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GLOBAL NUCLEAR SECURITY

World leaders to gather at summit for non-proliferation efforts



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Cover Design: Pamela Tobey

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EDITOR'S DESK

Nuclear Security Commitments

The Fourth Nuclear Security Summit—to be held in Washington, D.C. from March 31 to April 1—will be of particular importance with regards to the Democratic People's Republic of Korea's recent announcement that it will conduct a nuclear warhead explosion test and the fifth anniversary of the Fukushima nuclear power plant accident in March.

President Xi Jinping will attend the summit and elaborate on the global nuclear security situation and China's nuclear security concept.

China has adhered to the peaceful use of nuclear energy. Since joining the International Atomic Energy Agency (IAEA) in 1984, the country has acceded to a number of international conventions, including the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency, the Convention on the Physical Protection of Nuclear Material, the Treaty on the Non-Proliferation of Nuclear Weapons, the Convention on Nuclear Safety and the International Convention for the Suppression of Acts of Nuclear Terrorism. China is one of the 13 designated members of the IAEA Board of Governors—the most technologically advanced members in terms of atomic energy.

President Xi advocated a rational, balanced and coordinated nuclear security outlook while attending the Nuclear Security Summit in The Hague, the Netherlands, in 2014. The Chinese Government published a white paper titled China's Nuclear Emergency Preparedness in January this year, which highlighted precautions that the country had taken

and strict regulations it adopted. The document stated nuclear emergency preparedness is of critical significance to protecting the people, the environment and social stability as well as safeguarding national security.

China has placed equal emphasis on development and safety and developed its nuclear industry on the precondition of safety. In terms of its capacity to ensure nuclear safety, China has constantly improved its safety technologies, exercised strict supervision over nuclear safety and strengthened nuclear emergency management. The country has accumulated valuable experience in drafting nuclear safety laws and regulations, building nuclear safety institutions and systems, training professionals, carrying out emergency preparedness exercises and drills and communicating with the public on nuclear emergencies. As a result, China's nuclear industry has a sound safety record.

Moreover, China has attached great importance to communicating and cooperating with the international community on nuclear safety and is committed to building a fair, open, cooperative, mutually beneficial and inclusive international nuclear emergency preparedness system together with the rest of the world. The nation has promoted international nuclear security progress based on the principle of respecting other countries' rights and interests. It has sought to achieve universal nuclear safety by means of mutually beneficial cooperation.

China believes that the upcoming summit will positively contribute to global nuclear security. ■

WRITE TO US



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SOWING HOPE

Farmers dressed in traditional clothing participate in a ceremony marking the beginning of spring planting in Nedong County, southwest China's Tibet Autonomous Region, on March 16.



Commemoration Ceremony

Local officials and residents pay tribute to a statue of Dr. Sun Yat-sen at the mausoleum of the renowned statesman in Nanjing, Jiangsu Province, on March 12, which marked the 91st anniversary of Sun's death.

Born on November 12, 1866, Sun led the 1911 Revolution that ended imperial rule in China.

China will hold a series of events to mark the 150th anniversary of Sun's birth this year.

Rights Protection

China has created a more efficient and fairer justice system to improve human rights protection, according to work reports from the Supreme People's Court (SPC) and Supreme People's Procuratorate (SPP). The reports were submitted to the 12th National People's Congress, the national legislature, on March 13.

Courts upheld the principle of "innocent until proven guilty" and worked to protect defendants' legal rights, said the SPC report. It revealed that a total of 1,039 suspects were found not guilty in 2015. In addition, a number of high-profile wrongful convictions were overturned last year, and the courts reviewed about 1,300 cases.

Prosecutors nationwide also

worked to enforce procedural matters. They lodged protests against about 6,600 criminal court rulings and 3,500 civil rulings. They also pushed police to drop about 10,000 cases and worked to stop them from abusing their power and illegally collecting evidence in about 31,000 cases.

About 25,000 suspects were not prosecuted due to a lack of evidence or circumstantial facts, according to the SPP report.

The safety and well-being of women and children has also vastly improved. Chinese courts concluded the trial of about 5,400 cases involving the trafficking and sexual assault of women and children last year, with more severe sentences extended to the guilty parties, said the SPC report.

Scientific Literacy

The State Council, China's cabinet, has issued an action plan to raise the national scientific literacy rate over the 13th Five-Year Plan (2016-20) period.

"Citizens' scientific abilities are the foundation on which to build the strategy of innovation-driven development," according to the action plan, which was made public on March 14.

The government will support the efforts, which will center on conserving energy and resources, protecting ecological environment, safeguarding safety and health, as well as promoting innovation, the document continued.

The action plan mentioned the urgency of building a comprehen-

sive infrastructure and evaluation system on public scientific literacy. Furthermore, it stressed the importance of spreading knowledge of high and new technologies, green development and healthy lifestyles among the public, particularly teenagers, farmers, urban workers, officials and civil servants.

The overall aim is to increase the population's scientific literacy from 6.2 percent in 2015 to above 10 percent by 2020.

Supervision Reform

A new reform policy is in the works to ensure independent and effective law enforcement by local environmental watchdogs in China, Minister of Environmental Protection Chen Jining said on March 11.

The reform, which will occur at the provincial level, is aimed at tackling intervention from local officials by enforcing environmental supervision and prompting local governments to assume their responsibilities in environmental protection, he said.

A pilot program will be launched within the year with the entire reform expected to be complete before 2018.

The ministry is drafting a guideline with 17 provincial-level regions planning to carry out the pilot reform, Chen said.

The reform also deals with cross-regional environmental protection management, the minister continued.

Provincial-level environmental departments will be directly in charge of city-level watchdogs and allocate the budget, according to the new reform. County-level environmental protection bureaus will be abolished and supervision agencies will be set up in their place.

Tuition Support

All financially underprivileged students in China will qualify for financial support within the next five years, according to the Ministry of Education.

The government plans to phase out tuition fees for secondary vocational school students and exempt high school students who are financially disadvantaged from paying tuition fees, said Du Yubo, Vice Minister of Education, on March 11.

Assistance programs for pre-school education fees will also be explored during the 13th Five-Year Plan period, Du added.

In order to improve the effectiveness of financial assistance, he suggested that local authorities allocate aid on a case-by-case basis.

State benefits for poor students have increased in recent years. A report released by the Ministry of Education in August 2015 showed that more than 142.1 billion yuan (\$21.9 billion) was allocated to student assistance programs in 2014, up about 20 percent year on year.

Meanwhile, the number of students and children benefiting from programs funded by the government, loans and donations are also on the rise. More than 85.4 million students from the preschool to university level received financial aid in 2014, up 6.86 percent from the previous year, according to the report.

Satellite Data

Chinese satellites are providing more than 80 percent of the satellite data used in the country, according to a senior official responsible for the defense procurement policy.

Xu Dazhe, head of the State Administration for Science,

Technology and Industry for National Defense (SASTIND), made the remarks on March 10 at a press conference held to announce that a new national satellite data database has been launched. The system was developed as part of China's efforts to build its own satellite constellation as an alternative to the U.S.-operated Global Positioning System.

The database is part of the Sky Eyes project that will eventually launch seven linked high-definition Earth observation satellites into space. Three of them are already in orbit.

"This data will contribute to more accurate decisions by the government," said Wu Yanhua, deputy head of SASTIND.

Companies can also apply to access the database.

"Industries such as land and resources, agriculture and meteorology will also benefit from the project," Wu said.

The general public will get more detailed maps as a result of Sky Eyes, added Tong Xudong, the project's chief engineer.

Great Wall Repair

A 195 million yuan (\$30 million) program to repair and protect western parts of the Great Wall in Gansu Province is nearing completion, local cultural relics authorities said.

Repairs of the Great Wall along Jiayuguan City, including the Jiayu Pass, started in May 2012.

About 95 percent of the renovation, including reinforcing wooden



Fun Expo

Visitors experience an angling machine at the 2016 China Attractions Expo, which kicked off in Beijing on March 14.

Some 400 exhibitors in the amusement and entertainment equipment industry took part in the three-day event.

structures, restoring paintings, building drainage systems and installing flood and fire control facilities, have been completed, Wang Tuan, Deputy Director of Jiayuguan City Cultural Relics Bureau, said on March 12.

A few small repairs are needed to finalize the renovation, Wang said.

Most of the Great Wall's western sections were built from mud rather than stone, and many parts have been eroded by sandstorms and exploited by farmers.

Experts created different types of mud as a substitute of the original

materials to mend the damaged sections, according to Wang.

Jiayu Pass is the starting point of a section of the Great Wall constructed during the Ming Dynasty (1368-1644). More than 1 million tourists visited the world heritage site last year.

The Great Wall was first built during the reign of China's first emperor, Qin Shihuang (259-210 B.C.) of the Qin Dynasty (221-207 B.C.), to keep out foreign invaders.

It stretches over 22,000 km through 10 provincial-level regions in north China.

One-on-One Class

A community social worker teaches a senior resident how to operate a computer in Changchun, Jilin Province.

Minister of Civil Affairs Li Liguang revealed on March 15 that China needs nearly 1 million more professional social workers by 2020. Li said that poverty alleviation is the central task of professional social work.



Foreign Investment

China's non-financial outbound direct investment (ODI) in January and February surged 71.8 percent over the same period of 2015, according to latest official data.

The country's ODI in the first two months of 2016 hit 195.97 billion yuan (\$29.92 billion), said the Ministry of Commerce in a statement on March 15. The ODI in February alone, reaching \$17.9 billion, outnumbered the total for the first two months of last year.

The ministry attributed the rise to a more diversified investment portfolio. In January and February, nine of the 20 industries considered in the ministry's calculation contributed ODI of over \$1 billion,

compared to only four in the same period of 2015.

The Belt and Road Initiative also accelerated business cooperation between Chinese firms and their foreign counterparts. During January to February, China's ODI to countries involved in the Belt and Road Initiative stood at \$2.23 billion, an increase of 41.1 percent year on year.

Meanwhile, non-financial foreign direct investment (FDI) into the Chinese mainland rose 2.7 percent year on year to 141.88 billion yuan (\$22.52 billion) in the first two months of this year despite slowing overall growth.

Investment in the service sector accounted for 62.8 percent of total inflow during the period, reaching 89.16 billion yuan (\$14.21 billion).

FDI in the hi-tech service industry grew 156.6 percent year on year during the period to 15.91 billion yuan (\$2.52 billion).

New Stock Connect

China's securities watchdog said on March 15 that it hoped to launch a stock connect scheme between the Shenzhen and Hong Kong bourses in 2016.

The scheme will allow investors to trade on both bourses under a quota system and is seen as a move toward a closer relationship between the financial markets of the Hong Kong region and the Chinese mainland, Fang Xinghai, Vice Chairman of the China Securities Regulatory Commission, said at a press conference.

China established the Shanghai-Hong Kong Stock Connect in November 2014 to further open the mainland capital market to the outside world. It has operated steadily since its launch, paving the way for the Shenzhen-HK Stock Connect.

The Shenzhen-HK Stock Connect was only one of the plans made with the aim to increase financial cooperation between the mainland and Hong Kong, Hu Zucai, Vice Minister of the National Development and Reform Commission, said at the same press conference.

Hu also stressed Hong Kong's important role in the Belt and Road Initiative, adding that China will unswervingly support Hong Kong in consolidating and elevating its position as an international financial, shipping and trade center.

Price Indexes

China's producer prices continued to fall in February, but the decline has narrowed in a tentative sign of improved aggregate demand, data from the National Bureau of Statistics showed on March 10.

The producer price index (PPI), a measure of costs for goods at the factory gate, fell 4.9 percent year on year, narrowing from a 5.3-percent drop in January and 5.9 percent in December.

The reading also marked the 48th straight month of its decline as China's economic slowdown and industrial overcapacity weighed on prices.

HSBC chief China economist Qu Hongbin attributed the easing contraction to stabilizing commodity prices during the period.

The data came along with the release of the consumer price index (CPI), which rose to 2.3 percent as cold weather and Spring Festival demand pushed up vegetable prices.

But Qu pointed out that the rise in inflation was mostly caused by temporary factors, and downward pressure on non-food prices still looms large.



Do the Locomotion

Two internal combustion locomotives prepare for a trial run in Dalian, northeast China's Liaoning Province, on March 15.

After that, they will be sent to South Africa as the first shipment of an order of 232 internal combustion locomotives to the country. The order was received by CNR Dalian Locomotive & Rolling Stock Co. Ltd. two years ago.



Green Taxi En Route

A driver recharges his electricity-powered taxicab near the Taiyuan South Railway Station in north China's Shanxi Province on March 15.

According to the government work report delivered by Premier Li Keqiang at the annual legislative session on March 5, China aims to hold this year's CPI growth at around 3 percent.

The target is unchanged from that for 2015, but the CPI only rose 1.4 percent last year, a six-year low.

E-Commerce Law

China has completed a draft version of the country's first e-commerce law to guide the sector's sound development, a lawmaker said on March 10.

The draft will be submitted as early as possible to the Financial and Economic Affairs Committee of the National People's Congress (NPC) for review, said Uzhitu, Vice Chairman of the committee, at a press conference on the sidelines of the annual parliamentary session.

After that, the draft e-commerce law will be presented to the NPC Standing Committee for further reading, Uzhitu said.

The legislation is necessary to deal with new problems in data protection and infringements upon customers' interests, he said.

Huge Deal Expected

The acquisition of the U.S. hotel chain operator Starwood by the Chinese insurance conglomerate Anbang Insurance Group, if successful, will increase the hotel group's global market share and ensure the continuity of its operation and brand, analysts said on March 15.

The consortium led by Anbang has offered \$12.8 billion for the hotel operator, compared with an earlier offer by Marriott of \$12.2 billion.

If completed, the transaction will be the largest acquisition made by a Chinese company in the United States, according to financial data provider Dealogic.

Analysts said that the combination of Starwood's extensive global hotel chain network and the pur-

chasing power of affluent Chinese tourists will likely produce a successful deal.

"It will have a very positive impact on Starwood's global market share given the rapid growth of China's outbound tourism. Chinese tourists will naturally select hotel brands that are owned by Chinese," said Michael Chin, Executive Chairman of WT Global Hospitality Investment Co. in Hong Kong.

'Smart Energy' Services

Customers will be able to pay their gas bill with the press of just one button on their cellphone.

That is what could be achieved through a partnership between China's energy giant China National Petroleum Corp. (CNPC), Alibaba and its Internet finance arm, Ant Financial, after the two sides signed an official agreement

on March 10.

According to a statement published on CNPC website, the partnership will focus on online maps, logistics, Internet payment, and membership sharing.

CNPC's PetroChina already allows customers to add credit to their pre-paid gas cards through Alibaba's Alipay, one of the country's leading mobile payment systems.

This agreement is a new approach by CNPC in its battle against low oil prices and signals a desire by both sides to transform the oil and gas industry, the statement said.

CNPC and Alibaba are attempting to establish a system that improves customer experience by meeting their demands, the statement said.

For Alibaba, the partnership could also mean an expansion of its logistics network, with PetroChina's over 20,000 gas stations countrywide.



Robot Service

A robot waiter serves a table at a restaurant in Shenyang, capital of northeast China's Liaoning Province on March 15.

The robot can carry food weighing less than 7 kg and can work roughly eight hours with a fully charged battery.



