NPC and the Fourth Session of the 12th CPPCC National Committee, take place in Beijing from March 5 to 16 and March 3 to 13, respectively. The 13th Five-Year Plan for China's economic and social development will be adopted at the conclusion of the NPC session



A section of the Baoding-Fuping Expressway in Hebei Province. Infrastructure construction has been stepped up to promote regional economic development

should understand the “new normal,” he said.

The new normal has three main factors—a shift in economic growth speed, structural optimization and a change in the main growth engines.

Although China’s economic growth speed has slowed down, it remains within a reasonable range. Last year saw a 6.9-percent GDP growth, which was not far from the 7 percent or so predicted at the beginning of that year.

More importantly, China is still one of the fastest-growing economies globally. Data released by the International Monetary Fund

revealed that China, the world’s second largest economy in terms of nominal GDP, contributed to more than 25 percent of the world’s economic growth in 2015.

China’s role as a major force driving the global economy will remain unchanged for some time in the future, Xu said.

He explained that when evaluating China’s economic trend under the new normal, more attention should be paid to the economic structural transformation as well as economic quality and benefits rather than the short-term fluctuations in the economic growth rate. Currently, China’s economic transformation is accelerating, and positive results have already been achieved in structural optimization, according to Xu.

First of all, the demand structure has continued improving, and consumption is contributing more to growth than investment. In 2015, final consumption contributed to 66.4 percent of economic growth, exceeding investment figures.

Second, solid progress has been made in structural adjustment. In 2015, the service industry accounted for 50.5 percent of the GDP, surpassing 50 percent for the first time. The value added of hi-tech industries went up 10.2 percent from the previous year, a rate much faster than that of traditional industries.

In Xu’s eyes, China’s economic growth trend is balanced. “The economic demand as well as industrial, regional, urban-rural and energy structures are continuously optimizing, and new stimuli are being nurtured,” Xu said.

Government actions

In response to worries about China’s economic growth slowdown, Chinese government officials have expressed their confidence on various occasions. The government has set the annual economic growth target for the next five years as no lower than 6.5 percent on average.

The target was unveiled by President Xi Jinping while explaining the Proposals on Formulating the 13th Five-Year Plan at the Fifth Plenary Session of the 18th Communist Party of China (CPC) Central Committee, which concluded on October 29, 2015.

China aims to double its GDP in 2020 as well as that year’s per-capita income of both urban and rural residents by 2020. To achieve this goal, a minimum annual average growth rate of 6.5 percent is necessary, Xi said.

The CPC’s proposals spell out five concepts of development—innovation, coordination, ecological friendliness, opening up and benefits to all. In addition to stepping up the ongoing economic transformation and structural adjustment, the document set three major tasks.

The first is to foster development by optimizing the allocation of productive factors including labor, capital, land, technology and management. This includes promoting innovation and entrepreneurship, generating new demand and supply, pushing ahead the vigorous development of new technology, and also supporting emerging industries and business formats.

The second involves further boosting regional development, industrial upgrading, infrastructure construction, as well as the cyber and marine economies. Endeavors such as the Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiative, the integrated development of Beijing, Tianjin and Hebei Province as well as the establishment of the Yangtze River Economic Belt are expected to ►►

after deliberation by national lawmakers.

In a recent article, Wang enumerated 10 factors that will strongly propel China’s economic development. For instance, the dividend from its investment in human capital—education and health—is growing and will be continuously released. Also, urbanization will create huge room for consumption expansion and infrastructure improvement. Furthermore, industrial upgrading will create vibrant growth impetus and mass entrepreneurship will also unleash growth potential and vitality.

Wang’s assessment of China’s economic growth trend echoed the views of most Chinese economists.

Xu Shaoshi, Minister in charge of the National Development and Reform Commission (NDRC), China’s top economic planning agency, shared Wang’s view about the positive growth vector, even though he saw it from a different perspective.

To understand the Chinese economy, one



push forward the development of key areas and the balanced development of urban and rural areas.

To promote industrial development, more support will be given to energy conservation and environmental protection, biotechnology, IT, smart and high-end equipment manufacturing, alternative energy and other emerging industries. Efforts will also be made to bolster the revamping of traditional industries.

China also plans to carry out major public facility and infrastructure projects, accelerate the construction of a new generation of information infrastructure, as well as improve water conservancy, railways, highways, waterways, civil aviation, general aviation, pipelines and the postal service network.

To spur the development of the cyber economy, plans have been in place to implement the Internet Plus initiative and develop the Internet of Things. The country will also carry out the big data national strategy, promote data sharing, and support all kinds of Internet-based innovation.

In regard to developing the marine economy, focuses will be placed on the rational exploitation of marine resources and protection of the marine ecological environment.

The third task outlined by the CPC's proposals is to expand consumer spending and upgrade the consumption structure.

In January and February, 31 provincial-level

regions on the Chinese mainland all made their economic and social development plans for the next five years at local legislative sessions. The annual GDP growth targets proposed by local governments showed that they were upbeat about this year's economic performance.

Economically advanced coastal provinces and autonomous regions such as Shandong, Jiangsu, Shanghai, Zhejiang, Guangdong and Guangxi set their GDP growth targets between 7 and 8 percent. Meanwhile, provinces that have encountered development bottlenecks such as Jilin and Heilongjiang in northeast China set their GDP growth targets at 6-6.5 percent.

Wang said that as the 13th Five-Year Plan is set in place, the Chinese economy will shift from high-speed growth to moderate and quality-focused growth. The country's economy is rife with potential in a variety of terms including overall development, technology and creativity levels, as well as factor costs and labor productivity.

Overcoming difficulties

During the past three decades of high-speed development, many problems hindering economic development have built up in China. To maintain stable growth, these difficulties must be tackled. Consequently, in 2013, the CPC put forward a strategy to comprehensively deepen reform. The next five years will be an important period determining the success of this scheme.

Yang Weimin, Deputy Director of the Office of the Central Leading Group on Finance and Economic Affairs, said that the Chinese Government is currently focusing on five issues. Those issues concern cutting industrial overcapacity, destocking housing inventory, financial de-leveraging, lowering costs for companies and improving the weak links in economic development. The Central Leading Group on Finance and Economic Affairs is a key economic policymaking institution at the top level.

Currently, China is becoming an upper-middle-income country and its population growth is slowing down. Yang said that affected by these factors, plus the sluggish demand from the international market, China's demand structure is shifting from being industry-oriented to being service-oriented, and demand for traditional commodities is shrinking. He claimed that this has led to overcapacity in some industries in relative or even absolute terms, so reducing excessive production capacity will be a major task in the next two to three years.

Huge housing inventory levels are also a form of overcapacity, while a high vacancy rate represents a waste of resources, Yang added.

Enterprises with overcapacity, as well as real estate developers and local financing platforms have accumulated a large quantity of debt during the rapid expansion period. Banks are therefore increasingly cautious about lending to these companies and have even stopped issuing loans to some of them. Hence, financial de-leveraging and lowering costs for companies have become major policies that the government uses to boost economic growth.

According to Yang, relevant departments have stepped up efforts to tackle overcapacity, and are researching and working out comprehensive policy measures that suit local conditions.

The government has also launched a policy package including tax cuts and special financial support to slash the operating costs of enterprises in real economy.

To destock housing inventories, efforts will be made to expand effective demand, including urbanizing migrant workers from the countryside.

The Chinese Government has also produced detailed methods regarding income distribution, enterprises' self-development abilities as well as infrastructure improvement to shore up weak links in economic development. In particular, the Central Economic Work





Employees of an online retailer in Yiwu, Zhejiang Province, are busy at work on December 29, 2015



Conference in December 2015 decided to raise the budget deficit ratio as part of a proactive fiscal policy to deal with the downward economic pressure. China raised its fiscal-deficit-to-GDP ratio to 2.3 percent for 2015, compared with 2014's target of 2.1 percent, with the number expected to rise to 3 percent or more in 2016.

In regard to the defusing of financial risks, the government demands comprehensive oversight and the resolute prevention of systematic and regional risks.

External influence

In Xu's view, China's economic growth will be affected by external factors more than internal ones in 2016-20. "The world economy is still experiencing deep adjustments, slow recovery and low growth. The international financial market is increasingly volatile, with continuous drops in the prices of bulk commodities and increase of uncertainties, which will ripple into China's economic development in various ways," he said.

Xu said that the deep-seated effects of the 2008 financial crisis will linger for quite some time, as global economic growth is weak, protectionism is rising, and geopolitical relations become more complicated. In addition, conventional and unconventional threats to

security have intertwined, and external risks are increasing.

By raising the interest rate, the U.S. Federal Reserve (Fed) has added uncertainty to the world economy, said Zhang Yuyan, Director of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences.

"It was originally estimated that from last December to this year, the Fed would raise the interest rate four times to reach about 1.5 percent. Now, the economy is in bad shape, and [Chairwoman of the Fed] Janet Yellen has been backing off [from interest raises] in recent remarks, which exposes the increasing risk of policy errors. The recovery is very weak, so any mistake in the timing, extent or frequency of interest raises might lead to another economic recession or financial crisis," Zhang said.

In 2008, the financial crisis in the United States triggered a global recession. To stimulate the economy, the Fed implemented a quantitative-easing policy. The international community's opinion of the measure is that although this policy has prevented the global economy from plunging into a great depression, the ultra-low interest rates that it employed has gradually created negative side-effects.

Ultra-low interest rates have also led to a debt problem. The Basel-based Bank for

International Settlements in Switzerland estimated that such interest rates will enter a vicious cycle, exposing investors to excessive risks, leading to poor credit allocation, and luring policymakers to postpone fundamental reforms needed to promote economic growth.

"Currently, the world is suffering from a toxic combination of low inflation, low growth, low interest rates and high debt levels. Everybody knows that this situation will not last long," Zhang said.

Zhang added that now there is a tendency for the economic policies of developed countries such as the United States and EU nations to be highly politicized, that is, political considerations are put before economic ones, which could hamper economic globalization.

The U.S.-led Trans-Pacific Partnership (TPP) multinational trade agreement is an example that illustrates the point. U.S. President Barack Obama explicitly said that the TPP was created in part to prevent countries like China from dominating the creation of regional trade rules. Hence, the impact of the TPP on the Chinese economy should be carefully observed. ■

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Crunch Time Diplomacy

Foreign Minister Wang Yi's visit paves the way for improved China-U.S. coordination **By An Gang**



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

When Chinese Foreign Minister Wang Yi paid an official visit to Washington, D.C. on February 23-25 at the invitation of U.S. Secretary of State John Kerry, reporters and foreign policy analysts were watching with anticipation. What would the result of the meetings be, their third in just one month? What tone would the meeting take, given the hotly debated disputes between the countries over North Korea's nuclear program and tensions related to the South China Sea?

During his stay, Wang met with U.S. President Barack Obama at the White House and held talks with his counterpart, Secretary Kerry, and Assistant to the U.S. President for National Security Affairs Susan Rice. Other senior statesmen whom Wang met with included Chairman of the Senate Foreign Relations Committee Bob Corker, Chairman of the House Foreign Affairs Committee Ed Royce and Chairman of the Council on Foreign Relations Richard Haass, as well as other veteran diplomats.

While in the nation's capital, Wang also delivered a speech, entitled *The Developing China and China's Diplomacy*, at the Center for Strategic and International Studies (CSIS), the well-known U.S. think tank on foreign relations and strategy, on February 25.

The tightly scheduled trip was announced just one day in advance, which showed the urgency of the need for dialogue. China had two main issues to discuss with the United States: the tensions caused by the latest nuclear test and satellite launch in North Korea; and the continued disputes in the South China Sea.

Nuclear tests

At the beginning of 2016, the Democratic People's Republic of Korea (DPRK) took two bold steps in developing its nuclear and ballistic missile programs, both of which are banned by the UN via Security Council resolutions. The DPRK's first hydrogen bomb test on January 6 and satellite launch with ballistic missile technology on February 7 have resulted in a new round of tensions in the Korean Peninsula. The DPRK, or North Korea, has pledged to continue its nuclear and ballistic missile programs in order "to build a deterrent force against the United States as early as possible."

In response to the DPRK's actions, the United States has asked the UN Security Council to approve a new round of comprehensive sanctions over the country. The United States has announced to work together with the Republic of Korea (ROK), or South Korea, and Japan to impose unilateral sanctions on the DPRK.

The United States and ROK also threatened to launch a preemptive strike against the DPRK. In response, North Korea announced a tit-for-tat military strike strategy. Furthermore, the United States persuaded South Korea to advance the deployment



of the Terminal High Altitude Area Defense (THAAD) missile defense system on its territory. The two sides have since initiated talks on the matter.

The renewed tensions in the Korean Peninsula have put China in a dilemma. During the Munich Security Conference held in Germany on February 12, Foreign Minister Wang stated three principles China upholds in dealing with the issue. First, under no circumstances can the Korean Peninsula be nuclearized, whether by the DPRK or the ROK, whether it is self-produced, introduced or deployed. Second, there is no military solution to the issue. War or turbulence on the peninsula is not acceptable for China. Third, China's legitimate national security interests must be effectively maintained and safeguarded.

During his meeting with Secretary Kerry on February 23, Wang pointed out that in order to safeguard a nuclear non-proliferation system, China will neither accept North Korea's nuclear program and ballistic missile plan, nor admit its nuclear status. He also stressed that tougher UN Security Council sanctions could not fundamentally solve the issue—all parties need to go back to the negotiating table.

