

WORLD: OBAMA'S VISIT TO CUBA P.30 | BUSINESS: GREENING CHINA'S DEVELOPMENT P.38

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IN THE SPOTLIGHT

What's new from China's annual political meetings



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Cover Photo: Journalists cover the opening of the annual full session of the National People's Congress in Beijing on March 5 (WEI YAO)

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EDITOR'S DESK

Building Consensus For Development

Every March, deputies and members from across the country meet in Beijing for the "two sessions"—a series of meetings lasting from March 3-16 this year. The sessions center around the National People's Congress (NPC), the highest organ of state power that consists of more than 2,900 deputies, and the Chinese People's Political Consultative Conference (CPPCC) National Committee, composed of about 2,200 members. The CPPCC is an institution for multiparty cooperation and political consultation in which representatives from non-Communist parties as well as various sectors of society discuss government policies and offer their suggestions.

NPC deputies are routinely tasked with reviewing and passing a number of documents, including the Government Work Report, state budgets, development plans and draft laws. In addition, work reports by the Supreme People's Court and the Supreme People's Procuratorate are examined. This year, they also adopted the 13th Five-Year Plan (2016-20). As the country's top policy advisors, CPPCC National Committee members, for their part, held discussions on these issues and aired their opinions.

Economic issues took the spotlight during the meetings, prompting questions such as: How can China implement the innovation-driven, balanced, green, open and inclusive development concept? How will the country ensure the realization of the goal of lifting all its poor people out of

poverty by 2020? How will the state carry out the supply-side reform? These questions and more reflect Chinese people's concerns, and were addressed in earnest.

A highlight in this year's Government Work Report, delivered by Premier Li Keqiang, is the setting of a GDP growth target between 6.5 and 7 percent for 2016. Instead of a specific number for growth, as was the case in previous years, this year's growth target offers a buffer zone against an expected deceleration in growth. It also serves to allay the international community's fear of a hard landing for the Chinese economy.

Like previous years, issues concerning people's livelihoods such as medical care, education, housing, care for the elderly, employment, and the environment received intense scrutiny during the meetings.

The 13th Five-Year Plan, which sets the tone for China's social and economic development over the next five years, was an important aspect of the sessions. The next five years will be crucial in terms of China's goal to complete the creation of a moderately prosperous society in all respects. China is expected to achieve that target in addition to circumventing the middle-income trap.

China is currently at a critical stage of development. The decisions made and consensus reached at the two sessions this year will promote the country's progress and contribute to the fulfillment of the goals set out in the 13th Five-Year Plan. ■

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CUB MESSENGERS

Giant panda cubs, male Jia Panpan (right)—meaning Canadian Hope—and female Jia Yueyue—meaning Canadian Joy—pose for photos at the Toronto Zoo in Canada on March 7.

The zoo officially revealed the names of the first Canadian-born twin panda cubs that day. The twins were born on October 13 last year to female panda Er Shun, who was loaned from China along with a male giant panda in 2013.

In a congratulatory message, Chinese Premier Li Keqiang said, “I am sure the twin cubs, a crystallization of the China-Canada friendship indeed, will grow up to be new messengers to carry forward our friendship.”



New Finding

An explorer prepares to enter a doline for research in Donglan County, Hechi in Guangxi Zhuang Autonomous Region, on March 3.

The 420-meter deep doline, or sink hole, was among a number discovered by a team of Chinese and French scientists during an eight-day expedition that began on February 26. Many species live in these dolines, including bats and snakes. Some as-yet unidentified vertebrates and plants have also been found.

Presidential Call

Chinese President Xi Jinping on March 5 warned against "Taiwan independence," saying that national secession should not be repeated.

"We will resolutely contain 'Taiwan independence' secessionist activities in any form," said Xi when joining a group of lawmakers from Shanghai on the first day of the annual full session of the National People's Congress, held in Beijing each spring.

"Our policy toward Taiwan is clear and consistent, and it will remain unchanged along with the change in Taiwan's political situation," Xi told the legislators.

Tsai Ing-wen, the candidate for the Democratic Progressive Party, won Taiwan's leadership election in January. Tsai defeated Eric Chu, candidate of the Kuomintang, which

has ruled Taiwan for the past eight years.

Only by accepting the 1992 Consensus and recognizing its core implications can the two sides have a common political foundation and maintain good interactions, Xi said. The 1992 Consensus reached between mainland and Taiwan negotiators that year acknowledges that the Chinese mainland and Taiwan belong to one China.

The Chinese mainland is committed to further promoting cross-Taiwan Straits cooperation and exchanges in all fields, deepening economic and social integration, and enhancing the sense of a community of common destiny, according to Xi.

Birth Policy

On March 8 China's top health official ruled out the possibility that

China will change its family planning policy in the foreseeable future. Li Bin, Minister of the National Health and Family Planning Commission, made the remarks when addressing a press conference.

As of 2015, the Chinese population numbered 1.375 billion. Li said that China's per-capita economic output was "considerably low" as was the average living standard.

"Our resources pale in comparison with our vast population. Until this changes, we will continue with the current family planning policy," she said, adding that there is no timetable for the full relaxation of the policy, although it will continue to be improved and adjusted.

China has allowed all married couples to have two children from the beginning of this year. This followed an earlier easing of previous rules in 2013 that allowed couples to

have a second child if either parent is an only child.

The two-child policy is estimated to see 3 million more children born in China every year.

Aid for Women

Nearly 5 million women received micro-financing worth 247.8 billion yuan (\$38.1 billion) in 2015, the All-China Women's Federation said on March 8. Central and local government subsidies contributed more than 21.37 billion yuan (\$3.28 billion) to this sum.

China began issuing micro-financing to women to encourage entrepreneurship and poverty reduction in 2009. The loans have helped boost the economy especially in underdeveloped western and rural regions.

Another policy benefiting rural women is free screenings for breast and cervical cancer, a program that also began in 2009. In 2015, more than 50 million rural women have received free cervical cancer examinations and about 7 million breast cancer tests, the federation said.

The government also provided medical assistance for 41,693 poverty-stricken women suffering from severe diseases last year.

Relics Conservation

Protection of cultural relics will be included in the evaluation of local officials' performance, according to a newly released government document.

China has been striving to protect its past since the late 1970s. The 1982 Cultural Relics Protection Law created institutional guarantees and various local regulations have sprung up since.

In recent years, unmovable cultural relics were disappearing at a faster pace and responsibility of protecting them was not effectively delineated, though remarkable achievements have been made, said Liu Yuzhu, Director of the State Administration of Cultural Heritage.

According to the document,

issued by the State Council, China's cabinet, on March 8, annual evaluations should be carried out to learn the condition of cultural relics, in addition to annual renovations.

It proposes better protection in construction work, underscoring the need for archaeological surveys, exploration and excavation. The document also calls for an improved registration system and database of resources.

Case Filing Surges

The number of legal cases filed in China from May to December 2015 hit nearly 10 million, up 29.5 percent year on year since the Supreme People's Court (SPC) simplified the filing system last April.

Since the establishment of a case register system, administrative cases have also increased by 66.5 percent over the same period of 2014, the SPC said in a white paper on judicial reform.

Suit documents were previously subjected to thorough and lengthy reviews before the case was accepted. The reform requires that as long as cases are filed in accordance with the law, they should be registered on the spot.

Legal cases that were traditionally difficult for the public to file, which often involved housing demolition, land requisition and government information publicity, have also seen an increase in acceptance, the white paper said.

So far, 2,189 courts have online case-filing facilities and 781 courts

have apps, making the service more efficient.

The white paper also said that a platform outlining all information on court processes will provide transparent information to litigants and their attorneys.

Underground Lab

The world's deepest subterranean lab in southwest China is building another underground space that will block cosmic rays, helping scientists trace the origin of elements. Jinping Underground Laboratory, which is 2,400 meters deep in a mountain in Sichuan Province, has begun building a nuclear astrophysics lab, the China Institute of Atomic Energy said on March 3.

This arm of physics is a frontier science that studies nuclear reactions within stars, the process that creates many elements. Research into this area provides insight into stars' evolution and the origins of elements.

"The lab will offer the world a new top-class platform for conducting precise measurement on nuclear astrophysics," said Liu Weiping, Vice Dean of the institute.

Researchers hope to use the facility to explore the birth of heavy elements by measuring neutron source reactions, according to Liu.

Scientists say cosmic rays are known to have disrupted previous observations. This new lab will provide a "clean" space for a number of physical and cosmologic experiments, including those concerns with the search for "dark matter."



Fun and Games

Women of the Miao ethnic group participate in a sports activity held to mark International Women's Day in a village in Danzhai County, Guizhou Province, on March 7.

The facility opened in December 2010 and was expanded in 2014.

Wellbeing Initiative

The government of northwest China's Xinjiang Uygur Autonomous Region will continue to allocate large sums of money in 2016 toward enhancing local livelihoods, authorities said.

A total of 110 billion yuan (\$17 billion) will be administered this year to help steer 100 projects covering employment, housing, agriculture, poverty-relief and other fields in the region.

About 10,000 villages in Xinjiang will receive 500,000 yuan (\$76,850) each to improve livelihoods. Meanwhile, 600 million yuan (\$92 million) will be used for poverty relief in 1,200 poverty-stricken villages, and 24 billion yuan (\$3.69 billion) will be used to build houses for 300,000 rural herdsman.

The funding is part of a livelihood improvement initiative launched by the regional government. About 600 billion yuan (\$92 billion) has been mobilized in the past six years thanks to the high-profile initiative, according to local officials.

Securing the Title

Liu Guoliang (third left), head coach of the Chinese table tennis team, joins the players of the men's team to celebrate their victory in the final at the 2016 World Team Table Tennis Championships in Kuala Lumpur, Malaysia, on March 6.

The defending champion, China, won the men's team title for the 20th time after beating Japan 3-0 in the final. It is the eighth consecutive triumph for China in the event since 2001.

Earlier that day, the Chinese women's team made the same record at the event by winning the title for the 20th time.



Shrinking Exports

China's exports in yuan-denominated terms slumped 20.6 percent year on year to 821.8 billion yuan (\$126.2 billion) in February, while imports dropped 8 percent to 612.3 billion yuan (\$94 billion), according to figures from the General Administration of Customs (GAC) on March 8.

Total foreign trade value in February fell 15.7 percent year on year to 1.43 trillion yuan (\$220 billion), a steeper decline than the 9.8-percent contraction seen in January.

Business inactivity around the Spring Festival holiday, which fell in early February this year, overstated the year-on-year export slump.

In dollar-denominated terms,

China's exports fell 25.4 percent from a year earlier in February, worsening from the 11.2-percent decline in January. Imports dropped 13.8 percent, a milder decrease than 18.8 percent in January.

Foreign trade in the first two months dropped by 12.6 percent from a year earlier to 3.31 trillion yuan (\$508 billion), with exports down 13.1 percent to 1.96 trillion yuan (\$301 billion) and imports down 11.8 percent to 1.35 trillion yuan (\$207 billion).

Sanctions Opposed

China is strongly dissatisfied with and firmly opposed to U.S. sanctions against China's telecommunication equipment maker ZTE Corp., the Ministry of Commerce said on March

8 in a statement.

"The U.S. move will severely impair normal commercial activities of the Chinese firms. China will continue to engage with the U.S. side on the issue," according to the statement.

Earlier on March 7, China's Foreign Ministry urged the United States to revoke its decision to avoid damage to trade cooperation and bilateral relations.

Waste to Energy

An investment group controlled by the Beijing Municipal Government has bought Germany's largest waste management company, EEW, for 1.4 billion euros (\$1.5 billion).

This is the largest ever Chinese acquisition of a German company,

Beijing Enterprises Group Co. Ltd. said in a statement on March 3.

"By learning about the latest German waste-to-energy technology and management expertise, we will help environmental protection in China and contribute to green development," said Zhou Si, Vice Chairman of Beijing Enterprises.

EEW is Germany's leading waste-to-energy firm. It operates 18 garbage incinerators in Germany and neighboring countries. In 2015, it turned 4.4 million tons of waste to energy.

Entrepreneurial Boom

China's entrepreneurial boom drew nearly half of the investments of the world's venture capital (VC) and private equity (PE) funds made last year, according to a report released on March 3 by PwC.

Investment in Chinese companies reached \$192.1 billion in 2015, or 48 percent of the world's total. This represents a 169-percent rise from a year ago in China, compared with a modest 18-percent increase worldwide.

Chinese companies in tech and consumer-related sectors raised a total of \$76.8 billion, six times as much from a year before.

It also found that initial public offerings (IPOs) on the Chinese stock market are the preferred choice over listing in the United States among investors for exits, as China pressed ahead reforms of its IPO system toward a registration-based model to list more companies in emerging industries.

Investors are also seeking alternative channels to cash out their investments in addition to IPOs. Among options considered by investment funds is China's over-the-counter market, the National Equities Exchange and Quotations, where unlisted companies can transfer their shares.

PwC also added that China dominated the Asian PE/VC market,



New Airport

Hainan Boao Airport, about 15 km from the Boao International Conference Center where the annual Boao Forum for Asia is held, passed its final acceptance test on March 8. The airport covers 182 hectares of land with total investment of up to 1.13 billion yuan (\$174 million).



E-commerce Benefits Villages

Liu Yan (right) operates an online shopping website where he helps local farmers buy farming tools, daily necessities and railway tickets in Zhaomiao Town of Fuyang, Anhui Province on March 4. His booth is part of the whole province's campaign to boost rural access to the Internet.

with fundraising in the past 10 years reaching \$430 million.

Shale Gas Exploitation

North China's Shanxi Province—the country's largest coal producer—is considering mass exploitation of shale gas reserves as it is facing pressure to drastically cut its pollution levels.

After more than two years of surveying, geologists estimated that the province has a shale gas reserve of 4.44 trillion cubic meters, an official with the provincial land and resources department said on March 4.

The survey was conducted by Shanxi Coal Geological Bureau and two local energy companies starting in July 2013.

The basins of Erdos and Qinshui are rich in shale gas, and the thickness and high content of organic carbon and brittle minerals are suitable for exploration, the survey

found.

"Exploration of shale gas will help reduce the dependence on coal and cut carbon dioxide emissions," said the official.

The province started drilling the first shale gas exploration well in Xixian County in October 2013.

China has about 26 trillion cubic meters of shale gas reserves, the largest in the world. While regular natural gas is extracted from sedimentary rocks, shale gas, mainly methane, comes from delicate shale formations.

Parallel Imported Cars

China will boost pilots of parallel vehicle imports in its free trade zones, allowing cars to be imported without providing authorization from carmakers.

The program is a key measure to boost supply-side reforms, a current theme that includes reducing

ineffective and low-end supply, a guideline published on the website of the Ministry of Commerce said.

Customs will streamline procedures related with the program to cut clearance costs for dealers and registration services for parallel imported vehicles will be improved, it said.

Such vehicles are usually cheaper than similar models from domestic dealers or simply not available through official retail channels.

The State Council piloted the plan in China (Shanghai) Pilot Free Trade Zone in 2014 before extending it to other free trade zones including Guangdong, Tianjin and Fujian in 2015.

Falling Energy Consumption

China's energy intensity, the amount of energy consumed per unit of GDP, has been decreasing at a rapid pace in the past few years, official

data showed on March 4.

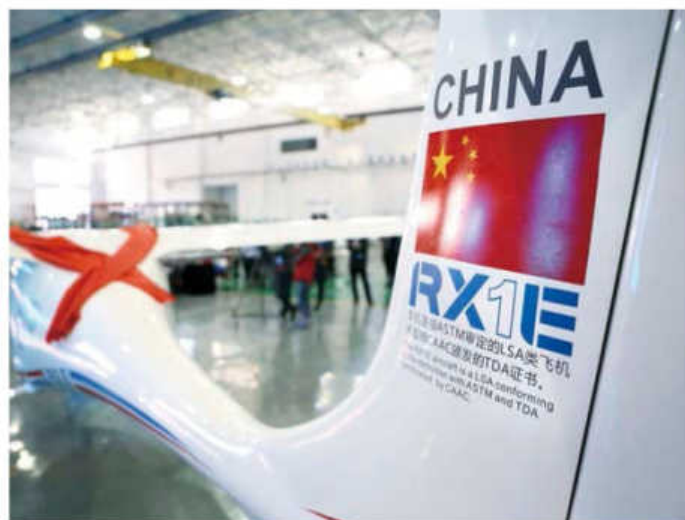
In 2015, China's energy intensity declined 5.6 percent from the previous year, following the 4.8-percent and 3.7-percent falls seen in 2014 and 2013, according to the National Bureau of Statistics (NBS).