RUSSIA

One of the country's fighter jet pilots hugs his family member after arriving at an air force base near Voronezh on March 15 after the country withdrew its forces from Syria



SYRIA

A man riding a bicycle passes by an old city wall in Damascus on March 15. Five years ago, the first demonstration was held against the country's leadership, which eventually led to a civil war and misery for its citizens



AUSTRALIA

Various balloons fly over Lake Burley Griffin during the annual Canberra Hot Air Balloon Festival in Canberra on March 15



MYANMAR

The country's president-elect U Htin Kyaw, a confidant of Aung San Suu Kyi, waves to the media after winning the election in Naypyidaw on March 15



NORTH KOREA

On March 16, the country's supreme court sentences American student Otto Warmbier to 15 years of hard labor for alleged crime against the country



UNITED STATES

A researcher holds up a tooth of a new dinosaur, *Timurlengia euotica* (left), to compare it to the tooth of a *Tyrannosaurus rex* after a news conference in Washington, D.C. on March 14



NEWLY ENTHRONED CHESS QUEEN

The 22-year-old player **Hou Yifan** was crowned the new world champion on March 14 after winning the Women's World Chess Championship final match in Lviv, Ukraine.

In Game 9, Hou defeated reigning world champion Maria Muzychuk from Ukraine, gaining 1 point to surpass the winning margin of 5.5 points, and ended the 10-game match ahead of schedule.

This is the fourth time Hou has won the title after being crowned in 2010, 2011 and 2013. The victory also cemented Hou's position as the No.1 female player in the rankings by the World Chess Federation.

Hou started playing chess at the age of 5 and entered the national chess team in 2003. She was the youngest female chess player in world history to earn the grandmaster title at the age of 14. In her second world record, she became the youngest title holder ever in the Women's World Chess Championship in 2010. She currently studies international relations at Peking University and will graduate this summer.



Traditional Media Irreplaceable

People's Daily
March 15

New media have grown rapidly in recent years and boast faster information dissemination, closer interaction with readers and customized services. An increasing number of readers have grown accustomed to them. However, traditional media such as newspapers, radio and TV still have their advantages.

First of all, traditional media sources are more trustworthy. Various surveys in China showed that while new media constitute the primary source of information for around 70 percent of readers, still 70 percent of people regard traditional media as the most trustworthy information source. Compared with new media that prioritize speed,

traditional media attach more importance to the truthfulness and objectivity of reports and possess a large number of experienced journalists and editors who are able to provide high-quality news and information services.

In addition, traditional media are more conducive to comprehensive and systematic reading. A large number of new media channels only provide fragmented and simple information that lacks in-depth thinking and analysis and is often glossed over by readers, while most traditional media enable readers to accumulate more knowledge and improve the ability of thinking.

Nevertheless, emphasizing the vitality of traditional media is in no way meant to resist new media. Traditional and new media are not contradictory—on the contrary, traditional media can gain more popularity by fusing with new media. At present, many traditional media outlets have opened their official micro-blogging accounts and launched mobile apps and their readership is expanding as a result.

Breaking the Growth Bottleneck

China Newsweek
March 14

The Government Work Report—delivered by Premier Li Keqiang at the opening of this year's full session of the National People's Congress on March 5—has prescribed structural reform, especially on the supply side, as a solution to the challenges facing the economy. The report has also set forth replacing old growth engines with new ones as an important measure to boost the economy over the next five years. Li said that China will be able to surmount the current difficulties and create miracles again if it can accomplish this task.

Supply-side structural reform is the most-watched highlight of this year's report. The measure was put forward with an eye on the incompatible supply and demand in China at present: On the one hand, industries such as steel, cement, coal, electrolytic aluminum, photovoltaic and wind power are plagued by overcapacity; on the other hand, China's production and supply cannot satisfy its consumers' increasing demand for medium- and high-end products.

The Central Government has unveiled a slew of measures to implement the supply-side structural reform this year, including earmarking 100 billion yuan (\$15.3 billion) to help workers who are made redundant in the process to address overcapacity in the steel and coal sectors.

However, it will take a long time for the supply-side structural reform to have an effect. The government has therefore employed fiscal and monetary tools to deal with the challenges of the economy. Li said in his report that the government will adopt a more proactive fiscal policy. This year's budget deficit increases to 2.18 trillion yuan (\$335

"We are going to work with educational departments to encourage more universities to open their social work programs and recruit more students."

Huang Shengwei, Deputy Director General of the Department of Social Work at the Ministry of Civil Affairs, on the training of social work professionals in China ahead of World Social Work Day on March 15

"A significant difference exists between rural and urban children in many aspects, ranging from their economic situation to psychological wellbeing, which needs to be addressed."

Chen Lijun, a senior researcher at the University of Chicago's Chapin Hall Research Center, telling the media when revealing the preliminary findings of a child development study jointly conducted by his center and Peking University in China on March 14



billion), 560 billion yuan (\$86 billion) more than last year and the deficit-to-GDP ratio is raised to 3 percent, up from 2.3 percent last year.

In the meantime, the monetary policy has not been relaxed. According to the report, the growth of this year's M2—a broad measure of money supply that covers cash in circulation and all deposits—has been set at around 13 percent, almost the same as last year's 13.3 percent.

Compared with countries such as Japan, which adopted ultra-low or even negative interest rates to cope with the sagging economy, the Chinese Government has resorted to expanding fiscal spending to stabilize the economy rather than loosening monetary policies. This indicates that China still has plenty of policy tools at its disposal to confront the downward economic pressure.

Embracing Mass Tourism

Henan Daily
March 9

China will welcome an era of mass tourism by enabling people to take paid leave, improving transportation infrastructure and facilities at tourist spots and regulating the tourism market, according to this year's Government Work Report.

The tourism industry has been booming in China in recent years. In 2015, Chinese residents made more than 4 billion domestic trips, and the overall revenue from tourism was more than 4 trillion yuan (\$615 billion).

However, scandals concerning the industry, such as forced consumption and price scams at restaurants, have been frequently exposed by the media. All these scandals were widely circulated on the Internet and have seriously tarnished the reputation of some of the tourist destinations in question. Many people have since lost confidence in the domestic tourism industry. This will only delay the coming of the era of mass tourism.

As China's economic growth shifts gears and changes driving engines, the tourism industry is of particular importance for boosting domestic consumption. However, ensuring the industry's healthy development requires the government to strengthen regulation.

Meanwhile, the Internet should be used to promote tourism products and offer more ticket sale channels for tourist spots.

↓ LAWMAKER FROM THE PRIMARY LEVEL

Xie Zhibo, a native from Hunan Province who works as a sanitation worker in Fuzhou, capital of southeast China's Fujian Province, had been elected into the presidium of the annual national legislative session for four consecutive years since the 12th National People's Congress (NPC) started its five-year term in 2013.

The presidium, which has 170 members this year including President Xi Jinping, takes charge of the procedures of the annual NPC session. Its members sit on the rostrum during plenary meetings of lawmakers.

Xie became a sanitation worker in Fuzhou in 1998. Fifteen years later, he was elected as an NPC deputy in 2013, who is the only representative of migrant workers in Fujian. Since then, Xie has spent much of his time doing surveys and research on environmental safeguards and protection of migrant workers' rights and interests.

He has suggested greater efforts to popularize laws among migrant workers and help them solve labor disputes and safeguard their rights in a legal way. He also advocates for more job opportunities for older migrant workers.



“The United States regards human rights as a political and diplomatic tool to realize its own purposes, as it did with the Soviet Union after World War II.”

Chang Jian, Director of the Human Rights Research Center, at the Tianjin-based Nankai University, in response to U.S.-led groundless accusations of China's human rights situations at the 31st Session of the UN Human Rights Council

“The property market in China will continue to experience steady and healthy development thanks to sound economic fundamentals and enormous housing demand.”

Minister of Housing and Urban-Rural Development
Chen Zhenggao at a press conference in Beijing on March 15

COVER STORY

SECURITY UPDATE

Exploring ways to improve nuclear security governance By Yu Lintao



Just when world leaders thought that they could breathe easily after the successful Iran nuclear deal, nuclear security issues have been catapulted to the top of their agendas following North Korea's recent testing of its nuclear bombs' capabilities.

When the Fourth Nuclear Security Summit (NSS) takes place from March 31 to April 1 in Washington, D.C., the Korean Peninsula will be a hot topic if not the main focus, along with efforts to improve security and close loopholes that could allow weapons to get in the hands of terrorists.

What must also be explored is the way in which the global governance system related to nuclear security can be improved beyond the NSS for the advancement of nations big and small, nuclear states or not.

Urgent problems

While the development of nuclear technology has helped diversify the world's energy resources, it has also brought incredible security risks due to its potential use in acts of aggression. The international community has long recognized the importance of keeping such

powerful weapons out of the wrong hands, and have tried to maintain only the peaceful use of the technology.

To that end, a series of treaties and mechanisms have been proposed and established, including the Nuclear Non-Proliferation Treaty, the Comprehensive Nuclear Test Ban Treaty (CTBT) and the International Atomic Energy Agency (IAEA). These institutions and mechanisms have played an important role in preventing the proliferation of nuclear weapons before the end of the Cold War era. At that time, the number of countries that had been publicly

↓ U.S. Nuclear Security Summits

Where, when:		From China:	Accomplishments:
2010	Washington, D.C. April 12-13	47 countries 3 international organizations (The EU, the IAEA and the UN)	President Hu Jintao
			Issued Washington Work Plan, guidance for implementing pledges from the Washington Communiqué. 32 countries made over 70 commitments to enhance nuclear security. China signed memorandum of understanding with the U.S. to work together to establish a nuclear security Center of Excellence in China.
2012	Seoul March 26-27	53 countries 4 international organizations (The EU, the IAEA, the UN and Interpol)	President Hu Jintao
			Issued Seoul Communiqué, which added to the Washington Work Plan. 13 joint statements by groups of countries were made and over 100 new commitments. China continued to increase security of its nuclear facilities and developed new equipment to detect radioactive substances. In September 2012, China and the U.S. opened the Qinhuangdao Radiation Detection Center for training custom officials.
2014	The Hague March 24-25	53 countries 4 international organizations (The EU, the IAEA, the UN and Interpol)	President Xi Jinping
			Focused on key issues of strengthening global nuclear security, elevating cooperation between governments and nuclear industry and maintaining achievements on commitments. Three side events were held: @tomic 2014 (exercise about decision making and nuclear terrorism), the Nuclear Knowledge Summit and the Nuclear Industry Summit.
		Possible attendees:	Goals:
2016	Washington, D.C. March 31-April 1	More than 50 countries (Russia has declined to attend) 4 international organizations (The EU, the IAEA, the UN and Interpol)	President Xi Jinping
			Build on improvements in nuclear security and strengthen global nuclear security systems. Side events will include the Nuclear Industry Summit (March 30- April 1) and Solutions for a Secure Nuclear Future (March 30-31).

(Sources: Partnership for Global Security, Nuclear Energy Institute and Nuclear Security Summit 2016, designed by Pamela Tobey)

recognized as nuclear powers was limited to five.

After the end of the Cold War, however, the problem of proliferation among nation states became more prominent across the globe, particularly in South Asia, the Middle East and Northeast Asia. Longtime observers attributed the increase in the 1990s to the temporary disorder brought about to the international system after the end of the Cold War.

On the one hand, the collapse of the bipolar structure, characterized by Russia and the United States, has indirectly loosened constraints on some countries' nuclear activities; on the other hand, the fundamentals of nuclear technology are no longer a secret after decades of development, which potentially allows more and more countries to manufacture dangerous weapons, Wu Chunsi, Director of the Institute of

International Strategic Studies at the Shanghai Institutes for International Studies, said in an interview with *Beijing Review*. Nonetheless, Wu emphasized, in recent years, more non-state actors—including terrorist groups—have become the new risk for nuclear proliferation.

In the face of terrorism threats, the security—or lack thereof—of nuclear and radioactive materials in numerous countries is of primary concern.

Professor Han Hua, a researcher of international studies with Peking University, said in an analysis recently published in *The Contemporary World*, a Beijing-based monthly, that after the September 11th attack on the United States, more and more countries became anxious about the potential risk of terrorists acquiring nuclear weapons. It cannot be ruled out that terrorist groups could acquire

enough nuclear materials to make radioactive dirty bombs. If a nuclear terrorist attack takes place, it would trigger catastrophic consequences, Han wrote.

Statistics from the IAEA show that from 1993 to 2011 there were more than 2,100 events involving theft or the illegal acquirement of nuclear or other radioactive material; about 120 each year on average. If these materials fall into the hands of terrorists, the potential consequences are unimaginable. If there is a terrorist attack on nuclear facilities, the risks posed by the potential fallout of radioactive material leakage are substantial.

U.S. President Obama described the danger of terrorists acquiring nuclear weapons as "the most immediate and extreme threat to global security" in his well-known speech in Prague in 2009. The NSS which he initiated may then be a ►►

response to perceived nuclear terrorist threats.

Moreover, Wu said that the nuclear terrorist threat has exposed the shortcomings of the existing global nuclear security governance mechanism, "particularly the lack of control and management on the nuclear activities of the non-state actors." But she emphasized that "Obama's proposal of holding the NSS was the right kind of response for the international community to improve global efforts to protect nuclear security."

The NSS's constraints

Since the first NSS was held in Washington, D.C. in 2010, its progress on this issue has gained recognition as it has brought the attention of world leaders back to the very technical and often neglected problem of security. The summit has since attracted an increasing number of policymakers representing both nuclear and non-nuclear states.

"With the summit as a platform, the international community reached more consensus on the rigorous management of nuclear and other radioactive materials as well as the prevention and responses to nuclear terrorism," said Wu. "It also contributed to the improvement of the institutional structure of nuclear security governance," Wu added.

At the Seoul NSS in 2012, Ukraine and Mexico announced the transfer of their stock of highly enriched uranium (HEU) to another nation for safekeeping. On the same occasion, the United States and Russia agreed to convert part of their HEU, which can be used to make 3,000 nuclear weapons to low-enriched uranium. At the Hague NSS in 2014, the United States and Japan confirmed that the latter would transfer hundreds of kilograms of nuclear materials including HEU and separated plutonium to the former for disposal. What's more, pushed by the NSS during the Hague summit, 35 countries signed the Trilateral Initiative, or Strengthening Nuclear Security Implementation, in which the signatories have committed to implementing IAEA recommendations, hosting peer reviews, and ensuring personnel competency.

Despite these accomplishments, the international community has a much higher expectation of the NSS.

First, the summit's shelf-life is still in question, according to Wu. "President Obama is at the end of his term. The future of the NSS has therefore become uncertain," said Wu. Although Obama put forward the concept of a

permanent global governance body for nuclear security, his administration hasn't yet contributed specific ideas on how to construct it.

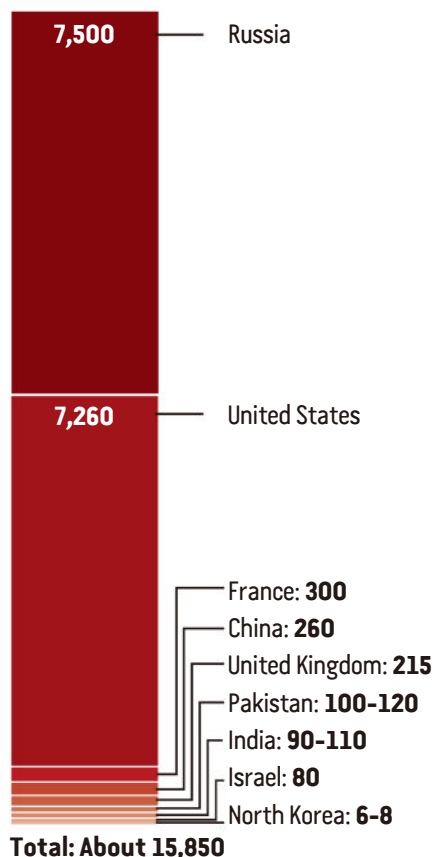
In effect, the NSS has not yet brought any lasting changes to the pre-existing architecture, and endorsement of key international agreements remains limited. So far, only 93 countries have joined the International Convention on the Suppression of Acts of Nuclear Terrorism, while the 2005 amendment to the Convention on the Physical Protection of Nuclear Materials still requires 12 more ratifications to enter into force. At present, the NSS process still lacks co-

hesion and has had a relatively small impact on countries outside of the process.