The UN Security Council on March 2 unanimously approved the toughest sanctions in two decades against North Korea in response to its recent attempts to develop



Visiting Chinese Foreign Minister Wang Yi speaks during a joint press conference with U.S. Secretary of State John Kerry at the U.S. Department of State in Washington, D.C. on February 23

nuclear bombs. But the sanctions will not affect people's basic needs in the DPRK, offering hopes for future negotiations.

Areas of dispute

During his stay in Washington, Wang repeatedly expressed that China opposes the United States' intention to deploy the THAAD missile defense system in South Korea. In talks with his U.S. counterpart, Wang pointed out that the THAAD's radar detection will go deep into China's territory if it is deployed in the ROK, and China's legitimate national security interests would be affected and even threatened by the missile defense system. Kerry responded that the United States is not hungry or anxious or looking for an opportunity to be able to deploy the THAAD. That decision has not yet been made.

Kerry emphasized that "the way to not only prevent the THAAD from being deployed but also to see America be in a position to have less troops on the peninsula—maybe, one day—is by resolving the issue of the nuclear program in the DPRK and ultimately making peace on the peninsula."

The deployment of the THAAD missile defense system concerns the security interests of China, Russia, the United States and South Korea. Therefore, all parties should hold sufficient talks on the matter before it is implemented. If the United States and South

Korea decide to go down this road, the strategic security situation in Northeast Asia will be changed drastically, which would be detrimental to Sino-U.S. relations. Both sides should spare no effort to prevent this from happening.

On the South China Sea issue, China and the United States exchanged their respective views during Wang's visit. In response to the accusation of China militarizing islands in the South China Sea, Wang said that China has the right to safeguard its territories and legitimate maritime interests there.

Referring to the Chinese president's commitments made on this issue during his official state visit last fall, Kerry said "we want President Xi Jinping's statement when he came to Washington that there would be no militarization in the islands to be upheld by everybody." America's top diplomat also reiterated the fact that the United States hopes to resolve the issue through dialogue.

Wang stressed that China has the ability and confidence to safeguard the freedom of navigation in the South China Sea with Southeast Asian countries in line with international laws. And he expressed that China hopes the United States would stop provocations such as close-up reconnaissance missions into China's territorial islands in the South China Sea. In the end, both sides agreed to continue communications on

maritime security issues in order to prevent any misunderstanding.

Improving ties

Another major task of Wang's trip was to make preparations for the upcoming high-level meetings between the two countries during the fourth Nuclear Security Summit to be held in Washington D.C. in late March. During their meeting, Obama spoke positively of bilateral cooperation in addressing climate change and solving relevant regional hotspot issues. He said that U.S.-China relations are very important and that he is looking forward to President Xi's attendance at the fourth Nuclear Security Summit.

Addressing those with a pessimistic view of China-U.S. relations, Wang said in his speech at CSIS that favorable relations between China and the United States benefit not only the two peoples but also the world at large.

"The common interests of the two countries far outweigh their differences. Both sides should resolve strategic doubts, strengthen strategic cooperation and establish strategic mutual trust through in-depth strategic communication," Wang said. "The so-called speculation that China will be the main rival of, or even replace the United States, is a false proposition. For a long time into the future, China will continue to focus on its own development, with no intention to ever challenge any other countries."

Overall, Wang's three-day diplomatic trip helped China and the United States achieve important progress on some thorny issues through coordination and consultation, underscoring the fact that the future of China-U.S. relations is positive. ■

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Sanctions for Negotiation

How far will the new UN resolution influence North Korea's nuclear ambitions? By Bai Shi

The UN Security Council (UNSC) unanimously approved Resolution 2270 on the Democratic People's Republic of Korea (DPRK), or North Korea, on March 2 at the UN headquarters in New York City.

The resolution denounces the DPRK's recent nuclear test and satellite launch which was widely believed to have used ballistic missile technology banned by previous UN sanctions.

Will the new sanctions put a halt to the DPRK's ambitions to develop nuclear weapons?

Shi Yongming, a researcher of the East Asia region with the China Institute of International Studies, told *Beijing Review* that the new resolution should be regarded as an international effort toward a political settlement to the issue.

"The nuclear test that North Korea conducted on January 6 was unwise and reckless," Shi said. "In theory, new international sanctions will add more pressure on the North Korean economy. But the Security Council has taken the humanitarian perspective into consideration. So sanctions won't affect people's livelihoods in North Korea."

With regard to the possible reactions that North Korea might take, Shi believes that "if the country takes retaliatory measures

against the UN resolution, it will become more isolated from the rest of the world."

North Korea has conducted four nuclear tests since 2006. The first three tests were defensive, Shi said, while the last one was clearly offensive, which sent a signal of danger to the world.

If North Korea makes more progress in the miniaturization and the launching capabilities of its nuclear warheads, it will seriously affect the balance of security in the Korean Peninsula and the Northeast Asia region, which would be unforgivable, Shi said.

As to what extent the new resolution is likely to help impede North Korea's nuclear program, he said that "the new resolution will mainly have an effect on a political level. It is designed to create conditions for a political settlement."

Josef Gregory Mahoney, Professor of Politics and Director of the International Graduate Program in Politics at the East China Normal University, told *Beijing Review* that "given North Korea's history to date, it is very doubtful that sanctions will produce any real or lasting results with respect to denuclearization."

"Presently, the DPRK Government appears to be heavily invested in [its] nuclear program, both politically and economically," Mahoney said. "At

this point, [North Korea's] real political costs and benefits seem to skew in the direction of continuing to develop nuclear weapons and their delivery systems."

In fact, the United States is vital in solving the issue. If the six parties cannot take concerted steps to return to the negotiating table, the new sanctions might only generate adverse effects and consequently make North Korea stick even harder to its nuclear program, according to Shi's analysis.

Therefore, the United

States must adjust its policy on North Korea and take practical actions to solve the nuclear issue through political efforts, Shi said.

In Mahoney's view, however, the North Korean nuclear issue now represents a strategic opening for the United States in its ongoing effort to "contain" China.

"Consequently, no one can rely on the United States to join such efforts in good faith," Mahoney said.

China's stance on the Korean Peninsula nuclear issue has been consistent, and China's support for the new resolution embodies the country's contribution to safeguarding international peace and security, Shi added.

From another point of view, China's stance in approving the new resolution could help the DPRK realize the real nature of the situation it is embroiled in. That is to say, that there is no way out for the country through the continued development of nuclear weapons. According to Shi, it must return to the right track through negotiations.

After the UNSC approved the sanctions, Chinese Ambassador to the UN, Liu Jieyi said that China has expressed its explicit opposition to these acts.

"China has always insisted on the denuclearization of the Korean Peninsula, insisted on the maintenance of peace and stability in the region, and insisted on resolving problems through dialogue and consultations," Liu said.

But Liu emphasized that sanctions are not an end in themselves, and that the Security Council resolutions cannot fundamentally solve the nuclear dilemma in the region.

"Today's resolution should be a new starting point and a paving stone for the political settlement of the nuclear issue on the Korean Peninsula," said Liu at the UNSC meeting.

Liu stated that China urges all parties concerned to push forward with negotiations designed to advance denuclearization efforts. ■



The UN Security Council unanimously adopts on March 2 the toughest sanctions ever imposed on North Korea in response to its fourth nuclear test and satellite launch which is believed to have used ballistic missile technology

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Enhancing the Global Economy

G20 nations need to seek reform and strengthen policy coordination By Xu Hongcai



The author is director of the Economic Research Department at the China Center for International Economic Exchanges

At present, the major task of the G20 nations is to alleviate the downward pressure on the global economy and try to achieve stable growth. In the past seven years, the governments of these nations have made concerted efforts in coping with the global financial crisis by implementing proactive fiscal policies and easy monetary policies. Although these policies have produced their intended effects, they've also caused some negative spillovers.

Last year, the world economy only grew by 3 percent. Amidst a weak global economy, the G20 nations face a common challenge—how to sustain growth while looking for new growth engines. Actually, G20 nation leaders have already reached a consensus in the past G20 meetings—trying to achieve strong, sustainable and balanced growth. Even so, those three attributes are actually profound in the changes they entail.

First of all, the world's economic growth is still weak and unsustainable. And there is still a big income gap between people of different countries. In the meantime, unemployment around the world is also on the rise. Global commodity prices continue to decline and crude oil price may remain \$30 per barrel for some time to come, leading to deflation pressure.

Some resource-dependent countries in particular, such as oil producers like Russia, Brazil and Saudi Arabia, are facing great difficulties. The United States' interest rate hike

and the appreciation of the U.S. dollar affected those economies negatively, causing strong fluctuations in the financial markets of some emerging economies in the Asia Pacific region. Fluctuations in the financial market, foreign exchange market and the stock market are affecting both investors' confidence and consumers' spending, which is harmful to the global economy.

Therefore, leaders of the world's 20 major economies should jointly analyze this common issue through the G20 meetings. Their priority should lie in pushing forward the achievement of stable growth. A new point that should be noted is the essential role of structural reform in boosting economic growth. China is promoting supply-side structural reform. Other economies, developed and emerging, should all include structural reform into their reform efforts.

When making changes to monetary policies, fiscal policies and macro policies, large countries should give consideration not only to the impact that these policies may bring to themselves but also to others, in order to minimize negative spillovers of the policies. For instance, the United States' interest rate hike has intensified flows of global capital and fluctuations in the global financial market, thereby hurting emerging economies. In the past, when the United States launched its quantitative easing policy, large-scale capital flight resulted in asset bubbles in emerging economies. This reflected a fundamental problem: In a diversified, multi-polar global economy, the U.S. dollar is still the dominating international reserve currency and assumes too many responsibilities, which may bring large systematic risks. The United States is therefore in an awkward position. On one hand, it needs to raise its interest rates to boost its own economic growth. On

the other hand, its move produces negative effects for other countries.

Therefore, large nations need to strengthen their coordination on macro policies. The G20 can regularly release assessment reports on the potential fiscal and financial risks of big countries—similar to what the International Monetary Fund has done—to issue early warnings. Meanwhile, authorities in these countries should strengthen communication with the market about their policies in order to guide expectations. Otherwise, the financial market is likely to be mired in chaos. Thus, coordination between big countries is crucial.

Strengthening policy coordination is also needed to achieve the goal of 2 percent additional output by 2018 put forward in the communiqué of the latest G20 Finance Ministers and Central Bank Governors Meeting in Shanghai. The world's GDP is about \$70 trillion, so 2 percent equates to \$1.4 trillion. The world economy is expected to grow by 3.4 percent and 3.6 percent in 2016 and 2017. The joint collaboration of countries around the world is necessary in order to achieve the addition of those two percentage points.

As for individual countries, the key to reaching that goal is whether their policies are adequate or not. For instance, China is promoting structural reform to increase productivity and boost innovation. Innovation tops the five development concepts of China's 13th Five-Year Plan (2016-20). In addition, from the perspective of global sustainable development, China insists on strengthening inter-connectivity and increasing investment on infrastructure as it is helpful to international capital flow, the free movement of production factors, trade facilitation, and investment liberalization as well as economic globalization and integration. China's increasing trade, investment and financial cooperation in this field can tap great potential for economic growth. ■

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Iran Unbounded

A return to the international community will change political landscape

By Lu Jin & Liu Lanyu

Since the beginning of 2016, the historic Iran nuclear deal has been put in motion. The United States, the EU and the UN have all announced that they will lift their sanctions step by step, paving the way for Iran to pursue its own economic development within the current international framework.

Geopolitical impact

Iran, as a regional power and one of the major oil producing countries, will once again be able to freely participate in the world market and international cooperation. Without the baggage of sanctions, Iran will likely become even more active in regional affairs in the Middle East, perhaps intensifying competition with another regional power and its nemesis, Saudi Arabia.

Prior to 2013, as an ally of the United States and other Western powers, Saudi Arabia appeared to have a strategic advantage over Iran. However, as Iran reached the deal with the international community to solve concerns over its nuclear program, and works to improve relations with the United States, Saudi Arabia no longer has the upper hand.

Saudi Arabia has also been making efforts to maintain a leading role in the Middle East. In Syria, it has been a prominent backer of the opposition groups fighting against President Bashar al-Assad's regime. The country is also heavily involved in the civil war in Yemen fighting the Iranian-backed Houthi rebels and has hosted Yemeni President Abdu Rabbu Mansour Hadi while in exile.

Just after the start of the calendar year, Saudi Arabia's efforts to exert influence in the region vis-à-vis Iran came to a head. On January 2, Saudi Arabia announced the execution of the outspoken Shia cleric Sheikh Nimr al-Nimr. The religious dispute triggered the storming of the Saudi Embassy in Tehran. In response, the Saudis broke diplomatic ties with Iran on January 3.



Iranian Foreign Minister Mohammad Javad Zarif attends the Munich Security Conference held in Germany on February 12

Saudi Arabia deliberately escalated regional disputes to ensure the strong support of the United States. But the Americans are more inclined to pivot their focus to the Asia-Pacific region to counter China's growing influence. In fact, in the last year of his administration, U.S. President Barack Obama is unlikely to devote much energy and resources to the Middle East. He may hope instead that cooperation with Iran will help to end the conflicts in Syria and Yemen, as well as contain the rise of the so-called "Islamic State" group (ISIS). While trying to achieve stability in the Middle East, the United States is trying to build a new security structure that balances the interests and capabilities of the area's major countries.