Coal consumption accounted for 64 percent of primary energy use last year, down 4.5 percentage points from the share in 2012, as the government pushes for "cleaner and greener growth."

"The data showed China's energy structure is becoming more diversified and optimized," said the NBS.

China has specified that it aims to bring the share of non-fossil energy to 15 percent by 2020 and 20 percent by 2030. In addition, coal consumption will be limited to 62 percent of energy use by 2020.

The government has pledged that it will strictly control new capacity in the coal industry and that it won't approve any new coal mines before 2019.



New-Energy Plane

China's first new-energy plane—RX1E—has recently completed a test flight under low temperature and has since been put into mass production.



MIDDLE EAST

A Palestinian woman cries near the scene of a stabbing attack in the old city of Jerusalem on March 8



MALAYSIA

Prime Minister Najib Razak (right front) and Transport Minister Liow Tiong Lai (left front) join lawmakers to observe a moment of silence in Kuala Lumpur on March 8, in memory of the Malaysia Airlines flight MH370 that went missing two years ago



SOUTH KOREA

Google's artificial intelligence AlphaGo program beats the country's renowned professional Go player Lee Se Dol (right) in the first of a series of Chinese Go games in Seoul on March 9



NORTH KOREA

The country's top leader Kim Jong Un (center) talks with scientists during his inspection tour of the country's development of nuclear weapons on March 9



INDONESIA

People watch a total solar eclipse near the seaside of Billiton Island on March 9



GREECE

A large number of refugees from the Middle East stay in Idomeni, a town in Greece located near the border with Macedonia, on March 7, waiting for the opening of the passage to their destination of Germany and other neighboring countries

↓ NEWLY APPOINTED STATISTICS HEAD

Ning Jizhe, Vice Minister of the National Development and Reform Commission, China's top macroeconomic regulatory body, has recently been appointed head of the National Bureau of Statistics (NBS). He will hold the two positions concurrently.

Ning, 60, has been a researcher in China's economic and social development planning and industrial and environmental policies, and has been engaged in drafting a number of national development plans. He holds a PhD in economics from the Renmin University of China.

His predecessor at the NBS was Wang Baoan, who was in office for no more than 10 months before being removed when he was investigated for suspected corruption in late January.

The NBS is a Central Government department responsible for releasing China's latest economic data and helping the public understand the country's economic situation.



Too Many Reality Shows

Guangming Daily
March 7

Cao Kefan, a host with the Shanghai-based Dragon TV and deputy to the National People's Congress (NPC)—China's top legislature, recently said China has too many reality shows and decried their crude nature. TV stations should focus on news reports and the dissemination of culture, rather than become reality show channels, he said.

Cao's views sparked a heated discussion among Internet users. More than 200 reality programs aired on TV last year. Reality shows have gained popularity thanks to market competition. But, while they are favored in the marketplace, they

are not without problems. For example, the copyrights for the majority of the reality shows were purchased abroad and did not originate in China. Many are similar to one another in content and lack critical thought. Chinese TV channels are flooded with singing competitions and shows centered on cooking, travel and dating.

TV programs should strive to not only entertain but also spread culture to viewers. One such program has been wildly successful. The final competition of a Chinese idiom contest produced and broadcast by the state broadcaster China Central Television recently ranked first in audience ratings. Several similar programs aimed at promoting Chinese culture have also achieved success in recent years. TV stations should present a wider variety of programs that cater to the audience's diverse taste.

The 1-Trillion-Yuan Club

Oriental Outlook
March 10

Hangzhou, the capital of east China's Zhejiang Province, became the 10th city whose GDP surpassed 1 trillion yuan (\$153.5 billion) in China last year. As a result, the combined GDP of the 10 cities—Shanghai, Beijing, Guangzhou, Shenzhen, Tianjin, Suzhou, Chongqing, Wuhan, Chengdu and Hangzhou—surpassed one fifth of the national total. In sharp contrast, these cities, dubbed the 1-trillion-yuan club, occupy just 1 percent of China's territory and host one 10th of the country's population.

Hangzhou began taking steps to restructure its economy in 2006. Now the city has taken the lead in the cultural and information technology sectors in China. Wuhan, the capital of central China's Hubei Province, has also been driving innovation by attracting investment to develop its technologies.

The proportion of the tertiary industry in nine of the 10 cities surpassed half of the local GDP. This indicates that the 10 cities have achieved remarkable progress in developing the hi-tech and cultural

"Female leaders seem to be more dedicated to driving their companies toward achieving goals, and appear to be more committed to their jobs."

Xu Hua, CEO of Grant Thornton China, on March 8, commenting on a report of the global accountancy firm saying women now hold about 30 percent of the top positions in Chinese mainland businesses, compared with 25 percent last year

"It is reasonable for China to set the peak [greenhouse gas emission] target for around 2030, and we will try our best to achieve it a bit earlier."

Xie Zhenhua, China's Special Representative on Climate Change, who is also a national political adviser, at a news conference of the National Committee of the CPPCC on March 7



industries, balancing environmental protection with economic growth and innovating city management.

As China enters the new normal of slower growth, the country faces both opportunities and problems. The development path of the 1-trillion-yuan club matches the pattern of innovation-driven, balanced, green, open and inclusive development set forth in the 13th Five-Year Plan, which covers the period from 2016 to 2020.

A Resilient Economy

People's Daily
March 7

Economic issues topped the agenda of this year's annual sessions of the NPC and the Chinese People's Political Consultative Conference (CPPCC) National Committee. China's GDP reached 67.7 trillion yuan (\$10.4 trillion) last year, growing 6.9 percent year on year. More than 13 million new jobs were created, surpassing the government's 10 million target.

All this was achieved at a time when the world economy registered its slowest growth rate in six years and saw the prices of major commodities plunge. Also, fluctuations in the global financial market have had a direct impact on the Chinese economy. Despite external influences, China's GDP surpassed \$10 trillion for the second consecutive year last year, making it just one of two countries able to do so worldwide—the other being the United States.

For the first time, China's service industry exceeded half of its GDP, accounting for 50.5 percent. Consumption contributed to about 66 percent of economic growth. In the meantime, China used \$126.3 billion of foreign investment in 2015, representing an increase of 5.6 percent over the previous year. The country's non-financial direct investment overseas reached \$118 billion, increasing 14.7 percent. China remained the main driving engine for global economic growth last year, contributing to more than a quarter of global economic growth.

The Chinese economy is shifting gears and transitioning toward a higher development level. Growth will stay within a reasonable range given the strong resilience of the economy and its ability to withstand risks.

↓ SOCCER STRIKER SCORING A SHOT

Football player **Wang Shanshan** scored the lone goal of a match against South Korea during the six-team Asian Zone qualifications for the Rio Olympics in Osaka, Japan, on March 7. The game ended 1-0, enabling the Chinese women's football team to qualify for Rio.



This is the first time that the team has been able to secure a ticket to the Olympic Games in eight years. The Chinese women's national football team won second place at the Atlanta Olympics in 1996. However, it failed to qualify for the 2011 World Cup and the 2012 Olympics.

"We were a little bit tired in today's game, maybe because it was the fourth game. But we performed better and better," Wang said after the match.

Wang, 26, is a forward from the northern port city of Tianjin. She started to play for the national team in 2012.

"As organs are donated free, all people should have equal rights to enjoy transplant services. Nobody should be rejected because they are poor."

Huang Jiefu, Vice Chairman of the Committee of Education, Science, Culture, Health and Sports of the CPPCC National Committee, in a statement to reporters on the sidelines of this year's CPPCC National Committee session on March 8

"She was committed to friendly exchanges between the two countries, and made positive contributions to the development of China-U.S. relations."

Foreign Ministry spokesman **Hong Lei**, expressing condolences over the death of former U.S. first lady Nancy Reagan at a press briefing on March 7



WORDS BEGET ACTIONS

Editor's Note: At the opening of this year's full session of the 12th National People's Congress (NPC) on March 5, Premier Li Keqiang delivered the Government Work Report to some 2,900 national legislators, joined by members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC). In the report, Li reviewed the work done in 2015 in detail and summarized the achievements attained in the 12th Five-Year Plan (2011-15) period. The report also surveyed the conditions that China will face during the ongoing 13th Five-Year Plan (2016-20) period, and outlined the plans for the work to be done this year.

Beijing Review reporters Ni Yanshuo, Lan Xinzhen, Xu Bei, Zheng Yang, Yuan Yuan and Deng Yaqing spoke to NPC deputies and CPPCC National Committee members to hear their suggestions on the measures to help achieve the national development targets. Edited excerpts follow:





Zhang Yi (NPC deputy and former Minister of the State-Owned Assets Supervision and Administration Commission of the State Council):

In the past five years, we have developed the economy to an adequate level, maintained social stability, deepened reform and made profound progress in combating corruption. The wellbeing of the Chinese people has



been improved, and China's international status has continued to rise.

Even so, the coming five years will be an important period determining whether or not China can surmount the middle-income trap.

In addition to all the efforts being made to accomplish this target, we must pay special attention to the employment and social security of migrant workers, and strive to build a labor relation structure suited to China's economic development. That is crucial to the establishment of harmonious labor relations and laying solid foundations to ensure social harmony and stability.

Moreover, we must vigorously develop the real economy, which is crucial in overcoming the middle-income trap. Efforts should be made to upgrade traditional industries, raise the efficiency of enterprises, as well as vigorously boost innovation in technology, management and business models. These efforts will help endeavors to create new engines for economic growth.

China should also intensify the reform of state-owned enterprises, increase their sizes and improve their competitiveness, encourage and support non-public enterprises in the real economy and give full play to the role of various types of capital in supporting the real economy.

Chen Xiwen (CPPCC National Committee member and Deputy Director of the Central Rural Work Leading Group):

Premier Li pledged in the Government Work Report that efforts will be made to "guide farmers in adjusting what and how much they grow and breed in response to the market demand, and in making appropriate reductions to the amount of cultivated land that is devoted to growing corn." He also stressed following the principle of letting the market determine prices and de-linking subsidies from prices, as well as stating that the reform of the corn purchasing and storage system will be carried out in an active yet prudent way to ensure reasonable returns for farmers. This means that prices will be determined by the market. It is only through the market's determination of prices that China's produce can be competitive in the international market.

Since the number of farmers is substantial in China, each rural family can only

run a small parcel of land, which weakens their competitiveness in the market. For this reason, it is necessary for the government to subsidize farmers to ensure reasonable returns for them. This policy is now in discussion. I expect that the reform of the corn purchasing and storage system will be launched as soon as possible.

Farmers should adjust the variety of grain crops that they will grow in accordance with the supply and demand of the market, so that domestic corn prices will be closer to prices on the international market. In the meantime, there should be no new excess stockpiles.

More importantly, farmers' interests must be protected. Therefore, the government should offer necessary subsidies in accordance with market prices in order to ensure farmers' income, balance supply and demand, strike equilibrium between the returns and costs for farmers, as well as ensure that the production of corn and other grain crops will better satisfy the market demand.

Wang Zhengwei (NPC deputy and Minister of the State Ethnic Affairs Commission):

While facing the pressures of an economic growth slowdown, we must be resolute in enforcing a number of policies ensuring stable economic growth as well as generating new supply and demand. Efforts to promote investment must be intensified, which will invigorate areas inhabited by ethnic minorities and underdeveloped areas, as well as guide private enterprises and the non-public sector to invest in China's western regions.



Liu Gexin (NPC deputy and Chairman of the Sichuan Kelun Pharmaceutical Co. Ltd.):

The pharmaceutical industry is facing various difficulties in its development: We started with shaky foundations and were suppressed at the low end of the industrial chain 20 years ago. However, China still lacks powerful



Premier Li Keqiang delivers the Government Work Report at the opening of the annual full session of the 12th National People's Congress in Beijing on March 5



NPC & CPPCC CLOSE-UP



policies to support leading Chinese pharmaceutical companies in breaking through the blockade of multinational corporations and improve the competitiveness of the Chinese pharmaceutical industry in the international market.

Developing transitional medicines will be conducive to the creation of new and original medicines.

China should also formulate laws on rare diseases as early as possible so as to promote the research and development of their treatment.

Gao Chunfang (CPPCC National Committee member and head of No.150 Central Hospital of the former Jinan Military Area Command of the People's Liberation Army):

China must set up a universal comprehensive medical service platform through which patients' information could be shared nationwide, emergency treatment procedures in major hospitals could be disseminated, and long-distance group consultations could



be realized. This must be organized by the Central Government. Otherwise, there would be a huge waste of resources if various local governments establish their own platforms.

As for disease control, the diseases in question must be clearly listed. All these issues could be solved by the healthcare authority very quickly.

Merdan Mugayt (NPC deputy and Deputy Secretary of the Communist Party of China Committee of Aksu Prefecture, Xinjiang Uygur Autonomous Region):

Targeted poverty reduction programs entail clearly defining how to alleviate poverty, who to support and who will conduct such measures, so that the assistance can reach each poverty-stricken family. This will ensure that proper steps are taken to reduce poverty caused by different reasons.

In Aksu, there are two counties that receive state poverty relief—they plan to remove that status by 2017 and 2018, re-



spectively. We are confident to lift 206,000 poor people in the counties out of poverty as scheduled. This is a mission that must be achieved.

There is a fast-growing textile and clothing industrial base in Aksu, which can provide a certain number of job opportunities.

Moreover, since natural conditions in those two counties are better than in other places, farmers are more capable of raising their income by improving their agricultural practices.

Another important measure is to tackle poverty through education, which is crucial to creating a richer society and economy.

In recent years, the Central Government and other regions in the country have increased their efforts in assisting education in Xinjiang, from primary schools to colleges, ensuring that every local family have well-educated members. In regions with harsh natural conditions, people are relocated to areas with better resources for living and production.

Also, in regard to impoverished people having no capacity to work or suffering from chronic diseases, poverty alleviation through the rural minimum subsistence allowance system are conducted, so that social safety covers all of Aksu's poverty-stricken population.



Deputies to the National People's Congress from Jiangsu Province participate in a panel discussion in Beijing on March 5

Zhou Mingwei (CPPCC National Committee member and President of the China International Publishing Group):

In this year's Government Work Report, Premier Li vowed to improve the overall caliber of the population and raise the level of civility in China's society. A moderately prosperous society in all respects should not just be measured by GDP or by per-capita income. It must also include the aspects that Premier Li vowed to improve. The overall caliber of the population and the level of civility in society should be a new measuring-stick and a necessary part of a moderately prosperous society in all respects.

History has proved that a man with fortune in pocket is not necessarily a man with a fortune in his brain. The whole society should work together to ensure that the Chinese are rich both in material and in mind. An improvement in the overall character of the population is also a reflection of a country's soft power and its image. As the Chinese economy is better developed and becomes more open, the country's image is displayed through two lenses. The first



is through products made in China, through which the international community can understand China better. The second is through Chinese people's behavior. Each year more than 100 million Chinese travel abroad for various purposes. Their manner of conduct and the values that they pursue whilst overseas have become part of China's national identity.

Therefore, the government should make more detailed plans for improving the overall stature of the population and raising the level of decorum in society, and continue to mobilize as many people as possible across the country to participate in the campaign for maximum effect.

Li Ningping (CPPCC National Committee member and President of the Gansu Province Electric Power Investment Group Corp.):

Since Gansu Province abounds in resources and high energy-consuming enterprises maintain a dominant position in related sectors, the ongoing structural reform has had a strong impact on some local enterprises. On the other hand, some local government leaders are reluctant to eliminate enterprises dogged by overcapacity because they've devoted great energy to advancing their development in the past years. Despite that, efforts should still be made to cut excess industrial capacity. Otherwise, local development will hit a bottleneck and be hindered by further problems.