In addition, Wu noted, the topics of the NSS were strictly limited to nuclear material management and the prevention of nuclear terrorism. That is of little help for the settlement of other nuclear security issues including the nuclear issue on the Korean Peninsula, and the reduction of military nuclear stockpiles, which constitute a large portion of all usable weapon materials.

Wu also pointed out that although the Obama administration made effort to push the NSS process, it has not done enough to promote other global multilateral nuclear non-proliferation mechanisms. For example, the Obama administration has not yet submitted the CTBT to the U.S. Congress for approval.

Global Inventory of Nuclear Warheads Estimates as of Jan 2015



(Source: Stockholm International Peace Research Institute, designed by Pamela Tobey)

Enriching global governance

Against this backdrop, observers said new thinking should occur regarding the appropriate global governance apparatuses. Wu suggested that the new architecture should break down the historical model of big power dominance and explore a more balanced and multilateral governance structure.

"After the Cold War, the international situation has evolved greatly. More and more non-nuclear countries and developing countries have become active in nuclear governance issues. Their voice must be given full consideration," said Wu.

Wu also claimed that the principles proposed by President Xi at the Hague NSS offer practical solutions that should be revisited. Xi said that the world should place equal emphasis on development and security; that rights and obligations should be given the same attention; and that the world should place equal emphasis on treating symptoms and causes, and advance the nuclear security endeavor in a bid to remove risks at the root.

Wu argued that although the aim of nuclear non-proliferation is peace and stability, it should not be used as an excuse to deprive developing countries' legitimate rights to their own development and use of nuclear energy. Therefore, consideration toward development becomes more prominent in global nuclear security governance. ■

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COVER STORY

SECURITY AT ALL COSTS

China's high stakes in promoting nuclear non-proliferation By Zhao Tong



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With President Xi Jinping planning to attend the fourth and final Nuclear Security Summit U.S. President Barack Obama will have hosted, China's top leaders will have personally participated in each of the summits. The attention paid by the Chinese Government to nuclear terrorism is unprecedented.

In his landmark speech in Prague in 2009, Obama declared nuclear terrorism as "the single most important threat" to U.S. national security. Back then, China seemed to have a different mindset.

Traditional Chinese thinking on security has long focused on managing geostrategic threats posed by states. Dealing with the possibility of non-state actors that try to illegally obtain nuclear and radioactive materials and use them to conduct terrorist attacks was not high on China's priorities. However, this perception has changed over the last several years.

Growing threats

Against the background of a worldwide resurgence of religious extremism and terrorism, China—like many countries—is facing an increasing threat of both international and domestic terrorism. Given the global nature of terrorism, weaknesses in nuclear security in one country could allow a terrorist attack to happen on another, including on Chinese territory.

Moreover, China itself possesses a large number of radioactive sources for industrial and civilian use, the protection of which would be greatly enhanced by adopting international practices. China also has the world's most ambitious nuclear energy development program. That creates considerable challenges in building a fail-proof system to protect every nuclear facility at all stages of the fuel cycle to prevent materials from falling into the wrong hands.

As a result, preventing nuclear terrorism and enhancing the security of these resources is a key national security interest, and its importance continues to grow.

Increased appreciation of the importance of nuclear security has led to China taking more precautions and adopting stricter regulations. The newly released white paper on nuclear emergency responses sheds light on some recent efforts. Nonetheless, the difference in views between China and some Western countries about the best approach to addressing nuclear security challenges is holding them back from deeper cooperation. For instance, China seems somewhat skeptical about the wisdom of drawing public attention to and highlighting existing nuclear security weaknesses, fearing that doing so would inadvertently raise security risks by revealing vulnerabilities and enlightening potential saboteurs.

Common agenda

Looking toward the future, a summit like this provides an opportunity for China and other key international players to formulate a common agenda for further cooperation. This may help to reduce Beijing's concern about Washington's dominance in this arena and create the conditions for China to play a more proactive role internationally. Beijing's foreign policy principles have long advocated for multilateralism and for a greater role for international organizations, as opposed to domination by one or two countries.

The summit is likely to raise awareness of the security challenges posed by non-civilian nuclear materials—more than 80 percent of existing nuclear material stockpile in the world are used or reserved for military purposes. China has completely stopped the production of military fissile materials for nuclear weapons since the 1990s, but has not received any political credit for doing so. An official acknowledgement of this fact—possibly included in its formal statement at the summit—would enhance its reputation for showing transparency. A further announcement about the approximate size of China's existing fissile material stockpile would

also be prudent.

As cyber threats to civilian nuclear infrastructure increase, China could work with others to establish common understandings and norms that regulate behavior in this cross-cutting area. A code of conduct prohibiting cyber attacks against civilian nuclear facilities is absolutely necessary to address the issue before it is too late. It would also contribute to confidence-building among concerned partners. Beijing reached high-level common understanding with Washington in 2015 about the importance of establishing rules in cyberspace including prohibiting cyber attack on critical infrastructure.

China's leadership role in promoting nuclear security could also be enhanced through engaging in deeper regional cooperation. In this regard, South Asia is a region that requires direct attention. Both India and Pakistan possess large quantities of nuclear and radioactive materials and face significant potential threats from non-state actors. As China's immediate neighbor, South Asia is becoming increasingly connected with China. But that presents risks of potentially facilitating cross-border nuclear terrorism. Direct dialogue would go a long way toward addressing local nuclear security threats, should they appear.

Last but not least, China is increasingly capable of providing common benefits in the field of nuclear security. It could undertake capacity-building cooperation with regional countries and other international players to train nuclear security personnel and to promote best practices. The China-U.S. Nuclear Security Center of Excellence in Beijing, for example, provides a place where such capacity building cooperation could take place. Joint research on nuclear forensics and radioactive detection technology is the type of technical cooperation that has the potential to contribute to trust-building at the political level.

By actively engaging in efforts to improve comprehensive nuclear security, China will be better positioned to play a leadership role in addressing this common threat faced by all. ■

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COVER STORY

NUCLEAR SHOWDOWN

Denuclearization has become the most critical issue for the Korean Peninsula By Shi Yongming



The author is an associate researcher of the Asia-Pacific region at the China Institute of International Studies

The UN Security Council's (UNSC) adoption of Resolution 2270 which imposes the strictest sanctions against the Democratic People's Republic of Korea (DPRK) to date for its development of nuclear weapons, fueled speculation about the future of the relationship between China and North Korea.

China, perceived as a long-time "ally" of North Korea by many Western powers, supported the March 2 UNSC resolution on North Korea. But sanctions are not an end in and of themselves, as Chinese Foreign Minister Wang Yi said. China urges all parties to make concerted efforts to solve the issue through negotiations, as the resolution calls for.

A difficult task

The DPRK, also known as North Korea, was denounced for violating the September 19 Joint Statement reached by all six parties in 2005, in which the country promised to abandon all nuclear weapons and existing programs.

Its irresponsible behavior can also be partially attributed to the headline policies the United States has adopted against it.

The DPRK's path toward nuclearization is complicated. While China understands its demand for safeguarding its national security, North Korea's way of confronting the United States is unwise and reckless. As far as national strength is concerned, the DPRK is too weak to challenge the United States, the world's only super power.

North Korea should have made efforts to win international support and sympathy through diplomatic means. But instead, it has fallen into isolation over the last few years due

to its obsession with nuclear weapons. On the surface, the country's leadership has obtained more strength and shored up domestic support through recent nuclear tests. Regardless, its reputation abroad has been severely tarnished. It was then followed by the UN adoption of the strictest economic sanctions on the country in decades.

More importantly, North Korea's nuclear tests have inadvertently provided reasons for the United States to enhance its military presence in the Korean Peninsula. North Korea has fallen into a vicious circle of nuclear tests, but its nuclear program will not be able to help the country improve its comprehensive security situation. On the contrary, it is worsening: Trying to get rid of a "U.S. threat" by enhancing their nuclear program would only trigger greater hostility in the region.

The latest hydrogen bomb test on January 6 is the fourth time North Korea has conducted a nuclear test. It implies a dangerous tendency in North Korea's security policy. That is to say, the country flaunts its capabilities regardless of the risky consequences, including widespread disapproval from the international community.

Some might urge China to influence North Korea directly, but that is barely possible. To understand the reality, people need to look back into history to learn about the evolution of bilateral relations between China and North Korea.

A loose coalition

At the end of World War II (WWII), the United States and the Soviet Union kicked off large-scale competition over spheres of influence. In East Asia, Koreans were divided into the North and the South due to the confrontation between the two great powers. The following ideological division during the establishment of governments in the Peninsula then enhanced the split and hostility against each other.

Under such circumstances, a conflict was inevitable. The Korean War (1950-53) was a civil war at the beginning, but the United States



soon got involved because it believed the war concerned U.S. interests in East Asia.

In the name of defending the free world, the U.S.-led, multinational army attacked North Korea and pushed the battlefield forward to the Yalu River, a boundary river between China and North Korea, which then threatened the security of the newly established People's Republic of China. Consequently, China joined the war in order to protect its homeland and aid North Korea. As a Chinese saying goes, if the lips are gone, the teeth will feel cold. Therefore, China and North Korea's security interests became intertwined.

After the fighting stopped, North Korea and South Korea went back to their original borders as they were before the war. But the security architecture in the Peninsula had changed. The United States and the Republic of Korea (ROK), or South Korea, formed a close military and political alliance that continues to this day.

Meanwhile, the people of China and North Korea forged a close friendship, or brotherhood, during the war. The two countries agreed to help each other on the basis of equality, but never established a military alliance with a joint defense treaty like that of the United States and



South Korea and the United States launch the largest military drill since 2010 on March 7 on the Korean Peninsula. The two-month drill consists of two parts: command post exercise Key Resolve and the Foal Eagle field training

transparent defense policy and nuclear program has become a legitimate concern for the international community. So the United States has gained some support in enhancing its military deterrence force against the DPRK on the Peninsula.

Looking forward

China is willing to play a constructive role as a mediator in the affairs in order to maintain peace and stability in the peninsula. However, the stalemate between the DPRK and the United States leaves little room for China to try dissolving the

hostilities in the peninsula. It is also hard for China to coordinate policies with a potentially unpersuadable North Korea.

Even prior to the unanimous adoption of the latest UNSC resolution on the DPRK, Foreign Minister Wang anticipated that a new round of international sanctions on the DPRK would have a significant influence on China-DPRK relations.

In the past, China's economic support for North Korea was due to its special relations with the country. Today, China's aid to North Korea will be conducted under the UNSC resolutions. At the outset of this century, China-DPRK relations have been shifting toward an ordinary bilateral status as the characteristics that would normally define an "alliance" have been gradually disappearing in light of North Korea's disregard of international law.

Nevertheless, China will continue its efforts to bring all parties to the negotiating table. Indeed, a conflict-free and denuclearized Korean Peninsula will be a cornerstone of Northeast Asia's peaceful and prosperous future. ■

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South Korea. Furthermore, after the Chinese people's volunteer soldiers withdrew from North Korea in 1958, North Korea had in effect restored its independent defense capabilities.

In theory, there are two basic factors that the China-DPRK relationship was founded on. First, non-interference was an important pillar. Although both are socialist countries, they harbor the belief that all nations are independent and equal. This belief was also an important ideological weapon for developing countries, known at that time as the "Third World," to use in their fight against imperialism and colonialism during the Cold War period.

The other critical factor was that the DPRK is keenly alert of the possible influence a neighboring big country may have on it. Its leaders have always emphasized the importance of independent decision-making and have taken many acts to get rid of flunkeyism—relying on a big country for help.

With regard to its national defense, the North Korean Government stresses unilateral security much more than common security. During the Cold War, the friendly relationship between China and the DPRK was formed on the basis of mutual respect, particularly in re-

gards to China's respect for North Korea's spirit of adherence to self-determination.

Post-Cold War transformation

After the end of Cold War, regional tensions and international relations in East Asia were greatly improved. The old world order also began to change.

Against this backdrop, there was a natural incentive for China to develop normal relations with South Korea, in an effort to seek reconciliation and end military hostility in the peninsula. Without question, a separated and unstable Korean Peninsula is not good for China's prosperity, nor its security. Predictably, North Korea was extremely discontent with the establishment of China-ROK diplomatic relations in 1992.

When North Korea tried to seek alleviation of security pressures through negotiations, hardliners in the United States dismissed any positive gestures by the DPRK. Furthermore, the hawkish policies of the U.S. Government on the nuclear issue intensified tensions on the Korean Peninsula. As a result, any reconciliation process between the North and South has stalled.

That being said, North Korea's non-



Premier Li Keqiang at the press conference in Beijing on March 16

PREMIER ON THE ECONOMY AND FOREIGN AFFAIRS

Editor's Note: At a two-hour-long press conference at the end of this year's National People's Congress session on March 16, Premier **Li Keqiang** took questions from 17 domestic and international media outlets on a wide range of issues. Edited excerpts of his answers are as follow:

Growth Target

It is impossible for me to agree with doubts stating that China cannot achieve the growth target that it has set for this year. The weak world recovery has taken its toll on the Chinese economy. Also, China's economic transition is under way and its deep-rooted problems are emerging. The downward pressure is indeed in-



creasing. But one prominent feature is uneven development across regions and industries.

Hope and challenges coexist in China's economy. If we look at what is "fundamental" as well as the "main trend," hope outweighs the challenges facing China.

We are fully confident about China's long-term growth prospects because we believe that there will not be a hard landing as long as we stick to the path of reform. There is still huge potential in China's markets—the general public has unlimited creativity. The government has overreached its aims in many aspects of the economy, which hindered productivity, and we are also not doing an adequate job in ensuring a level playing ground. I believe that through reform we can stimulate more vitality in the market, and greater vigor in Chinese people.

The deregulation and tax cuts of the past few years will unleash the vitality of the market. Meanwhile, new forces of economic growth drivers are taking shape in a way that beats expectations. Despite slowed growth over the past few years, employment conditions are not bad. Last year we created more than 13 million jobs in urban areas. In the first two months of this year, the service sector grew 8.1 percent.

We are in the midst of pushing ahead with industrialization and urbanization. New types of urbanization are creating large demand domestically, especially in central and western regions, where there is enormous room for effective investment. If we combine the "fostering of new drivers" and "upgrading of old engines" and make them the "double engines" of the Chinese economy, they will push China through economic difficulties and land the country onto a plateau of hope.

Instability is increasing under uncertain world economic prospects. But we have ample reserves of policy instruments. Last year, despite a six-year low in world growth, we managed to reach our previous target. We realized that in the absence of all-out stimulus measures, we have instead chosen the path of structural reform, which is tough but sustainable. There will be small and short-term volatility down the road, but should there be any sign that the economy will slide beyond an appropriate range, we have the reserves of innovative macro-adjustment measures to stabilize expectations.

New Economy

Developing the new economy will help us foster new economic drivers and move China's economic transformation forward. The concept of a new economy covers a wide range of areas and has many dimensions. It can be found in the primary, secondary and tertiary industries.

When development has come to a certain stage, it is only natural for traditional growth drivers to begin to wane. Hence, we need the boom of new growth drivers to accommodate the needs of the ongoing industrial revolution. And when we combine the new growth drivers with the upgraded traditional growth drivers, we can bring into being a hybrid driving force.