Looking forward, the geopolitical situation will be mainly influenced by the competition between Iran and Saudi Arabia, with two main factors.

First, it depends on whether the pro-reform and moderate leaders that were elected in Iran's parliamentary election on February 26 will continue to build ties with Saudi Arabia and seek international cooperation despite a lack of support from the country's conservatives. Therefore it looks like Iran will be less likely to make radical moves if and when foreign disputes arise.

The other major factor is the position of the United States. If the United States remains relatively neutral between Saudi Arabia and Iran, hostile Saudi Arabia-Iran relations are unlikely to escalate into an all-round confrontation. And the four major power blocs in the region—the Arab countries, Iran, Turkey and Israel—will reach a balance in power dynamics as Iran reengages with the international community.

The price of oil

The United States and the EU's lifting of the severe sanctions paves the way for the Persian country to return as a major provider of oil. Under the sanctions, Iran's daily oil exports reduced to around 1.2 million barrels in January 2016 from 2.5 million barrels in January 2012. As restrictions are removed, Iran has started to increase its crude oil production by 400,000 barrels a day. That figure is expected to increase by another 200,000 barrels in the near term.

Yet adding Iran's oil output into the mix means that the supply of oil in the global market will further expand. Consequently, prices are likely to continue to fall. International oil prices dropped below \$30 per barrel in January, the lowest since 2003.

Oil has long been used as a pawn in Saudi Arabia and Iran's geopolitical game. Despite the steep decline in oil prices since last June, Saudi Arabia, the largest member of the Organization of Petroleum Exporting Countries (OPEC), has refused to cut its oil production for fear of losing its market shares, especially to Iran.

From the Saudis' point of view, deflated oil prices are more unfavorable to Iran than to



French President François Hollande holds a ceremony to welcome visiting Iranian President Hassan Rouhani at the Elysee Palace in Paris on January 28

themselves, since Iran is desperate to recover lost shares and generate revenue. The current cost of oil will limit Iranian President Rouhani's ability to use the money from petroleum exports as the building block for domestic economic development.

Oil revenue accounted for one third of the Iranian Government's financial budget in 2015, and now it faces a huge deficit. Against this backdrop, Iran has decided to increase production and export to the European market with a price which is lower than that of Saudi Arabia's, ignoring the possible influence on market prices. In mid-February, the first 4 million barrels crude oil produced by Iran arrived in Europe.

On February 16, Saudi Arabia and Russia—a non-OPEC state but a significant oil producer—agreed to freeze output at January levels at a ministerial meeting in Doha, Qatar. OPEC members Qatar and Venezuela also joined the deal. But Iran has not agreed to take part in the plan. Instead, the country's petroleum minister Bijan Zangeneh said that Iran would "not forego its oil market share."

It is important to note here that it will take four to eight months to completely lift the years-long financial sanctions on Iran's banks.

So it is hard to make an accurate forecast on how Iran will influence oil prices in the near future.

Seeking partners in Europe

Europe used to be Iran's major trading partner prior to the sanction period. Today, Iran needs the EU's investment and technologies to advance its industrialization process and reach an annual economic growth rate of 8 percent. In return, European countries—which are still beleaguered by a weak economic recovery—are eager to tap into Iran's market potential. Iran also has significant buying power, as the country will soon be able to use offshore funds up to \$100 billion that were previously frozen.

Since the Iran nuclear deal was reached, around 140 foreign economic and political delegations have paid visits to Iran, and over 70 of the delegations were European. Some were led by EU senior officials, including Federica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy and Vice President of the Commission, British Foreign Minister Philip Hammond, President of Austria Heinz Fischer, and European Parliament President Martin Schulz. European enterprises

have also begun to seek opportunities in Iran.

In an effort to build closer Iran-EU economic and trade ties, Rouhani made a diplomatic tour to Europe in January, which was the first time an Iranian president has visited Europe in 16 years. During his travels, he focused on seeking economic cooperation with EU countries.

The Supreme Leader of Iran, the Grand Ayatollah Seyyed Ali Hosseini Khamenei, also supports the Rouhani administration's efforts to reestablish economic ties with Europe.

But the future of Iran-U.S. relations is still in question. During his European tour, Rouhani said that he looks forward to improving relations and paying a visit to the United States. The U.S.'s policy toward Iran will therefore be vital to solving the decades-long feud between the two countries, and to establishing a new balance of power in the Middle East. ■

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Is Peace Within Reach?

Syrian ceasefire goes into effect with American, Russian support

By Hichem Karoui



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

There is no question that peace is much desired by the citizens of Syria, as it would be for any people suffering through a more than five-year long civil war. But can peace be easily attained?

A ceasefire brokered by the United States and Russia went into effect across Syria on February 27. This was the first agreed-upon measure by the international community to attempt to reduce the violence in this devastating conflict. At the time of writing, on the military field at least, the ceasefire has been implemented, although some small violations have been reported.

However, terrorist groups like the so-called "Islamic State" group, also referred to as Daesh or ISIS, and Al-Qaeda's branch in Syria, the Nusra Front, were excluded. That raises the question: Is this a preparation for war against them, or a preparation for an actual dismantling of Syria? In both cases, the chance for peace to be realized anytime soon is unlikely.

The need for peace has never been more urgent, though.

According to a World Bank report, the cost of the Syrian war and its spillovers to neighboring countries (Turkey, Lebanon, Jordan, Iraq, and Egypt), is estimated to be close to \$35 billion in output, measured in 2007 prices, which is equivalent to Syria's GDP in the same year (2007).

Other statistics are no less shocking. For example, the war in Syria has displaced half of its population—more than 12 million people—both internally and externally. About 13.5 million people desperately need humanitarian aid in Syria itself, in addition to the needs of all of its migrants who have been finding refuge all over the world.

In education, the effects are dreadful. As of the end of 2014, the total cost of damage

to Syria's actual education infrastructure was estimated to be somewhere between \$101 and \$123 million. Not to mention the fact that 18 percent of Syria's schools have ceased to function, as schools instead serve as refuges for internally displaced people.

The war is creating an army of illiterate or half-illiterate young people who will be more likely to fall prey to the extremist rhetoric of radical Islamists. Even bleaker, today's children could be future candidates for terrorist activities—including suicide operations.

Apparently, the purpose of the U.S.-Russian truce is to bring back to the negotiating table the representatives of the Syrian regime and the opposition, or at least those opposition groups willing to negotiate a political solution. But this is no easy job. Not only because it is hard to get the Syrian Government and the many opposi-

dangerous geopolitical game that the United States and Russia have been playing for five years in Syria; a game sometimes dubbed the "new cold war."

In 2011, seeing that civil war was about to break out in Syria and unsure of Syrian President Bashar al-Assad's ability to survive, Russian President Vladimir Putin offered to conduct negotiations between Assad, opposition groups, Russia and the United States. But Putin made Moscow's participation based on two conditions: that Russia should be treated as an equal to the United States, and that decisions about the future of Syria should be left to the Syrians themselves.

Washington spurned the offer. Instead, U.S. President Barack Obama's administration chose to encourage the rebels and began funding selected anti-Assad insurgents.

At the time, Washington did not see Syria as possessing the same potential of radical militancy that had become a real force in Afghanistan and parts of Iraq. It was only after Daesh became a significant threat for Western interests that Washington woke up to the new realities of the struggle. Setting its numerous divergences with Moscow aside, the recent ceasefire represents the United States finally giving Putin's 2011 offer to broker peace a chance.

Yet the conflict over the intervening five year period has only grown more complicated. It is not just Assad and the opposition factions who are players in Syria, but also all of the radical militants who do not feel bound by any political law or border—national, regional or international.

Even if we forget the large gulf separating Assad and the opposition—and forget the question of Assad's future—there remain immense obstacles to any lasting political deal, including the fact that radical armed groups now hold vast territories of Syria, which are populated with innocent civilians. ■



Syrians walk in a marketplace in Damascus on February 27. The capital saw a relatively calm day as a Russia-U.S. sponsored truce went into effect at midnight the day before

tion groups to engage in direct talks, but also because there are persistent doubts regarding the real agenda of the UN's envoy, Staffan de Mistura.

Indeed, some factions within the Syrian opposition think that de Mistura, and therefore the Geneva talks which he is in charge of moderating, are just smokescreens for the

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Women & Work

Female employees look to the law to fight discrimination By Yuan Yuan



Female college graduates view employment information at a job fair held in Nanjing, Jiangsu Province, on March 7, 2015

After winning China's first gender discrimination case against a state-owned enterprise in November 2015, the plaintiff, Ma Hu, appealed for higher compensation and a formal apology. The People's Court in the Shunyi District of Beijing rejected the appeal on March 2.

The 26-year-old girl filed her complaint against China Post, operator of China's official post service, on January 26, 2015. She sought an apology and compensation of 50,000 yuan (\$7,630).

The Jilin native, with the surname Deng, prefers to use the pseudonym of Ma Hu, which are separated parts of the Chinese character "lu," meaning mule, a word often used in China to describe someone stubbornly pursuing a goal.

In September 2014, Ma Hu applied for a job as a courier with China Post. After an interview and trial, she was found to be suitable and received an oral offer subject to passing the health test.

But she was eventually turned down on the grounds that, as a woman, she might not be physically suited to be a mail courier.

After nearly a year of deliberation, the court determined that China Post's rejection of Ma Hu constituted discrimination and ordered 2,000 yuan (\$305) in compensation for psychological pain and trauma.

Ma Hu was delighted by the court's verdict. "It was reasonable based on the obvious discrimination by China Post against employing female couriers," she said. However, the amount of compensation was much lower than what she originally asked for.

"If the cost of gender discrimination is so low, I don't think it will have much of an effect on employers," Ma Hu told *Beijing Review*. "And the court didn't uphold my request for a formal apology from China Post."

The tool of law

This case is the third one in China where a woman has sued an employer over gender discrimination, but it is the first where the defendant was a state-owned company.

"The discrimination by China Post was very obvious and such discrimination is quite

common in China," Ma Hu said. "Even after I won the case, China Post still put 'male only' in recruitment ads for couriers."

In June 2014, Guo Jing, a female college graduate, sued Dongfang Cooking Training School in Hangzhou, capital city of Zhejiang Province, after her application of a clerical post was turned down because she was not male.

After more than six months, the court delivered a verdict that the school should pay Guo 2,000 yuan in damages but rejected her demand for a written apology.

"I have tried to show more women that we can protect our interests and rights through the already-established legal tools that we have at our disposal," Guo told All-China Women's Federation, a women's rights organization.

In 2012, the first gender discrimination lawsuit in China was filed when female job-seeker Cao Ju sued Juren Academy, a tutoring school in Beijing. Unlike Guo and Ma Hu, who refused mediation, Cao reached a settlement and received 30,000 yuan (\$4,580) in compensation from the school.

The arguments in court by China Post made Ma Hu refuse mediation in her case. China Post said women are physically unsuitable for the job because some heavy lifting is required, and they refused to accept women for the position in order to protect women.

"We divide labor so everyone can do what they are good at and what they like to do," Ma Hu wrote in her article titled *You Tell Me Not to Be Such a Mule*. "When I wanted a job, people weren't comparing which applicant was more suitable but rather which applicant was male. I'm sorry, but please don't say that this discrimination is to 'protect' me. I have always been able to protect myself."

The Labor Law of China states that employees or applicants for employment must not be discriminated against on the basis of nationality, race, gender or religious belief. It is against the law to refuse to hire a female employee because of her gender or to have specific gender-related conditions—such as marriage or maternity-related stipulations—

for her employment, with the exception of the select jobs or positions that have been proscribed as "unsuitable for females."

Even though courier is not included on the list of unsuitable positions, Ma Hu said those on the list are quite outdated. "The list was drawn up in the 1990s, but the development of advanced tools and technologies has made those jobs not so labor demanding," Ma Hu said. "The law needs to be updated."

Family v.s. work

While these women have pursued their legal rights in court, the two-child policy newly released in October 2015 seems to put young women across China in a disadvantageous situation in a certain sense.

The policy brought to an end the decades-long rules that restricted most couples to only one child, with exceptions made for rural couples whose first child was a girl, families with a disabled first child, and ethnic minority couples. The change has put 270 million married women of childbearing age in an awkward position in the job market.

"If women were disadvantaged in the job market because of one maternity leave, now they could be further disadvantaged by two," said Wei Boran, a human resource manager in Beijing.

The two-child policy is a challenge for both employers and female employees.

Hou Jinmei, a 30-year-old lawyer working in Beijing, has just returned to work after maternity leave. "I was glad at first to hear the news of the two-child policy, but the financial burden and fear of losing my job pulled me back from getting pregnant again," Hou told *Beijing Review*.

A survey by Chongqing-based human resources website Job.cq.qq.com found that more than 70 percent of job seekers believe that having a second child would make females less attractive in the job market, even though two thirds of employers surveyed said the policy will not affect their recruitment.

"Some employers claim to have no prejudice but they play tricks," said a netizen on ►►

Liu Hong, the chief technician from Shougang Group, has been working as a welder for more than 20 years



the website of QQ.com. "They don't refuse females directly. They include females at the interview stage but still choose male applicants. You can't sue them if they do this."

Female college students seeking to find a job have also felt the effect of the policy, which was released during the peak of the job-hunting season.

"I was asked quite a few times during interviews how many children I would have in the future," said Lin Lili, a student at Beijing Normal University. "I think it is a violation of privacy. Even if they don't ask, I know it is a main concern for them hiring females."