Zhao Tiechui (CPPCC National Committee member and former Deputy Director of the State Administration of Work Safety):

The concept of public safety was first put forward in the 2016 Government Work Report. The public safety system encompasses food, drug and workplace safety, disaster prevention, mitigation and relief, as well as social security. A key point is the legislation on public safety and the inclusion of this area into the education system.

In my opinion, regulations for the implementation of the Production Safety Law



should be released during the 13th Five-Year Plan period.

In addition, I think an emphasis should be laid on helping enterprises get out of predicaments. On this front, Premier Li suggested that efforts be made in facilitating overcapacity cuts in struggling enterprises in the coal and steel sectors, and also letting the market play a decisive role in the process. He also outlined that local governments should be responsible for coordinating the efforts to reduce excess capacity, and that the Central Government renders its support to them. This would help press ahead with the work in an orderly way, and actively yet prudently tackle zombie companies that are heavily indebted and cannot survive without external support.

Song Beishan (CPPCC National Committee member and former Vice Chairman of the All-China Federation of Industry and Commerce):

Innovation is one of the five development ideas put forward in the 13th Five-Year Plan and a key factor in driving future economic growth. To promote innovation and make China a magnet for innovators, the most important thing we need to do is to protect intellectual property rights (IPRs). To achieve higher levels of quality in commodities produced in China, we need to protect the rights and interests of innovators and punish those who infringe on their rights. Current IPR policies face a number of problems involving a lack of effective punishments for violations, low penalty costs, and expensive safeguarding measures. Inadequate IPR protection is a lingering problem restraining innovation-driven development.

In his Government Work Report, Premier Li stressed that China will strengthen the protection and use of IPRs and look to the law to crack down on the infringement upon these rights and on the production and sale of counterfeit products. How will the government clamp down on IPR infringement? To what extent should we strengthen the protection and use of IPRs? These questions and more are worthy of further examination. ■





GOVERNMENT WORK REPORT HIGHLIGHTS

By He Jing & Wang Xinling

At the opening of the Fourth Session of the 12th National People's Congress on March 5, Chinese Premier Li Keqiang delivered the Government Work Report. While reviewing China's economic and social development in 2015, the report put forward targets and tasks for 2016 as well as the 13th Five-Year Plan (2016-20) period.

Annual growth target: 6.5 percent or above

China must achieve an annual economic growth rate of at least 6.5 percent in the next five years in order to realize the goal of doubling the 2010 GDP and per-capita personal income by 2020. This is also required for China to overcome the middle-income trap, another pivotal task during the period of the 13th Five-Year Plan. If the country's economy grows at 6.5 percent or above, annually, on average during that period, China will be able to take a historic leap to join the ranks of high-income countries.

Structural reform

"Rather than adopting strong stimulus policies that would have an economy-wide impact, we continued to move forward with structural reform [in 2015]," Premier Li said in his report. The agenda for 2016 and the period from 2016 to 2020 also underscores the importance of structural reform, especially

supply-side structural reform. An improved supply environment will help make supply more robust, efficient and better structured, thus increasing the stability, coordination and sustainability of economic growth.

Debut of a "new economy"

The "new economy" comprises new industries, technologies and forms of business that have emerged under the Internet Plus strategy, which calls for the penetration of the Internet into all industries. This concept has not only unleashed existing productive forces, but also fostered new growth engines. As it seeks to surmount obstacles, China must speed up structural adjustments while exploring new areas of growth. These initiatives will enable the Chinese economy to register long-term, stable growth with a higher quality and enhanced efficiency.

Poverty reduction

Poverty reduction always features prominently in Li's annual government work reports. He also stresses the supervision, inspection and third-party evaluation of poverty alleviation programs. Unlike previous ones, the ongoing campaign aims to lift all those living under the poverty line out of poverty without exceptions. China is giving top priority to poverty alleviation as it strives

to accomplish the goal of building a moderately prosperous society in all respects. The high political attention China has given to poverty reduction is rarely seen in other countries.

Making "Made in China" shine

Premier Li has long been known as an advocate of China's high-speed rail technology, a symbol of the country's manufacturing prowess. But high-speed rail is only part of the story. Chinese manufacturers are also striving to excel in a wider spectrum ranging from technology and standards to services.

A new round of opening up

The China-proposed Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiative presents opportunities to both China and the rest of the world. It will deliver shared benefits to countries along the routes and far beyond.

Blue sky, green land and clear water

Effectively dealing with smog and water pollution has topped many local governments' agendas. A number of state leaders have made research trips to areas severely polluted by heavy industry, such as Hebei Province. This year's Government Work Report envisions a "beautiful China where the sky is blue, the land is green and the



water is clear,” illustrating the government’s determination to take a path that leads to both economic development and improvement of the environment.

A law-based, innovative, clean and service-oriented government

The guidelines on building a law-based government issued by the Central Government at the end of 2015 put forward overall plans for efforts in this regard through 2020. By reaffirming this goal, the Government Work Report showed that a law-based, innovative, clean and service-oriented government is not only what the government aspires to turn itself into but also where public interest lies in.

Improving people’s lives and addressing their concerns

China will implement a more proactive employment policy and encourage business startups that create employment. It aims to realize full coverage of the serious disease insurance scheme to reduce more patients’ financial burdens. It will also continue to raise basic pension benefits for retirees. All these statements exemplify the government’s concern about people’s livelihoods and commitment to taking concrete measures to accomplish various targets.

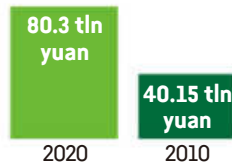
Conducting diplomacy with the vision and responsibility of a major country

President Xi Jinping visited the Middle East in early 2016 during his first trip overseas this year. China will also host the G20 Summit in Hangzhou later this year. While China becomes a more active player on the global stage, challenges still abound. It will continue to practice its diplomatic vision when coping with issues such as China-Japan relations, the South China Sea and North Korea’s nuclear program. ■

Major Targets for the Next Five Years

- Double the 2010 GDP and per-capita personal income by 2020

GDP

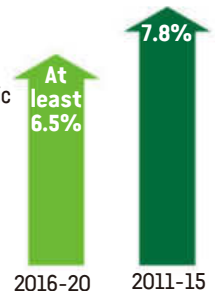


20,092 yuan

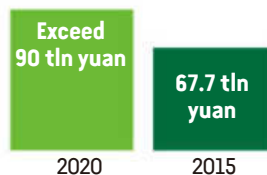
Per-capita personal income



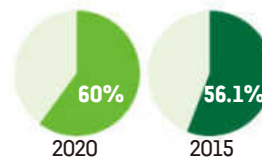
- Average annual economic growth



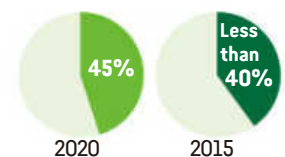
- Aggregate economic output



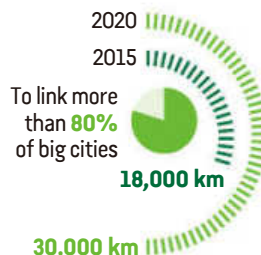
- Permanent urban residents as a percentage of China’s population



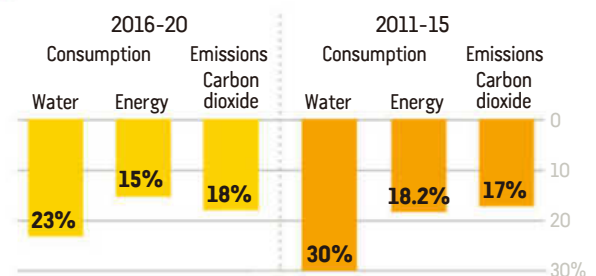
- Registered permanent urban residents as a percentage of China’s population



- Expansion of high-speed railways in service

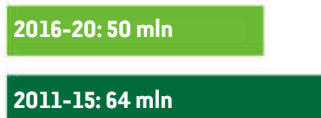


- Consumption and emissions per unit of GDP

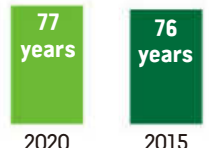


- Poverty relief of **all rural residents** falling below the current poverty line, compared with **100 million in 2011-15**, and poverty alleviation in all poor counties and areas

- New urban jobs



- Average life expectancy





TO-DO LIST FOR 2016

In his Government Work Report delivered at the opening of the Fourth Session of the 12th National People's Congress on March 5, Premier Li Keqiang said that China will face tough challenges in its development this year. He listed the following measures in the government's efforts to boost development.

Macroeconomic Policies

- Implement a more proactive fiscal policy;
- Replace business tax with value-added tax in all sectors;
- Pursue a prudent monetary policy;
- Move faster in the reform efforts to improve the modern financial regulatory system;
- Keep the renminbi exchange rate generally stable at an appropriate and balanced level;
- Move forward with the reform of the stock and bond markets.

Supply-side Structural Reform

- Reduce the number of matters that are subject to government review;
- Pilot a blacklist [that specifies off-limits areas] for market access;
- Implement the strategy of innovation-driven development;
- Encourage business startups and innovation;
- Strengthen the protection of intellectual property rights;
- Address overcapacity in the steel and coal industries;

- Improve the performance of state-owned enterprises (SOEs);
- Diversify types of SOE equity;
- Protect the property rights of entities under all forms of ownership;
- Energize the non-public sector.

Domestic Demand

- Support the growth of consumption in elderly healthcare, health, housekeeping, education, training, cultural and sports services;
- Strengthen the growth of emerging areas of consumption such as information products and services, smart homes and personalized fashion;
- Cut tariffs on some consumer goods;
- Increase the number of duty-free stores;
- Speed up tourism development;
- Invest more than 800 billion yuan (\$123 billion) in railway construction projects;
- Invest 1.65 trillion yuan (\$254 billion) in road construction projects;
- Start construction on 20 water conservancy projects;
- Develop hydropower, nuclear power, ultrahigh-voltage power transmission, smart grids, pipelines for oil and gas transmission and urban rail transit;
- Improve the public-private partnership models to stimulate private investment;
- Advance new urbanization: Grant urban residency to more people registered to rural households, reform the household registration system, and implement the residence card system.

Agriculture and Rural Income

- Speed up structural adjustments in agriculture;
- Reduce excess stockpiles of food;
- Promote the development of suitably scaled-up agricultural operations in diversified forms;
- Improve public services in rural areas;
- Combat poverty.

Opening Up

- Move ahead with the initiative to build the Silk Road Economic Belt and the 21st-Century Maritime Silk Road;
- Promote the innovation-driven development of foreign trade;
- Launch trials in the area of trade in services;
- Adopt a more proactive import policy: Increase the import of advanced technology and equipment, key spare parts and components, as well as energy and raw materials in short supply in China;
- Continue to relax market access restrictions on investment: Further open up the service sector and the general manufacturing sector, and simplify procedures for establishing overseas-funded enterprises;
- Establish more pilot free trade zones;
- Achieve greater industrial-capacity cooperation with other countries;
- Accelerate the implementation of the free trade area strategy;
- Negotiate on the Regional



Comprehensive Economic Partnership (RCEP) agreement;

—Negotiate on the China-Japan-ROK (Republic of Korea) free trade agreement;

—Negotiate on investment agreements between China and the United States and between China and the EU.

Green Development

—Take strong measures against air and water pollution;

—Develop the energy conservation and environmental protection industries;

—Continue to develop ecological barriers;

—Improve mechanisms which compensate for ecological conservation efforts.

People's Wellbeing

—Pursue a more proactive employment policy and encourage business startups that create employment;

—Promote fairer access to quality education;

—Allocate a greater share of funds for public education to central and western regions as well as to remote and poor areas;

—Unify the urban and rural mechanisms for funding compulsory education;

—Advance the coordinated reform of medical services, medical insurance and the medicine industry;

—Realize complete coverage of the serious disease insurance scheme;

—Build an extensive and tightly woven social safety net;

—Strengthen and develop new forms of social governance. ■

Major Targets for 2016 and 2015 Achievements

GDP growth

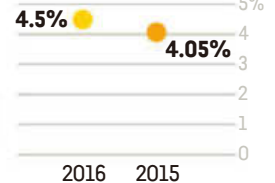
Between 6.5 and 7%



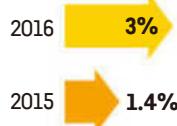
New urban jobs



Registered urban unemployment rate



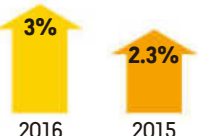
Consumer price index growth



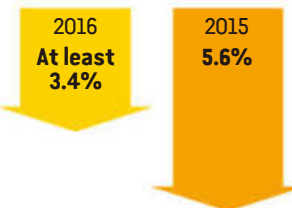
Budget deficit



As a percentage of GDP



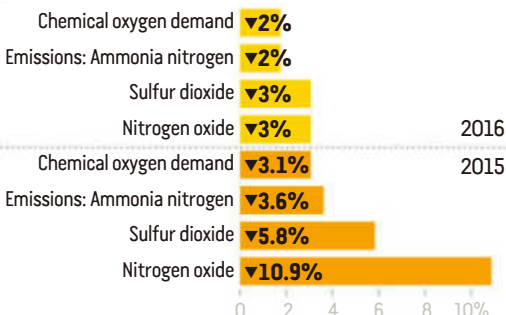
Energy intensity reduction



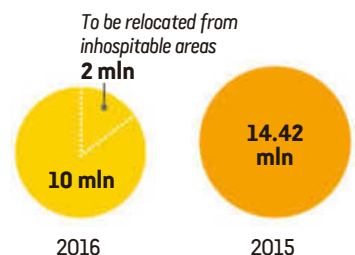
Growth of the broad money supply (M2)



Environmental improvement



Rural residents to be lifted out of poverty





FM On China And the World

Editor's Note: On the sidelines of the Fourth Session of the 12th National People's Congress, Foreign Minister Wang Yi was invited to answer questions on China's foreign policy on March 8. The annual press conference usually sets the tone for China's diplomacy for the year. Wang covered such hot-button topics as the South China Sea disputes, the Korean Peninsula nuclear issue, and China's relations with major countries in the world. Edited excerpts follow:

Diplomatic Strategy

Our goal is to help realize the Chinese dream of national rejuvenation and build a community of shared destiny for all mankind. The basic principle is to seek win-win cooperation and, on that basis, build a new type of international relations. The main pathway is to establish various types of partnerships and choose partnership over alliance and dialogue over confrontation. The value we insist on is to adopt a balanced approach to friendship and interests, upholding justice in international affairs and putting friendship before interests in state-to-state relations.

Korean Peninsula Nuclear Issue

China is a permanent member of the UN Security Council. We have the obligation and capability to implement all the resolutions passed by the Security Council, including Resolution 2270 concerning the Democratic People's Republic of Korea (DPRK).

I wish to point out that Resolution 2270 does not just contain sanctions; it also reiterates support for the six-party talks [on the Korean Peninsula nuclear issue participated by the DPRK, the Republic of Korea, China, the United States, Russia and Japan] and asks the parties to refrain from taking any actions that might aggravate tensions. So in China's view, the resolution must be implemented in its entirety. Sanctions are just a necessary means. Maintaining stability is the pressing

priority, and only negotiation can lead to a fundamental solution.

At the moment, there is some saber-rattling happening on the Korean Peninsula, and the situation is highly charged. As a neighbor of the peninsula, China will not sit by and see a fundamental disruption to stability in the region. And we will not sit by and see unwarranted damage to China's security interests. We strongly urge the parties to act with reason and restraint, and refrain from aggravating tensions.

To eventually resolve the issues on the peninsula, we have to adopt a multi-pronged approach and apply the right medicine. To have blind faith in sanctions and pressure would, in effect, be irresponsible to the future of the peninsula.

In terms of negotiation, China has put forward a proposal to pursue, in parallel tracks, the denuclearization of the peninsula and the replacement of the armistice agreement with a peace treaty. Denuclearization is the firm goal of the international community, while replacing the armistice is a legitimate concern of the DPRK. The two can be negotiated in parallel, implemented in steps and resolved with reference to each other. In our judgment, this is an equitable, reasonable and workable solution.

We cherish our traditional bonds with the DPRK. If the country seeks development and security, we are prepared to help and provide support. But at the same time, we have an unwavering commitment to the denuclearization of the peninsula and we will not

accommodate the DPRK's pursuit of nuclear and missile programs.

