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SHIFTING GEARS

China sets out to
tackle supply-side
reform



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EDITOR'S DESK

Supply-Side Reform Tackles Imbalance

China's current marketplace shows the dichotomy between the oversupply of unused and unwanted products and the high demand for goods in limited supply. Steel, iron and coal—staples of the Chinese economy—are experiencing a glut. Meanwhile, consumers are rushing to overseas markets to buy milk powder, electric cookers and even electric toilet seat covers, products that are either difficult to find in China or whose local production quality is questionable.

The Chinese Government is aware of this imbalance. Reforming the supply side of China's economy has become one of the Central Government's main priorities to tackle.

Before solutions to the imbalance can be implemented, we must first discover the cause. Over the past three decades, in China's push to catch up with the world's developed economies, it encouraged the rapid development of its iron and steel, coal and cement industries. While China succeeded in experiencing rapid economic growth, it resulted in the expansion of industries that consume huge amounts of energy and severely pollute the environment. Overcapacity quickly became a serious issue once construction met local demand.

Another contributor to the imbalance is the fact that these industries are mostly dominated by state-owned enterprises (SOEs). While SOEs previously played a dominant role in these impor-

tant sectors, they are now dragging down the economy due to their high debt levels and overcapacity. Finally, China doesn't have the innovative capabilities its economy requires. The core technologies of many products are still controlled by foreign companies from developed economies. The gap in quality between domestic and foreign goods drives many Chinese to overseas markets to find the goods they need.

To combat this problem, the Chinese Government has made supply-side reform a priority this year, which includes cutting overcapacity and filling technological gaps. Reforming SOEs is a key step in this process and several iron, steel and coal enterprises have accelerated the pace of the reform, including the Wuhan Iron and Steel Corp., Ansteel and the Xishan Coal Electricity Group. In the meantime, innovation and entrepreneurship are gaining momentum across the country with many technologically innovative enterprises already in operation.

Despite strong headwinds from entrenched interests, the Chinese Government fully believes its efforts to carry out supply-side reform will be met with success.

As China enters the 13th Five-Year Plan period (2016-20) this year, successfully reforming supply in the economy will play an important role in ensuring the sound and sustainable development of the Chinese economy. ■

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REACHING OUT

Premier Li Keqiang meets with representatives from industrial, financial, academic and media circles attending the Boao Forum for Asia Annual Conference in Boao, south China's Hainan Province, on March 24.

This year's conference, themed Asia's New Future: New Dynamics and New Vision, lasted from March 22 to 25. At the event, more than 2,000 participants from over 60 countries and regions discussed a wide range of topics including the macroeconomy, politics, entrepreneurship, innovation, the Internet, public well-being and culture.



Hand in Hand

Attendants of the First Lancang-Mekong Cooperation Leaders' Meeting—Vietnamese Deputy Prime Minister Pham Binh Minh, Lao Prime Minister Thongsing Thammavong, Thai Prime Minister Prayut Chan-o-cha, Chinese Premier Li Keqiang, Cambodian Prime Minister Hun Sen and Vice President of Myanmar Sai Mauk Kham (left to right)—pose for photos in Sanya, south China's Hainan Province, on March 22.

The meeting was held on March 23 with the theme "Shared River, Shared Future."

Higher Sea Levels

China's average annual rise in sea levels from 1980 to 2015 was 3 millimeters, higher than the global average, according to a report released by the State Oceanic Administration on March 22.

The decade between 2006 and 2015 saw the fastest rise in the past 30 years, with the mean sea level increasing by 32 millimeters and 66 millimeters, respectively, compared with the figures from the 1996-2005 and 1986-1995 periods, said the report.

The report stated that thermal expansion of seawater and the melting of glaciers and ice sheets on land due to global warming contributed to the accelerated rise in global sea levels.

China has also seen its air and seawater temperatures increase due

to climate change, along with lower air pressure in coastal regions, resulting in rising sea levels, according to the report.

Statistics showed that China's sea level drops during El Nino weather patterns. The sea level in 2015 was down by 21 millimeters from 2014 due to a strong El Nino that affected the central and eastern equatorial Pacific Ocean.

The report also suggested authorities take sea-level rises into consideration when planning coastal cities to ensure safety and effective disaster prevention and relief efforts.

On the same day, another report released by the administration revealed that oceanic disasters in China in 2015 caused direct economic losses of over 7.27 billion yuan (\$1.12 billion) and the deaths

of 30 people.