New growth drivers will also help with our efforts to cut industrial overcapacity. In companies belonging to sectors with overcapacity, there are problems involving overstaffing, and the growth of new drivers will help generate new jobs to re-employ any possible laid-off people. The campaign of mass entrepreneurship and innovation is to put in place a platform for the development of various types of companies and research institutions, and to create a broad space for crowd funding, crowd innovation and crowd sourcing.

Financial Markets

The top priority of the financial sector is to support the development of the real economy. Last year, we took a series of steps—not quantitative easing measures—to insure appropriate money supply, and to bring down the cost of financing and enhance the development of the real economy.

The financial sector operates according to its own laws, and one should always look out for possible financial risks. Last year, because of the difficulties that companies faced in some sectors, the nonperforming loan ratio of some financial institutions in China increased, but we are still in a good position to defuse the financial risks because the capital adequacy ratio of commercial banks is still about 13 percent, which is below the international warning line. We also have other market-based tools at our disposal to help bring down the corporate debt ratio. We're determined to press ahead with the building of a multi-tiered capital market, and we can also use such a market-oriented format for equity swaps to help bring down the corporate leverage ratio.

Last year, there were some unusual fluctuations in China's stock markets. Public departments took coordinated steps to stabilize the markets and prevent any sustainable financial risk, and our measure achieved the desired result. We will continue to pursue market-oriented reform and establish a sound, legal framework for the operation of stock markets and bond and currency markets.

The government needs to improve the regulatory system in China. First, there needs to be full coverage of financial regulation, as we are seeing an increase in financial innovation products. Second, we need to step up coordination because all these financial markets and products are so highly interconnected, so such coordination must therefore be authoritative.

Third, responsibility must be matched with power; central government departments and local authorities must perform their assigned tasks conscientiously and promptly handle any possible latent risk, as well as guard against moral hazards. We must sharpen our vision to exercise the most effective regulation.

We have already launched the Shanghai-Hong Kong Stock Connect and will work toward the launch of the Shenzhen-Hong Kong Stock Connect within this year.

Agriculture and Farmers

We are going to pursue coordinated development between new urbanization efforts and agricultural modernization to help move more migrant people into urban areas.

For those who are already working and living in urban areas, they will be granted urban residency if they meet certain eligibilities and requirements.

We will also develop appropriately scaled farming to boost labor productivity and enhance the competitiveness of our agricultural products.

Avoiding Massive Layoffs

There are serious problems regarding overcapacity, especially in heavy industries and petrochemical industries. We have selected the steel and coal sectors to start with the effort of cutting overcapacity and at the same time we will also avoid massive layoffs. We will assign laid-off people to new jobs and for those who still have difficulties in getting employment opportunities, the central and local governments have financial resources to cover layoffs. The Central Government has established a 100-billion-yuan (\$15.42 billion) fund in this respect, and if there is a need to, we can increase that amount.

Paying Pension Benefits

Some localities have found it hard to make pension benefits payments, but these are only isolated cases. If local governments have done their best, but still have special difficulties, the Central Government is prepared to extend help to them. In the past three years, the Central Government has earmarked 1 trillion yuan (\$154.2 billion) for that purpose.

In the long run, there will absolutely be no problem in meeting pension payments. Last year, the surplus of our pension insurance schemes was still at 340 billion yuan (\$52.43 billion), and the accumulative balance stood at 3.4 trillion yuan (\$524.28 billion). Moreover, we still have the central social security fund, which is worth 1.6 trillion yuan (\$246.72 billion), as a strategic reserve that has not been touched, and we can also use state-owned assets to replenish the social security fund. So, ensuring that the ►►



elderly will be provided for cannot and will not be an empty promise.

Social Safety

There is a rising call by the general public for cutting personal contributions to social safety packages and the housing provident fund. Last year, the State Council already trimmed the contributions by individuals and businesses to insurance schemes covering workplace safety, unemployment and maternity.

There's still room for us to cut contributions to social safety insurance schemes and the housing fund, and conditions in different localities vary from each other. We still have ample social safety funds. Local governments can be given greater autonomy to make their own decisions to adjust contributions while keeping in line with their local conditions. The purpose of our efforts is to lessen corporate burdens and put more money in the pockets of our people.

Medical Insurance

Many retired elderly people are moving to places away from their hometowns to live with their children. When they get sick or hospitalized, they cannot easily get their medical expenses reimbursed from the places where their expenses occurred.

The Chinese Government is determined to achieve its goal of creating fully portable national medical insurance schemes at a faster pace. This year we will basically achieve direct settlement of such expenses at the provincial level. And we also plan to use two years of time to achieve the interprovincial settlement of expenses concerning the hospitalization of elderly people in places away from their hometowns.

Less Red Tape

Streamlining administration and delegating powers hold the key to transforming government functions. We have cut the number of items that require State Council review and approval by one third in recent three years. Yet, there are still too many items that require government approval, which have consequently held back the development of productivity and also effective consumer demand among people.

This year we are determined to further cut the number of items requiring government approval and leave more of such items in the hands of the market. For those items that still exist, procedures need to be simplified. We also need to further unify existing standards. Our efforts have unleashed the creativity and entrepreneurial enthusiasm of our people tremendously. Now, on a daily basis, as many as 30,000 new market entities get registered.

But delegating power does not mean that the government will be hands off. Instead, it needs to do a better job. The government will provide better services to the people to ensure that they can get things done with greater ease.

Transparency in Gov't Affairs

First, any information that can be made public should be released. So openness will be standard practice, instead of the exception. More information needs to be made public if it concerns an issue that involves public interests or it concerns the balance sheets of public finances. We should make government information so easy to access that it will be just one click away from Chinese people's fingertips.

Second, we need to upload as much information as possible onto the Internet. We need to release a list of the government's powers, and this will help us narrow the space for any fraudulent use of office.

Third, the government needs to actively respond to public concerns. When we introduce a particular policy, if people have any questions or doubts about the policy, the government has the duty to give necessary explanations and even revise the policy by drawing suggestions and ideas from the general public. We need to ensure that people are fully clear about what our government's policies are about.

Hong Kong's Future

Hong Kong will maintain its long-time stability and prosperity. The policy of adhering to "one country, two systems" will not change and has not changed. The development of Hong Kong is needed by Hong Kong itself and also the country as a whole. Hong Kong's development ultimately comes down to the efforts made by the people in Hong Kong.

As an advanced economy, Hong Kong achieved a [GDP] growth of 2.4 percent last year, which is not low at all. Hong Kong can further utilize its own strength as well as seize the opportunity offered by mainland development. The Central Government will give full support to any proposal from the SAR [Special Administrative Region] Government that helps maintain Hong Kong's long-term stability and prosperity and contributes to the well-being of people in Hong Kong.

Cross-Straits Relations

Economic and social ties between the mainland and Taiwan are becoming increasingly close. Many Taiwan business people are quite sensitive about any economic measures from the mainland and some wonder whether the preferential policy for



Taiwan businesses would be changed. We have issued a document specifying that all the introduced preferential policies for Taiwan businesses will remain unchanged, in order to reassure them.

We will introduce more policies to boost business cooperation between the mainland and Taiwan on the premise that there will be continued peaceful development of cross-Straits relations and that the cornerstone is composed of the 1992 Consensus. As long as one adheres to the political foundation of the 1992 Consensus and recognizes that both the mainland and Taiwan belong to one and the same China, anything can be discussed.

China-U.S. Relations

There are both broad shared interests and some differences between China and the United States. Some differences can be quite sharp. Yet last year, China became the United States' top trading partner, with two-way trade reaching \$560 billion. This in itself shows that the common interests between the two countries far outweigh their differences.

Both China and the United States need to act in line with the principles of equality and mutual benefit. Currently, the two countries have stated readiness to press ahead with Bilateral Investment Treaty (BIT) negotiations. China, on its part, will give U.S. investors wider market access in a gradual manner, but we hope such



Journalists at Premier Li Keqiang's press conference

openings would be mutual, and the BIT negotiations should proceed on the basis of seeking mutual benefit.

There are up to 100 various dialogue and exchange mechanisms between China and the United States. As long as the two sides act with good faith and properly manage their differences, I believe our common interests will expand further. And as our cooperation grows, the number of differences may naturally rise, but the percentage of differences in the overall China-U.S. relationship will only be reduced. Broader cooperation serves the interests of both countries and the world.

The relationship has seen more than a fair share of ups and downs, but it has always been moving forward, which I believe is the underlying trend. I believe that no matter who gets into the White House after the general election in the end, the underlying trend of China-U.S. ties will not change.

Sino-Russian Ties

There is a comprehensive strategic partnership of coordination between China and Russia. The ties will not be affected by changing circumstances in the international environment, and will not cave to third-party pressures. In the meantime, China follows the principle of non-alignment, and China-Russia cooperation will not be targeted at any third party.

Our business cooperation has also been rising. Last year, Chinese imports of oil from Russia increased by 8 million tons, but because of plummeting commodity prices on international markets, China's total imports and exports declined, not just its imports from Russia. The physical volume has gone up, but the total trade volume has come down because of the falling prices, and neither country is responsible for that. We can explore cooperation in the integrated development of oil and natural gas, and we can also introduce a greater level of diversity into our trade mix.

China-Japan-ROK Ties

Last year I went to South Korea and attended the trilateral leaders' meeting. This meeting should be an annual event; however, it was only resumed last year after a three-year hiatus. As to whether the format will enjoy smooth development in the future, it's very much up to interactions among the three countries. In particular, there have been some signs of improvement in Sino-Japanese ties, but it is not fully established yet and it is still fragile. We believe that it is important to adhere to the consensus reached between the two sides on the issue of principles involving historical events, and it is important to match one's words with concrete actions.

The economy of the three countries accounts for one fifth of the global total and

70 percent of Asia's total. There are many aspects through which we complement each other and if we can leverage these, we can do even better in the global market.

Ties With Neighboring Countries

China has believed in pursuing harmonious coexistence with its neighbors all along. It is up to the efforts of regional countries to maintain stability and harmony in the neighborhood. It is also natural that some differences may arise between neighbors. But as long as we all treat each other with sincerity and seek peaceful settlements to differences through diplomatic means, regional stability will be maintained.

Development remains China's top priority. China needs a stable neighborhood and a peaceful international environment for its domestic development. And a growing China will remain a strong force upholding global peace, as it is also in the interests of its neighbors. China will remain committed to the path of peaceful development and will not waver in its resolve to uphold sovereignty and territorial integrity. We hope all countries from within this region beyond will work together to uphold regional stability, not the opposite. That is in everyone's best interests. ■

Copyedited by Mara Lee Durrell
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Representing the People

Editor's Note: Deputies to the National People's Congress (NPC)—the highest organ of state power—are tasked with putting forward motions and suggestions based on surveys and research. NPC deputies are elected every five years and currently there are more than 2,900. During this year's NPC session, held in Beijing from March 5 to 16, *Beijing Review* reporter Ma Li, *China Today* reporter Jiao Feng and *China Report* reporter Dong Yan interviewed several deputies to share their stories.



tourists," Luo explained.

Luo, first elected to be an NPC deputy in 2013, also makes use of social networking platforms such as the messaging app WeChat to promote her village and draw more tourists. She adds fellow NPC deputies and journalists who have interviewed her to her WeChat on which she posts pictures and introductions of her hometown.

Luo told *Beijing Review* that in previous years, many young people in her village would leave to work in cities after the Spring Festival. This year, many chose to stay home and opened family inns for tourists.

Xu Dequan, deputy to the 10th, 11th and 12th NPC, is secretary of the CPC Committee of Beixuzhuang Village of Linying County, Luohe City of central China's Henan Province. He has played a key role in driving the village's development.

Luo Yunlian, Secretary of the Communist Party of China (CPC) Committee of Gulu Village in southwest China's Sichuan Province, hoped to get more attention for her village at this year's NPC session in order to develop the local tourism industry.

Gulu, a village under the administration of Hanyuan County, Ya'an City, is located on top of a cliff and is home to more than 300 villagers, over 95 percent of whom belong to the Yi ethnic group. For a long time, inconvenient transportation has been an obstacle hindering local development: The only way for locals to travel outside the village is via a ladder constructed in 2003, which measures 3 km long and nearly 1,000 meters vertically. That means that agricultural products, such as walnuts and livestock, cannot be transported down the hills to be sold at market.

However, this situation is set to change this

year, thanks in part to Luo's efforts.

Luo suggested raising the subsidy standard for road construction in mountainous rural areas of Ya'an to promote local economic development during the NPC session in 2014. The government responded to Luo's suggestion.

A cableway measuring 800 meters long to the valley at the bottom of the cliff will be put into operation in August. The whole project costs 18.6 million yuan (\$2.9 million) and each carriage can hold as many as 40 passengers, Luo said. "The carriage can transport not only people but also goods. Even a motor car can be placed in the carriage."

When the project is finished, the journey between a major highway and Gulu will take only one hour. "We are constructing a cableway rather than a road in order to preserve the mysterious and precipitous characteristics of the village, which constitute the primary draw for





The village began to thrive in 1994 by growing greenhouse vegetables and knitting wall blankets. Now it has established Beixu Corp., a company incorporating grain processing, fodder production, pig breeding and meat processing. Villagers have since moved into 12-story buildings equipped with elevators and have Internet access.

"Villagers now work at local companies during the day and go back to their apartments in the evening. They are no different from urban residents," Xu said.

Beixuzhuang has also kept sustainability in mind when developing its economy. "The bran left from flour processing is used as fodder to feed pigs. The excrement from pigs is used to generate methane. We have achieved a circular economy," Xu told *China Today*.

With access to the Internet, Beixuzhuang's products can be sold online to other countries and local people can also make online purchases. When talking about the Government Work Report delivered by Premier Li Keqiang at the start of the NPC session, Xu said, "The problems of rural areas, farmers and agriculture will continue to top the agenda of the government in the future. I feel pleased to learn that the government will improve social safety for rural areas with respect to education, medical care and elderly care."



Zhang Shuping

Zhang Shuping, Mayor of Linyi City in east China's Shandong Province, said the local government is working to transform Linyi into a national commercial, trade and logistics hub. He suggested listing Linyi as one of the hubs in China's Silk Road Economic Belt and 21st-Century Maritime

Silk Road Initiative to promote local economic development and upgrading.

With the implementation of the Belt and Road Initiative, Linyi is presented with new opportunities for industrial upgrading and internationalization. Last year, the city's export volume to countries along the Belt and Road reached over \$6 billion. Already, trade and logistics have become the city's two pillar industries.

As of last year, Linyi had opened eight freight trains. The line to Hamburg, Germany, facilitates trade with Europe; the two to Urumqi in Xinjiang Uygur Autonomous Region promote trade with Central Asia; and the trains to Guangzhou, Kunming, Nanning, Chengdu and Chongqing connect the city with Southeast Asian countries.

"Next we will open freight trains to Guiyang, Fuzhou and Yiwu in order to facilitate trade with Central, West and Southeast Asia," Zhang told *China Today*. "Moreover, we have established wholesale markets in countries such as Hungary and Kenya and will build more such markets in Pakistan, the United Arab Emirates and Qatar this year."

Linyi has also cooperated with leading domestic e-commerce platforms to develop cross-border e-commerce. "The China Post Group has launched international package collection services in the city. We will help develop 10,000 cross-border e-commerce businesses and 50 leading companies specializing in this area over the next two years," Zhang said.

Zhang suggested that more policy support in trade facilitation should be given to the city, such as elevating it to a national pilot zone for international trade. He also proposed accelerating the construction of a series of infrastructure projects aimed at facilitating trade and logistics, such as a new high-speed railway from Beijing to Shanghai, which runs through Linyi.