South China Sea Disputes

China is the largest country bordering the South China Sea, so we hope, more than any other country, to uphold the freedom of navigation in the South China Sea. Thanks to the concerted efforts of China and other regional countries, it is one of the freest and safest sea lanes in the world. I want to remind some people that freedom of navigation does not give them a license to do whatever they want. If someone wants to muddy the waters or to destabilize Asia, China will not agree to it and the overwhelming majority of countries in the region will not allow it to happen.

The Nansha Islands are China's integral territory. Every Chinese has an obligation to defend them. China has not made and will not make any new territorial claims.

In building defense facilities on our own islands and reefs, China is exercising its right to self-preservation under international law. China is not the first country to have deployed weapons in the Nansha Islands, we are not the country that has deployed the most weapons, and we are not the country that conducts the most frequent military activities. China cannot be accused of "militarization;" the label is more suited to some other countries.

In addition to building necessary defense facilities on the Nansha Islands, more importantly, China is building civilian facilities to provide public goods to the international community. When the construction is completed and the condition is ripe, we will consider inviting foreign journalists to visit the islands and reefs.

The fact is, China has made various efforts to promote peace and stability in the South China Sea. We have set up a China-ASEAN (Association of Southeast Asian Nations) Maritime Cooperation Fund, which has supported over 40 cooperation projects. We are actively advancing the COC (code of conduct) consultation: The parties have reached two lists of commonalities and entered into the phase of discussing crucial and complex issues. We have initiated the formulation of preventive measures for managing maritime risks. And we have offered to set up the maritime emergency diplomatic hotline and the maritime joint search and rescue hotline.

These initiatives speak volumes about our sincerity, but they've been obstructed



Foreign Minister Wang Yi answers questions from domestic and foreign media on March 8

by certain individual countries. Yet China has every capability and confidence to work with ASEAN countries to maintain the overall picture of peace and development in the South China Sea.

China was the first country to discover, name, develop and administer the South China Sea islands. Our ancestors lived and worked there for generations, so we know and love the place more than anyone else. And more than anyone else, we want to uphold peace, stability and freedom of navigation in the South China Sea.

China-U.S. Relations

China and the United States are two major countries and there are both cooperation and friction between us. This might be the normal state of affairs. This morning, I've

just heard news that the United States has announced trade restrictions on a Chinese company. We don't think it's the right way to handle economic and trade disputes. This approach will only hurt others without necessarily benefiting oneself. In the face of problems, our task is to resolve them. We want to expand and deepen cooperation and, at the same time, work hard to turn friction into cooperation.

In the past, the two countries had friction in the area of climate change. Yet last year, we worked together to ensure the success of the Paris Conference (UN Climate Change Conference). In the recent period, cybersecurity was a point of friction. But we've set up a number of dialogue and cooperation mechanisms. More recently, there is growing friction concerning maritime issues. But I think it's entirely

possible for us to consider conducting maritime cooperation.

The source of these frictions is that there are always some people in the United States who have strategic suspicions about China. They are worried that China will one day supersede the United States. I want to emphasize once again that China is not the United States, and China will not and cannot become another United States. We have no intention to displace anybody or dominate anybody. My advice to American friends: Perhaps you may want to spend more time learning about China's cultural tradition distilled from its 5,000-year history, and don't always judge China with the American mindset. Get this right, and you'll see the bright prospects of China-U.S. relations.

President Xi [Jinping] has pointed out ►►



time and again that when China and the United States work together, we can accomplish great things that benefit our two countries and the whole world. Having gone through a lot in our relationship, we have now embarked on efforts to build a new model of major-country relations featuring no conflict or confrontation, mutual respect and win-win cooperation.

China-Russia Partnership

China-Russia relations are mature and stable. Our comprehensive strategic partnership of coordination is built on a solid foundation of mutual trust and mutual support. In 2015, President Xi and President Vladimir Putin met five times and set the tone for the continued strong momentum in China-Russia relations. We are making active and orderly progress in various big projects. Construction has started on the eastern route of the China-Russia natural gas pipeline. And our cooperation on industrial capacity, equipment manufacturing, agriculture, finance and so on is gathering pace.

This year marks the 15th anniversary of the signing of the China-Russia Treaty on Good-Neighborliness, Friendship and Cooperation. We want to carry forward the vision of ever-lasting friendship set by the treaty, turn our strong political relations into more fruits of practical cooperation, and add new substance to the China-Russia comprehensive strategic partnership of coordination.

China and the Middle East

When it comes to Middle East affairs, China has never been a mere onlooker. We have all along supported Arab countries' quest for independence and liberation, we enjoy ever closer economic and trade ties with the region, and we are contributing actively to peace and stability in the Middle East. China does not seek any sphere of influence in the Middle East, nor do we look for any proxy... All the countries in the Middle East welcome and look to China to play a bigger role.

If there is any change in China's policy toward the region, it is that in the context of building the [China-proposed] Silk Road Economic Belt and 21st-Century Maritime Silk Road (Belt and Road), we want to play a more active role and deepen win-win cooperation with countries in the Middle East. And on the basis of not interfering in other countries' internal

affairs, we want to play a more active role in seeking the political settlement of burning issues in the region.

Sino-Japanese Relations

Thanks to the efforts of wise people on both sides, there are signs of improvement in the relationship, but I don't see any grounds for optimism. On the one hand, the Japanese Government and leaders say nice things about wanting to improve relations. On the other hand, they are making trouble for China at every turn. This is a typical case of double-dealing.

Of course, we want to see real improvement in China-Japan relations. But as a saying goes, to cure a disease, you have to address the underlying problem. As far as China-Japan relations are concerned, the underlying problem is that some politicians in Japan have the wrong perception about China. Do they view a growing China as a friend or a foe, a partner or an adversary? The Japanese side needs to give serious thought to this question and make the right choice.

China and Europe

China has always regarded Europe as an important pole in a multi-polar world, and Europe has come to view China's development and rise in a more objective and sensible way. There was a time when China-Europe relations were beset by recurring frictions. But after the dust settled down, Europe has found that China and Europe are not headed for strategic rivalry and that there is no clash of fundamental interests between us. On the contrary, we have an increasing need for cooperation and a growing set of common interests. Going forward, we want to make concrete efforts with Europe to advance our partnerships for peace, growth, reform and civilization.

Working With ASEAN

We will work hard to build an ever closer China-ASEAN community of common destiny. We see ASEAN as a preferred partner in Belt and Road cooperation. We want to ensure the success of the China-Laos Railway, the China-Thailand Railway and the Jakarta-Bangdung High-Speed Railway that China and Indonesia are building together. These are important building blocks of the Pan-Asian Railway Network. When they are completed, the people of China and ASEAN countries will find it easier to visit each other.

ASEAN is our preferred partner in free-trade cooperation. We want to ensure the success of the upgraded version of the China-ASEAN Free Trade Agreement, so as to bring more benefits to businesses and people on both sides. And we want to actively advance the Regional Comprehensive Economic Partnership negotiation and try to wrap it up before the end of the year.

ASEAN is our preferred partner in regional cooperation. At the end of this month, Premier Li Keqiang will invite the leaders of all countries along the Lancang-Mekong River, namely Viet Nam, Laos, Cambodia, Myanmar and Thailand, to gather in [south China's] Hainan Province for the first Lancang-Mekong River Cooperation Leaders' Meeting. The Lancang and Mekong connect all six countries. To date, we have prepared 78 early harvest items. Lancang-Mekong River cooperation is a useful supplement to China-ASEAN cooperation. It can help boost the holistic and balanced development of ASEAN.

ASEAN is also our preferred partner in maritime cooperation. We want to make good use of the China-ASEAN Maritime Cooperation Fund, and step up cooperation on the ocean



Reporters have their eyes on Foreign Minister Wang Yi at his press conference on China's foreign policy on March 8

economy, marine environmental protection and maritime security. In the meantime, we want to explore the possibility of establishing a South China Sea littoral states cooperation mechanism, and work together to maintain and build our common home, the South China Sea.

China and Africa

At the end of last year, President Xi announced 10 cooperation plans for China and Africa. The most salient feature of these plans is that we want to transition from a trade pattern that has so far been dominated by resource products to more investment and industrial cooperation.

By encouraging more Chinese businesses to invest in Africa, we want to help the continent accelerate its industrialization and boost its capacity for development. So these plans couldn't have come at a better time. They are designed precisely to help Africa deal with the new challenges from the global economy. When China makes a promise, it always delivers. Just three months after the Johannesburg Summit of the Forum on China-Africa Cooperation, we have gotten into touch with over 20 African countries to follow up on the outcomes of the summit. A

number of early harvest items will materialize soon, and the China-Africa Fund for Industrial Cooperation is already up and running.

Belt and Road Initiative

Since the Belt and Road Initiative was first put forward more than two years ago, notable progress has been made.

First, more partners are signing up. To date, more than 70 countries and international organizations have expressed interest, and over 30 countries have signed agreements with us to jointly build the Belt and Road.

Second, the financial architecture is basically in place. The China-initiated Asian Infrastructure Investment Bank is up and running, and the first group of projects financed by the Silk Road Fund have been launched.

Third, a connectivity network is taking shape. Important early harvests have been achieved in the areas of infrastructure, finance and people-to-people exchange—most notably, the building of the China-Pakistan Economic Corridor and the China-Mongolia-Russia Economic Corridor. Freight train services now link China directly to Europe. Construction

has begun on the Budapest-Belgrade Railway and the Jakarta-Bandung High-Speed Railway. Important steps have been taken in the China-Laos Railway and China-Thailand Railway, which are both important parts of the Pan-Asia Railway Network.

And fourth, we are making all-round progress in industrial capacity cooperation. We have institutionalized such cooperation with almost 20 countries and created a new model of cooperation with Kazakhstan. A large number of key cooperation projects have been launched in various countries.

The Belt and Road Initiative was China's idea, but its opportunities belong to the world. This initiative echoes the general call of Asian and European countries for development and cooperation. It shows that China is transitioning rapidly from a participant in the international system to a provider of public goods. In building the Belt and Road, we follow the principle of wide consultation, joint contribution and shared benefit.

Overseas Interests

China will not take the old path of expansionism followed by traditional powers, and we will not engage in any form of power politics. Rather, we want to pioneer a uniquely Chinese way to protect our overseas interests, one that is in tune with the trend of the times and welcomed by the other parties.

First, China is willing to take on more international security responsibilities. Since 2008, the Chinese navy has conducted escort missions off the Somali coast. So far, we have dispatched 22 fleets to escort over 6,000 Chinese and foreign ships passing through those waters. China is the biggest contributor of peacekeeping personnel among the five permanent members of the UN Security Council. We are also the second largest contributor to the UN peacekeeping budget.

Second, responding to actual needs and the wishes of the countries in question, we are trying to build some necessary infrastructure and logistical capacities in regions with a concentration of Chinese interests. This is not just reasonable and logical, but also consistent with international practice.

And third, we want to deepen mutually beneficial cooperation with other countries, including law enforcement and security cooperation. ■



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HISTORY AND REALITY

Foreign Minister offers a way to understand China's foreign policy aims

By Josef Gregory Mahoney



The author is a professor of politics and director of the International Graduate Program in Politics, East China Normal University

No other country in the world has more foreign neighbors on its borders or within striking distance than China. It is a curious fact and one that presents China with both danger and opportunities. Why does such a large and by various definitions—ancient civilization if not state—have so many neighbors on its periphery?

There are many possible answers, with some arguing that China's political philosophy over the long course of history has generally eschewed conquest and dominion over others. There are historical exceptions, of course, long ago when some of China's near neighbors in the east and southeast were more or less under Chinese control, and there have been degrees of association under varying tribute-state forms. But the argument that China, during both modern and pre-modern times, has avoided the sort of imperialism and hegemony common to Western powers cannot be easily dismissed.

This fact has been cited in one form or another by Chinese officials in recent times and it was, in effect, repeated thematically during Foreign Minister Wang Yi's press conference held in Beijing on March 8 during the two most important annual political sessions in China, known as "the two sessions." There Wang again clarified China's foreign policy in response to questions about issues related to its activities in the South China Sea, the Belt and Road Initiative (the Silk Road Economic Belt and the 21st-Cen-

tury Maritime Silk Road), the Asian Infrastructure Investment Bank, and investment in Africa, among others.

Millenniums of memory

Counterarguments stipulate that a modern China is not necessarily consigned to traditional practices and indeed, much of modern China can be viewed as a negation of traditional Chinese values. Why then, should one put much stock in traditional Chinese values as a guarantor against the possibility of an aggressive and potentially hegemonic "rising China," when the contemporary Chinese state is substantially the result of ideas and practices that run contrary to traditions?

One possible answer can be offered as follows. To begin, there are those who believe that ideas that in turn develop as theories or stipulated values, or even, as fundamental principles, are more likely to emerge initially as descriptions of historical or ongoing practices than the other way around. In fact, many believe this to be true, including a great number of senior scholars, policymakers and leaders in Beijing today: real politics, the real political economy, and so on, come first—theory comes second. It often leads to the tragic consequences when idealism outpaces reality, when theory takes command in a way that neglects actual material conditions and situations.

Such a lesson is not unique to China and further, Wang alluded to such in his tacit criticism of foreign powers that have engaged in and perhaps even continue to engage in hegemonic activities while stoking fears that China may seek to do the same in the future. The irony, of course, is that some of these powers fail to practice what they preach, and further, have failed to learn their own lessons despite experiencing disastrous adventurism and a great number of foreign policy blunders.

Historically, China has learned and relearned a great number of things, but two of the greatest perhaps include the knowledge of how to build and run a large state and in turn, the limits of that state.

In ancient times, the Qin Dynasty (221-206 B.C.) innovated an early form of the Chinese state and the Han Dynasty (206 B.C.-A.D. 220) developed it further, producing an achievement that was so remarkable, so capacious and ahead of its time, that it was cherished, institutionalized and protected to such an extent that it survived for millennia in various guises.

One way it was protected stemmed from the recognition that this state and its institutions, however remarkable, were nevertheless faced with limits in material terms—that such a state at such a time, with such technology, with such neighbors, was therefore finite in its ability to grow and extend its political control. To extend beyond its capacity would threaten the remarkable achievement at the center of it all. It is reasonable to suggest that various traditional Chinese political philosophies that emerged subsequently did so as theories buttressing this basic political insight.

It is also reasonable to suggest that a similar lesson has been reaffirmed among Chinese leaders in modern times, and likely more strongly so than in the past. On the one hand, the "century of humiliation" taught China terrible lessons that have not been lost during rejuvenation. These lessons include the understanding that there is no "manifest destiny" or "son of heaven" metaphysics that can guarantee the survival of the state or even the civilization.

On the other hand, given the fact that a single party leads the state, there is an immediate institutional memory of these difficult lessons. Foremost among them, that overstepping oneself creates opportunities for catastrophic failure. Instead, one must "cross the river by feeling the stones," as Deng Xiaoping (1904-97),

Chinese peacekeeping police officers ask for information from local villagers when going on patrol in Greenville, Liberia, on November 3, 2015



a renowned Chinese statesman, reiterated, not only to solve problems, but also to effectively recognize the limits of a stable but advancing state. Such a lesson carries an important corollary, namely, that while multi-party states have a number of positive qualities, one of their key weaknesses is a tendency for their political parties to avoid taking effective responsibility for solving deep-seated and difficult problems.

In Beijing, one can easily find pride in China's achievements, but one rarely finds hubris among key leaders. The lessons of history, both recent and ancient, are too fresh, and the ongoing challenges and risks are all too clear.

One lesson we learn from philosophy in general is that it is sometimes easier to talk about ideas in relatively abstract terms than it is to talk about politics in real terms. Nevertheless, it can be terribly difficult to communicate at all when neither philosophical nor political lessons mutually resonate, for example, when certain lessons have not yet been learned or appreciated by one or the other.

Window to his thinking

Despite his diplomatic language, a careful review of Wang's remarks to the press reveals an underlying frustration, the sort provoked when mutual understanding simultaneously appears to be so reasonable and possible and

yet incredibly distant. This frustration appeared to surface in both his critical comments as well as in those points that he took great pains to emphasize. He repeated again and again that China was looking for win-win scenarios and was determined to avoid zero-sum games.