In 2015, the coastal provinces of Zhejiang, Fujian and Guangdong suffered the most during oceanic disasters, with their direct economic losses accounting for 97 percent of the total.

Python Skins

Customs officials from the southern province of Hainan announced on March 18 they have seized 68,000 pieces of python skins worth 310 million yuan (\$48 million).

A total of 16 suspects were caught in a raid in five cities on January 29, according to the customs office of Haikou, capital of Hainan.

A local company is alleged to have obtained a wild animal import license to produce folk instruments, but used it to smuggle python skins

from Viet Nam since 2014, according to the customs officials.

The company is also alleged to have made false customs declarations to avoid taxes of 11 million yuan (\$1.69 million).

Pythons are protected in China. The import of python skin is therefore tightly controlled by the government and requires a valid license.

Language Data

The first stages of fieldwork for a project to help preserve China's ethnic minority languages and dialects, including some on the verge of vanishing, has been completed, according to the Ministry of Education (MOE).

Specialists worked in 81 fieldwork sites in ethnic minority regions and 53 sites with different Chinese dialects to help preserve the languages by collecting and documenting their use.

The MOE and the State Language Commission launched the project in May 2015 with the goal of collecting and preserving the languages over five years.

The project is also designed to augment and streamline the current multi-media database of Chinese languages compiled in 2008.

In 2015, the preservation project began from places where dialects and ethnic minority languages are in dire need of conservation, including Shanxi, Zhejiang and Fujian provinces as well as Chongqing. It will expand to more localities later.

The MOE also urged localities to build regional museums dedicated to preserving and sharing language culture.

Number of Websites

The number of websites in China rose to 4.27 million at the end of last year, new figures showed on March 18.

A total of 620,000 Chinese websites were launched in 2015, exceeding the number of sites

launched during the 2010-14 period, according to a report released by the Internet Society of China.

Of the 4.27 million websites, 3.02 million were operated by companies, up 493,000 from one year earlier. Around 1 million websites were run by individuals, representing an increase of 110,000 from 2014, the report said.

Average mobile Internet traffic by Chinese netizens exceeded 366.5 megabytes per month in 2015, up 85.3 percent year on year. The number of 4G users jumped to 386 million at the end of 2015, compared with 289 million at the end of 2014.

Natural Reserve

The Chinese nature reserve Wudalianchi in Heihe, northeast China's Heilongjiang Province, was awarded the Michel Batisse Award at the Fourth World Congress of Biosphere Reserves in Lima, Peru.

A documentary about Wudalianchi was shown at a ceremony on March 18, allowing the audience to appreciate its ample ecosystem, in which innovative solutions have been presented to tackle problems related to environmental conservation, ecology and sustainable development.

The Michel Batisse Award has been given out by UNESCO's Man and the Biosphere Program since 1989, helping to further research on ecosystems, natural resources and biodiversity.

New Vaccine

China has developed a vaccine against hand, foot and mouth disease (HFMD). The human diploid cell vaccine, is the first against enterovirus 71 (EV71), a primary cause of the HFMD.

The vaccine prevented 97.3 percent of testers from contracting EV71, according to the Institute of Medical Biology, Chinese Academy of Medical Sciences, the vaccine developer.

The HFMD is caused by a group of enteroviruses including EV71, which causes heart and lung complications that can lead to death.

It has become one of the most ubiquitous infectious diseases in China due to the previous lack of effective vaccines. Infants and children under five years are most vulnerable.

China's food and drug watchdog approved the production of the vaccine in December 2015.

Duty-Free in Tibet

China's Tibet Autonomous Region is applying to establish duty-free shops at selected entry ports to boost border trade and tourism, Lhasa Customs said March 23.

Lhasa Customs is working closely with the regional government to apply for the Central Government's approval for the opening of such shops, said Wang Wenxi, Chief of Lhasa Customs.

Bordering India and Nepal,



Taking a Rest

A teacher and two kids in Qingniao Kindergarten of Bozhou, Anhui Province, attend an activity on World Sleep Day on March 21.

Many schools held activities on the day teaching students how to cultivate good sleeping habits.

Tibet has become a gateway of trade between China and south Asian countries. The region's foreign trade reached about 76 billion yuan (\$11.7 billion) between 2011 and 2015, more than 60 percent of which were achieved in border areas.

Wang did not specify in which ports the duty-free shops will be established. However, ports bordering Nepal like Jilong are more likely candidates as trade with Nepal accounts for most of Tibet's overall foreign trade.