Lin said she has a classmate who chose to have a child during post-graduate study and it has been happening more often on campus in recent years.

"It was a way to remove the concerns of employers about maternity leave, but now we can have two children," Lin said. "Even if an applicant already has one child, em-

ployers might fear the applicant could have another one in the future."

A female graduate, surnamed Liu, from Beijing Institute of Technology wanted to become a programmer but rarely reached the interview stage with her job applications.

"Of the 35 students in my class, only eight are females," Liu told *Beijing Review*. "It is much easier for a male student to find a job as a programmer even though he might not be as outstanding academically as his female peers."

A recent survey by the Women's Federation in Shenyang, capital of northeast China's Liaoning Province, found that female college graduates will get a job after an average of 8.4 interviews—2.1 more than their male peers.

Zhong Xin, head of the Employment Service Center with Jilin University, said it usually takes a longer time for women than men to get a job at their graduation,

although women's employment rate is even higher than men's because women's general academic performances are better.

For 22-year-old Liu, marriage and children are a long way off and she never gives them a thought. "But the employers always demand higher standard for female graduates than males. Most companies require master's degree of the female candidates but bachelor's degree for the males," Liu said.

It is a dilemma for her. If she can't find an ideal job, she might go back to school for a master degree. But in that way, she will be 25 years old when obtaining the degree and the age will become a disadvantage in the job market at that time.

Where to go?

"To be a programmer needs intense focus and often involves frequent business trips," said Liu Zhizhou, a programmer working in

Zhongguancun Science Park in Beijing. "It is not suitable for women. Most of the female programmers in my company quit the job after three or five years, especially after they have children. I don't think it is prejudice but the way things are that makes employers cautious about employing females."

Feng Lijuan, a senior expert on human resources at 51job.com, a leading Chinese job finding platform, echoed Liu Zhizhou and said she would not call caution by employers "discrimination."

"Many employers, especially private companies, have to consider the potential contribution of employees they are going to hire," Feng said. "For example, if a job requires frequent business trips, extra work and more attention to work instead of family, a capable male candidate would be more suitable."

In Feng's opinion, the issue with women is not only limited to maternity leave. "A female employee might only fully get back to work after three to five years after having her first child," Feng said. "It is not realistic to require companies to give absolute equality when choosing their employees. It is not about gender choice. I would say it is a market choice."

For Ma Hu, such remarks stem from the label employers put on women based on their personal experiences.

"They can't use this label on every individual because everybody is different," Ma Hu said. "One label can't fit all."

Ma met several female couriers and many of them have been working for a few years and are capable of doing such work. But even so, the delivery companies still refuse to accept female candidates.

"It is more of a traditional prejudice that females are less capable than males, and it is deeply rooted in our culture," Ma Hu said. "We need to take some action."

A report publicized by the Economic and Legal Research Center of Anhui University in late 2014 showed that 33 percent of female workers expressed that they not only earn less than men for the same work within a company, but also tend to be passed over for promotion in favor of men, even if their qualifications and ability are equal to—or even greater than—the men who get promoted in their place.

"I am more likely to be interrupted when delivering speech at various forums than the male speakers," said a woman who claimed to be a chief financial officer in a foreign-funded company during a street interview with China Central Television. "When I go to meet business partners with male co-workers, I am always regarded as the secretary or assistant rather than a co-worker."

Ma Hu is now working for an NGO helping females in vulnerable situations. She sees hope for the future.

The first gender discrimination case was accepted by the court after 14 months; the second one was accepted in two months. The court accepted Ma Hu's case the second day after she filed.

"We can feel courts are no longer treating gender discrimination as special cases," Ma Hu said. "We hope more women will stand up to discrimination."

"To change the situation, policies need to be worked out to avoid women having to go to court," said Xiong Jing, Executive Director of Media Monitor for Women Network, a Beijing NGO promoting gender equality. "For example, introducing paternity leave for fathers will relieve the pressure on women a lot."

"While carrying out the two-child policy, the government should take into account the negative effects it will have on female employees and make some preferential policies to offset the possible losses for this group," Ma Hu said. ■



Ma Hu rides on a bike with banners saying "We can have female couriers, but no gender discrimination," and "We can do it" on September 17, 2015

COURTESY OF MA HU

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Reforming Elderly Care

Beijing takes a series of measures to tackle its aging challenges By Ji Jing

Zhao Yunxia, 80 years old, has lived in Cuncaochunhui Home, a nursing home in east Beijing's Chaoyang District, for three years. Zhao had lived alone for some years after her husband died, as her elder son works in the United States and her younger son, who was born blind, lives in a charity house. To allow her to receive better care, her elder son arranged for her to live in the nursing home, which cost 4,700 yuan (\$719) a month.

"The expenses are paid by my elder son, therefore I can spend my monthly income of 5,000 yuan (\$793.7) freely," Zhao, who was a teacher before retiring, told *Beijing Review*.

Zhao's daily routine in the nursing home includes taking a walk around the courtyard in the morning and reading newspapers and talking with fellow senior citizens in the afternoon.

Currently, there are 39,000 senior citizens in Beijing who live in nursing homes like Zhao, according to the Beijing Civil Affairs Bureau.

Community-based service

Wang Xiaolong, Founder and President of Cuncaochunhui, said that the idea of establishing a nursing house came from his father's disease.

Five years ago, his father was diagnosed with Alzheimer's. He searched the whole city for a suitable nursing home but failed. Many refused him because of the difficulties involved in looking after somebody with such disease.

"Senior citizens who have entirely or partly lost the ability to take care of themselves are in urgent need of professional care... Why don't I establish a nursing home myself?" Wang asked himself at the time.

His idea was echoed by some of his classmates at Tsinghua University. With an investment of 10 million yuan (\$1.5 million), the nursing house was established in 2011



Workers help an old lady with toy bricks at the Cuncaochunhui Home in Beijing on February 26

jointly by Wang and a few of his classmates. The home is located in Heping Jiayuan, a residential compound with an aging rate of 30 percent. It is not simply a nursing home, but also functions a bit like a community service center, which provides services for nearly 5,000 seniors in the surrounding areas.

"The elderly nearby can choose to dine at or order food from the home through their mobile phones or laptops and have it delivered to their door. They can also order housekeeping services online or take part in activities in the nursing home," said a resident surnamed Yang in the community.

"Meanwhile, the intelligent terminals equipped at their homes can gather data such as their blood pressures and then send them back to the nursing home. Doctors at the nursing home will then know about their physical conditions through the data and give them suggestions," Yang added.

The home has also made adequate use of volunteers, of which Wang claimed over 20,000. In order to encourage volunteers to offer services at the home, it records the time spent by each volunteer there and if one day in the future the volunteers or their families need to live at the home, it will provide services, doubling

the time the volunteers had served there for free.

"We have created an elderly care model which integrates nursing home care with care at home. Our goal is not simply to take care of the old but to enable them to live happily," Wang told *Beijing Review*.

Multiple solutions needed

The operation model of Cuncaochunhui may represent one solution to deal with Beijing's increasing aging population. Currently there are 3 million elderly people—defined as those above 60 years old—in the city, tantamount to the population of Rome in Italy, said Li Hongbing, Deputy Director of the Beijing Civil Affairs Bureau, at a press conference on February 26.

Moreover, the aging population is growing rapidly. "Every day there is an increase of 120 people for those above 80 years old and 450 for those above 60 years old. In 20 years, there will be one senior citizen for every three persons and such a scenario will last at least 50 years," said Li.

What is even more worrying is that there are 150,000 to 300,000 elderly people who have lost the ability to take care of themselves, according to Li. As families are becoming smaller—with an average of 2.5 people for each household—and half of senior citizens live separately from their children, it becomes all the more impossible for children to look after their parents.

In order to solve the elderly care problem, the Beijing Municipal Government unveiled a slew of measures last year, including a regulation on home elderly care in Beijing which came into force last May. The regulation specifies that the government plays the leading role in providing elderly care services, which elderly people can enjoy at their homes. Apart from delivering food, such services also include offering medical, nursing, housekeeping services, psychological counseling, and organizing cultural and sports activities for seniors.

The municipal government spent 57.2 million yuan (\$8.7 million) in 2015 to support the community elderly care centers to offer

daily care, catering, housekeeping, and medical services. The Chaoyang Elderly Care Service Center, established in December 2013, is an example of a center receiving the government aid in providing services to nearby seniors.

"With over 700,000 senior citizens, Chaoyang District has a high demand for elderly care. In July 2014, the district was designated as a pilot zone for the reform of the elderly care industry in China by the Central Government," Li Xiaomei, Director of the Chaoyang Elderly Care Service Center, told *Beijing Review*.

The government has also stepped up the training of caregivers by offering subsidies to relevant training institutions.

"We get subsidies of 1,500 yuan (\$238) for each trainee if they pass a test for elderly care professionals," said Li Jieli, General Manager of Beijing Ainong Housekeeping Service Company, who runs a training school at the Chaoyang Elderly Care Service Center. Nevertheless, qualified nursing homes are still in short supply.

"For each bed, there are six to seven senior citizens waiting to get registered," Wang with Cuncaochunhui stressed. Moreover, nursing homes are not a lucrative business given the high costs involved in running a home. Wang said his care center can achieve a profit rate of just 6 percent every year, in spite of subsidies from the government which include 300 yuan (\$47.6) to 500 yuan (\$79.4) of subsidies per bed, per month.

Meanwhile, the cost of rent is high and keeps increasing. Yet Wang has persisted with his career because he recognizes that elderly care is beneficial to society and there is a high demand for it in China given the country's enormous aging population.

"If I can develop my nursing home into a chain, I will get a stable return. Most nursing homes in foreign countries have hundreds or thousands of branches," Wang said. He also expects the government to pay more attention to the elderly care sector. "It should not only be something seen to by the civil affairs department, but all government departments should play their roles," he said. ■



Caregiver candidates receive training at the Beijing Ainong Housekeeping Service Company's training school at the Chaoyang Elderly Care Service Center on February 26

Copiedited by Mara Lee Durrell
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Held under the banner of the Forum on China-Africa Cooperation, the China-Africa Industrial Forum (CAIF) is committed to promoting development and cooperation between China and African countries. It aims to encourage rapid and sound economic development in China as well as African countries and boost exchanges and cooperation in politics, the economy, culture, science and technology, and tourism.



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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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State-Owned Reinvention

SOEs restructure in order to shed inefficiency and bloat **By Deng Yaqing**

Since the Chinese Government launched its ambition to reform the nation's economic system and business management model in 1978, the vigor of state-owned enterprises (SOEs) has been constantly unleashed and strengthened. As the State Council unveiled a guideline to further SOE reform last September, an additional round of profound changes seems forthcoming.

On February 25, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) declared to initiate 10 reform pilots. The measures include underpinning the function and power of the SOEs' board of directors, recruiting and selecting managers in a market-oriented way, propelling mergers and acquisitions of enterprises under the supervision of the

Central Government, and advancing mixed ownership reform, etc.

These pilots are expected to play an exemplary, innovative and leading role in the overall SOE reform, so that all SOEs can learn from them, and the existing system and mechanism can be renovated, said Vice Chairman of SASAC Zhang Xiwu. He also stressed that the merging and reorganization of central SOEs will improve the structure and layout of state-owned assets, enhance the efficiency of resource allocation and avoid the homogenization of the enterprises.

In 2015, SASAC accomplished a series of mergers and reorganizations among central SOEs. Those affected included CSR Corp. Ltd. and CNR Corp. Ltd., China COSCO Shipping Corp. Ltd. and China Shipping Co. Besides that, China's three major telecommunication operators—China Mobile, China Unicom and China Telecom—jointly founded the China Tower Corp. Ltd., which is now the largest telecommunication infrastructure builder and comprehensive service supplier in the country.

"By pooling the tower resources of the three giants and sharing them together, these telecoms operators were saved from the necessity of building 265,000 telecom towers last year. Roughly 50 billion yuan (\$7.63 billion) was conserved," said Tong Jilu, General Manager of China Tower.

Reform should revolve around advancing quality and efficiency, and efforts should be made to further integrate and reshuffle SOEs, said Peng Huagang, Deputy Secretary General of SASAC, calling for improving the structure and layout of state-owned capital and spurring transformation and upgrading.

Cementing synergy

Telecommunication towers and related ancillary equipment are integral parts of the mobile telecom network infrastructure. As mobile phones

become increasingly popular, in recent years, the three operators have continued to expanding their mobile telecommunication network by building large quantities of towers separately, which often led to overlapping construction and a waste of resources.

To advance the sharing of telecom towers, in 2014, SASAC and the Ministry of Industry and Information Technology pushed the three rivals to spin off their respective tower resources and inject them into the newly established company China Tower. Last October, a government-backed investment company, the China Reform Holdings Corp., acquired 6 percent of the newborn tower builder. Meanwhile, China Mobile, China Unicom and China Telecom hold 38 percent, 28.1 percent and 27.9 percent, respectively.

There was demand for a total of 584,000 telecom towers throughout the three operators last year. China Tower has completed the construction of 485,000 towers so far. The establishment of China Tower has better served the construction of fourth-generation telecom networks.

"By integrating the resources owned by the three companies, industrial efficiency has been substantially jacked up, because the construction and land cost of telecom towers ate into about one third of operators' total capital expenditure," said Tong.

To avoid inheriting the common problems and shortcomings of old SOEs and sliding into monopoly and low efficiency, China Tower has been trying to take on an innovative system and mechanism. For instance, to maintain flat management and prevent redundancy, its headquarters in Beijing only has 89 staff members and seven departments, with 90 percent of its employees serving at the same basic level. Each and every purchase made by China Tower is transparent and open to the public on its online procurement platform.