That said, as Wang himself essentially admitted, it is certainly the case that China is involving itself actively in international affairs like never before, such as the pursuit of mutually beneficial economic opportunities and substantial contributions to global peacekeeping efforts.

At the same time, the foreign minister pointed to a number of issues that are complicating Chinese efforts. Perhaps most directly, Wang singled out Japan with surprising candor, starkly asserting, "On the one hand, the Japanese Government and leaders say nice things about wanting to improve relations. On the other hand, they are making trouble for China at every turn. This is a typical case of double-dealing."

Elsewhere, Wang did not hesitate to lecture Americans who harbor negative views of China's rise, stating that, "I want to emphasize once again that China is not the United States, and China will not and cannot become another United States. We have no intention to displace anybody or dominate anybody. My advice to American friends: Perhaps you may want to

spend more time learning about China's cultural tradition distilled from its 5,000-year history, and don't always judge China with the American mindset."

As expected, Wang also discussed China's recent support for new sanctions on North Korea's continuing efforts to develop nuclear weapons and their possible delivery systems. On one hand, Wang emphasized China's support for the sanctions as a continuing commitment to denuclearizing the Korean Peninsula. On the other hand, Wang highlighted the longstanding, close relationship between China and North Korea, and argued that negotiating a peace treaty to replace the armistice should go hand-in-hand with negotiations aimed at halting and dismantling their nuclear weapons programs. Consequently, Wang's tone on North Korea was somewhat more conciliatory than comments made by other leading figures in Beijing in recent days.

Further, while some view the sanctions as having a punitive aspect, Wang suggested instead that their fundamental purpose was to provide a positive incentive for North Korea to return to talks aimed at resolving differences peacefully. ■

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MESSAGES OF CONFIDEN

Editor's Note: Fears and rumors that China's slowing growth would drag down the global economy have surfaced since last year. Right before the opening of this year's full sessions of China's national legislature and top political advisory body, Moody's Investors Service downgraded its outlook for China's government credit ratings from "stable" to "negative" on March 2, citing reasons including rising government debt and a continuing fall in reserves.

In response, top officials in charge of economic affairs met the press, aiming to reassure the world by saying that China would continue to contribute to global growth. Edited excerpts of their comments follow:

'Hard landing' impossible



"The so-called predictions which have called for China's hard landing will definitely come to nothing."

—Xu Shaoshi, Minister of the National Development and Reform Commission

It is undeniable that the Chinese economy has inner resilience and a strong ability to resist risks.

With a solid foundation, an enormous market, vast room for regional development, improved quality of production factors, and rich experiences in macro-control, China is more than capable of keeping economic growth at rates within a reasonable range.

It's absolutely impossible that the Chinese economy will go through a sharp slowdown—otherwise known as a "hard landing." The so-called predictions which have called for China's hard landing will definitely come to nothing, since the possibility of incurring it does not exist.

In addition, reports that "the Chinese economy is dragging down the global economy" are illusory, too. China's economic growth still ranks among the top of the world's major economies. Last year, its GDP grew at 6.9 percent, which was a hard-won result amidst a worldwide economic downturn. Despite a decrease in import value caused by a price slump in commodities, China's import volume keeps on rising—forming an important contribution to the world economy. Another significant addition is its growing outbound direct investment, which totaled \$118 billion last year, up 14.7 percent year on year.

China is still a major engine for the world's economic growth. According to the International Monetary Fund (IMF), it made up 15 percent of the global economy in 2015. Its rate of contribution to global economic growth may have also exceeded 25 percent. China's addition to the global economy is obvious.

Furthermore, there were rumors that China's stock and foreign exchange markets' turbulence in January contributed to the chaos seen in the American and European markets.

Actually, China's influence on the global financial markets' recent turmoil has been over-hyped. China is unable to produce such a powerful spillover effect. From February 8 through 12, big drops were witnessed in the American and European stock markets, as well as in bulk commodities such as crude oil. But at that time, China's financial markets were closed during the Chinese Lunar New Year holiday.

Debt risks controllable

China's fiscal revenue is in a severe situation—it needs to expand the fiscal deficit. It has some room to do so, but cannot expand too much. Fiscal revenue accounts for around 30 percent of China's GDP, lower than that of other countries and much lower than that of developed economies. It could therefore moderately increase its fiscal-deficit-to-GDP ratio.

China's government-debt-to-GDP ratio—around 40 percent—is also lower than other countries. It still has room to increase. What's more important is to make good use of the room, to support the supply-side structural reform and inject vitality into the economy.

To control the risks of local government debt, the Ministry of Finance (MOF) is going to work with local fiscal authorities to strengthen management. A total

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“As long as the local government debt risks are controlled, they will bring no big harm to the overall economy.”

—Lou Jiwei, Minister of Finance

of 5 trillion yuan (\$767 billion) of local government debt is due to come this year. MOF will continue allowing local governments to issue new bonds to replace those coming due. But as for contingent debt, local governments would pay more amid an economic growth slowdown. MOF should control the ratio of contingent debt paid by local governments.

MOF should also prevent all kinds of disguised bond issuance. It's closely watching public-private partnership (PPP)

projects, because it has found that some local governments are borrowing money through PPP projects. As long as the local government debt risks are controlled, they will bring no big harm to the overall economy.

Ample foreign reserves

China's foreign exchange reserves, currently totaling \$3.2 trillion, are still the largest in the world, more than doubling that of Japan, the second largest. The fast accumulation of foreign exchange reserves happened in the past decade. The amount of reserves soared from a mere \$300 billion in 2002 to a peak of \$3.99 trillion in June 2014. As China's economic growth shifts gears, the decline in foreign exchange reserves is something that the Chinese Government has anticipated.

China saw its foreign exchange reserves drop by about \$500 billion in 2015. The reserves mainly flowed into the purses of Chinese citizens and companies.

Last year, deposits of U.S. dollars within China increased by tens of billions, following an increase of \$100 billion in 2014. Banks increased their stacks of greenbacks by around \$100 billion, and corporate debt denominated in U.S. dollars dropped by around \$100 billion.

Meanwhile, corporate and individual outbound payments in foreign currencies, which included tourism, education and consumption expenditures, surpassed inbound payments by \$240 billion last year.

The appreciation of the U.S. dollar against other currencies last year was also a reason for the decrease in foreign reserves, because non-dollar reserves lose value when being converted to dollars.

Admittedly, there are capital outflows mixed with the above mentioned reductions. However, the majority of foreign exchange reserve losses can be explained



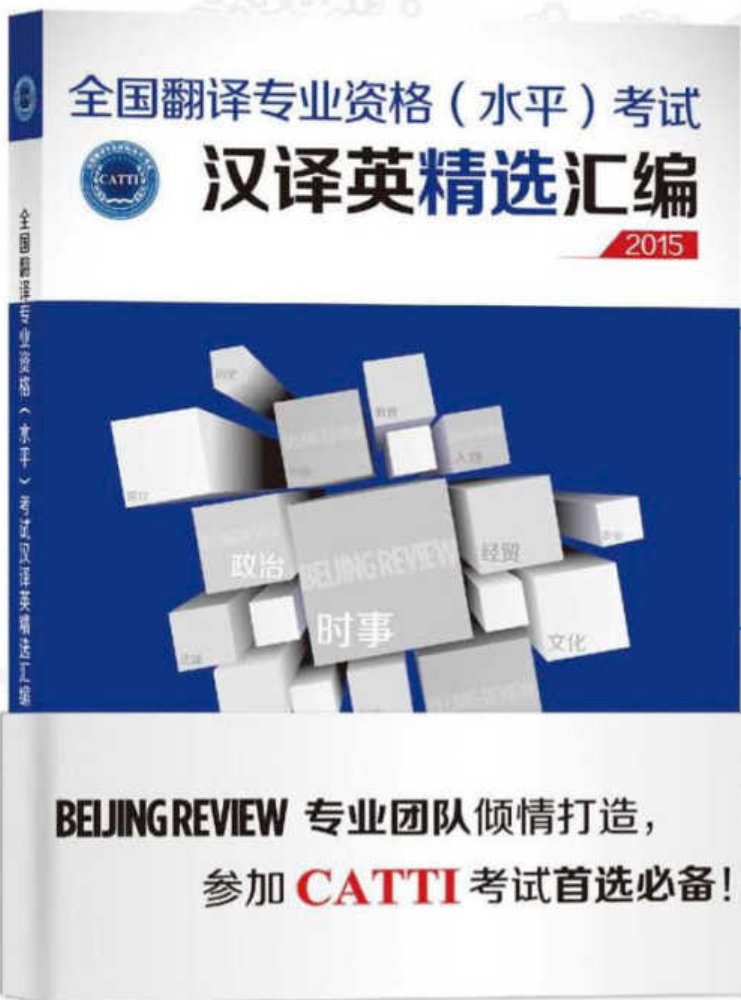
“As China's economic growth shifts gears, the decline in foreign exchange reserves is something that the Chinese Government has anticipated.”

—Yi Gang, Vice Governor of the People's Bank of China

by the gains made by China's citizens and companies.

In addition, China follows the standards set by the IMF when calculating foreign reserves, and assets that lack liquidity were not included. ■

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U.S.-Cuba Reset

President Obama's trip to Cuba will seal diplomatic legacy By An Gang



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

U.S.-Cuba relations will take another significant step toward reconciliation this spring when U.S. President Barack Obama visits Havana. He will be the first sitting U.S. president to visit the island nation since Calvin Coolidge did so in 1928.

The two sides restored diplomatic ties just last summer after 54 years without formal communication. President Obama announced the March 21-22 visit, tweeting on February 17, "I'll travel to Cuba to advance our progress and efforts that can improve the lives of the Cuban people."

The United States and Cuba severed relations in the 1960s during the Cold War following two high-profile international incidents. The first was a military invasion called the Bay of Pigs in 1961, when a group of Cubans funded and trained by the American Central Intelligence Agency tried to overthrow Cuban Prime Minister Fidel Castro's government, but were embarrassingly unsuccessful. The second and better-known incident is the Cuban Missile Crisis of 1962, in which nuclear war was barely avoided.

Trade restrictions between the two countries had begun in 1959 after Castro's communist party came to power and took over private businesses. Strict trade embargoes were put into place following the Cuban Missile Crisis, when all U.S. trade with Cuba was banned, with the exception of non-subsidized food and medicine. Americans were also no longer allowed to travel to the nation, and all two-way commercial flights were stopped.

Still, over the last 50 years, hundreds of thousands of Cubans fled to the United States

seeking asylum. In 1994, President Bill Clinton's administration enacted the "Wet-Foot, Dry-Foot" policy to deal with the increasing number of Cubans seeking refuge. If a Cuban was caught in the water between the countries—with "wet feet"—they would be repatriated home or sent to a third country. But if they were on American soil—with "dry feet"—they would be allowed to stay in the United States.

Ending the impasse

Despite the decades-long U.S. embargo and the mass exodus, the communist government never fell, thanks in large part to the help and support of the Soviet Union (until its collapse) and other countries in Asia, Africa and Latin America. The decades-long embargo and sanctions had largely invoked criticism from both left and central political parties particularly in Latin America, which also impacted relations between the region and the United States.

President Obama emphasizes the use of "smart power" and "soft diplomacy" when promoting American interests abroad. At the beginning of his tenure, he admitted America's long-term embargo policy on Cuba had failed, and promised to restore relations with Cuba. Moreover, Cuban-Americans—who had voted for Obama in 2008 and again in 2012 in higher

margins than recent Democratic presidential candidates—had long been unable to visit families in their native country because of the travel restrictions.

After more than a year of secret negotiations, U.S. President Obama and Fidel Castro's brother and Cuba's current President, Raul Castro, announced on December 17, 2014, that diplomatic relations between the United States and the Republic of Cuba would be restored.

During the Panama Summit of the Americas in April 2015, Obama and Raul Castro met in person. The Americans removed Cuba from its list of State Sponsors of Terrorism a month later. In July that same year, the two countries reestablished formal diplomatic relations and the U.S. embassy reopened in Havana.

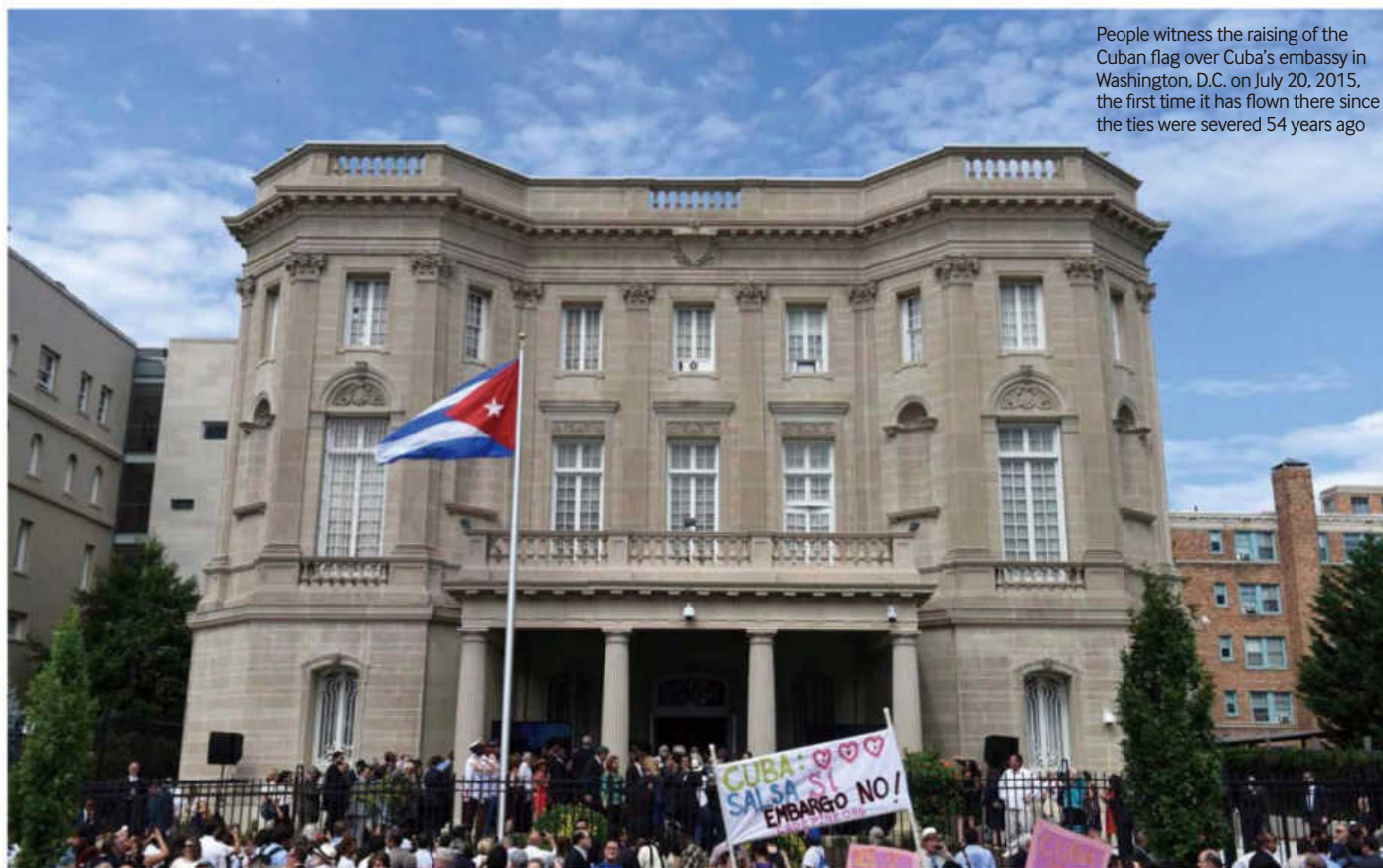
Obama and Raul Castro met again on the sidelines of the UN General Assembly in September 2015. Then on February 13 this year, Cuba returned an inert training Hellfire missile to the United States, which was inadvertently shipped there from Europe in June of 2014. Four days later, they inked an agreement restoring commercial flights between the two nations.

The U.S.-Cuba economic relationship is also thawing. According to U.S. Department of Commerce statistics, the United States approved 490 trade projects in 2015 with Cuba worth \$4.3 billion, and bilateral trade increased 30 percent over 2014. Earlier this year, the Obama administration gave its approval for the first American company to operate in Cuba.