Xia Peng, Chairman of Sanxiang Advanced Materials Co. Ltd. in Shouning County, southeast China's Fujian Province, focused on issues concerning people's livelihoods, such as education, poverty alleviation and medical care for rural residents.

In 2014, Xia went to the clinic in Sanwangyang Village in Shouning, a county under the administration of Ningde City, to learn more about problems locals were facing. Locals told Xia that few physicians would like to work at the village clinic. A physician surnamed Wang complained that he had a very low income due to the village's declining population in the wake of the exodus of rural laborers to cities in search of job opportunities. He was also concerned about the risks of medical accidents because



Xia Peng

most remaining people were either the elderly or children, who are vulnerable to various diseases. As his children had all moved to nearby towns, he also wanted to leave.

Xia visited a dozen local villages and found that many village doctors had similar concerns. He wrote a proposal on improving medical services in rural areas, suggesting setting up medical, social and medical accident insurance for rural doctors, increasing their income and improving medical facilities in rural areas. Based on his suggestion, the government in Ningde has made medical, social and medical accident insurance available to all rural doctors.

When Xia visited Sanwangyang's clinic again ahead of this year's NPC session, Wang told him that he was happy to stay as a result of the new policies. "As an NPC deputy, I should get close to the people to learn about and call attention to their problems. Every time we solve a problem, we will be one step closer to realizing the Chinese dream," said Xia in an interview with *China Report*.

Xia's company, established in 1991, is located in Shouning, which is on the national list of impoverished counties. Its technologies for producing two kinds of materials used in liquid crystal display screens and space equipment rank top worldwide and afford the company a big say in the pricing of the two materials.

Over the past 30 years, Xia has refused offers from more developed cities and regions to relocate the company there. "If I leave, I will feel bad. My company pays taxes of over 60 million yuan (\$9.2 million) to the local government every year," said Xia. ■

Copied by Mara Lee Durrell
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CAPTURING THE MOMENT

On March 16, the closing event of the Fourth Session of the 12th National People's Congress (NPC) was held at the Great Hall of the People in Beijing. Following Premier Li Keqiang's meeting with journalists at his press conference, this year's full sessions of the 12th NPC and the 12th National Committee of the Chinese People's Political Consultative Conference (CPPCC) in Beijing officially ended. Wei Yao, a photographer from *Beijing Review*, recorded memorable moments through a panoramic lens.

NPC deputies and CPPCC National Committee members walk out of the Great Hall of the People after the opening meeting of the Fourth Session of the 12th NPC on March 5





On March 13, deputies attend the Third Plenary Meeting of the Fourth Session of the 12th NPC at the Great Hall of the People, hearing the work reports of the Supreme People's Court and the Supreme People's Procuratorate



An open meeting is held by NPC deputies from Hainan Province on March 7



Premier Li Keqiang's press conference is in progress at the Great Hall of the People on March 16



REFORMS TAKE SHAPE

Changes continue in the financial sector despite a shaky global economy

By Lan Xinzhen

In his government work report, Premier Li Keqiang vowed to deepen the reform of the financial sector in 2016. It includes efforts to improve the financial regulatory system, further liberalize interest rates and improve the market-based mechanism for setting the yuan exchange rate. It would also affect financial institutions, promote the sound development of the multi-level capital market, as well as harden the crackdown on illegal fundraising. In addition, it would help develop Internet-based, inclusive and green finance. These measures clearly outline China's ambition regarding its financial reform policies.

The world is still shaking from the after-shocks of the 2008 global economic crisis that broke out in the United States. The eurozone's growth is still anemic, and has been worsened by the refugee crisis. Japan implemented negative interest rates, and the currencies of various emerging economies are weakening due to expectations of a strong dollar. All of these factors intensify uncertainties regarding global and local economic growth prospects.

That is why the international community is closely watching China's financial reform policies, and looking to see whether they will affect the country's economic growth in a positive manner. Should the reform provide favorable results, surely it will be a good indicator for the world economy.

Stable exchange rates

Of all the changes that China could put forward, the market is particularly sensitive to reforms in the exchange rate mechanism.

On August 11, 2015, the People's Bank of China (PBOC), the country's central bank, announced plans to improve the yuan's central parity system. In the announcement, the PBOC said that effective from that day, the daily central parity quotes that market makers report to the China Foreign Exchange Trade System before the market opens should be based on a number of factors. The parity quotes should be based on the closing rate of the inter-bank foreign exchange rate market on the previous day, the supply and demand in the market, and

exchange rate movement of major currencies.

This measure was designed to satisfy the requirement for the yuan to be included to the currency basket of the International Monetary Fund's special drawing rights. This market-based exchange rate formation mechanism has brought China's financial reform to a new stage of development.

The move, however, also caused the yuan to tumble. On August 11, 2015, the yuan's central parity rate slid 2 percent against the U.S. dollar, the biggest single-day drop in two decades. After that, the yuan continued depreciating for almost three months.

How will the yuan fare in 2016? Will China let its currency fall further to keep its exports competitive?

Zhou Xiaochuan, Governor of the PBOC, said at a news conference on March 12 that stabilizing the yuan's exchange rate is a key focus within the current reforms. In 2015, China's trade surplus hit a record high of nearly \$600 billion, and China's exports accounted for a larger percentage of the world's total than in previous years. China doesn't need to devalue the yuan to keep its exports competitive against that backdrop.

Zhou claimed that there are multiple reasons for the significant fluctuations in the yuan in previous months. Prominent among those is the downward pressure that the Chinese economy is facing, which has intensified concerns amongst market players. Also, volatility in the country's stock market made investors nervous, and quantitative easing policies in the European Union and Japan, as well as the interest rate hike by the U.S. Federal Reserve, have further stimulated the devaluation of the yuan.

Nevertheless, the yuan has started to return to a normal and reasonable level, a trend that will continue, according to the governor.

An international yuan

"As the exchange rate market gradually returns to a relatively normal state, the yuan's internationalization will keep going forward," Zhou said.

The panda bonds market has been booming since last year, even while dim sum bonds issued in Hong Kong have declined since the second half of last year due to the yuan's volatil-

ity. This has given the public more cause for concern about the yuan's increasing internationalization.

Zhou said that both panda bonds and dim sum bonds are results of the yuan's globalization efforts. Both are bonds denominated in the yuan, though dim sum bonds—named after the popular Hong Kong cuisine—are issued outside of China's mainland, and panda bonds are issued onshore by non-Chinese organizations, attracting non-Chinese borrowers. Fluctuations are normal in the financial market, but as panda and dim sum bonds are both price sensitive, once exchange rates change, the onshore and offshore prices of these products will also be affected.

"In the midterm, I personally think panda bonds and dim sum bonds both have a nice future, whether they are in the onshore or offshore bond markets," said Zhou.

Yi Gang, Vice Governor of the PBOC, said that the yuan's internationalization is a market-driven process, during which corporations and financial institutions are able to develop some financial products in an easier way. Exchange rate fluctuations in previous periods widened the gap between onshore and offshore yuan. As a result, the panda bonds market has been booming while the dim sum bonds market keeps dropping.

"I believe this is temporary. Our policies on the yuan's internationalization and supporting the offshore yuan market have not changed," said Yi. "As the expectations on the exchange rate market turn stable, the yuan's internationalization will certainly go further."

Safer and easier payment

Payment accounts are a new issue that the financial reform must address.

Fan Yifei, Vice Governor of the PBOC, said that China has two types of payment accounts: bank accounts for deposits and payment, and third-party payment accounts to satisfy the demand for electronic payments.

Fan continued that since last year, the central bank has strengthened its classified management of bank accounts and third-party payment accounts, so that the payment system is safer and more convenient. The PBOC



Zhou Xiaochuan (second left), Governor of the People's Bank of China, answers questions together with his vice governors at a press conference on March 12

requires a strict implementation of a real-name system for accounts to better protect consumers' rights and interests.

The central bank will implement a new bank account system starting from April 1 and a new third-party payment account system from July 1. "Our goal is to satisfy the increasingly diversified payment demand of consumers and strike a balance between safety and convenience," said Fan. "As the supervising authority, we will pay close attention to the responses of the industry and formulate new measures in a timely way, in order to support the sound development of the payment industry and market."

Stricter financial supervision

Strengthened financial supervision is one of the key aspects of the financial work that will

take place in 2016, and was also included in the government work report. This indicates that the Chinese Government attaches great importance to ensuring financial stability and preventing financial risks.

In recent years China has carried out experiments to establish a multi-level financial market, developing Internet-based finance and allowing the establishment of private banks. But in the financial sector, and especially regarding Internet-based finance, problems such as financial fraud and illegal fundraising are frequent occurrences.

To address these problems, the government work report stated that the government will work to ensure that Internet finance develops in line with regulations. It will also tighten institutional constraints, safeguard order in the financial sector, and crack down on financial fraud, illegal fundraising and unlawful and

criminal activities in the securities and futures markets.

The report also said that the government will move forward with the reform of the stock and bond markets and increase the rule of law in their development and establish a catastrophe insurance system. The government will also strengthen the unified, macro-prudential management of foreign debt. All these measures aim to carry out financial regulation and control financial risks.

"We also encourage research for the improvement of macro control, macro-prudential policies, financial supervision, protection of financial consumers and financial stability," Governor Zhou said. ■

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THE CROWDED WAITING ROOM

Citizens call for quality medical services **By Yuan Yuan**

A video shot at a hospital in Beijing went viral on the social network in late January, in which a woman wept inconsolably in the hall of the Guang'anmen Hospital. She revealed that she had been waiting for two days but still couldn't get an outpatient appointment, as they had all been booked by scalpers. The scalpers resold one appointment for 4,500 yuan (\$688), 15 times higher than the original fee of 300 yuan (\$46).

Patients often pay a fee to schedule medical appointments and are issued a numbered ticket upon booking. The appointments for popular specialists are normally booked out days or even months in advance. Patients who want to see these doctors have no other remedy but to turn to scalpers, who make an enormous profit by abusing the system.

This is a common scene in comprehensive hospitals in China's first-tier cities, such as Beijing, Shanghai and Guangzhou, as people

from all over the country swarm to such places for medical treatments. Scalpers have thus become a common sight at hospitals, even though it is illegal.

On January 25, police arrested 12 scalpers in three downtown hospitals of Beijing, including the Guang'anmen Hospital mentioned above, Peking Union Medical College Hospital and Xuanwu Hospital. Yet the aforementioned video stoked deep-seated public ire over access to medical care, an issue that goes beyond even the scalping scandals.

A hierarchical medical system

"Arresting the scalpers only solves the problem at a superficial level," said Wang Guoqiang, a member of the Chinese People's Political Consultative Conference (CPPCC) National Committee and head of the State Administration of Traditional Chinese Medicine

(TCM), on March 7 at a CPPCC panel discussion. "It is necessary to take quick actions against scalpers, but more importantly, we need to dig deeper toward the root of the problem, otherwise if you arrest this group of scalpers today, there will be another group coming out tomorrow."

The root, according to Wang, is caused by an imbalance in medical resources between big cities and underdeveloped areas, especially in remote rural areas. "If people can get satisfactory medical treatment locally, who would spend time and money to come all the way to Beijing?" asked Wang.

Cao Lianyuan, former President of the Huilongguan Hospital in Beijing, visited some hospitals in rural areas and was shocked by how badly equipped the local clinics were. "Some of the hospitals only have one doctor and two nurses," said Cao at a forum with some specialists from the medical field in Beijing on March 4. "The villagers, after getting serious diseases, either go to larger hospitals for treatment or just gave up if they can't afford. It is a real problem."

Cao recalled that when he was working at Huilongguan Hospital as the president, a resident doctor made a record by seeing 227 patients within one day. "With all of the high-standard medical resources going to large cities, people from other areas must travel a long way in order to access quality medical care," Cao said. "This is the real reason for the current problems in China's medical system."

According to Cao, in order to deal with the situation, a hierarchical medical system must be adopted. "There is no other way," he said.

Liu Guoen, a professor from the National School of Development at Peking University, echoed Cao's sentiments at the forum.

"To balance the medical resources in the



Wan Xiaoqun, a doctor from the First Affiliated Hospital of Xiamen University in Fujian Province, also works in a community hospital



A staff member from the Beijing Tongren Hospital answers questions from hospital visitors

country, we have to set up a hierarchical medical system, and to do this, we need to give full 'freedom' to the 2.6 million doctors in China."

By "freedom," Liu means untying doctors to hospitals that they work for and letting them provide medical services at more than one clinic.

In May 2015, a regulation was released in Shenzhen, Guangdong Province, allowing doctors to work in more than one hospital. The same policy has also been adopted in many other places in China as a new step to "free" doctors.

"If patients can't get an appointment with me in this hospital, they can go to another one, which might cost a lot more, but has fewer patients," said Luo Jiangping, a TCM doctor from the People's Hospital in Luohu District of Shenzhen.

By the end of 2015, more than 700 doctors in Shenzhen had joined this program. But for Liu, this is not thorough reform.

"Doctors are not totally free and they can only go to another hospital with the permission from the original hospital they are employed by," Liu said. "This is still a hurdle. On one side, we have many doctors tied-up in the hospitals in cities; while on the other side, some poor areas are suffering from a huge lack of medical staff. It is a waste of resources."

Two sides of the same coin

In addition to the free flow of doctors, patients also need to enjoy the freedom to migrate to other parts of the country without worrying about whether their new locale will cover their medical expenses.

"This year, we will basically solve the direct

settlement of medical expenses that occurs at different places within a province," said Premier Li Keqiang at a press conference after the close of the annual national legislative session on March 16. "Within two years, we will try to enable the interprovincial settlement of expenses concerning the hospitalization of elderly people so that this issue will no longer be a problem."

Moreover, a national online database that has the information of every patient needs to be set up, according to Chen Xiaohong, a member of the CPPCC National Committee and Vice Minister of the National Health and Family Planning Commission, at a CPPCC panel discussion on March 10.

"Now, the information of many patients hasn't been saved online or shared nationally, which causes many inconveniences for them," Chen said. "They might have to go through the same medical tests again after they transfer to a different hospital and this directly causes disputes between doctors and patients."

"The doctor-patient relationship in China has been fraught with such incidents," said Gao Wei, a CPPCC National Committee member and Vice President of Peking University Third Hospital, at the discussion. "We can't place blame solely on one side as both sides have their reasons."

Wen Jianmin, a CPPCC National Committee member and Director of Orthopedics at Beijing's Wangjing Hospital, faulted the low salaries of medical staff as a reason for a shortage of qualified personnel since young people are not inclined to choose this profession. "For a regular appointment at public hospitals, the highest price is only 14 yuan (\$2.15). It is too low based on the current consumption level."

In Wen's opinion, this is one of the main

reasons why there are so many scalpers, as their cost in acquiring the numbered tickets is quite low as well—even grabbing 20 appointments at one time only costs them 280 yuan (\$43), and they can resell them for several thousand yuan more.

Wen had no idea that the cost of a numbered ticket to see him has been raised to 3,000 yuan (\$462). "But I get paid by the hospital based on a 14-yuan fee," Wen said. "For new college graduates who are recently employed in our hospital, they earn less than 5,000 yuan (\$769) a month, which is hard to live on in Beijing."

Among all hospital departments, pediatrics is widely considered as the most difficult to receive medical services from. China's introduction of the two-child policy this year has caused significant concern that the change will further aggravate the current shortage of pediatricians.

In fact, the number of pediatricians in China dropped to around 100,000 according to China's public health statistical yearbook in 2015. On average, there are only 43 doctors for every 100,000 children.