The region's trade with Nepal

dropped 59.2 percent in 2015 after a strong earthquake devastated ports and trade routes in April. The Gyirong port was reopened in October 2015 while the other major port, Zham, is still under reconstruction.

Opening duty-free shops will help improve Tibet's status as a major tourist destination in the world, according to Hong Wei, deputy head of the region's tourism promotion committee.

Tibet received about 67.9 million visitors between 2011 and 2015, raking in 87.4 billion yuan (\$13.45 billion).

Bright Yellow Sea

Rape flowers are in full bloom in Qingyuan Village of Duanshen Township in Wuyuan County, Jiangxi Province, on March 22.

Rape flowers bloom in many places in China including Shaanxi, Anhui and Qinghai Provinces and attract many tourists.



Patent Filings

China continued to perform strongly in international patent and trademark filings against the backdrop of a moderate worldwide intellectual property filing growth, according to the latest figures released by the World Intellectual Property Organization (WIPO) on March 16.

International applications filed under WIPO's Patent Cooperation Treaty (PCT) grew to 218,000 in 2015, up 1.7 percent year on year, marking the PCT's slowest growth in five years.

China's PCT applications exceeded 29,800 last year, increasing 16.8 percent over the same period last year. The country maintained its No.3 ranking for the third year in a row, following the United States and Japan.

The top three companies with the most applications were China's Huawei,

U.S.-based Qualcomm and China's ZTE Corp. Huawei has consecutively held the top spot since 2013.

Costlier Homes

China's housing market continued to expand in February, with more than half of the major cities surveyed reporting an increase in new home prices.

Of the 70 large and medium-sized cities surveyed by the National Bureau of Statistics (NBS), new home prices climbed from the previous month in 47 cities, up from 38 in January, said the bureau on March 18.

Meanwhile, 15 reported month-on-month price declines, down from 24 in January, according to NBS data.

New home prices soared 57.8 percent in February from a year earlier in the southern city of Shenzhen,

Guangdong Province, the sharpest increase among all major cities, followed by Shanghai and Beijing, where prices surged 25.1 percent and 14.2 percent year on year. The northeastern city of Dandong registered the steepest price decline, dropping by 3.9 percent.

Prices for existing homes also grew in the month, with 34 cities reporting higher month-on-month prices.

Analysts attributed the market revival to the government's efforts to destock real estate inventory, higher expectations for price rises, as well as speculative and investment demand.

Steel Dispute

China is concerned about the tougher stance the European Commission has taken on cheap steel imports from China, the Ministry of Commerce (MOFCOM)

said on March 21.

The EU called on member states on March 16 to help in a crackdown on unfairly cheap steel imports from countries such as China and Russia by accelerating and streamlining measures against producers suspected of dumping products onto the European market.

The European Commission said that it may speed up procedures by two months, bringing the EU's response time more in line with other countries.

Such policies will hinder exporters' exercising of their rights of defense, an unnamed official, who is in charge of the Trade Remedy and Investigation Bureau of MOFCOM, told Xinhua News Agency.

Overcapacity is a worldwide industrial problem that needs to be addressed through dialogue and cooperation, and trade protectionism will do little to solve the problem, the official said.



Fully Loaded Return

The Chang'an International Freight Train, fully loaded with 2,000 tons of grease, is ready to leave the border town Dostyk in Kazakhstan for Xi'an in northwest China's Shaanxi Province on March 20. This is the first time the international train has returned to China with cargo since it was put into operation in November 2013.

Fee Adjustment

Starting September 6, China will cut fees on purchases made through bank cards to save businesses about 7.4 billion yuan (\$1.14 billion) each year, according to a joint statement from the National Development and Reform Commission (NDRC) and the People's Bank of China on March 18. The move will not affect consumers.

The document said that bank service fees will go down more than half, and will be different for debit and credit cards. Fees on debit cards will be no more than 0.35 percent of the total purchase, while credit card fees will be no more than 0.45 percent. Banks could previously charge up to 0.9 percent as service fees.

Network service fees will be no more than 0.065 percent of the total. Fees collected by institutions that handle the transactions will be determined by the institutions and the businesses themselves.

Certain businesses will have zero bank service fees and no network fees, such as non-profit medical institutions.



Cross-River Project

A highway bridge erected on a river 100 km east of Pontianak, capital of West Kalimantan province in Indonesia, officially comes into service on March 22.

The new bridge was constructed by a Chinese company, with 90 percent of the construction funds lent by the Export-Import Bank of China.