Shift still in progress

Obama's visit to Cuba will be the grand finale of his policy shift toward Cuba. In his meeting with Raul Castro, they are expected to exchange ideas on trade and immigration issues. Obama is also expected to press the Cuban Government for additional political reforms to liberalize its government and seek economic privatization, along with broadening access to the Internet.

The question is then whether Obama's new policies toward Cuba will remain in effect after a new president takes office in January 2017



People witness the raising of the Cuban flag over Cuba's embassy in Washington, D.C. on July 20, 2015, the first time it has flown there since the ties were severed 54 years ago

He will also meet with political dissidents during his visit.

While relations are improving, it should be noted that the two countries still have stark differences regarding human rights and ideology that will not be easily erased by the normalization of relations.

Obama's foreign policies have also highlighted a rift among Cuban-Americans. Close to 70 percent of young Cuban Americans surveyed in a 2014 Florida International University poll favored reopening diplomatic relations, while a similar survey showed that those who left Cuba much earlier supported the embargo.

Yet Obama is eager to distinguish his final legacy as his term comes to an end. His foreign policy has largely focused on five projects: the "pivot to Asia" strategy and the Trans-Pacific Partnership Agreement; the signing of the Iran nuclear deal framework and the beginning of the reconciliation process with two old enemies—Iran and Cuba; ending the wars in Iraq and Afghanistan; containing Islamic terrorism; and combatting global warming.

Reconciliation with Cuba is also a necessary step if Obama wants to reestablish America's influence in Latin America. During

his presidency, Obama officially renounced the Monroe Doctrine and initiated further relations with Latin America through projects like poverty alleviation, economic development, environmental protection and drug-control, with positive results. In many ways, the thawing of the U.S.-Cuba relationship is occurring in conjunction with the warming of U.S. relations with other Latin American countries.

The question is then whether Obama's new policies toward Cuba will remain in effect after a new president takes office in January 2017. Currently, two Cuban American U.S. Senators are competing for the Republican presidential nomination, and Floridian Marco Rubio and Texan Ted Cruz both disagree with Obama's new policy toward Cuba.

Earlier this year, Raul Castro said the United States needs to completely end the economic embargo against Cuba, return Guantanamo Bay, respect its political system and stop interfering in Cuban internal affairs. He reiterated that, "Cuba will never accept any conditions that undermine Cuba's sovereignty."

For the United States, it is not easy to persuade conservatives in Congress to lift trade and financial sanctions against Cuba or allow investments in the communist country. During the second U.S.-Cuba strategic dia-

logue in Washington in January, Cuban Minister of Foreign Trade and Investment Rodrigo Malmierca Díaz repeated that American blockades in Cuba are the main obstacle to the two countries' trade normalization.

China has been paying close attention to both U.S.-Cuba and U.S.-Latin America relations, not only out of concern for the development of Cuba, a fellow communist country, but also because of the possible influence on China resulting from changes in political strategies and economic policies. China is now Cuba's second largest trading partner, with bilateral trade volume reaching \$1.8 billion in 2014.

China welcomes the improved relationship between the United States and Cuba and values the expanded opportunities in tourism, infrastructure and agriculture brought about by the thaw.

In the long run, both China and the United States attach great importance to their relations with Latin American countries, and Obama's engagement with Cuba may further increase economic and coordination opportunities. ■

Blueprint for Urbanization

New guideline for planning, development and management sets overall goal **By Wang Hairong**

Cities in China are bursting at the seams and scraping further into the sky as the country pushes forward urbanization policies. Consequently, this has also exacerbated urban maladies such as pollution, traffic congestion and insufficient public services.

On February 21, the Central Committee of the Communist Party of China and the State Council released a guideline for urban planning, development and management. The document is an outcome of the Central Urban Work Conference held in Beijing last December.

This conference is the second urban conference hosted by the central leadership in 37 years, which suggests that the government has attached new found significance to these issues.

When introducing the guideline, Chen Zhenggao, Minister of Housing and Urban-Rural Development, said that the document sets the overall goal for China's future urban planning, development and management. That target is to realize an orderly urban construction, rational development and efficient operation, and strive to build harmonious, livable, vibrant and unique modern cities, in order to improve people's lives.

In the past five years, 100 million people have swarmed from rural areas to cities. Now, 56.1 percent of the country's total population is located in urban areas, according to data from the National Development and Reform Commission (NDRC).

Currently, China has 653 cities, of which, more than 140 have a population exceeding 1 million, said Hu Zucai, Vice Minister of the NDRC, at a press conference dated January 29.

Targets and timetables

The plan spells out seven main tasks including strengthening urban planning; making cities more unique, energy-efficient, and livable; improving public services, enhancing the quality and safety of urban structures; as well as innovating urban governance.

A highlight of the document is that it specifies that urban architecture should follow the principle of being "practical, economic, green and beautiful."

According to the scheme, cities' landscapes should also be unique by reflecting regional, ethnic and contemporary features while historical and cultural characteristics should also be preserved. Buildings should meet design requirements in terms of shape, color, scale and height, the document adds.

The guideline also encourages domestic and foreign architecture design firms to compete with each other to produce outstanding works and promote design exchanges.

While requiring buildings to be beautiful and in harmony with the environment, the document clarifies that the single-handed pursuit of a building's appearance should be avoided. Buildings should be functionally

A garden in a residential area in Xiamen, Fujian Province, is designed to collect as much rain water as possible



practical and environmentally friendly, and should be designed with the conservation of energy, water, land and materials in mind.

Yang Baojun, Vice President of the China Academy of Urban Planning and Design, said that in the future, China will give more attention to the quality of urban development and switch from extensive to intensive development.

The guideline has specified targets to make its cities greener and more livable, as well as timetables for reaching some of the goals outlined.

Ecological restoration should also be carried out so that damaged mountains, rivers, wetlands and vegetation can be repaired, abandoned mines are reclaimed, and soil pollution tackled, the document states. It also encourages afforestation, including the greening of three-dimensional structures such as roofs and walls.

Air and water pollution control measures have been specified as well. According to the guideline, by 2020, all waste water should be treated. Also, cities suffering from water shortages should treat and recycle more than 20 percent of their waste-water.

The document requires garbage to be classified, reduced, recycled, and reused. It also stipulates that by 2020, garbage recycling rates should be raised to more than 35 percent. In the next five years, a system to collect, recycle and reuse kitchen and construction waste materials should be set up, too.



A resident of Changchun, capital of Jilin Province, watches TV at his new home on November 1, 2015. His old home in a shanty town was torn down and he was given a new home by the government



The guideline also sets goals to expand the public transportation system. By 2020, public transportation will provide more than 40 percent of China's megacities' transportation capacity, more than 30 percent in large cities, and over 20 percent in small and medium-sized cities.

The year 2020 will also be the deadline for the dismantling of unauthorized structures, designating historical and cultural neighborhoods, and the completion of the renovation of existing rundown urban areas and dilapidated housing.

By that year, 20 percent of cities in China should have drainage systems that are resistant to water-logging and flooding. By 2030, the document states that the figure should rise to 80 percent.

Community layout

Another highlight of the plan is the hotly debated policy on opening up enclosed residential compounds.

The document contains an article stating that in principle, no enclosed residential compounds will be built in the future, while those already built will gradually be opened. This is so that internal roads can be more easily accessed by the public, problems in the layout of the transportation network can be solved, and efficient land use promoted.

On February 22, one day after the guideline was issued, Wang Peng, a resident in Beijing's Haidian District, was alerted by

a constant beeping from his cellphone, which indicated an influx of WeChat instant messages.

Wang checked his cellphone and noticed a heated discussion was going on, about whether or not the walls surrounding residential compounds should be torn down.

He found that opinions on this issue were widely divided. One neighbor, who was irritated by someone damaging the gate to his building during the Chinese New Year holiday, said that if the residential compound's wall were to be dismantled, he would feel even less secure. Nonetheless, another neighbor hoped that the compound lying between her home and the subway station could be made open because cutting through the compound could save her at least 20 minutes of commuting time every day.

Yang said that enclosed residential compounds make cities less charming and less vibrant, and that this situation should be changed accordingly. While clusters of buildings are segregated by walls, enclosed spaces and amenities cannot be shared with other members of the public. Yang said that modern cities should be open in that respect.

In the past decades, more and more enclosed residential compounds have been built by property developers, so although urban traffic "arteries" have been getting broader and broader, smaller "capillaries" have remained clogged, he said.

The newly released blueprint states that urban road networks should have a sound balance of expressways in addition to primary and secondary roads, while dead-end roads should be reduced.

To ease traffic jams, the scheme sets a specific target for the density of urban traffic networks. According to the guideline, by 2020, the average urban road density should be increased to 8 km per square km, and the roads should account for 15 percent of the total area. Yang said that currently in most cities, roads take up 12 percent of the total area.

Nonetheless, after the document was published, many people voiced their concerns over the opening up of enclosed residential compounds, mainly out of worries about the threat to property safety and road safety if the walls were gone.

Responding to public concern, the Ministry of Housing and Urban-Rural Development quickly released remarks to explain. The ministry stated that the new policy is not a one-size-fits-all requirement, and that it will be implemented step by step according to the actual conditions of residential areas. They also stressed that residents' opinions would be taken into consideration and that their legitimate rights and interests would be protected. ■

Cities Enter New Stage

Urban centers shift gears to be more people- and eco-friendly By Peng Shuyi

Never before has any other country in the world experienced such a large-scale and rapid urbanization drive as the one that is ongoing in China. Fueled by rapid economic growth, the country's urbanization rate soared from under 20 percent more than a decade ago to 52.6 percent in 2012—and to 56.1 percent at the end of 2015—which translates into an annual growth rate of more than 1.3 percent. The traditionally agricultural country has since taken on a new look.

Yet “aggressive” urbanization has also created many problems, such as a lack of variation in cities’ look and feel, environmental degradation, and insufficient public services.

In March 2014, the Chinese Government released a National New-Type Urbanization Plan (2014-20), a blueprint to guide the country's urbanization process. The plan has set the goal to pursue people-oriented, environmentally friendly and sustainable

urbanization.

The new-type urbanization has been piloted in a batch of Chinese cities. By the end of December 2015, a second batch of cities had started to pilot the program, with much more progress on the horizon.

Problems encountered

China's urbanization progressed much faster than that of developed countries. Yet extensive urbanization has brought a raft of issues to contend with.

At the early stage, the country's urbanization process was virtually a city-making campaign. During mass demolition and construction for commercial purposes, many old streets rich in history, culture and ethnic characteristics were torn down, replaced by paved roads, lawns, plazas and skyscrapers.

These hastily built cities, regardless of their size as well as geographical and cultural

features, sought to look “international.” Many cities flocked to construct landmark buildings, and some even copied famous ones such as the Tiananmen Rostrum in Beijing, Arch of Triumph in Paris, and the White House in Washington, D.C.

As a result, many Chinese cities looked neither unique nor beautiful. Moreover, the large number of high energy-consuming buildings led to a serious waste of resources and a rise in pollution levels.

During the GDP-oriented urbanization process, not enough attention was paid to the construction of such facilities as hospitals, schools, parks, garbage dumps and underground pipelines. As a consequence, some cities were “modern” but uninhabitable. Many megacities suffer from heavy pollution, traffic congestion and shortages of water and electricity, as well as educational and medical resources. Meanwhile, many small- and medium-cities are plagued with

Major Urbanization Goals and Tasks in 2016

People-centered urbanization will be advanced. This means granting urban residency to around 100 million people with rural household registration living in urban areas and other permanent urban residents, completing the rebuilding of both rundown areas and “villages” in cities involving about 100 million people, and enabling around 100 million rural residents to live in local towns and cities in the central and western regions.

By 2020, permanent urban residents should account for 60 percent of China's population, and 45 percent of Chinese people should be registered as permanent urban residents.

Three major steps will be taken regarding urbanization:

—Move faster to see that urban residency

is granted to more people with rural household registration living in urban areas.

Permanent urban residents without urban residency should be issued residence cards, thus enabling them to enjoy, as provided for by law, the right to access education, employment, medical care, and other basic public services.

The development of small towns and small and medium-sized cities in the central and western regions will be promoted to help more rural migrant workers find employment or start businesses in urban areas closer to home so that they do not have to choose between earning money and taking care of their families.

—Promote the development of government-subsidized housing in urban areas and the steady and healthy development of the

real estate market.

A total of 6 million housing units will be rebuilt in rundown urban areas and more people displaced by the rebuilding of such areas will receive monetary housing compensation rather than housing.

The tax and credit policies for supporting justified personal housing consumption will be improved, and cities will take policies appropriate to their local conditions to ease the real estate industry's problem of excess inventory.

A housing system will be put in place, which encourages both renting and purchasing. Eligible non-registered urban residents will be allowed to apply for public rental housing.

—Redouble efforts to improve urban planning, development, and management.

(Source: *Government Work Report*)

Staff members work in the intelligent microgrid master control room of Jiangxi Risun Solar Energy Co. on September 24, 2015. Intelligent microgrid and other energy-conserving technology is promoted in Xinyu, Jiangxi Province



poor management and public services.

One consistent and serious problem encountered in the urbanization process is that a large number of rural surplus laborers have not been absorbed by cities. Although China's number of permanent urban residents account for more than 50 percent of the total population, residents with city household registration make up less than 40 percent.

Under the *hukou* system, the Chinese system that assigns access to public services based on household registration, which is often difficult to change, many migrant workers and their children do not have adequate access to urban medical and education resources. Consequently, many of these workers have left their children in their village of origin. Official statistics show that as of 2015, there were more than 60 million "left-behind" children in rural areas, which creates a whole other host of complex social issues.

To make matters worse, today, large cities that are already overcrowded are unable to accommodate more people, whereas small- and medium-cities lacking strong industries are unable to generate enough stable jobs to maintain the influx of migrants. Some new cities that aren't backed by strong industries end up more like ghost towns.

New-type urbanization

China's export-dependent economy was seriously affected by the 2008 global financial crisis. Thereafter, the Chinese Government began to shift its focus from encouraging exports to stimulating domestic demand.

The new-type urbanization is expected

to be an effective force boosting China's twin goals of domestic consumption for economic needs, and sustainable development for the future.

In the early urbanization process, lakes were filled up to reclaim land, trees were chopped down to create lawns, and historical buildings were bulldozed to construct new ones. Under the new model, such practices will be stopped. Rather, a city's history and culture will be respected, and its unique natural landscape and local characteristics will be retained.

Moreover, cities will not only be made to be beautiful but also more habitable. Parks, hospitals and schools will be built in residential areas to make people's lives more convenient and reduce transportation time. Drainable pipelines will be improved to prevent waterlogging and proper garbage collection and disposal facilities will be put in place.

Cities will also be encouraged to pursue low-carbon and green development. For instance, buildings should adopt natural ventilation and lighting systems.

Under the new-type urbanization, China attaches importance to drawing relevant experience from developed countries. For instance, in 2013, China and France signed an agreement on urban sustainable development. In 2014, to mark the 50th anniversary of the establishment of their diplomatic ties, the two countries'

leaders signed a medium- to long-term plan for the development of bilateral relations, which included cooperation in better urban planning.

French cities can also offer best practices. The north French city of Lille's traditional pillar industries such as textile, metallurgy and quarrying went bust after being hit hard during globalization. The city, tapping on its architecture and other cultural heritages, then vigorously developed cultural industries to become new anchors for regional prosperity.

Reims, a city in northeast France, used to be a mining center. After the local industry faded, it became the site of a branch of the esteemed Louvre Museum. Now, about 500,000 people visit the branch museum every year, which creates new economic opportunities for the city.

Developing tertiary industries such as cultural and tourism industries and nurturing small and medium-sized enterprises are viable ways for Chinese cities to attract and accommodate rural residents migrating to cities. While providing jobs for migrant workers, cities should also give their new residents access to urban social insurance and public services. ■

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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.



CAIF—The Bridge of
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Launched in 2009, the biennial forum has been held quartic, witnessing the signing of agreements on more than 300 investment and procurement projects. It has helped a large number of Chinese enterprises start business in Africa and African countries learn more about China.

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The First China Africa Industrial Forum kicked in Beijing in 2009.