In 1998, the Ministry of Education abolished pediatric departments in universities. Qian Xueming, a CPPCC National Committee member from Guangxi Zhuang Autonomous Region, wrote in his proposal to this year's full session of the CPPCC National Committee that he only knew five universities with pediatric departments now.

In the proposal, Qian called for supply-side reform of the nation's pediatric departments. He suggested free training programs for pediatric majors at universities around the country.

Meanwhile, Song Yi, an official from the Ministry of Education, announced at a press conference on February 24 that 38 medical universities will enroll postgraduates majoring in pediatrics in 2016 and by 2020, the number of pediatric students will reach 10,000.

"The strong shortage of pediatric doctors is a serious situation and the Ministry of Education will make continuous efforts in cultivating more pediatric majors," Song said. ■

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"Chinese Classics" offers a channel for Western readers to learn about Chinese literature, and provides valuable references for translators and those studying English in China.



Managing Uncertainties

Can China-U.S. relations remain stable despite tensions?

By Bai Shi

Chinese President Xi Jinping is expected to make his second trip to Washington in less than a year in late March to attend the fourth Nuclear Security Summit hosted by U.S. President Barack Obama. During his state visit in September 2015, President Xi and his counterpart had reached an agreement on a number of important issues, such as climate change and cybersecurity. With this consensus, the two sides were supposed to be able to set aside their differences while focusing on fostering sound bilateral relations.

For the remainder of 2016, however, China-U.S. relations are likely to be influenced by a number of uncertainties, including the flare-up in the South China Sea, the nuclearization of the Korean Peninsula and the U.S. presidential election. Will the leaders of the two countries be able to manage growing tensions while strengthening cooperation in areas of common interest in the years ahead?

Points of contention

Tensions over the waters surrounding China's Nansha Islands in the South China Sea have been frequently reported on by both domestic and international media. Since the Obama administration adopted the strategy rebalancing its foreign policy focus to the Asia-Pacific region, often referred to as the "pivot to Asia," the United States has been increasingly involved in territorial disputes between China and some Southeast Asian countries.

In the name of defending the freedom of navigation and flight in the South China Sea, U.S. military planes and ships have increased their patrols in the region. Last October, the *U.S.S. Lassen* made a provocative journey into waters near Meiji Reef, a Chinese territorial island in the South China Sea, prompting a rebuke from China. Then on March 4, by the order of the Pentagon, the John C. Stennis Strike Group (JCSG) conducted unusual "routine operations" in the South China Sea for four days. Chinese media reported that it looked like a deliberate

display of military might.

"In the last two years, strategic competition between China and the United States appears more and more intense in the Asia-Pacific region," Wang Wenfeng, a senior research fellow at the China Institutes of Contemporary International Relations (CICIR), said on recent U.S. military activities at a panel organized by the Carnegie-Tsinghua Center for Global Policy on March 9.

The growing frictions between China and the United States in the region have therefore aroused deep concerns over the future of bilateral relations between the two countries, Wang said. Moreover, the two sides are currently too divided to mitigate ongoing conflicts.

J. Stapleton Roy believes that the most important fact in the U.S.-China relationship remains the rivalry between the two countries. Roy is the founding director emeritus of the Kissinger Institute on China and the United States at the Woodrow Wilson International Center for Scholars. He previously served as the U.S. ambassador to China (1991-95).

"Sooner or later the two countries are going to have to address that question," Roy said at the panel discussion. According to him, Washington believes that the freedom of navigation in the South China Sea concerns the core interests of the United States because it must secure its trade routes and influence in the region.

In fact, the Chinese Foreign Ministry has repeatedly expressed that China has the right to safeguard its sovereignty and territories and its actions do not harm freedom of navigation and flight principles.

Wang said that the growing disputes can largely be attributed to the lack of mutual trust between China and the United States, and the fact that the two countries have not found the right way to improve in that regard. As Chinese Foreign Minister Wang Yi pointed out at a press conference in Beijing on March 8, the source of the friction is that there are some people in the United States who have distorted or deliberately



misinterpreted China's intentions.

Cui Tiankai, Chinese Ambassador to the United States, said in Beijing on March 5, that "China and the United States should work together to manage disputes and avoid making strategic misjudgments of each other." He made the comment in an interview with China.org.cn while attending the Fourth Session of the 12th National Committee of the Chinese People's Political Consultative Conference (CPPCC), the nation's top advisory body. Cui is also a member of the CPPCC National Committee.

Cui said that the criticisms over China's "militarization" of the Nansha Islands are unwarranted. China has the right to build moderate military facilities on its own islands for self-defense, maritime enforcement and rescue operations. In fact, "it is the frequent U.S. military patrols in the region that have intensified tensions," Cui said.

A report released by the American think



Chinese Navy soldiers wait for the berth of the U.S.S. *Stethem* at Wusong Port in Shanghai on November 16, 2015, as the U.S. destroyer started a five-day visit to China

Cui said that the campaign itself won't have a notable influence on China-U.S. relations, though some candidates may use China-related topics to catch the attention of voters. For example, both Democrat and Republican candidates have chosen to blame China for the American trade deficit and loss of jobs. This year, the debate on the United States' China policy has also expanded to the South China Sea, cybersecurity and climate change. To win supporters, presidential candidates often try to appear "tough on China."

In reality, China and the United States need to work

together to promote practical collaboration, such as sustainable development and environmental protection. The two sides also have vast potential to deepen and expand their areas of cooperation, Cui said.

Still, Chen Qi, a professor of China-U.S. relations and Vice Dean of the School of Social Sciences at Tsinghua University, said to the panel attendees that while 2016 is a critical year for the two countries, both will likely focus on their own domestic affairs.

Xenophobic policies though must not be adopted by the next U.S. administration no matter who wins in November, Chen said. More importantly, the next American president will need to find a balance in its foreign relations, in particular with China, a key stakeholder in global affairs and a willing partner for shared economic prosperity. ■

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

tank, the Center for Strategic and International Studies (CSIS) in January asserted that "the U.S. rebalance to the Asia-Pacific is critical to security and prosperity throughout the region and across the globe." The CSIS report also suggested that Washington would have to manage a diverse and complicated set of challenges, not the least of which is China's rise.

Yuan Peng, Vice President of the CICIR, told *Beijing Review* that the South China Sea issue is complicated in part because it involves a number of states. According to Yuan, while China adheres to principles of seeking solutions through bilateral negotiations, the United States has for some reason involved itself in the issue, which makes it harder to solve.

Furthermore, negotiation and coordination channels should not be limited to government levels, but should be established between senior military personnel, Yuan said. More dialogue on the issue between the two militaries would help lower the possibility of any armed conflict in the

waters of the South China Sea.

Apart from military reconnaissance against China in the South China Sea, the United States has made other moves in the Korean Peninsula that have caused concern in Beijing. The United States and South Korea have started negotiations on the potential deployment of the Terminal High Altitude Area Defense (THAAD) missile defense system in South Korea. In Yuan's analysis, the Patriot missile defense system would be capable of dealing with potential missile threats from North Korea, yet the deployment of THAAD would also threaten China's national security. Such an act will only intensify tensions in Asia and be more likely to lead to serious geopolitical conflicts, he said.

The U.S. election factor

With regard to the possible influence of the ongoing U.S. presidential campaign and the November election, Chinese Ambassador

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
China-Africa Cooperation

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.

The Authority Brand Forum Think Tank of China-Africa Cooperation



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

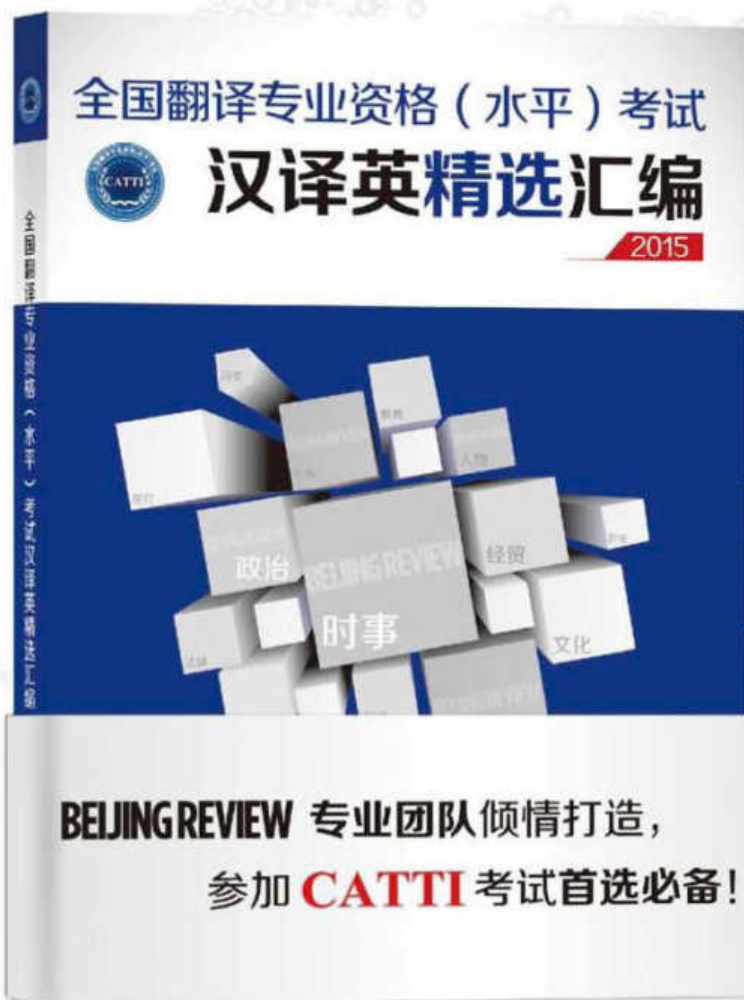


Cheng Zhigang, the General Secretary of CAIF, was invited to attend the interview of Xinhua News Agency.

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A Budget for Peace

China's defense spending grows at slower rate this year By Lan Xinzhen

The defense budget will grow at a rate of 7.6 percent in 2016, the lowest in six years, according to a budget report given to the Fourth Session of the 12th National People's Congress, China's top legislature, on March 5. This year, the budget is 954 billion yuan (\$146 billion), compared with last year's budget of 886.9 billion yuan (\$136 billion).

China's national defense policy and military reform have recently been in the international media's spotlight as they have maintained a watchful eye on its military expenditures.

Foreign media outlets began predicting China's defense budget for 2016 as early as last October. Some, in light of the situation in the South China Sea, reckoned that expenditures would rise more than 12 percent in 2016.

China's defense policy is defensive in nature, and the country has stuck to the principle of peaceful development.

In essence, China's defense spending has grown in tandem with the projected performance of the economy. China has set its GDP growth target for 2016 at between 6.5 and 7 percent, in contrast to the average annual increase of 7.8 percent observed in 2011-15.

However, China's defense department needs additional funds to meet its various needs. It still lags behind major countries in terms of weaponry, training and payment to its servicemen. The department is in constant need of cash to continue modernizing.

Moreover, China still faces numerous potential threats. In the East China Sea, for example, disputes between China and Japan over the Diaoyu Islands could digress into further conflict. The prominent rise of Japan's right-wing movement has also compelled Chinese troops to enforce vigilance against possible aggression.

In the South China Sea, Chinese armed forces need to demonstrate that it is capable of protecting its territory as U.S. warships and planes have repeatedly intruded on waters and airspace adjacent to China's Nansha Islands.

China also has its hands full under mounting pressure from North Korea's nuclear program, as Beijing works toward detente.

In addition, as China has invested in and is trading with many countries and regions around the world, its armed forces have shouldered an increasing amount of responsibilities in order to



An army brigade marches during a military drill in north China's Inner Mongolia Autonomous Region on June 3, 2015

secure the country's overseas interests.

Based on those potential threats, China's armed forces need more money to update their equipment, strengthen training and deter invasions.

China is currently pushing forward military reform. It has begun downsizing its army by cutting 300,000 servicemen, of which a large proportion are officers. These people will then be assigned to other posts or demobilized—which would also cost money.

This year, China's defense spending has grown at a rate lower than that in any of the past five years because the country has more pressing needs to meet. For instance, it is bent on lifting the poor people within its borders out of poverty and enabling everyone to share the

fruits of the country's development.

China is also accelerating the construction of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road to promote the co-development of the countries lying along the routes. Pushing forward social and economic development and improving people's living standards is much more important to the Chinese Government than increasing its defense spending.

Even so, some people may say that China's defense spending is not transparent, and there might be off-budget expenditures.

That is groundless speculation. In China, any expenditure related to defense, whether it is on personnel, armament or infrastructure, is included in the budget.

Understanding China's Defense Budget

Factors Determining China's Defense Budget

The formulation of the defense budget is normally based on two factors:

- 1 National defense need
- 2 Economic performance and fiscal revenue

Specifically, China's defense spending depends on these factors:

National conditions



China has a population of more than 1.3 billion, covers an area of 9.6 million square km, and has a coastline of 18,000 km. It directly borders 14 countries. Defending its people and territory constitutes an important aspect of national security.

Terrorism



China is facing increasingly complicated security threats, including terrorism from external sources as well as regional destabilizing factors.

Military reform



In 2015, China announced it would cut troops by 300,000. A large number of servicemen will be reassigned to other posts or demobilized. The scale and structure of weapons and equipment also will be optimized, and various systems will be improved.

International responsibility



China's rising international status is coupled with a significant increase in its international obligations. China's armed forces have been performing more and more duties on the world stage.

Average Level

In the past 10 years, China's defense expenditure averaged

1.33% of its GDP, much lower than the world's average level of

2.6%

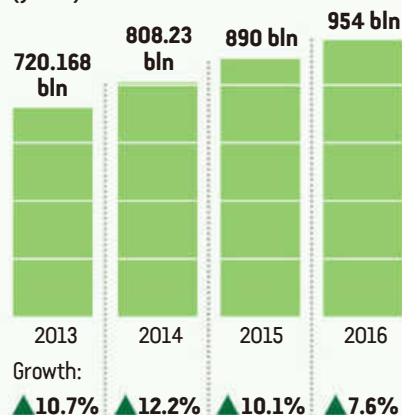
In 2015, China's per-capita average military spending was equivalent to

1/8 of that of the U.S.

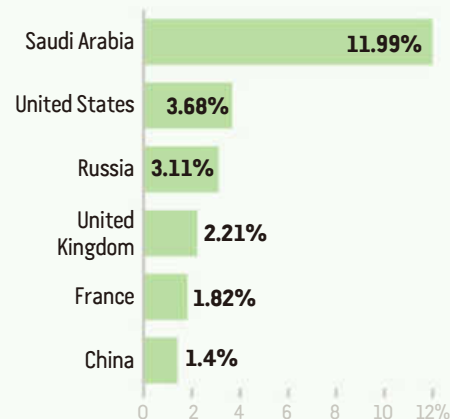
1/4 of that of Japan

China's Defense Budget

(yuan)



Defense Spending as a Share Of 2015 GDP



International Comparison Of 2015 Defense Budgets

(\$)



Usage of Defense Spending

China's defense expenditure is mainly composed of three parts:



Each part roughly accounts for one third of the total.

(Compiled by People's China, designed by Pamela Tobey)

Such ideas may stem from differences in other countries' systems. Take, for example, medical insurance premiums for veterans, which are allocated as part of defense spending in China but not in the United States. Also, while the United States has the world's largest arsenal of nuclear weapons, its costs are spread between the budgets of its de-

partments of defense and energy.

China's defense spending is still low in relation to those of other major countries, regardless of how it is measured—either in terms of percentage of total GDP or per-capita level. In particular, the share of its military expenditure in GDP is only around 1.5 percent, the lowest among the UN Security

Council's permanent members.