A telecom tower of China Tower in Beijing

COURTESY OF CHINA TOWER

The booth of China Tower at the PT/EXPO CHINA event held in Beijing in September 2015



Promoting mixed ownership is another focus of the ongoing SOE reform, and that's also what China Tower is prepared to explore in the future. "At the current stage, the time is not ripe to introduce other types of capital, because the company has not realized full operation and been tested by the market. Before diversifying its stockholders, it'd better get listed first," said Tong.

However, a major factor deciding whether a company can smoothly go public is its earning power. As far as China Tower is concerned, its profitability primarily depends on driving up the sharing of telecom towers.

Despite that the sharing rate of new towers is now as high as 74.7 percent, the rate is still lower than that of first-class tower companies in the world, admitted Tong. This year, China Tower aims to lift its average tenant number by 0.2 percentage points.

More efficient leadership

According to statistics from SASAC, by the end of 2015, a total of 85 centrally administered SOEs had adopted a management system with a board of directors. Among them was the Xinxing Cathay International Group, a once unprofitable company which has since written a success story and even nudged into the *Fortune* 500 list.

In 2005, Xinxing Cathay was selected by the SASAC as a pilot company to adhere to a

board of directors, while in 2014, it was again appointed to practice new systems of executive selection and recruitment, performance evaluation and salary management. From 2005 to 2014, the company witnessed an average annual increase of 33.17 percent in operating revenue, 19.88 percent in profits and 22.41 percent in total assets.

"In the past decade, Xinxing Cathay insisted on selecting and recruiting executives in a market-oriented way, and all its employees now have to retain their positions through competition," said Liu Mingzhong, President of Xinxing Cathay. He believes that the marketization of recruitment underpins corporate development and the rejuvenation of SOEs.

Opening the selection and recruitment of general managers to the market imposes pressures on the board of directors and executives to pursue healthy and rapid development. It also blazes a way for other reform measures, and stimulates the vigor and vitality of the company for future development, said Liu.

So far, Xinxing Cathay has recruited 386 senior managers, 10 of its 14 middle-level managers in its headquarters and 49 of its 55 ordinary management staff through the new systems of executive selection and recruitment.

However, the parent companies of many

centrally administered SOEs are wholly state-owned and were registered in accordance with the Enterprise Law rather than the Corporation Law. The establishment and standardization of board of directors in these enterprises has to some extent broken the impression that wholly state-owned companies can go without the board of directors.

Moreover, maintaining checks and balances within the board of directors is integral to ensure correct decision making as well as its segmentation from direct execution. An advantage in standardizing boards of directors throughout SOEs comes in recruiting external people as directors and making sure that they account for more than half of the board. "In this way, the board of directors can maintain the balance of power better and optimize the decision-making mechanism of central SOEs," said Peng Jianguo, a research fellow from the research branch of SASAC.

"In the past, since all the directors were internal staff members, few of them dared to challenge the decisions made by the president. Now, before making decisions, the board has to carry out studies and investigations, prove the viability of its ideas, and fully exchange views with external directors," said Peng. ■

Copiedited by Bryan Michael Galvan
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Made in Guangdong

Innovation drives the transformation of the manufacturing industry in the province **By Wang Jun**

South China's Guangdong Province, which is famous for its manufacturing industry and processing trade, is now facing "growing pains." It is under the dual pressure formed by the reindustrialization movement in developed economies, as well as the low-cost competition coming from developing economies. Realizing that transformation is necessary, the province has been restructuring its industrial structure.

Workshop revolution

More than 70 robots have replaced human workers on the assembly lines of one of the Dongguan-based Janus Precision Components Co. Ltd.'s workshops. All of the steps in the manufacturing process are being operated by automated machines.

"A traditional workshop usually needs 204 workers to operate on the assembly lines, but with industrial robots, a smart workshop only needs 13 technicians responsible for quality inspection and machine maintenance," said Huang He, Vice President of Janus. According to him, smart manufacturing can improve production efficiency by more than 30 percent.

"If the product mix and production style cannot satisfy market demand, a company would be unable to survive market competition," Huang said. "Smart manufacturing therefore becomes a way out of the labyrinth, as the labor and production costs keep rising."

The company has invested 600 million yuan (\$91.74 million) in transforming equipment for smart manufacturing, of which 9 million yuan (\$1.31 million) is from a special government fund supporting the robot replacement program. It is estimated that the investment can be recovered in one and a half years, said Cao Haojie, head of Janus intelligent workshop.

The robot replacement campaign is

not simply a solution for addressing labor shortages, but a revolution to the production style of the manufacturing industry. "The title of the world's factory used to be a burden for Guangdong in terms of economic transformation, but facts have proven that workshop innovation has a bright future," said Deng Jiangnian, a research fellow with the Guangdong Provincial Academy of Social Sciences (GDASS).

In 2014, Dongguan issued a three-year plan for the robot replacement campaign, offering 200 million yuan (\$29.24 million) worth of special funds each year to support the upgrading of manufacturing equipment, according to figures from the Information Office of the Dongguan Municipal Government.

"The robot replacement campaign can also boost the development of China's robot industry, and the Guangdong Intelligent Robot Institute is located in Dongguan," said Xu Jianhua, Party Secretary of Dongguan.

The workshop revolution is also improving the position of corporations in industrial chains, helping them to expand their business from manufacturing to research and development, design and branding. Janus, for example, used to be an original equipment manufacturer for Samsung, Huawei and other cellphone makers. The company is now transforming itself to become more in tune with the service-oriented manufacturing industry.

"Now many corporations have come to us for cooperation in building intelligent factories. In the future we will become a provider of intelligent manufacturing solutions for corporations across the country," Huang said.

Innovation as a booster

Fifteen years after its establishment, dormitory furniture producer Guangdong Lianying

Furniture Co. Ltd. saw that its traditional business pattern was hitting a bottleneck at the end of 2012. After attending a training course for e-marketing in October that year, Zhang Xilin, president of the company, realized the Internet's potential and became determined to shift his business to e-commerce.

The first order through the Internet was from Samsung in 2013, which earned 7 million yuan (\$1.07 million) for the company. Now the company has become a supplier for many well-known corporations such as China Southern Airlines. Their sales revenue reached 30 million yuan (\$4.59 million) in 2015, and is expected to surpass 100 million yuan (\$15.29 million) this year, maintaining 100-percent growth for three consecutive years, Zhang said.

"With Internet Plus, our business pattern is completely renovated, and the production becomes more flexible," said Zhang, referring to the Chinese Government's proposal to utilize the capacity of the Internet for business efficiency and marketing. Zhang decided to expand his business after benefiting from e-commerce. In 2014, Zhang transformed the living quarters of Nokia's Dongguan factory, which was shut down in the same year, into the Poly Electronic Business Park, serving as an incubator where traditional enterprises can be transformed via e-commerce.

New technology, products, industrial forms and business models are boosting Guangdong's economic transformation. "There are no outdated industries, but only outdated technologies and business models. Implanting genes of innovation to traditionally competitive industries will definitely reinvigorate them," said Ding Li, head of the Regional and Enterprise Competitiveness Research Center of GDASS.

Hengli is an industrial town for mould manufacturing in Guangdong. Benefiting from innovation, the town has maintained double-digit GDP growth for the past three years.



A robot operates at a workshop belonging to the Dongguan-based Janus Precision Components Co. Ltd.

In November 2012, the township government of Hengli established a Synergy and Innovation Center through collaboration with seven universities and research institutes nationwide, such as the Shanghai Jiaotong University, the Guangdong University of Technology, the Dongguan University of Technology, and the DG-HUST Manufacturing Engineering Institute. Through this center, the 600 mould producers in Hengli can easily access technological solutions from those universities and research institutes.

Liquid metal is a new material that the Wintop (Dongguan) Industrial Technology Co. Ltd. has developed. With this elastic and erosion-resistant new material, Wintop has expanded its businesses from moulding to the manufacturing of glass covers, cell phone parts, dentures, and even to the field of aeronautics and astronautics. "Such a transformation cannot be achieved without the joint efforts of the scholars from the town's synergy and innovation center," said Yang Hai, Deputy General Manager of Wintop.

"We used to get a free ride from the country's reform and opening-up policy and the international industrial transfer, so the manufacturing industry has grown prosperous with the advantage of low costs," said Chen Xiwen,

Party chief of the town of Hengli. But now that the economy is undergoing restructuring, "We must change from getting a free ride to buying tickets. Only by taking the train of innovation can we run faster," Chen said.

Cutting-edge manufacturers

Quadcopters made by the Shenzhen-based DJI Innovations, such as the Phantom series and the Inspire series, are becoming better known throughout the world. They are frequently seen in popular movies, and have even appeared on the news due to one of the drone's crash on the lawn of the White House in Washington, D.C. The machines were also used to help recovery efforts when a 7.8-magnitude earthquake hit Nepal in April 2015.

With complete and independently developed technology chains, DJI Innovations is now a market leader in easy-to-fly drones and aerial photography systems. According to Wang Fan, DJI Innovations' Public Relations Director, the company now owns 70 percent of the global market share, and it is one of the few companies coming from China that is leading the global industrial trend. "DJI is like a boy holding a torch in the darkness, followed by many others," he said.

"I hope that 'Made in China' will soon become a synonym for high quality and taste. This is my dream for the current stage," said Wang

Tao, founder and CEO of DJI Innovations.

As a national demonstration city for independent innovation, Shenzhen has laid out plans for the development of seven strategic emerging industries, such as new-energy vehicles and environmental protection, and four future industries including wearable devices and intelligent equipment. "In the past five years, value-added output completed by strategic emerging industries has been growing at an annual average of 17.4 percent, and their proportion in the city's total GDP has increased from 28.2 percent to 40 percent," said Chen Biao, Vice Mayor of Shenzhen, during a press conference on February 26. The size of the four future industries has totaled 400 billion yuan (\$61.16 billion).

Despite efforts and achievements in the economic transformation in Guangdong, challenges still remain. Xu, Party Secretary of Dongguan, listed some problems the city is facing, such as uneven enterprise quality, poor innovation ability, and insufficient numbers of major industries and big projects that are competitive enough to support future development. He also claimed that Dongguan was short of talents who could contribute to the region's transformation and upgrading. ■

Copiedited by Bryan Michael Galvan
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No Cash, No Card, No Problem

The use of mobile devices to pay for goods and services is transforming Chinese society By Bryan Michael Galvan



A customer uses WeChat Wallet to pay for a purchase at a convenience store in Beijing

China is on the leading edge of creating a cashless society powered by mobile electronic payment services. Mobile technology is changing the nature of money and how it is being used in China, from simple tasks such as purchasing small items, to paying utilities and even investing in the stock market.

There are more people using their smartphones to pay for goods and services in China than the entirety of the United States' population, according to research from the China Internet Network Information Center. The study stated that 358 million Chinese were using applications from leading mobile payments platforms such as the e-commerce behemoth

Alibaba's Alipay and Tencent's WeChat Wallet by the end of 2015.

Zheng Xuwen, 22, works in Beijing's finance industry and claimed that mobile e-payment is more convenient compared to cards or cash. "Sometimes when I buy things I just need to open my phone," said Zheng in an interview with *Beijing Review*. "I don't actually need to bring any money with me now, especially since I worry about losing it."

The rules of attraction

The widespread nature of the e-payment system in China and its ease of use have been attributed to campaigns that have leapfrogged conven-

tional payment systems. Hao Zhuqing, an analyst at Beijing-based Internet consultancy Analysys International told *Beijing Review* about some of the methods used by these corporations.

"Both Alipay and WeChat Wallet have cultivated a large number of users by offering subsidies to customers who use their payment services to pay for taxis, or discounts to those who use the tools to shop at department stores and supermarkets," he explained. "Customers who have gotten used to mobile payment tools will stimulate more business operators to adopt such tools."

According to the research firm, in 2015, Chinese used their smartphones to send payments and transfers totaling an estimated 16.4 trillion yuan (\$2.5 trillion). This figure was double the amount logged in 2014, and over 12 times 2013's level.

More than 200 companies are vying for their share of the lucrative and fast-growing market, of which Alibaba dominated with about 73 percent of the total, while Tencent ranked second place at an estimated 14 percent, based on Analysys' calculations.

Even so, the success of the mobile e-payment market in China is offset by its American counterparts—led by Apple Pay and Google Wallet—anemic performance. According to a survey on U.S. mobile payments in December 2015, about 20 percent of iPhone 6 owners reported having used the Apple Pay service more than once, down from 22 percent last spring.

The survey, conducted by First Annapolis Consulting, Inc., outlined that the service's usage was in decline, and stated that "among those that have adopted Apple Pay, only 15 percent say they use it regularly or frequently (i.e., more than once per month), compared to 19 percent in the spring survey."

Against that backdrop, Apple launched its Apple Pay service in China on February 18. Apple has partnered with China's UnionPay in a bid to rake in more earnings from China, its second largest market by revenue.

Jennifer Bailey, Apple Pay's Vice President, told Reuters in an interview, "We think China could be

our largest Apple Pay market.”

In a response to Apple’s attempt to pry ensconced users away from domestic mobile e-payment services, a public relations manager from Alipay who preferred to remain anonymous, told *Beijing Review* that “I don’t think we should do anything in particular to confront competition from Apple Pay... I don’t think it is a threat to us.”