The China Africa Industrial Forum with Beijing Review signed a strategic cooperation agreement.



Thousands of people from China and African countries took part in The Fourth China Africa Industrial Forum.



Seminar on Legal Risk of Africa Investment & Establishment Ceremony of Africa Legal Affairs Center



Seminar on Africa Energy and Mineral Resources



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

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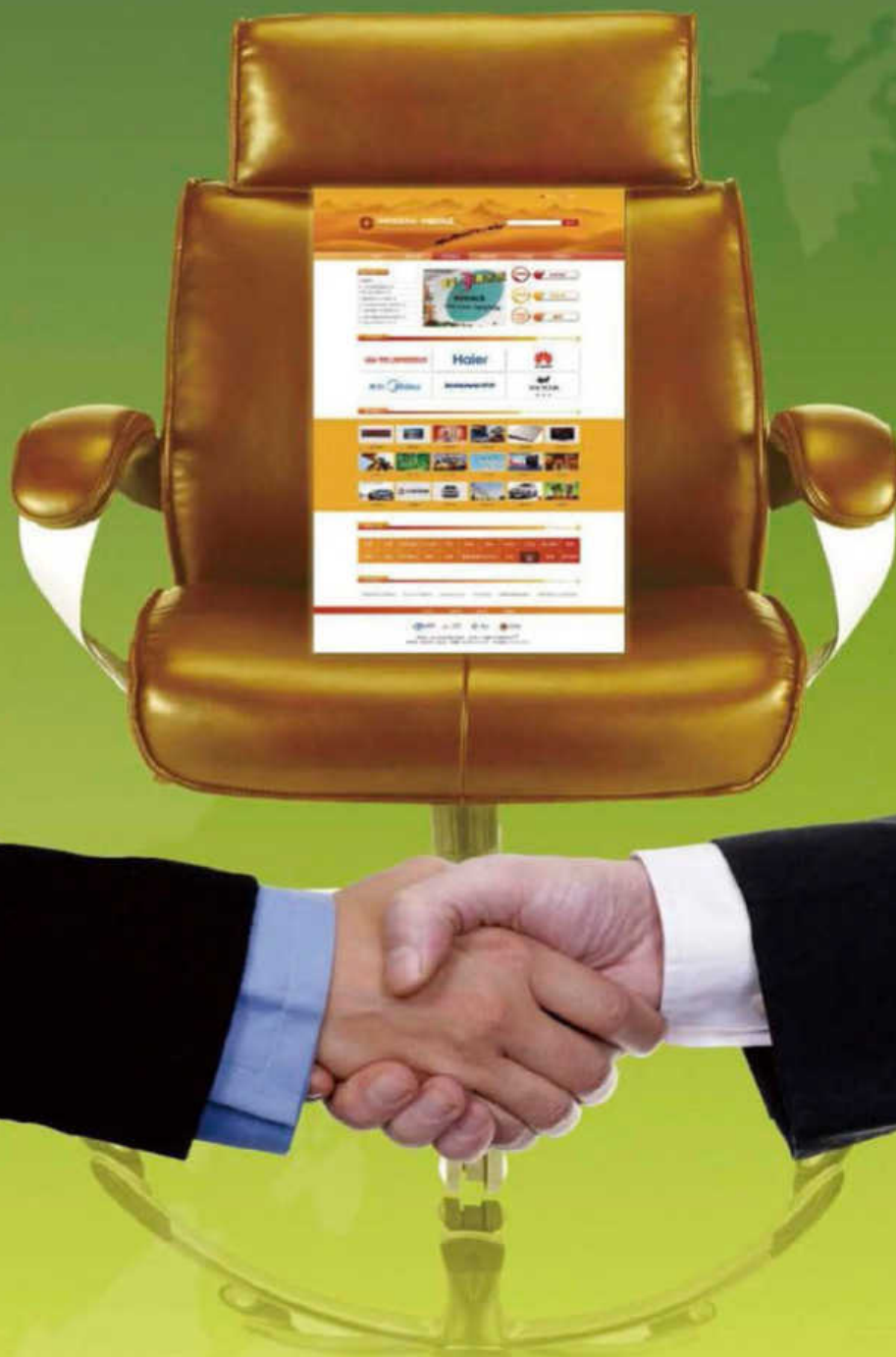


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A Breath of Fresh Air

China strives to blaze new green trail for economic success By Deng Yaqing

Green development has become a crucial component of China's initiative to push forward supply-side structural reform.

Amidst the current economic slowdown, resolution and courage should be strengthened to encourage progress in sustainable industries and economies, because it is neither feasible nor viable to pursue temporary GDP growth at the expense of the natural environment, said Wu Xiaoqing, Vice Minister of Environmental Protection at a press conference for the Fourth Session of the 12th Chinese People's Political Consultative Conference (CPPCC) National Committee on March 7. He also stressed that environmental protection should not become an obstacle to economic development.

In the past three decades, China's economy was based on the wholesale construction of industrial facilities, manufacturing of consumer goods, improvement of housing conditions, motorization of transportation, etc. However, the massive use of materials involved in those tasks has resulted in excessive per-capita energy consumption, serious pollution and subsequent climate change. Aside from that, the economy has now reached a bottleneck, and can no longer be supported by the low-end capacity expansion, mass production of traditional consumer goods, and low environmental standards and labor costs of that era.

"Green and low-carbon development is totally different from what China has pursued in the past. The focus is on both promoting economic development and improving the quality of people's life," said Zhou Dali in an exclusive interview with *Beijing Review* during the United Nations climate change conference in Paris last December.

"Green development, which is primarily fueled by innovations in technology and boosting development quality, is in line with the purpose of supply-side structural reform," Fu Chengyu, former Chairman of Sinopec Group, told *Beijing Review*.

In fact, the initiative to pursue green development has already yielded some results. During the 12th Five-Year Plan (2011-15) period, energy consumption per unit of GDP was brought down by 18.2 percent year on year, outpacing the previously set goal of 16 percent, with the emissions of major pollutants down more than 12 percent. From 2013 to 2015, energy consumption per unit of GDP decreased by 3.7 percent, 4.8 percent and 5.6 percent respectively.

Furthermore, Premier Li Keqiang pledged that cities will enjoy good air quality 80 percent of the days during the 13th Five-Year Plan period, which spans from 2016-20.

Smog-filled days are primarily a result of coal burning and automobile exhaust, therefore, achieving that goal will be an arduous process for many cities, said Qin Dahe, an academicien with the Chinese Academy of Sciences.

To this end, responsibilities should be explicitly defined and detailed tasks should be assigned to government officials at all levels. Also, an appraisal and accountability system needs to be set up and their performance in completing these tasks should be considered when assessing their achievements. Moreover, strict law enforcement measures should be respected and promoted and short-term economic growth should not be put before long-term environmental goals set by the government, and environmental progress should be exposed to public supervision, said Wu.

Lingering problems

In its Intended Nationally Determined Contributions submitted to the United Nations, China promised to reach peak carbon emissions by 2030, since the nation is still a developing country. "Due to the ongoing process of industrialization, urbanization, agricultural modernization and information-systems adoption, China needs energy to fuel its development. At

the same time, it also needs to substantially adjust its energy mix and industrial structure," said Xie Zhenhua, China's Special Representative on Climate Change Affairs.

In recent years, China's progress in energy conservation has been conspicuous. In the past two decades, it contributed 58 percent to the total amount of energy saved throughout the world. Beyond that, its installed capacity for renewable energy usage makes up 24-25 percent of the world's total, according to statistics from the National Development and Reform Commission.

Despite that, there is room for improvement in legislation, standards and awareness. During the 12th Five-Year Plan period, north-



Workers at the Shijiazhuang Zhongbo New-Energy Bus Co. Ltd. assemble a bus on December 9, 2015

west China's Gansu Province witnessed its installed capacity of wind and solar power hit 12.52 gigawatts and 6.1 gigawatts respectively, ranking second and first amongst all provinces and autonomous regions, according to the 2016 report on the work of the Gansu provincial government.

However, due to weak local demand and an incomplete grid system that has not incorporated all of the new-energy power sources, wind and solar power commonly goes to waste in Gansu.

"Last year, roughly 39 percent of wind power installed capacity stood idle on average, and sometimes the ratio could even reach 70 percent. The idleness of solar power installation

was also very high," said Li Ningping, President of Gansu Province Electric Power Investment Group Corp.

Though the Renewable Energy Law requires electricity grid companies to buy all the power produced by renewable energy generators, few green-power generation companies have been able to take advantage of the policy, and therefore have to discard the wind and solar power generated by their projects, said Li.

On the other hand, the massive installed capacity of fossil fuel power is still a large contributor to some provinces' GDP, and local governments are reluctant to leave those systems behind. This leaves little consumption space for renewable energies, said Li, urging authorities to strengthen related legislation and enforcement of those policies.

In addition to that, China's industrial standard is relatively lower than that of developed countries. "The energy intensity in China is as much as 2.9 times of the best performer in Europe, which is still thirsty for improvement," said Fu, noting that it's a result of low industrial standards set by the government and Chinese enterprises' failure to fully comply with those.

New-energy vehicle

The government as well as ordinary people also need to improve their awareness and behavior regarding these issues, and stick to environmentally friendly production models and lifestyles. "In China, the government tends to construct special buildings for various events and conferences, as opposed to many foreign countries, in which venues for these activities are just large warehouses or temporary constructions," said Xie. He suggested that the government hold international events in a thrifty and energy-saving way.

"New-energy automobiles are a pillar industry in the national economy and a symbol of a nation's economic competitiveness,"

said He Xiangjiu, a member of the 12th CPPCC National Committee. He noted that the green initiatives will not only prepare the automobile industry to fulfill demands posed from national security, climate change, environmental protection and structural upgrading, but also promote sustainable economic development.

By the end of 2015, China had seen the number of in-service new-energy vehicles reach 583,200 units, a year-on-year increase of 169.48 percent, of which 332,000 units were purely electric cars. That marked a year-on-year increase of 317.06 percent, according to statistics from the Traffic Management Bureau of the Public Security Ministry.

Chang Anjin, President of Anhui Jianghuai Automobile Co. Ltd., argued that inadequate charging facilities for the cars poses a stumbling block for the popularization of the new-energy cars. "The government should bolster the construction of the supporting infrastructure through preferential policies," said Chang.

Meanwhile, authorities should elevate the requirements for market access and strengthen its management of market admittance, in order to eliminate potential battery safety risks, said He, the CPPCC National Committee member.

As the world's largest new-energy car user, China should formulate coordinated plans to set standards, solve quality problems, and construct the required charging infrastructure, so that the popularization of the new-energy cars can progress in an orderly way, said Xie.

"It's a fledgling industry, and the government should deliberately plan for its development before heavy losses are incurred," said Xie. ■



Copiedited by Bryan Michael Galvan
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OPINION

Transformation Through Structural Reform

The 13th Five-Year Plan (2016-20) period is crucial in China's modernization process, as is the year 2020 in terms of readjusting the country's economic structure and transforming its growth pattern. At the same time, 2020 also serves as the deadline for China's completion of its goal to build a moderately prosperous society. The achievement of all development goals during the 13th Five-Year Plan period will be paramount if China is to foster fair and sustainable economic growth for the foreseeable future.

China's economic transformation is at a pivotal juncture. On one hand, a slow economic shift would intensify downward pressures. China registered a GDP growth of 6.9 percent in 2015—but even though the economy is stable—growth suppression has been increasing. If the pace of the economic transformation were to decelerate, it would not only intensify negative effects in the short term, but also raise concerns on China's mid- and long-term economic prospects.

On the other hand, investment-driven growth has reached the end of its line. China is now facing severe challenges with regards to cutting excessive industrial capacity, destocking and de-leveraging. The formation of excessive production capacity, unsold homes and high leverages were inevitable outcomes of the investment-driven era, and also highlights the unsustainable nature of the investment-led growth pattern.

Whether or not cutting excessive industrial capacity, destocking and de-leveraging will be effective depends on the success of the planned breakthroughs in readjusting the industrial structure. During the 13th Five-Year Plan period we've just entered, and especially throughout the coming two years, if the government leads China toward the appropriate path, the downward pressures of economic growth in the short term will be alleviated. If this is the case, the country would unleash its significant potential for economic growth in the middle and long term. Otherwise, the country might lose the initiative in terms of economic growth, thereby arousing systemic

economic and social risks.

Why is the 13th Five-Year Plan period crucial for the structural reform?

First of all, economic transformation faces obstruction from a variety of structural problems. An outstanding example of such an issue is that the current structures of supply and demand don't complement each other. The demand's role in guiding the supply has not been developed to its full, and at the same time, the supply has not met demand effectively. Therefore, while expanding the total demand appropriately, the government should intensify the supply-side reform in order to improve the quality and efficiency of the supply system.

Second, there are serious structural problems between consumption and investment. Since the 12th Five-Year Plan (2011-15) period, the imbalance between the two has been improved, with consumption's contribution to GDP rising. However, since the investment-driven growth pattern hasn't been fundamentally changed, those two factors have yet to find equilibrium. Also, problems featuring inadequate supplies to bolster consumption have become increasingly prominent.

Third, there are inherent issues in the policy being made and the institutions driving them forward. To alleviate the economic stresses, we shouldn't rely solely on policy stimulus, but on institutional arrangement and innovation, too. For instance, stimulus policies, especially macro financial control measures, should be the last resort to prevent systemic risks by cutting excessive capacity. Institutional problems causing surplus capacity should be eliminated through a change in the administrative approval system, a market-oriented adaptation to production factors, the improvement of the taxation system and the revision of the financial system.

Facing these problems, the government should be more committed to advancing structural reform and exploring new paths to clear its obstacles.

To begin with, the reform should be adopted in order to advance industrial restructuring. After China entered the middle and late stages of industrialization, the emphasis in market

resource allocation was transferred from the industrial sector to the service sector. The market should therefore be relied on to develop mainly modern producer services and advance the transformation of the manufacturing industry.

Next, all economic restructuring should be oriented with the revamping of urbanization policies. China will enter a new stage in its plans to urbanize its population during the 13th Five-Year Plan period. The government must consequently seed the household registration system with new ideas, aiming to accelerate the process and unleash the biggest dividends in the future.

Furthermore, structural reform should push forward consumption restructuring. The key to realize the major breakthroughs needed for a consumption-driven growth pattern is to innovate in terms of supply, satisfy the increasingly diversified and individualized demands of consumers, and accelerate the transformation of investments.

The Third Plenary Session of the 18th CPC Central Committee held in November 2013 put forth a master plan for bolstering economic reform. The achievements in the last two years have showed that reform in some fields has been progressing at a rapid pace, grasping real breakthroughs. But in other sectors, the reform has been carried out slowly.