The composition and trend of China's defense spending over time shows that China's armed forces are purely meant for defense, and that China is a peace-loving country. ■

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

Found in Translation

Translation industry adopts technological innovation **By Liu Yi**

Internet search giant Baidu won a second-level prize at the China 2015 National Science and Technology Awards for its technological advancement of machine translation in early January. The company's translation system has been applied to or embedded in more than 7,000 products, including websites and apps, and has dramatically improved their competitiveness by giving them access to markets all over the world. It enabled, for example, 1.2 million domestic suppliers on DHgate.com, an online marketplace of wholesale products, to sell products to more than 10 million buyers in 224 countries and regions.

The award marked the first occasion upon which an Internet company was able to attain the nation's top scientific accolades—usually awarded to weightier projects, such as manned space flights.

Effective machine translation, one of the hardest tasks in computer science, has been an endeavor that generations of scientists have pursued since the end of World War II. It was not until 2006, when Google launched its free, statistics-based translation software, that a breakthrough occurred. This technology has since been used on a vast array of applications, from business to everyday life. In the last few years, other technological behemoths, such as Microsoft, have also entered this field, aiming to expand their global reach.

Baidu's attainment of the national scientific award highlights China's burgeoning technological innovation movement. Against the backdrop of the Internet Plus strategy—the application of information technology in conventional industries—Chinese translation companies have taken initiatives to utilize new technologies. In 2015, many of

them released Internet-based products, such as crowd-sourcing translation platforms and language detection apps.

An increasing number of hi-tech companies are expanding their traditional business scope—while some even advocate abandoning their old modus operandi.

An industrial facelift

Zhang Jing is co-founder and CEO of the Shanghai Yizhe Info Tech Co. Ltd. The startup aims to provide language assets management with one-stop online solutions that include bilingual sentence alignment, a private and cloud-based translation memory, and the integration of computer-assisted translation tools.

Zhang's is one of the many similar "language services" companies that have burst into the market over the last several years. As more and more Chinese companies go global, they now need both translators and translation tools to facilitate communication. As these services are indispensable to departmental efficiency and consistency, they are becoming increasingly crucial to transnational companies. For example, Huawei, the world's leading telecom equipment manufacturer, has developed a set of language tools to ensure that its 170,000 employees throughout 156 countries and regions are able to adequately communicate with each other.

Even so, most companies rely on the market for such services—resulting in a strong demand that has attracted hi-tech companies and technological entrepreneurs like Zhang.

Upon graduation in 2013, with degrees in computer science and economics,

Zhang joined Baidu and worked in its online payment department. Just one year later, however, good prospects in the language service sector prompted Zhang to start his own company in September 2014. He applied information technology to text retrieval and matching, a combination he says constitutes his company's core competitiveness.

Last year Zhang attended various conferences, symposiums and workshops throughout the country to promote his products and get a feel for the industry. He admits to having paltry experience in the translation industry, but he does not regard this as a disadvantage. "Our company's edge is in its strong software development capabilities," the young entrepreneur said. "My working experience at Baidu has given me a better understanding of the Internet and associated technologies." He added that this hi-tech background enabled him to transform his ideas into tangible products.

The startup has launched several tools in the year since its inception—the most popular of which is a service provided on private cloud networks. As many as 50 people can simultaneously retrieve information from, and add to, a translation memory database. It consequently streamlines efficiency and, as the database is saved on the cloud, reduces the storage issues.

Zhang's team is comprised of 10 employees and two interns, and focuses on Chinese to English translation—which accounts for more than 90 percent of market in China. "[The translation market] is a niche market," Zhang said. "We have few competitors either in the domestic or international market." Technological strength and a clear market position have garnered the company a firm market foothold.

Uber interpretation

The rise of mobile Internet has changed the way people connect in the past few years and has also affected conventional businesses. Uber, for example, is transforming the taxi industry throughout the world. The ride-hailing app connects drivers and passengers directly, thereby maximizing efficiency and saving resources.

Inspired by Uber, Zhang Liang and his partner He Ying sensed the opportunities

Against the backdrop of the Internet Plus strategy—the application of information technology in conventional industries—Chinese translation companies have taken initiatives to utilize new technologies



COURTESY OF ZHANG LIANG

inherent in online interpretation. They set about developing a new app, called “We translators and interpreters.”

“This is an app-based interpreter-hailing platform,” Zhang Liang said. The platform is composed of a pool of part-time interpreters who serve clients in need of their services. With just a press of a button, clients can send out an order which interpreters can receive and respond to. The interpretation of voice or video calls takes place on the platform.

The target demographic of this new app is mainly composed of businesspeople and outbound tourists—a burgeoning market. The default time span for answering a client’s demand is five minutes, and common requests include explaining document details, map reading and ordering dishes from a foreign language menu.

To improve the matching system, the app encourages clients to input information pertaining to their requests, such as geographical locations, accent preferences and context. It also includes a rating system based on interpreters’ education

background, work experience and, most importantly, client evaluation.

“De-centralization is the core value of the Uber model,” Zhang Liang said. “Passengers don’t need a taxi company to call a cab, so why should I search for interpreters through translation companies?”

Zhang Liang ran a small translation company from 2006 to 2009. He believes that conventional methods currently being used cannot be sustained. “Translation companies keep lowering their quotes to woo clients, but meanwhile increase their commission rates, sometimes up to 50 percent, to profit from translators,” Zhang Liang said. “Consequently, experienced translators often quit, and clients therefore complain about quality.”

The Uber model will halt this vicious circle, he continued. By bypassing intermediary companies, the new app can help clients slash budgets and raise interpreters’ earnings. Clients and interpreters can see each other’s information through the open and transparent platform, which helps them

Zhang Liang (third left) and his team members celebrate their company’s first anniversary in September 2015

strike deals which can satisfy both of them. Also, interpreters can work part-time via their smartphones. “They can grab an order as long as they have a spare five minutes,” Zhang Liang said. “These interpreters deserve a higher income for their professional skills.”

Several investment companies have contacted Zhang Liang and expressed interest in the new product. However, the company is particular about who it brings into the fold, wanting to find investors who have similar ideas about the economy as they do. “We did not develop the app for money,” Zhang Liang said. “We believe that the Internet Plus concept will make the industry more open and fair, thereby creating benefits for everyone.” ■

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

OPINION

How Should Financial Reform Serve the Real Economy?



An expressway linking Yunnan's Maliuwan area to Zhaotong City opens to traffic on December 26, 2015, marking the completion of the 1,032-km north-south expressway in the province. It is of great significance in boosting economic development in southwest China

During the 13th Five-Year Plan (2016-20) period, China must improve the efficiency of the financial sector in serving the real economy. Following this principle, five major tasks should be undertaken, which include improving the financial environment to achieve higher efficiency in resource allocation, supporting innovation and business startups, facilitating the role of investment in stimulating growth, and developing a system of diversified financial institutions.

In order to improve the financial environment to attain higher efficiency in resource allocation, market-oriented reforms in interest rates, exchange rates and treasury bond yield curves need to be completed.

Interest rates represent the price of capital, and thereby offer a standard for the allocation of real resources. A non-market-oriented interest rate system may lead to a distortion in resource allocation. The government must therefore accelerate its market-oriented reform of the interest rate system, with the goal of allowing the market's supply and demand to decide the formation of the interest rate. The reform should also focus on the interest rate transmission mechanism, as well as improving the central bank's market-based regulation capacity.

The role of exchange rates is to effectively allocate monetary resources throughout the world. To improve its efficiency in resource allo-

cation in both domestic and global markets and to achieve a balance of international payments, China must improve the market-oriented exchange rate formation mechanism of the yuan.

As for the treasury bond yield curve, this concerns whether or not the pricing of various financial products is effective. If basic prices are not adequately formulated, the pricing of all a country's financial products will be negatively affected.

Supporting innovation and business startups is also one of the focal points for China's financial industry during the 13th Five-Year Plan period. Since there are huge uncertainties and risks regarding innovation, the financial industry should accommodate "trial and error" policies, make choices with the real economy in mind and assume responsibility when taking unavoidable risks that are inherent to innovation, so as to support industrial development. In this regard, the financial market, which provides direct financing, is more effective than financial intermediaries, which provide indirect financing.

Since indirect financing can hardly manage the uncertainties involved in innovation, it cannot support large-scale hi-tech industrialization—indirect financing cannot adapt to fluctuations which can occur in the economic structure. In contrast, the financial market allows everyone to express their views and allows investors to make mistakes. Hence it is more appropriate for direct financing to handle uncertainties, innovation, new ideas

and economic activities. For the above reasons, the government must vigorously develop the capital market, especially the venture capital market, to support innovation.

During the 13th Five-Year Plan period, investment will still play a key role in economic growth. This means that raising long-term funds is still one of the primary goals in China's financial sector. Mismatches in maturity and equity have long been major defects in China's monetary mobilization system. On commercial banks' balance sheets, the proportion of mid- and long-term loans is increasing, bringing higher risks.

In the next five years, the government must set up mechanisms to raise long-term funds and equity capital. The key requirements to setting up those mechanisms include vigorously developing capital markets, especially those supporting small business startups and local business startups, establishing diversified long-term credit institutions and developing more diversified industrial investment funds.

The 13th Five-Year Plan vowed to improve the financial institution system where finance in the commercial, development, policy-based and cooperative sectors complement each other.

Previous financial reforms were market-oriented or commerce-oriented. Pursuing reform through just those two areas is not enough under current conditions. Many problems in today's complex and thorny global society cannot be solved through mere commercial finance. Policy-based finance has played a very important role in addressing the global financial crisis.

Without policy-based finance, the disposal of toxic assets, the reorganization of problematic financial institutions and the recovery of social confidence would have been impossible. In the next few years China will inevitably face problems regarding the disposal of non-performing assets, which currently rely on various types of financial institutions to survive.

Different financial measures are also needed to cope with the challenges China is likely to face, such as massive investments in infrastructure. Modernized industrialization, integrated development of urban and rural areas, new types of urbanization and the Belt and Road Initiative all need large amounts of funding—and commercial finance is not the only solution. ■

This is an edited excerpt of an article written by Li Yang, chief expert of the National Institution for Finance and Development, and published in *Economic Information Daily*

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

NUMBERS

(\$1=6.6 yuan)

\$1.3 bln

Value of the order that the China Railway Rolling Stock Corp. subsidiary CSR Sifang America received from the Chicago Transit Authority in March

1.58 mln units

Delivery of passenger cars and commercial vehicles in China in February, a year-on-year decrease of 0.86 percent

227.9 bln yuan

Decrease of the yuan funds outstanding for foreign exchange at the People's Bank of China in February, with the total amount standing at 23.98 trillion yuan

11.1%

Growth of consumer complaints in 2015, compared to that in 2014

Mergers and Acquisitions Market

Feb

Number of Cases

M&As among domestic companies



Total value

\$8.14 bln

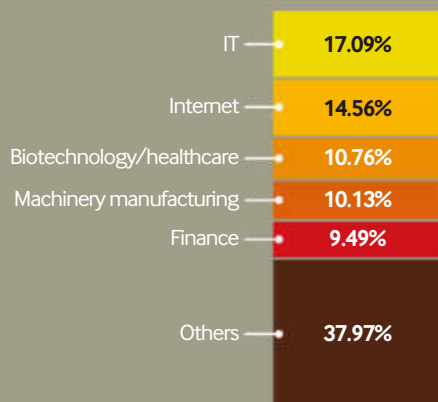
Chinese companies' overseas M&As



\$1.49 bln

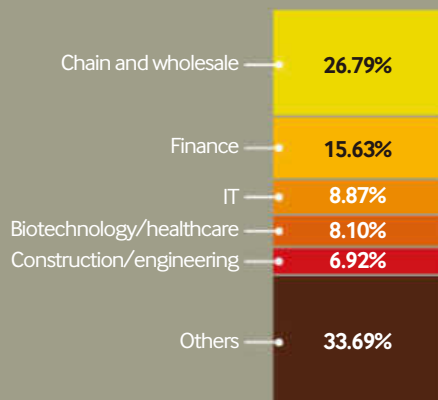
Top Five Sectors in Mergers and Acquisitions Cases

Feb



Top Five Sectors in Mergers and Acquisitions Value

Feb



(Source: Zero2IPO)

15.08%

Profit growth of China Vanke Co. Ltd., the country's largest real estate developer, in 2015, compared to that in 2014

726.6 bln yuan

China's new yuan-denominated lending in February, a decrease of 297 billion yuan from a year earlier

10.2%

Year-on-year growth of China's fixed assets investment in January and February

8

Number of Chinese cities ranking among the world's 60 most expensive cities listed by the Economist Intelligence Unit



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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THE NEW SPIRIT OF AFRICA

A STAR ALLIANCE MEMBER 

Promoting Clarity

Veteran communications expert is on a mission to China-Africa cooperation

By Ni Yanshuo

Since retiring from the vice presidency of the China International Publishing Group two years ago, Huang Youyi, a member of the National Committee of the Chinese People's Political Consultative Conference, China's top political advisory body, has had more time to travel around the world and present China to the international community. Huang's calendar is crammed with seminars and forums where he helps foreign participants learn more about his country.

Of these events, what impressed him most were two international forums held in South Africa and Italy in September and October, respectively, last year, reflecting the different interests audiences in developed and developing countries have in China.

"At a think tank forum in Milan, Italy, the participants focused on China's economic restructuring and territorial disputes in the South China Sea. In South Africa, I was asked more specific questions, such as China's efforts to address corruption, reduce poverty and boost economic development," Huang told *ChinAfrica*, a monthly magazine published by *Beijing Review*. "I could see that Africans pay more attention to China's development and

livelihood improvement, hoping to get inspiration from our experience."

Huang suggested that cultural exchanges and people-to-people contact between China and Africa should be broadened, in keeping with the rapid development of Sino-African relations. "On China's part, we need to improve our capacity to communicate with the international community. This is an urgent task," he said.

Cultural exchanges

While tabling the Government Work Report at the opening of this year's full session of the 12th National People's Congress, China's top legislature, on March 5, Premier Li Keqiang stressed the importance of international cultural exchanges and international communication capacity. "Though there is only one sentence [on this] in the report, we can never emphasize it too much," Huang said. "The international community needs to learn more about China. More importantly, we should present China much more clearly to the outside world."

In recent years, the Chinese Government has taken various measures to improve Sino-African cultural exchanges and people-to-people

contact. According to an inter-governmental agreement on cultural promotion, the Year of South Africa event was held in China in 2014 and the Year of China event was held in South Africa the following year. In January, China and Egypt launched the China-Egypt Cultural Year. Experts say that cultural exchanges have greatly promoted mutual understanding between different communities.

"China and African countries are increasingly strengthening their economic ties, but such ties cannot be sustained without the foundation of cultural exchanges," Huang said. According to him, only through appreciating each other culturally can the Chinese and Africans enhance mutual understanding and friendship.

"Many Chinese like the distinctive African culture; China also has a rich culture. We must introduce our colorful culture to Africans," Huang said, adding that cultural exchanges should be conducted on an equal footing.

Language service

For Huang, a prestigious translator in China, the development of the language service industry is an important part of improving China's interna-



"China-Africa industrial cooperation does not mean moving China's redundant, polluting production capacity to Africa. Definitely not. We must consider the demands of the African people."

—Huang Youyi, member of the National Committee of the Chinese People's Political Consultative Conference



A Chinese singer performs with Rwandan students during an event celebrating the Chinese Lunar New Year at the University of Rwanda in Kigali on January 28

tional communication capacity. In 2013, China proposed an international development strategy and framework, the Belt and Road Initiative, encouraging enterprises to invest in countries and regions along the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, an extension of the ancient trade routes involving about 60 countries and regions in Asia, Africa and Europe.