Security concerns

Despite which smartphone or tablet consumers use, or which company they may use for mobile e-payments, fraud and identity theft are a concern for Chinese citizens.

Xiao Mengqi, 21, frequently uses Alipay and WeChat Wallet, but said that she worries about losing her phone and having her identity stolen, or having her information hacked. In an interview with *Beijing Review*, she claimed to have seen on Weibo—a popular microblogging site—a number of horror stories pertaining to users losing money after using similar services.

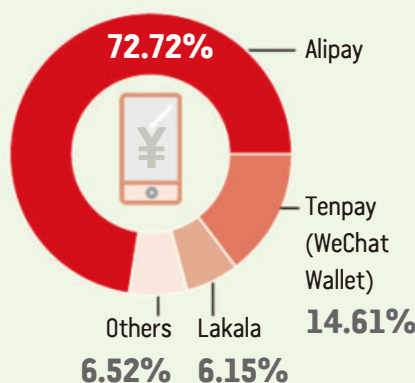
Hao Zhuojing, from Analysys, stated that there are risks involving the leakage of users’ information and safety of users’ money when using mobile e-payment services. Security came into greater scrutiny as a report from Qihoo 360, a Chinese Internet security company, recently outlined that more than 40 percent of websites in China were exposed to vulnerabilities in 2015. An article from Xinhua News Agency stated that this had led to hacker attacks as well as personal information leaks.

Meanwhile, Apple is winning accolades from privacy advocates as it defends the rights of customers’ privacy when it comes to information stored on their phones, even under extraordinary circumstances.

In the United States, Apple is currently embroiled in an unprecedentedly high-profile legal battle as it rejects demands from the U.S. Government to help the Federal Bureau of Investigations (FBI) hack into an iPhone. The phone in question was owned by one of the suspected terrorists behind the San Bernardino shootings in California, which left 14 dead on December 2 last year.

Tim Cook, Apple’s CEO, wrote an open letter on February 16 stating that: “The FBI wants

China’s Third-Party Mobile Payment Market 2015



(Source: Analysys International, designed by Pamela Tobey)

us to make a new version of the iPhone operating system, circumventing several important security features, and install it on an iPhone recovered during the investigation. In the wrong hands, this software—which does not exist today—would have the potential to unlock any iPhone in someone’s physical possession.”

Despite rebuking the American Government’s request, according to an article from *The Beijing News* on January 21, 2015, Apple was not as opposed to the Chinese Government’s security requirements.

When asked by *Beijing Review*, an Apple spokesperson did not comment on the nature of the Chinese security requirements. Nonetheless, the company’s privacy statement emphasized that “Apple has never worked with any government agency from any country to create a ‘backdoor’ in any of our products or services. We have also never allowed any government access to our servers. And we never will.”

Ultimately, it is up to the customers to decide which product they deem the safest, though the implementation of unique features

will play a key role in the success and development of these services.

Growth opportunities

The expansion of these mobile e-payment services has not only taken a central role in a business sense, but also in a cultural manner.

During the traditional Lunar New Year, for example, it is customary to give out *hongbaos*—red envelopes containing lucky money—to family members. But since 2014, when WeChat first launched its digital *hongbao* service, the popularity of the feature has exploded. Based on figures released by Tencent, the number of red envelopes sent and received throughout the 2016 Lunar New Year holiday, which lasted from February 7 to 13, totaled 32.1 billion, a significant increase from last year.

Still, there are challenges ahead for the expansion of mobile e-payment services. “The Internet is developing rapidly,” said the Alipay PR manager, commenting on obstacles his company faces. “Therefore the most challenging part for us is whether we can adapt to the changes and make adjustments accordingly.”

Another common difficulty that these services are tackling is their expansion into brick-and-mortar stores that have yet to adopt these services.

Zheng owns a small food stall near a busy street intersection in Beijing. She told *Beijing Review* that her store only accepts cash payments. “I don’t know how to use Alipay or WeChat Wallet for payment. I’ll still use cash in the future because it is easier.”

The Alipay PR manager claimed that services need to be more than just a payment tool in order to attract more brick-and-mortar stores such as Zheng’s. “These platforms will guide customers to befriend the store on Alipay and become the store’s members.”

The PR manager’s comments highlighted the social nature of these services that set them apart from conventional payment methods such as cash or credit. The success of mobile e-payment platforms in China can be attributed to Chinese users’ ability to intertwine business with social networking, thereby altering the way they use money.

Regardless of what the future of mobile e-payment may involve, for better or for worse, cashless societies are bound to become more prominent. ■

There are more people using their smartphones to pay for goods and services in China than the entirety of the United States’ population

OPINION

China Contributes Significantly to World Economic Growth

Some foreign media and scholars have recently claimed that the economic slowdown in China has affected the world economy. Their argument, however, has been proved groundless by economic data.

China recorded a 6.9-percent GDP growth in 2015, which garnered applause throughout the world. But some observers simply refer to that figure as a “25-year low” without offering deeper analysis. Such comments are superficial.

First of all, as China’s economic size expands, the country’s GDP growth is expected to slow down at an acceptable pace. This trend accords with that of many countries and regions around the world.

Second, even though China’s economic growth has slowed down, it is still one of the highest in the world. According to available figures, among major world economies, China recorded a GDP growth second only to India’s 7.6 percent, which was much higher than the average growth of 2 percent in developed economies including the United States, the United Kingdom, Germany and France. The International Monetary Fund (IMF) forecast that world economic growth would reach 3.1 percent in 2015—China’s rate more than doubled that number.

Lastly, as the Chinese proportion increases throughout the global economy, China still contributes significantly to world economic growth, even though its growth rate has slowed down slightly. According to the IMF’s forecast in 2015, China had still contributed 30 percent to world economic growth. This is not only higher than the United States’ contribution—which is the world’s largest economy—but also greater than that of India.

When the world economy slowed down in 2015, the international commodities market was experiencing an even worse situation, dealing with excessive supply and prices continuing to decline.

Some media outlets and research institutions pinned the blame on China, saying that its

economic slowdown had curbed demand on commodities and damaged prices.

Actually, there were multiple factors that led to the fall in prices in the international commodities market.

Take oil prices for example. According to the IMF’s estimation, the average prices of UK Brent, Dubai Fateh and West Texas Intermediate crude oil fell by 47.1 percent in 2015. However, China’s crude oil imports in 2015 rose by 8.8 percent. Also in the same year, China’s imports of iron ore and concentrates grew by 2.2 percent, and those of mineral and chemical fertilizers as well as natural and synthetic rubber went up by 16.6 percent and 15.3 percent respectively. China’s imports of major agricultural products also increased.

Without the demand from China, the decline in prices would have definitely been more serious. It is therefore ridiculous to point one’s finger at China for this issue.

In addition, a large number of Chinese tourists have spent a record-breaking amount of money in foreign countries, helping to stabilize the global market. For example, 6.11 million Chinese visited South Korea in 2015, accounting for 40 percent of the total foreign visitors to the country. Chinese tourists spent \$2,170 on average in South Korea, contributing \$22 billion, or 2.6 percent, to the country’s GDP.

China’s outbound investment is also an important source of world economic growth.

According to figures from the United Nations Conference on Trade and Development, global flows of foreign direct investment (FDI) jumped 36 percent in 2015. However, developing economies saw their FDI growing only 5 percent, and most of the investment went to developing Asia, with inflows to other developing countries even declining by more than 10 percent.

Against this backdrop, China’s outbound investment, especially to developing countries, has grown rapidly. In 2015 the country invested a record high of \$118.02 billion abroad, up by

14.7 percent, much of which was parked in developing countries.

In 2015 Chinese companies made a number of direct investments amounting to \$14.82 billion to 49 countries along the Silk Road Economic Belt and the 21st Century Maritime Silk Road, 18.2 percent higher than 2014’s figure. Most of those countries are developing economies. While many developing countries are facing outflows of foreign investment, growing direct investment from China has boosted their economic growth tremendously.

While most of major world currencies are currently depreciating sharply against the U.S. dollar, the yuan hasn’t depreciated as drastically, which has helped stabilize the global financial market.

In 2015, the euro and Japanese yen devalued by 16.5 percent and 12.5 percent respectively against the U.S. dollar. India, whose economic growth was faster than China, saw its rupee depreciate by 3.9 percent against the U.S. dollar. Since most other currencies are depreciating against the U.S. dollar while the yuan remains relatively stable, the takeaway is that the real effective exchange rate of the yuan is appreciating significantly. According to the Bank of International Settlements, the yuan’s monthly average real effective exchange rate index rose by 9.7 percent in 2015.

Under such circumstances, even though China’s exports have declined, it didn’t choose to devalue its currency. Instead, China chose to assume its responsibilities as a major economic player.

It is easy to see that China has not stymied world economic growth. On the contrary, it has made significant contributions to its development and stability. ■

This is an edited excerpt of an article written by Zhang Yongjun, Deputy Director of the Economic Research Department of China Center for International Economic Exchange

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NUMBERS

(\$1=6.6 yuan)

4.44 mln

The number of companies established in China in 2015, rising 21.6 percent year on year

20.9%

Year-on-year decrease of land used for real estate development in China in 2015

66.38 bln yuan

2015 revenue of Baidu, the NASDAQ-listed Chinese search engine, up 35.3 percent year on year thanks to accelerating growth from the mobile Internet service market

30

The number of new stores that Walmart, the world's largest retailer, will open in China in 2016

\$24.39 bln

The Chinese mainland's trade with Hong Kong in January, up 1.1 percent year on year and accounting for 8.4 percent of the mainland's total overseas trade that month

Mergers and Acquisitions Market

Jan

Number of cases

M&As among domestic companies



293

Total value

\$12.78 bln

Chinese companies' overseas M&As



5

\$2.81 bln

M&As by foreign companies

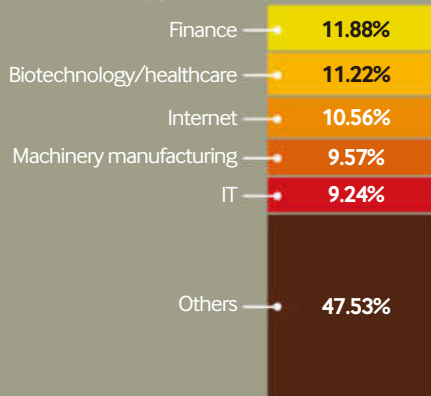


6

\$129.56 mln

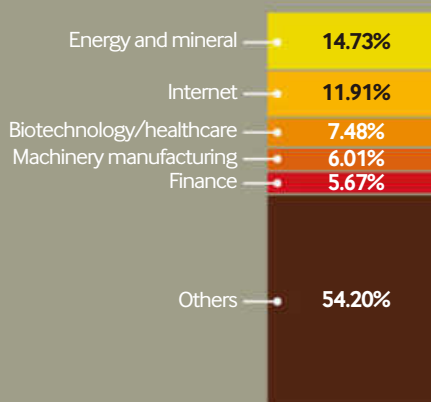
Top Five Sectors in Mergers and Acquisitions Cases

Jan



Top Five Sectors in Mergers and Acquisitions Value

Jan



(Source: Zero2IPO)

90.89%

Year-on-year growth of Chinese online video company LeTV's revenue in 2015, which exceeded 13 billion yuan thanks to brisk sales of its smart TV products

\$800 mln

The gross merchandise value generated from ride-hailing app Didi's transportation services in China in January, contrasting the \$600 million generated by similar services in the United States and Canada that month

550%

Year-on-year profit growth of China's largest new-energy car maker BYD in 2015, which saw its net profit reaching about 2.83 billion yuan with demand rising as authorities introduced policy support for green vehicles

Hebei on the Fast Track

The Hebei part of Beijing-Hong Kong-Macao Expressway



PHOTOS COURTESY OF THE INFORMATION OFFICE OF THE HEBEI PROVINCIAL GOVERNMENT

Coordinated development of Beijing, Tianjin and Hebei Province is a critical opportunity for Hebei's reform and development, and we must seize the opportunity to gain momentum. Everybody should move to implement the region's integration strategy, trying to achieve not only breakthroughs in transportation integration, environmental protection and industrial upgrades and transformations, but also comprehensive improvement in economic and social development," said Zhao Kezhi, Party Secretary of Hebei Province, at the 12th plenary session of the Eighth CPC Hebei Provincial Committee in November 2015.

Zhao's statement drew a blueprint for Hebei to enhance synergy with neighboring Beijing and Tianjin. By 2020, Hebei is expected to increase its expressway mileage to 9,000 km and high-speed railways to 2,000 km, connecting Beijing, Tianjin and Hebei with one-hour rail commuting circles. It will also attempt to im-

prove its environment and air quality, and make Hebei cities exit the list of China's 10 most polluted cities. It's going to upgrade its traditional industries, and make great efforts to build the Shijiazhuang-Baoding-Langfang innovation and reform pilot zone, creating a Beijing-Tianjin-Hebei community of coordinated innovation. This is Hebei's ambition for the 13th Five-Year Plan (2016-20) period.

Environmental protection

With the integration of the three regions, it has become a trend for citizens from Beijing and Tianjin to spend their holidays in neighboring Hebei. Taking a deep breath in Saihanba National Forest Park, feeling the winds in the Bashang Steppe, skiing at Chongli ski resort, as well as looking at the stars on top of the Xiaowutai Mountain are the top four popular leisure activities for visitors from Beijing and

Tianjin, who are attracted by the environments of the above destinations in Hebei.