Ever since the reform has reached deeper into the core of the economy, fundamental changes have taken place in the conditions necessary for restructuring, making reform efforts more difficult and complicated. This therefore requires that the government establish new ideas in developing the economy in an innovative, coordinated, green, open and inclusive way. Furthermore, the government should break down the confinement of interest groups and build a better environment for reforms, so as to provide impetus for the economic transformation. ■

This is an edited excerpt of an article written by Chi Fulin, Director of the China (Hainan) Institute for Reform and Development, and published in *Economic Information Daily*.
Copyedited by Bryan Michael Galvan
Comments to yushujun@bjreview.com

NUMBERS

(\$1=6.6 yuan)

\$3.2 tln

China's foreign exchange reserves as of the end of February, down \$28.57 billion from January

8.3 tln yuan

Overall investment amount of 7,110 public-private partnership projects from 2013 to February 19, 2016, covering 19 sectors including energy and transportation

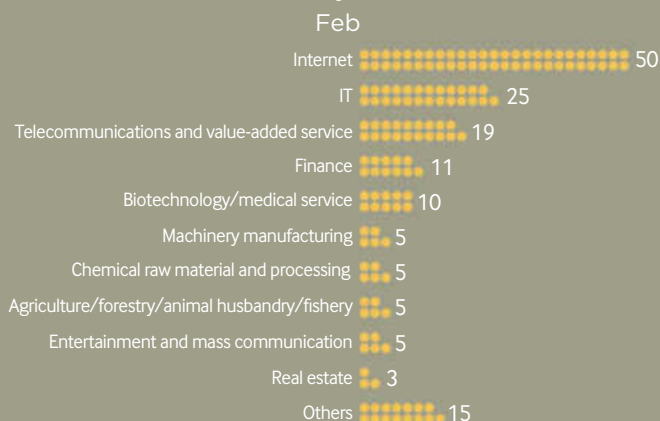
58%

Year-on-year growth in net revenue of JD.com, China's second largest e-commerce company, in 2015

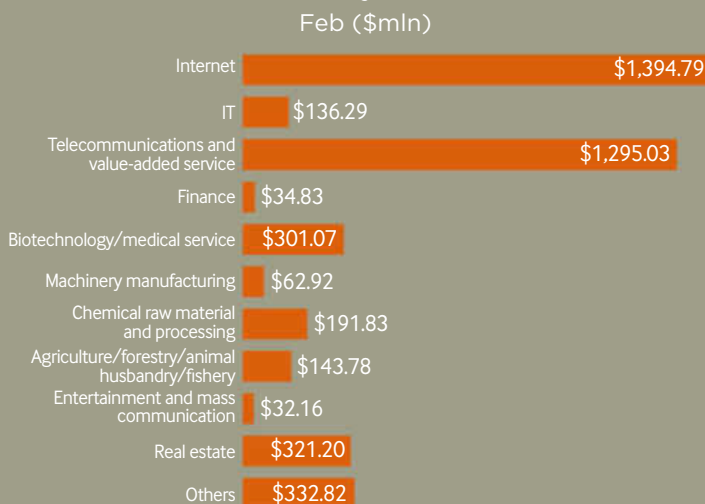
6.47 tln yuan

Output of China's marine economy in 2015, up 7 percent year on year and accounting for about 9.6 percent of the nation's GDP

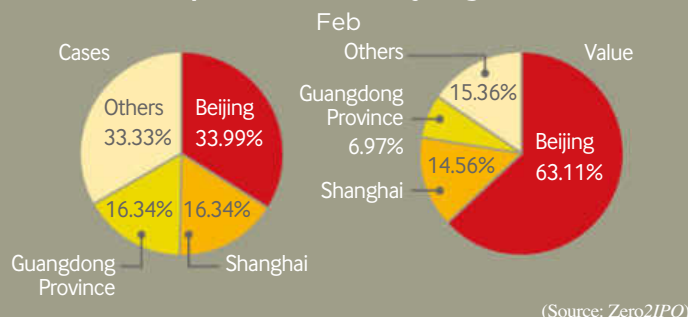
Private Equity and Venture Capital Investment Cases by Sector



Private Equity and Venture Capital Investment Value by Sector



Distribution of Private Equity and Venture Capital Investment by Region



55.1%

Rate of scientific and technological progress' contribution to China's economic growth in 2015

1.2 tln yuan

Amount of money Chinese tourists spent overseas last year

26.47 bln yuan

Volume of funds raised by small firms this year on the New Third Board, China's over-the-counter market, as of March 4

10 bln yuan

Cash flow of Xiaomi, China's top mobile phone producer, released on March 7, suggesting that the company does not require capital market financing right now



A Review Of the 20 Years Development History of HNA Group

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

HNA's African operations

Civil aviation operation

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

Logistics service

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





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No Difference At All

Inclusive preschool education is accessible for hearing-impaired kids By Wei Yao & Yuan Yuan

March 3 marked the 17th National Ear Care Day. The Beijing Qicong Kindergarten was established with assistance from the China Rehabilitation Research Center for Deaf Children (CRRCDC) in 1983. It enrolls both hearing-impaired children and those without disabilities from around the nation. The kindergarten helps hearing-impaired kids get ready for education in regular schools and social communication by integrating them with their peers without hearing difficulties. It also offers one-on-one

courses for children in need of hearing-aid devices.

"I hope that all hearing-impaired children can benefit from systematized social safety, and that compulsory education can be extended to the preschool period for children with disabilities," Long Mo, a member of the 12th National Committee of the Chinese People's Political Consultative Conference, China's top political advisory body, and deputy head of the CRRCDC, told *Beijing Review*. ■

(Photos by Wei Yao)



1



2



3



1. Yuanyuan communicates almost as effectively as non-disabled kids
2. Children learn to feel their ears
3. Ping'an's mother accompanies him during a one-on-one class
4. Drawings by hearing-impaired kids at the kindergarten
5. Kids hug each other as part of a game



Will Overcapacity Cuts Lead to Massive Layoffs?

Dear Readers,

Forum is a column that provides a space for varying perspectives on contemporary Chinese society. We invite you to submit personal viewpoints on past and current topics (in either English or Chinese).

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At a press conference on the sidelines of the annual full session of the National People's Congress, China's top legislature, in early March, Xu Shaoshi, Minister of the National Development and Reform Commission, predicted a positive outlook for this year's employment figures. He believes that efforts to cut excessive industrial capacity will not incur massive layoffs like that of the late 1990s when a large number of poor-performing state-owned enterprises (SOEs) axed tens of millions of jobs through bankruptcies and reorganization.

Overcapacity in the steel and coal sectors has recently received significant attention against the backdrop of a slowdown of China's economic growth. Falling prices of relevant products have placed most companies in the two sectors, most of whom are large SOEs, in difficult conditions. In the process to reduce their excess capacity, about 1.8 million workers will have to be laid off or relocated, according to official estimates.

Helping workers made redundant regain their footing while at the same time offering jobs to the 15 million new additions to the national labor force in 2016 poses an enormous challenge to the Chinese Government. While the Central Government has pledged 100 billion yuan (\$15.4 billion) to help laid-off workers reestablish themselves, local governments also claim that they are completely capable of coping with this task.

The government's promises have helped to calm the nerves of some people who believe that the social and labor environment today is quite different from what it was in the late 1990s, so several million job losses won't hamstring the economy as a whole. However, others argue that this is not a small number, and if not properly dealt with, the whole society's stability might be severely affected.

Li Huadong (People's Daily): Addressing excess industrial capacity is a necessity for the optimization of China's industrial structure and the sustainability of sound economic growth. Although this will inevitably lead to a large num-

ber of laid-off workers, this time will be different from what happened in the late 1990s.

Faced with sharply shrinking profit margins, it is urgent to reduce overcapacity in industries plagued by the problem, especially the steel and coal sectors. This is in line with the market rule. We don't need to be overly pessimistic.

The government has pledged to provide 100 billion yuan to help workers who lose their jobs in the process of overcapacity cuts, and together with social security benefits, various favorable policies for business startups, new jobs created by enterprises' restructuring and also a broad reemployment market, it is not too thorny of a task to help the unemployed get reemployed.

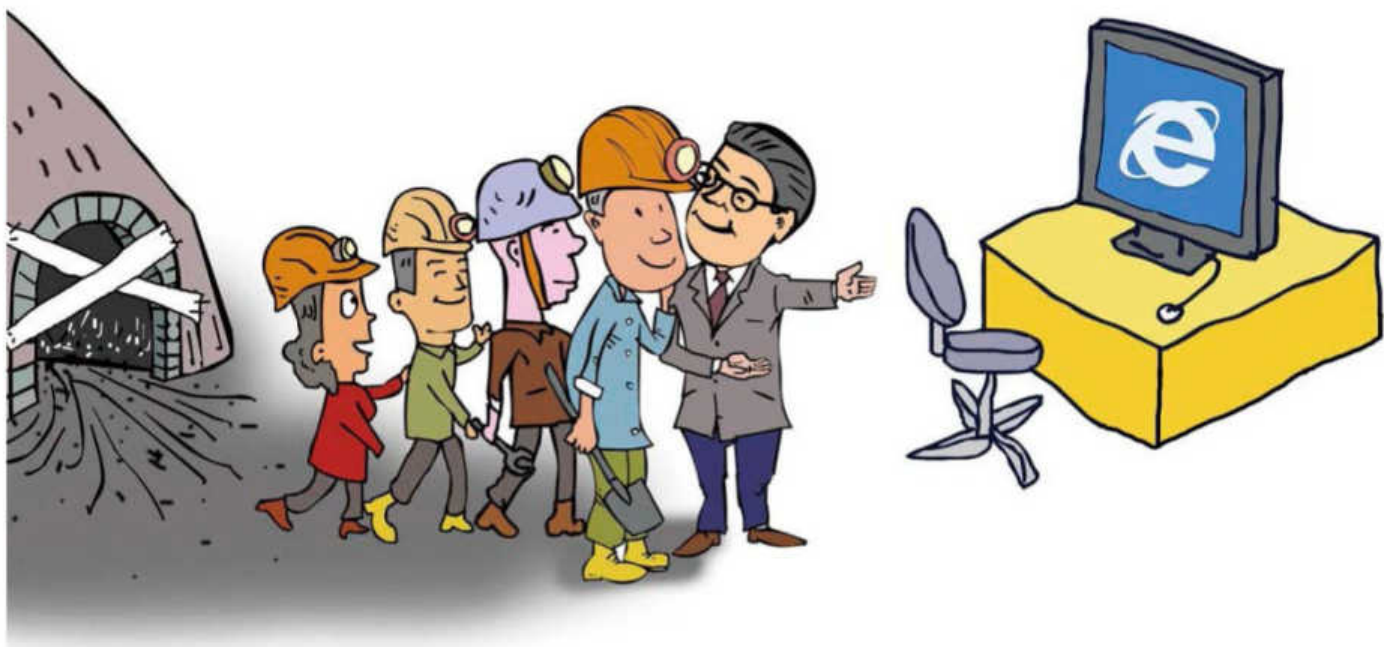
Nowadays, China's labor market is still short of sufficient laborers, which promises many job opportunities for laid-off workers. With the development of Internet-based businesses, there is a bright prospect for reemployment, particularly because most redundant workers from SOEs are equipped with relatively high professional skills.

Ouyang Mijian (21st Century Business Herald): In the late 1990s, a large-scale reform of SOEs and a slowdown of economic growth led to massive layoffs, with tens of millions of workers being let go. Surging unemployment dealt a strong blow to the economy and overall Chinese society, while the laid-off individuals' daily lives and even psychological health were severely affected. At that time, the pressure of helping these people get reemployed was an unbearable burden on the shoulders of government at various levels.

More than two decades have passed, but the memory is still fresh. Therefore, when China is again faced with economic growth slowdown and the necessity to cut overcapacity in some industries, the concern of possible massive layoffs rises again.

However, the situation nowadays is less severe than at that time. Instead of tens of millions of workers to be laid off, today, the number is not as big.

Still, we must be cautious about the pos-



sible risks. The Central Government has stressed that during the process, mergers and acquisitions are preferred to bankruptcies and closures of overcapacity-plagued companies, so as to reduce the number of laid-off workers.

Most of those who are laid off due to the cutting of excess industrial capacity need to find a new job, with some of them choosing to start up their own business or turning to the service sector. But these are not solutions for the majority of those who will be affected. Thus, the restructuring must be accompanied by industrial upgrading, to reduce negative impacts on the economy and employment.

Lin Boqiang (Global Times): Overcapacity will lead to a sharp slide in commodity prices, which in turn will result in a drop of production and finally a deteriorating financial situation for struggling companies. If by cutting the excess capacity, both the macroeconomic situation and companies' fiscal situation can improve, it is necessary to lay off workers from unneeded posts. These workers can manage to find new jobs after receiving training in new skills.

Zhu Haibin (Finance.sina.com.cn): Worries about the forthcoming massive layoffs are overstated. The situation is far better than in the late 1990s, when tens of millions of workers were laid off over just a few years. Besides, at that time, workers laid off from SOEs had almost no opportunities for reemployment, mostly because cheap labor forces

from rural areas kept swarming into the cities for jobs. However, China's working-age population started falling in 2011, which means some sectors are experiencing a labor shortage. The government may also encourage reemployment by increasing financial inputs in skill training for laid-off workers.

Huang Zhizi (Rednet.cn): The cutting of unneeded capacity in the steel sector might result in the sacking of about 500,000 workers. Added together with the large-scale layoffs in the coal and manufacturing sectors due to upgrading and restructuring, this issue must be appropriately addressed.

Most of the workers in the coal, steel and manufacturing industries are middle-aged. They devoted their youth and energy to the work they have been doing so for decades and have made great contributions to China's industrialization and rapid economic growth. Today, the restructuring and upgrading of their enterprises will force them away from their posts, and they'll have to look for a new job at an awkward age. It is a real challenge for their future life.

There must be training programs targeting reemployment for these workers, together with favorable financial support from the government and banks for them to start up their own business, effective reemployment guidance, etc.

Lan Hengmin (Economic Herald): Generally speaking, local governments do

not want firms to simply dismiss workers in the process of getting rid of excess capacity, but they hope the enterprises will try to keep the workers, even if in a different position. In the past several years, as long as an unprofitable company is not shut down, some redundant workers at certain posts may be relocated to other posts within the same company, to prevent job loss.

However, with industrial advancement, the feasibility for workers laid off to move from one assembly line to another will decline. Meanwhile, some companies are bound to be totally closed down. Those who are capable of finding a proper job tend to leave frail employers long before they are forced to go, while those who stay tend to be less competitive in finding a good employer.

The government is responsible for protecting the legitimate rights of workers faced with the fate of being laid off, such as economic compensation and social security benefits. These workers should also be encouraged to find jobs in emerging sectors, such as elderly care, domestic service, working as a mail courier, etc. These industries are now short of sufficient employees, and at the same time, they are growing fast and offer promising career prospects. ■

Copyedited by Mara Lee Durrell

Grit and Strength

By Lan Xinzen



On March 5, 2013, Fu Ying, a former Chinese ambassador to the UK, created history in China by appearing as the spokesperson of the plenary sessions of the National People's Congress (NPC), the highest organ of state power.

Fu was the first woman to become a communicator for China's highest legislative body in 30 years and won accolades for her response to questions from the media and depth and breadth of the issues.

This year, Fu, still the NPC spokesperson, wowed the audiences again as she fielded queries from the foreign media.

At the NPC press conference on March 4, a correspondent of CBS of the United States raised a question on the South China Sea situation, alleging the presence of Chinese military facilities on some islets would affect the region's peace and stability.

To many observers, the question contained prejudice and hegemonic thinking. In her preamble to answering the question, Fu drew attention to biased reports on the situation by a section of the U.S. media. She said she had noticed that the U.S. media often used the word "militarization" when mentioning China in the South China Sea context. Militarization, she said, meant a hegemonic act, and inaccurate use of it was bound to mislead people.

Then Fu began to explain the South China Sea issue candidly. "It is the United States that is militarizing the South China Sea," she answered, pointing out that most of the advanced aircraft and warships currently passing through the South China Sea belonged to the United States.

"In keeping with its 'pivot to Asia' strategy, the United States has decided to deploy a larger naval contingent in this region, and is also strengthening its military presence in the Asia-Pacific region with its allies," she said. "Isn't it militarization?"

Fu Ying's performance reflects the typical Chinese philosophy of conduct: remaining modest and unaggressive but being unyielding inside

Fu explained that China's stance on the South China Sea had been expounded by Foreign Minister Wang Yi when he visited the United States recently. She also said she wanted to express the will of the Chinese people on the issue as well, including both lawmakers and ordinary people.

"Most Chinese are not pleased and do not approve of the United States showing off its military power by sending warships to waters close to the South China Sea islands and reefs," she said. While the United States claims that it does not take sides in the South China Sea disputes, Fu pointed out that its acts and rhetoric, however, are making people feel it is raising tension in the region.

Regarding the military or civil facilities China has built on some islands or reefs of the South China Sea, Fu said Chinese people widely feel that it is important for China to strengthen its defense capability. China has never accepted other countries' occupation of these islands. "We have suggested a policy of putting disputes aside and pursuing joint development in this water area," she stressed. "This is on the premise of safeguarding China's sovereignty over these islands and also maintaining peace and stability in the region."

She ended her reply with another reference to the United States. "If the United States is really concerned about regional stability and peace, it should support negotiations between China and neighboring countries, not go in the opposite direction," she remarked.

Her answer showed her firmness when it comes to China's core interests. At the same time, she tempered it with diplomatic expertise. It reflects the typical Chinese philosophy of conduct: remaining modest and unaggressive but being unyielding inside. ■

Copyedited by Sudeshna Sarkar
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