"You cannot expect that all the people in these countries speak Chinese or all Chinese enterprise staff speak foreign languages when they go to these countries. So they need language service," Huang said, explaining that language service does not simply mean human translation. "In the big-data era, we also need machine translations and help from various software."

Huang said that not all Chinese enterprises venturing abroad are adequately aware of the importance of language service. "Many enterprises go abroad trying to expand their business but find they know nothing about the local culture, laws and customs. They do not know that language service can help them," he noted.

Statistics show that there are more than 3,000 Chinese enterprises investing in Africa with their investment exceeding \$30 billion. China is currently Africa's largest trading partner.

Industrial cooperation

With Sino-African economic ties deepening, Huang is increasingly involved in African affairs. He frequently attends international seminars in Africa and often lectures at training sessions for African officials held in China. All of this has sensitized him to the problems facing both China and African countries' current economic growth.

"Against the background of economic globalization, any change in the development of one region will exert influence on others," Huang said. "But the slowed Chinese economic growth will not necessarily lead to a slowdown in Africa, as their economies complement one another."

Industrial cooperation is a good example of this mutual complementation. At the Johannesburg Summit of the Forum on China-Africa Cooperation in South Africa in December 2015, Chinese President Xi Jinping proposed that the prevailing "new type of China-Africa strategic partnership" be upgraded to a "comprehensive strategic and cooperative partnership." Xi also announced that China would implement 10 cooperation plans with Africa in the next three years. Heading that list is the China-Africa industrialization plan.

"China-Africa industrial cooperation does not mean moving China's redundant, polluting production capacity to Africa. Definitely not,"

Huang said. "We must consider the demands of the African people."

He gave an example to illustrate this. African countries are undergoing construction on a large scale and they need cement. If they can produce cement locally, instead of importing from other countries, they can create jobs and improve local people's livelihoods. In contrast, China is reducing its cement production as the domestic market has become saturated. "So the [Chinese] production capacity can be moved to African countries in need," Huang said.

On January 7, the People's Bank of China, the country's central bank, announced that the China-Africa Industrial Capacity Cooperation Fund, designed to facilitate collaboration between China and African countries, had been activated.

The fund, with an initial capital of \$10 billion, will invest mainly in sectors such as manufacturing, high and new technology, agriculture, energy, infrastructure construction and finance in African countries.

"China is transforming its economic development mode and African countries can take advantage of the process to accelerate their industrialization process," Huang said. ■

Copyedited by Sudeshna Sarkar
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How Can China Learn From Disney's Business Model?

While Shanghai's Disneyland has yet to open, the construction of Beijing's Universal Studios theme park will soon begin—both targeting young people. Yet Li Xiusong, a member of the National Committee of the Chinese People's Political Consultative Conference, said during this year's session of the top political advisory body in March that China needs to build up its own "Disneyland" in order to counter the strong impact of Western culture on the country's youth. He also expressed his worry that the next generation will become indifferent to Chinese culture if they are brought up under the influence of Western culture. He pointed out that the story of the Monkey King, a central character in the *Journey to the West*, a classic and legendary novel based on the pilgrimage of an eminent Tang Dynasty (618-907) monk to India, could be a better creative source for the creation of theme parks. Li's remarks triggered a debate on whether China

should build up its own version of Disneyland and why China is not currently successful in this regard.

Some people believe that China's cultural industry has made significant progress in recent years, and that given its rich cultural endowment, the country doesn't need to import foreign cultural products. However, it's necessary for cultural innovation to keep up with the times and to compete with Western culture. Meanwhile, others argue that China's cultural industry has fallen too far behind that of the Western world, in terms of theory, method, technology, commercial operation concepts and more. Thus, learning from Western theme parks is necessary. There is also a general consensus in the debate that in the learning process, the most important thing is that it should not be simple replication but should also include innovation and adjustments according to local tastes.

Innovation matters

Yang Chaoqing (www.qingdaonews.com): When the vitality of China's traditional culture is not fully utilized, foreign cultural products might work so well that they even begin to squeeze local cultural products out. In this case, if local culture wants to survive fierce competition, those in the cultural sector must learn to innovate.

Sometimes, localized foreign products become popular, but they are products of simple emulation, and even if they are popular within a period of time, their popularity is never sustained. Tourists gradually lose trust in products that are short on cultural sincerity and will ultimately turn to foreign products.

The popularity of Disneyland shows that ordinary people do have passion for cultural consumption, and the important thing is that their needs must be respected. For our own cultural products to be popular, there must be innovation based on our inheritance of our traditional culture, which is deeply rooted in China and which must also be revived in new forms.

Chen Weiche (Guangzhou Daily): The entertainment market in China is further

stimulated by rapid economic development, and the enormous potential embedded in this market has attracted global entertainment giants like Disneyland. Meanwhile, local theme parks have begun to mushroom around the country. But compared with Disneyland, most of China's theme parks are lacking in competitiveness due to the absence of intellectual property rights for innovative entertainment products and related derivatives.

How to prepare local theme parks for the challenges posed by foreign theme parks will be a serious question facing many park operators in the coming years. An important factor behind Disneyland's worldwide success is that it possesses a lot of unique entertainment products of its own innovation. We know that a large number of figures in the park are from Disney cartoons, and these cartoon figures have thus become the core products of Disneyland. Typical examples like Donald Duck and Mickey Mouse have won numerous fans around the world.

Therefore, while building theme parks, domestic entertainment companies must also consider attracting fans to their parks by basing their parks on popular Chinese classics. As these books already claim many fans, the effective use of their characters and well-flushed-out "themes" would likely attract more visitors.

Take the *Journey to the West* for example. This ancient classic is composed of a large number of legends and fairy tales. If theme parks can create scenes described in the stories and make it possible for children to catch and subdue those demons and monsters in the sky or the sea, would those parks remain unattractive?

Zhou Renguo (Nanfang Daily): The arrival of Disneyland will undoubtedly pose serious challenges to China's own theme parks. We have to admit that Disneyland theme parks have already thrown many of China's so-called theme parks far behind, as the Chinese versions cannot compete on the basis of unique cartoon figures and relevant entertainment programs. Besides, Disneyland has a well-developed industrial chain and a fully formed brand.

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).

 yanwei@bjreview.com

Please provide your name and address along with your comments

In recent years, there have been more and more calls for the construction of theme parks featuring China's own traditional culture, so as to counter the invasion of foreign theme parks. Indeed, throughout the country, there are few that can really express the greatness, depth and richness of the time-honored traditional Chinese culture.

Why are there no commercial programs that can accommodate rich Chinese culture? Ironically, Chinese stories are sometimes made into excellent cultural products by foreign companies, such as the Disney cartoon *Mulan*. If we are unable to even explain our own stories successfully to our own audience, how can we inject traditional culture into tourism and export products? This, sadly, is the major reason why domestic theme parks are culturally pale in comparison.

The ancient novel, the *Journey to the West* has only resulted in an excellent TV series in the mid-1980s. Foshan in south China's Guangdong Province is the hometown of many masters of martial arts. There is a theme park there named after the late kungfu master Bruce Lee, but so far, the entertainment programs remain basic, featuring items like pirate ships and roller coasters.

The heritage of traditional Chinese culture has long been in the spotlight, but it takes time to develop successful theme parks based on it. When theme parks begin to be operated by market rules, the integration of traditional culture into these parks will no longer be a question.

Concerns justified

Wang Pu (Finance.huanqiu.com): Beijing and Shanghai are respectively China's political and economic centers, neither of which are short of attractive scenic spots. Yet Beijing is to build a Universal Studios theme park and Shanghai's Disneyland will open soon. We cannot imagine what it will look like when people in China's two core cities are all talking about Mickey Mouse.

Has enough work been done domestically to dig into the rich Chinese culture available and share it with the rest of the world? In the face of this invasion of Western culture, are we confident enough to make sure our own culture survive and thrive amid outstanding Western cultural brands?

We need to learn from others' excellent cultural products, but it cannot be through simple replication. More importantly, it seems silly to give up our own ground and give way to foreign cultural brands.

Chao Bai (Nanfang Daily): When talking about his reservations about introducing Disneyland into China, Li said that it was mainly because Disneyland conveys Western



culture, not local culture. By saying so, he was not really seeing Disneyland as a rival, but he feels that most cultural facilities in China have failed their visitors. He once suggested the construction of theme parks based on China's traditional culture, like the story of the Monkey King. He believes that these classic stories are the best materials available for the construction of theme parks with Chinese characteristics.

Disneyland's success is mostly attributed to the combination of cultural innovation and modern technology, which makes culture lively and vivid. Children are thus attracted by these cultural figures, beginning their own exploration of them and trying to fulfill their curiosity in this process.

The question facing us Chinese is: Why can't we do the same? We have also created many cultural products tailored for children, but these products are not as interesting for

adults, because they are not made to be so. Many of Disney's cartoons are simply not for young children. They are also capable of expressing depth through vivid forms.

For many years, when there was a new theme park erected somewhere, similar facilities would be replicated around the country. What has happened to them over the years? Many of them have since shut down—replication cannot be sustained. Actually, not just theme parks, but a lot of popular TV programs are also copied from other countries. In this way, the audience can only passively accept others' culture, while we are left unable to export ours.

Given people's craze for Disneyland, Li's worry is not totally groundless. ■

Copiedited by Mara Lee Durrell

Shouldering the G20

By Zhang Liwen



Innovation-driven growth and structural reform are sure to take the spotlight during this year's G20 Summit, as well as China's backing for the world's major economies to form a consensus and work together to pull the world economy back on track. Foreign Minister Wang Yi made these remarks at a press conference in Beijing on March 8 in response to a question on how China will play a leading role while hosting the G20 Summit in Hangzhou on September 4-5.

"While making solid preparations on all the topics, we will try to break new ground from three angles," Wang said. "First, we want to discover new sources of growth through innovation. Second, we want to inject new momentum into the world economy through reform. And third, we want to open up new prospects through development."

China will prioritize development issues in macro policy coordination and will encourage G20 members to show leadership by developing action plans to implement the UN's 2030 Agenda for Sustainable Development, so as to catalyze inclusive and interconnected development all over the world, according to Wang.

Currently, the world economy lacks momentum as a whole and demand is sluggish. Problems such as high unemployment rates, high debt levels, sagging trade and investment, a decelerating economy, high financial leverage, as well as fluctuations in international finance and major commodities markets need to be solved urgently.

While attending the G20 Summit in Turkey last November, Chinese President Xi Jinping said that the growth momentum generated by the previous round of technological and industrial revolution is fading and that the potential in traditional economic systems and growth models is drying up.

Therefore, the only way forward is to drive growth through innovation and reform—not just in China, but worldwide, too.

The theme for the G20 Hangzhou Summit—Promoting the Innovative, Dynamic, Concerted and Inclusive World Economy—represents China's confidence in contributing to the global economic recovery effort. In recent years, the Chinese economy has been facing challenges consisting of sluggish demand, industrial overcapacity and inadequate growth momentum, which reflect the issues currently muddling the world economy.

In order to break through the bottleneck in

The theme for the G20 Hangzhou Summit—Promoting the Innovative, Dynamic, Concerted and Inclusive World Economy—represents China's confidence in contributing to the global economic recovery effort

economic growth, China has put forward the concept of innovative, balanced, green, open and inclusive development. The country has also been seeking to upgrade its traditional industries, develop new financial modes, launch supply-side structural reforms and promote the Internet Plus strategy that calls for the increased penetration of information technology into all industries.

The aforementioned measures have enabled China to maintain moderate to high-speed growth in the process of transforming its development model. From 2009 to 2011, China contributed to over one half of global economic growth. Although China's economic growth has slowed down, it still contributed to more than a quarter of global growth last year and remains an important growth engine for the world economy.

At the first Sherpa Meeting of the G20 Hangzhou Summit held in January, also known as the coordinators' meeting in preparation for the summit, State Councilor Yang Jiechi said that the forthcoming meeting of G20 leaders will have four priorities—breaking a new path for growth, more effective and efficient global economic and financial governance, robust international trade and investment, and inclusive and interconnected development.

These measures echoed the G20's ethos of partnership and efforts to weather hard times together over the past eight years. G20 members have taken joint actions to cope with the global financial crisis and played important roles in the economic recovery worldwide. China is willing to adopt those characteristics at the Hangzhou summit and share its experience in economic development with other countries.

China is committed to turning the G20 from an institution established to deal with the global financial crisis to a permanent economic governance structure and a platform for international cooperation governed by a set of rules, according to Yang.

It is anticipated that China will play a leading role in the G20 Summit this year and chart the course for global economic development and international economic cooperation in the future. ■

The author is an intern at *Beijing Review*
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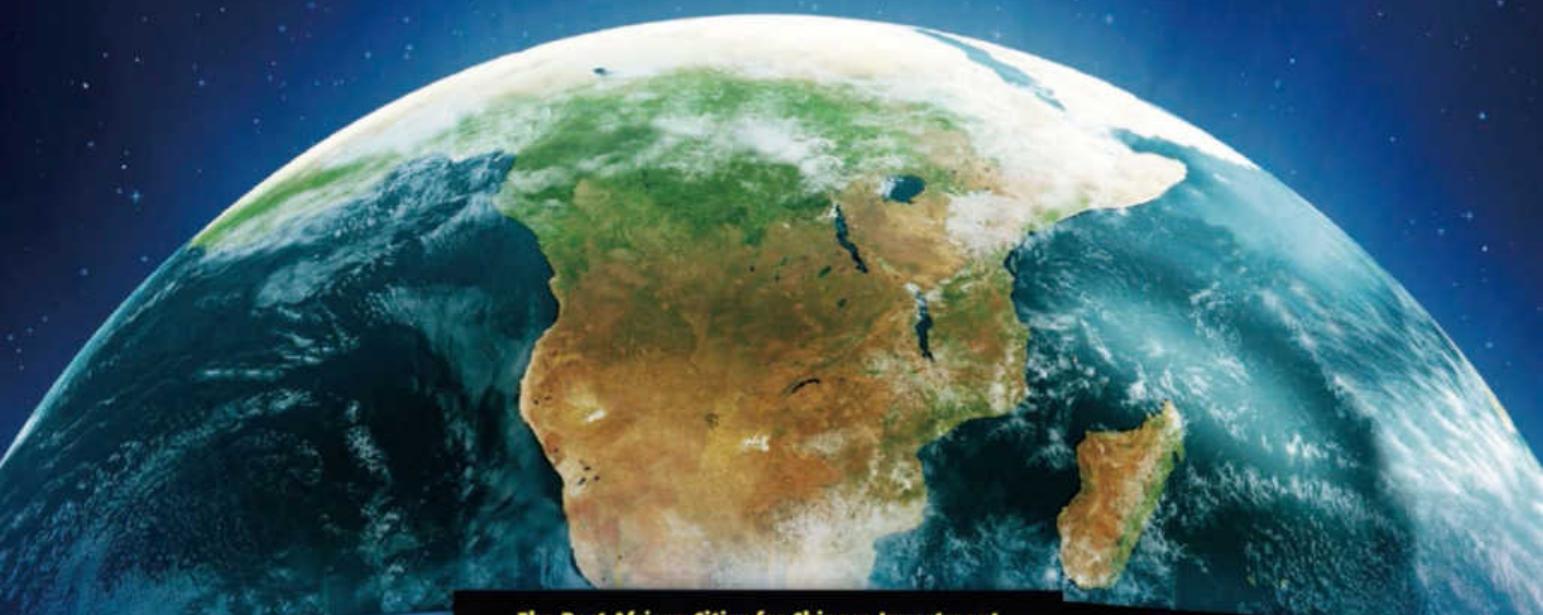


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