"We must bear in mind that a green environment brings in money. And green production and consumption should be encouraged to build a good ecological environment for regional integration," said Zhang Qingwei, Governor of Hebei, in the provincial government work report of 2016. Though having advantages in environmental protection compared with neighboring Beijing and Tianjin, it's not an easy task for Hebei.

Still, the Hebei Provincial Government has for years taken a path toward green, low-carbon and recycling development. Hebei, with the help of the Central Government and Beijing as well as Tianjin, made unprecedented achievements in environmental protection. Air quality in Hebei had been greatly improved. Statistics show that the average PM 2.5 density in Hebei from January to November 2015 is 71 micrograms (compared to 94 micrograms in 2014, and 104 micrograms in 2013), and Hebei witnessed 181 days of clean air quality readings from January to November 2015 (compared to 138 days in the same period in 2014, and 120 days in that period in 2013).

To improve the ecological environment, Hebei continues to push forward campaigns to clean its air and water, and to plant more trees. At the same time, it tries to preserve and increase the value of its natural resources and speed up establishing a mechanism to promote ecological progress.

On December 3, 2015, authorities in Beijing, Tianjin and Hebei jointly signed a cooperation framework agreement on coordinating environmental protection efforts. Prevention of air, water and soil pollution is high on the agenda in the agreement. The three local governments vowed to improve the regional environment by joint legislation and planning. On December 30, a coordinated environmental protection plan for Beijing, Tianjin and Hebei was released by the National Development and Reform Commission and the Ministry of Environmental Protection. According to the plan, the PM 2.5 density in Beijing, Tianjin and Hebei is to be cut

by 40 percent. If the goal is achieved, Beijing, Tianjin and Hebei can get rid of smog by 2020.

Transportation connectivity

"I visited my relatives in Baoding during the 2016 Spring Festival holiday (February 7-13). It took me only one hour to arrive there by train," a senior resident surnamed Zhang in Tianjin told *Beijing Review* on February 12.

The Tianjin-Baoding railway was opened on December 28, 2015. But before then, people from Tianjin who headed for neighboring Baoding had to take a detour via Beijing. The 158-km-long Tianjin-Baoding railway, the latest achievement of regional transportation integration, links the two cities directly, shortening the previous travel time of two and a half hours to one hour, and eases the traffic pressure on Beijing's railways. What's more, the travel time between Shijiazhuang, capital city of Hebei, and Tianjin is now only one and a half hours. Transportation integration is the first breakthrough in the coordinated development of Beijing, Tianjin and Hebei.

Moving conveniently around Hebei is no longer a dream thanks to the transportation integration. The 300-km-long highway linking Zhangjiakou and Chengde, the northern part of the Outer Ring Road which runs through Beijing, Tianjin and Hebei, was opened half a year ahead of schedule, laying a key foundation for the 850-km-long Hebei-based highway. On November 25, 2015, work on the 680-km-long Taihang Mountains Expressway running from the north to the south of Hebei began. In addition, the plan on the Tianjin-Shijiazhuang Expressway was rolled out, the first one to connect the two cities.

A regional bus pass is now accepted in Beijing, Tianjin and four cities in Hebei, including Shijiazhuang, Zhangjiakou, Langfang, and Baoding. And more than 300 bus routes in

Hebei are connected to one another.

By 2020, Hebei is expected to link all highways connecting Beijing and Tianjin, dead end arteries and bottle neck roads, increasing the highway mileage by 50 percent. Construction of the Beijing-Zhangjiakou and Beijing-Shenyang railways is to be accelerated, doubling the existing railway mileage to 2,000 km. It's also to finish building three subways in Shijiazhuang, and plan subway distribution in five cities including Qinhuangdao, Tangshan, Langfang, Handan and Cangzhou. It's going to improve the extension of Beijing's subway to neighboring regions including Sanhe, Gu'an County, and Zhuozhou, forming a one-hour rail commuting circle connecting Beijing, Tianjin and Hebei.

Industry transformation

Hebei has made transforming and upgrading traditional industries a priority of its economic development for the 13th Five-Year Plan period.

"Hebei has long been relying on highly polluting and energy-intensive industries as a major part of its overall economy. Such industrial structure does not conform with national industrial development policies and puts pressure on the environment. Therefore, transforming and upgrading traditional industries is the only way for Hebei to achieve healthy economic development," said Dong Zhengxin, a professor of the School of Economics at Hebei University.

While the economy is undergoing restructuring, traditional industries are eclipsed thanks to problems like backward equipment, low-end technology, poor competitiveness and high energy consumption per unit of GDP. Upgrading traditional industries is vital to Hebei's economic transformation.

A proposal on Hebei's 13th Five-Year Plan released in November 2015 raised four approaches to upgrading traditional industries, including eliminating some industries, upgrad-

ing technology improvement, integrating merger and reorganization among companies and transferring some to seashore area, industrial parks and foreign countries. Among all, the approach of eliminating some industries by a reversed forcing mechanism aims to cut overcapacity and set obligatory targets for Hebei's steel, cement and glass industries for the next five years.

At the same time, the proposal advises to make equipment manufacturing the pillar industry for Hebei, creating a 2.0 version of "Made in Hebei."

The year 2015 witnessed a significant event happened in Hebei: The output value of equipment manufacturing industry taking up 38.2 percent of the province's industrial production growth, 7 percentage points higher than the steelmaking industry, becoming the first pillar industry in Hebei.

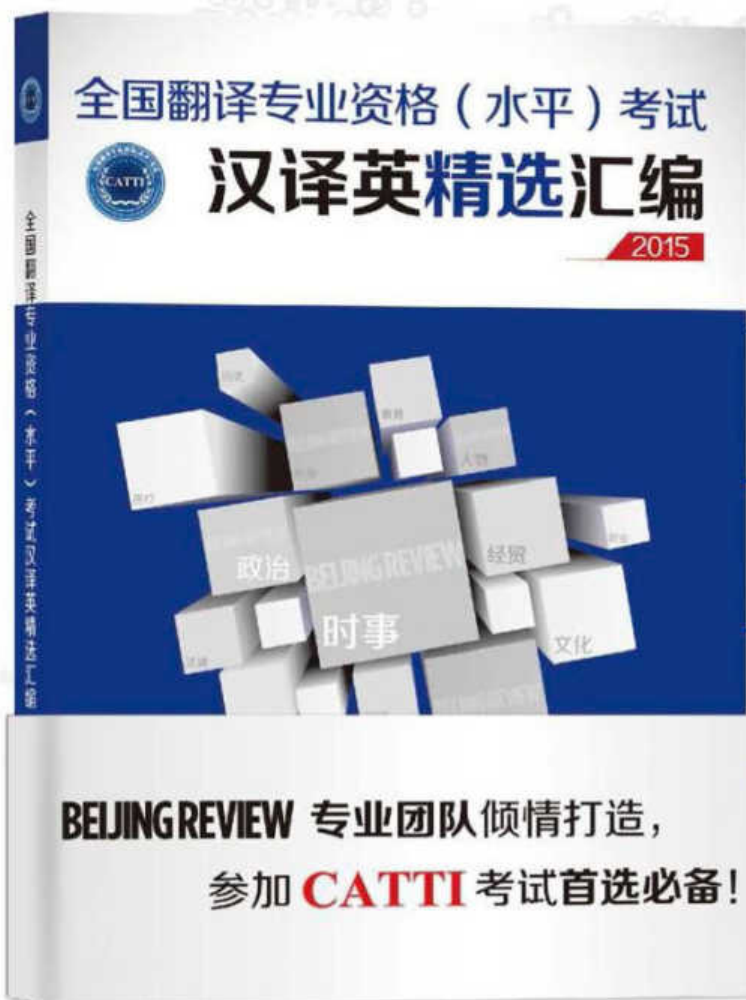
According to the proposal, Hebei is to kick off a new wave of technology upgrading to achieve intelligent manufacturing. Under the guideline of Internet Plus Manufacturing, Hebei will standardize its quality assessment and brand-building process, cultivate 1,000 kinds of new products and 1,000 different brands. It will build some new and state-of-art industrial bases, upgrading Hebei's industries.

Guided by the two national strategies of Made in China 2025 and Internet Plus, Hebei in the next five years will seize the opportunities of industrial distribution reform and industrial chain regrouping to implement the comprehensive innovation in Shijiazhuang, Baoding and Langfang regions, building a coordinated community in Beijing, Tianjin and Hebei. Advanced manufacturing and a modern service industry will become the two growth engines. ■

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Paying It Forward

Social enterprises use new business models to drive charitable goals

By Mara Lee Durrell

While visiting a rural community in the highlands of Guatemala, my sister, who was serving as a Peace Corps volunteer there, arranged for us to be outfitted in the traditional dress of the local village before attending the graduation ceremony of the area's first health education program. We met our host outside of a modest house at the end of a long dirt road, only to see that she and I were wearing the exact same shoes. Smiling, I shared that for every pair that someone bought, another was given to someone in need, somewhere in the world.

Those black canvass slip-ons that we were wearing are the trademark of Toms, a socially conscious brand based in California. Founded by entrepreneur Blake Mycoskie in 2006, the company started donating shoes to a child in a developing country for each pair they sold on a "one-for-one" basis. Toms and its founder are now prominent leaders of a movement that uses consumer purchasing power to drive charitable giving.

Today, the "buy-one-give-one" model and the larger, loosely organized "doing well by doing good" mandate are quickly expanding to other countries, industries, items and services. In China, e-commerce sites such as Tmall now sell Toms' shoes, starting at 280 yuan (\$43). Meanwhile, domestic social enterprises are cropping up from the urban landscapes of Beijing to the mountains of southwest China.

Conscious consumption

One such enterprise is Mantra, set to formally launch from its Beijing headquarters in April.

Mantra's tagline is "look good, do good," and relies on a similar platform as Toms. Anyone who buys a pair of Mantra sunglasses, priced at 580 yuan (\$90), will pay for a pair of prescription reading glasses for impoverished children in Yunnan via Mantra's sister non-profit organization, Education in Sight (EIS).

Yunnan Province is where Andrew Shirman, CEO and founder of EIS, and Sam Waldo, his business partner and co-founder of Mantra, worked as educators, so they had first-hand knowledge of the challenges that poorer, rural schools face. The two Americans—now long-term residents in China—served as Teach for China fellows from 2010-12. That experience taught them that 80 percent of typical classroom learning is visual, meaning that students who cannot see or cannot see well fall behind class, causing their grades to suffer and confidence to drop. That leads to higher dropout rates, allowing the cycle of poverty to continue.

"I realized early on that vision had a huge impact on my students' entire life outcomes," said Shirman in an interview with *Beijing Review*. "In China, over 30 million rural students suffer from uncorrected poor vision. Despite the country's incredible economic achievements over the past few decades, there is a growing gap in education between rural and urban students. Giving free glasses to students in need is one of the most powerful tools we have for combating educational inequality around the world."

Shirman shared the story of Dong Youming, who was a seventh grade student at Yongbao Middle School in Yunnan when Teach for China fellows first met him. Despite possessing academic curiosity, Dong had poor grades

throughout the year and was labeled as a "bad student" because of his weak performance. Halfway through the school year, Dong was "losing faith" in his education, and was ready to drop out.

When EIS delivered glasses to him in the spring, Dong could see clearly in class for the first time. This straightforward but critical change fundamentally altered his academic trajectory, and by the end of the year, he was among the top eight students in his class.

"Our work is currently focused in the poorest regions of rural China because children there face adversity in every element of their education," Shirman emphasized. "Many live without guardians and have parents that live 1,000 miles away to work to raise money and support their children."

The organization's current activities are focused in Baoshan and Deqin in Yunnan, with EIS programs managed by staff native to where they work. They have partnered with the local government, school administrators, doctors and teachers to schedule eye exams on campuses during school hours. Those free exams ensure that all students have an opportunity to get their vision properly tested. The social enterprise then delivers the correct prescription eyeglasses to students in need, matched with instructions on how to care for and when to wear them.

According to EIS, it has already delivered 11,289 eyeglasses to resource-poor students and educated more than 76,000 on proper eye care through a mix of corporate sponsorship and direct fundraising. Mantra was formed in part to help EIS build capacity for expansion to



A recipient of free Education in Sight prescription eyeglasses is a fourth grader at Xingfu Elementary School in Yunnan Province

more counties, and perhaps eventually to other regions in China.

Helping further afield

The Yoganda Project, based in Beijing, was founded by Taozi Tree Yoga and its proprietor, yoga instructor Theresa Pauline. The project sells brightly colored bags of various sizes and shapes that are handmade by widowed women in Uganda. Pauline, who also goes by her Chinese name, Taozi, was inspired to start the project after seeing the extreme poverty in parts of Africa.

Although she lives in China, Pauline made a return trip to Uganda in 2014, this time with a professional tailor who spent four weeks teaching a small group of then-unemployed widowed women the skills to sew and assemble the Yoganda bag and other products. After Taozi Tree Yoga crowdfunded the purchase of sewing machines and locally sourced fabrics, the participating trainees are now successfully employed through the project. Proceeds from each bag's sale, which includes information such as the name of the woman who made it and her personal story, then support like-minded projects in Uganda to help other widowed women.

"Our employees are desperate to succeed

and to do well so that they can support their families," Pauline told *Beijing Review*. "The Yoganda Project has offered them an opportunity to do so and it has the potential to totally transform the way that they and their families live."

The Yoganda Project works in cooperation with Musana, a community development organization whose goal is "to see rural communities in Uganda develop using sustainable solutions that give hope and dignity to the most vulnerable." The organization therefore "works to eliminate dependency by giving the community full participation and ownership in paving the way forward."

Pauline often tells the story of Fatina, a 36-year-old widow with eight children. Fatina rents one bedroom of a house in Iganga, Uganda, and lives there with all of her children. She has only been able to provide school fees for her 16-year-old son, so her other seven children are not receiving any form of education. When asked about how she expects her job working for the Yoganda Project to change her life, Fatina said that she hopes to put more of her children in school and to have her own home one day. "When speaking to Fatina I [once] again saw how deeply poverty impacts the community and how drastically one job could potentially improve the

lives of so many," said Pauline.

Taozi Tree Yoga focuses its sales of Yoganda products in China to yoga enthusiasts, Chinese and expats alike, as well as showcasing the products in yoga studios and online. The products have been featured on China Central Television, the country's state-run television network, and Pauline often spends weekends retailing the bags at Beijing area markets that focus on high-quality, handmade crafts—places in which she said she is likely to find consumers willing to support such a cause.

While the country has seen well-documented gains in increasing the standards of living of its population, as well as lifting hundreds of millions out of poverty over a span of a few decades, China is still grappling with how to help its 70 million citizens still living below its defined poverty line. But as the world's most populous country, boasting the second largest economy globally, the potential for charitable giving and socially responsible purchasing is enormous. The question remains to what extent social enterprises both at home and abroad tap into this potential. ■

Copiedited by Bryan Michael Galvan
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Should There Be Incentives For the Two-Child Policy?

On January 1, the universal two-child policy went into effect across China to counter the demographic trend of aging. This trend is widely believed to be a result of three-decade-long family planning rules that restricted most couples to only one child, with exceptions made for rural couples whose first child was a girl, families with a disabled first child, and ethnic minority couples. As the new policy was adopted as a tool to cope with the prospective lack of active laborers in the coming years, how the public responds to it will be critical to its success.

The major reason behind the decision to have a second child for a family in China is that a child tends to feel lonely if he or she is the only child in the family. Also, when their parents are elderly, only children will be responsible for taking care of their parents and perhaps even their grandparents by themselves.

However, the reality facing urban couples of childbearing age is that they are pressed by the increasing costs and other burdens related to the raising of children. Meanwhile, trusted babysitters are not easy to be found, as many couples live far away from their parents, and they may not be able to take care of a young grandchild because of their advanced age. Due to economic reasons, it is almost impossible for one parent to quit his or her job to raise children.

Some believe that unless supportive policies for the universal two-child policy follow, Chinese society will not see the baby boom it expected. Others, however, have laid emphasis on education and growing public awareness of the potential disadvantages of an aging society.

Incentives necessary

Yao Meixiong (*China Business News*): A big labor pool is very important to sustain China's economic growth in the coming decades. However, the stringent family planning policy that lasted for three decades has led to a shrinking labor force. In the past, a labor force shortage only happened in certain areas due to

industrial restructuring, but it has now become a shortage on the whole. China's advantage in cheap labor will no longer be present.

In this context, encouraging couples to have two children is becoming an urgent task. Couples in cities are not so willing to have a second child. This is understandable considering heavy pressures on young couples who are themselves only children and thus together have to support four elderly people and one child already. Most of them complain that the work of raising one child is too heavy, let alone a second one. Thus it is crucial to take effective measures to support the two-child policy and reduce the pressure on rearing a second child.

It is a general trend throughout the world for the state to get involved in the raising of children together with families. Currently, the authorities are supposed to seize this prime moment of not having too heavy pension burdens on the shoulders to launch a mechanism of raising children based on both families' and the state's efforts. As the aging issue will become more severe after 2021, the state by then will have more difficulties in balancing the work of raising the young and supporting the elderly.

Gan Tiejun (*Sina.com.cn*): The universal two-child policy now grants the right of having two children for all couples. This is a necessary adjustment and a big step forward in terms of China's population structure. At a time of low birth rates, a baby boom is seen as a blessing for the nation.

Some people worry that a huge population will make it more difficult for job hunting, but evidence in the past three decades in many places around the country shows that people tend to swarm to populous big cities to find jobs instead of staying in small towns or villages. The logic here is simple: The more concentrated the population is in a place, the more job opportunities will be created.

Yi Fuxian (*Cul.qq.com*): A marked change has taken place when it comes to population policies: A large population is no longer seen as a burden. At a time when demographic dividends are retreating, the Chinese public has come to a consensus on the necessity for the

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adjustment of the population policy.

In my opinion, even the two-child policy is not enough. The previous family planning policy has not only resulted in a declining population growth rate, but sped up the aging of the population. This practice has reduced the Chinese population's proportion to the world's total, from more than 22 percent in 1980 to less than 19 percent in 2015. Worse still, in recent years, China's newborn babies account for only 10 percent of the world's new births.

Without effective policies to encourage childbirth, the median age of the Chinese population will have reached 55 by 2050, while that of the world's population stands at 36. The Chinese economy's proportion to the global economy will begin to decline around 2027 at the peak of 17.5 percent.

An evolving attitude

Zhang Binbin (*Economic Information Daily*):

Traditionally, Chinese families tended to have several children, believing that a family would have more happiness if it had as many children as it liked to. To some extent, parents hoped to depend on their children to support them when they got old, due to the lack of sufficient social security. Also, poor medical and health conditions in those years made families want to have more children as a way to cope in the case of a child's death. In the 1970s,

due to an underdeveloped economy, relatively low employment, and poor living conditions, in order to prevent an uncontrolled expansion of the population, the state gradually adopted the family planning policy.

With economic growth and the rising status of women, however, birth levels began to drop. More and more couples now choose to have a baby later than previous generations and hope to marshal all resources available for the family, so as to raise an excellent child. Nowadays, if a couple wants to have a child, they do so mostly because they love children. However, for this love they have to pay a high price as the cost of raising a child in modern times, particularly in cities, is constantly increasing involving problems like the care of pregnant women and babies, the children's education, etc.

As an active response to the aging population, the Chinese Government has adjusted its family planning policy to allow all couples to have two children. But how to rekindle the public's interest in having two children is becoming a hard question. There must be enough encouragement to remove their doubts and worries.

Meanwhile, we have to realize that in two or three decades' time, the demand for labor will no longer be simply "population," but human resources that are capable of modern production and management. This requires the government to increase spending on education

while encouraging more births.

Wang Yizhi (*World.huanqiu.com*): The public suspects that the universal two-child policy has come too late. For those couples born between the late 1970s and early 1980s, however, this policy is good news. They mostly have a stronger passion for a second child than those born after 1985, and relatively speaking are more financially capable of raising two children.

The aging trend in China will not change in the long run, and the new demographic policy will not be able to reverse the trend, either. However, it is able to, to some extent, slow down the pace of aging.

When the two-child policy is fully implemented, a certain number of Chinese families will see changes taking place in their family structures and this will help them better understand the trend of an aging population. The public's mature and rational concept on childbirth will in turn influence the state's population policies, helping make them more acceptable and effective.

Given the huge population base of the country, we have reasons to feel confident that the new policy will finally help improve China's demographic structure, as well as its social and economic development. ■

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Charity Oversight

By Zhang Zhiping



Charity concerns everyone in society. Though sadly, in recent years, malpractice in the sector has been prevalent, and has sparked questions about the lack of oversight of charities.

For instance, Guo Meimei, who claimed to have connections with the Red Cross Society of China and showed off her extravagant lifestyle online in 2011, greatly tarnished the reputation of the organization, despite the fact that her allegations proved to be totally false. Still, to a large extent, charity scandals in China have stemmed from the lack of laws governing the sector.

That is why the draft of China's first Charity Law is expected to be reviewed and passed at the ongoing full session of the National People's Congress (NPC), the country's top legislature.

Already the charity legislation has undergone a lot of twists and turns. In 2005, the Ministry of Civil Affairs put forward the proposals of drafting a charity promotion law to the NPC Standing Committee and the State Council. Four years later, the ministry submitted the draft law to the Legislative Affairs Office of the State Council, marking the beginning of the legislative process. However, in the years that followed, disagreement and controversy surrounding the draft law stalled its momentum.

The legislative process resumed in 2013, when the oversight of the charity sector was listed as one of the top priorities of the 12th NPC Standing Committee and the NPC Internal and Judicial Affairs Committee was charged with playing a leading role in the drafting of the Charity Law. The draft law was deliberated by the NPC Standing Committee on October 30, 2014 and published on the official website of the NPC to solicit public opinion from October 31 to November 30 that year. Members of the NPC Standing Committee then reviewed and discussed the draft for the second time at their 18th plenary session at the end of last year.

China's charity sector has developed rapidly in recent years, with the amount of donations and number of charity organizations growing and new charity strategies such as better utilizing the Internet and social media are constantly emerging. According to China's 2014 Charity Donations Report published by

**The draft
Charity Law
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stipulations for
developing the
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regulating
activities, and
strengthening
supervision**

the China Charity Information Center, donations of money and items amounted to 104.226 billion yuan (\$15.9 billion) in 2014. Nevertheless, the industry is still plagued by a variety of issues.

Most charity organizations in China are related to the government, while many non-governmental organizations (NGOs) engaged in charity have found it difficult to obtain a legitimate status. They have to meet strict requirements for funding and staff and hand in a certain amount of registration fees in order to register at civil affairs departments. In addition, they are required to be affiliated with a government department. Although the government has lowered the threshold for charity NGOs to get registered, many still remain unregistered.

On the one hand, without competition from NGOs, government-backed charity organizations almost enjoy a monopoly and therefore lack the motivation and pressure to improve their performance and be transparent. On the other hand, the lack of legitimate status has hampered NGOs from expanding their services. The draft Charity Law has clear stipulations for developing the charity sector, regulating activities, and strengthening supervision.

One highlight of the draft is that the charity concept has become broader. Now charity doesn't just incorporate social assistance but also public services, so the new charity concept will help define the course of the charity sector for the next decades. The proposed legislation has also eased access to fundraising so that organizations can be qualified as fundraisers as long as they meet certain requirements. As a result, more competition will be introduced to the sector to boost its development. In addition, the draft has addressed new issues such as whether individuals can raise funds online and proposes to setting up a "charity day."

Perhaps a charity law alone cannot solve all the problems involved in the industry at once. Nevertheless, the adoption of the new rules will greatly promote the healthy development of China's charity sector. ■

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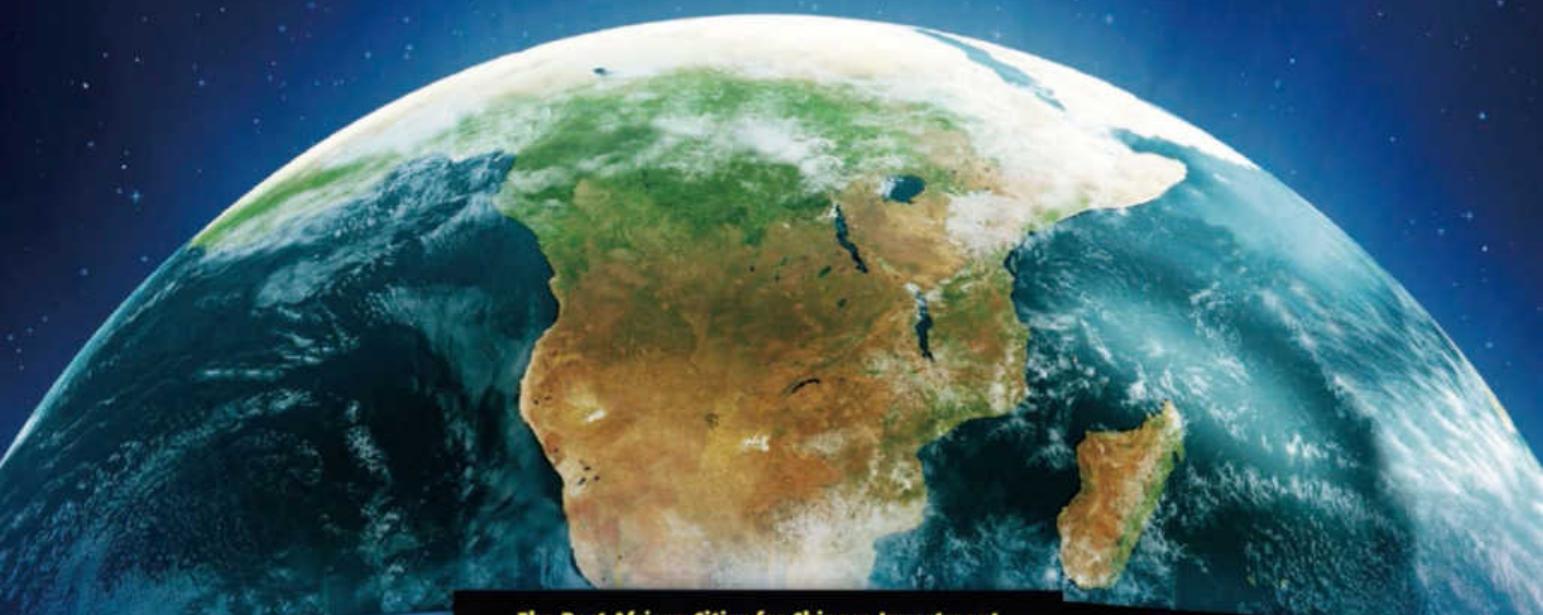


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