After the changes, the NDRC expects total fees to shrink up to 63 percent in the catering sector and nearly 40 percent in department stores.

About 29 billion deals were made through bank cards in China in 2015, involving 55 trillion yuan (\$8.46 trillion).

Brokerage JV

China's securities regulator has approved the first brokerage joint venture (JV) that is established under the Closer Economic Partnership Arrangement between the Chinese mainland and Hong Kong.

With 3.5 billion yuan (\$540 million) in registered capital, the JV will be set up in Shanghai's pilot free trade zone and offer standard brokerage services, Deng Ge, a spokesman for the China Securities Regulatory Commission (CSRC), announced at a press conference on March 18.

The JV will have six months to register with regulatory authorities before starting operations, according to a document posted on the

CSRC website.

It also revealed that three Hong Kong investors will have a combined stake of 34.85 percent in the new company, while 11 mainland investors will take the remaining 65.15 percent.

According to their respective agreements with the Chinese mainland, Hong Kong- or Macao-funded financial institutions are allowed to set up one brokerage JV each in Guangdong Province, Shanghai and Shenzhen with a maximum 51-percent stake.

Sanction Response

Chinese telecom equipment maker ZTE Corp. said on March 22 that it will continue to work with the U.S. government to be fully removed from the Entity List after temporary trade sanction relief was provided to the company.

On March 8, the United States announced export restrictions on ZTE and three affiliated entities for allegedly violating U.S. export controls on Iran.

The U.S. Department of

Commerce added ZTE Corp., ZTE Kangxun, Beijing 8-Star and ZTE Parsian to the Entity List under the Export Administration Regulations, saying that the companies re-exported controlled items to Iran.

ZTE will continue to heavily invest in its core technology and manage the company according to regulations to ensure healthy development, a spokesperson from the company told Xinhua News Agency in an interview.

So far, ZTE has 14 offices and six research centers in the United States, and 80 percent of its 350 staff are Americans. ZTE currently holds about 7 percent of the U.S. smartphone market, making it the fourth largest smartphone manufacturer in the country, after Apple, Samsung and LG.

Malaysian Project

The China Railway Group Ltd. (CREC) on March 21 announced a \$2-billion investment in Malaysia with an

eye on further expanding into the Southeast Asian market.

CREC, one of China's largest state-owned companies, is using the investment to build an integrated office complex as its regional headquarter in Bandar Malaysia, which will act as a future transport, business and commercial hub for Kuala Lumpur.

The announcement came three months after CREC's successful bid with its Malaysian joint-venture partner in December 2015 to acquire a 60-percent stake in the Bandar Malaysia project.

"In the past, we were contractors, so this project is of much significance for us in the sense that we are partnering with local companies to invest and build this transport and commercial hub," CREC President Zhang Zongyan said.

Located about 7 km from the Kuala Lumpur city center, Bandar Malaysia will also serve as a terminal for a proposed high-speed railway linking the Malaysian capital and Singapore.



Copper Ore Arrives

A cargo ship loaded with 11,330 tons of concentrated copper ore arrives at a port in Nanjing, Jiangsu Province, on March 20.

The ore comes from a high-quality copper mine that was jointly purchased for \$10.5 billion by three Chinese companies in Peru. The mine is the largest overseas purchase made by Chinese metal mining companies.



BELGIUM

People are evacuated from the Brussels airport on March 22 after deadly blasts rocked the city. The death toll had risen to 34 as of March 23



RUSSIA

Rescuers work at the crash site of the Boeing 737-800 Flight FZ981—operated by Dubai-based budget carrier Flydubai—at the Rostov-On-Don Airport in Russia on March 19. The crash took all 62 lives on board



CUBA

U.S. President Barack Obama and his Cuban counterpart Raul Castro take part in a press conference at the Revolution Palace in Havana during Obama's maiden trip to Cuba on March 21





MALAYSIA

People hold umbrellas to take shelter from the extreme heat in Kuala Lumpur, which was caused by a strong El Nino phenomenon



INDIA

A widow dances during a pre-celebration of the Holi festival, held in the city of Vrindavan on March 21. The pre-celebration symbolizes a break from tradition which forbade widows from wearing colors and joining festivals



JAPAN

Protesters attend a rally against new security laws in Tokyo on March 19. A series of controversial security laws, which go against its pacifist constitution and allow its troops to fight in overseas missions, go into effect on March 23

↓ YOUNG GRANDMASTER VOWS TO BEAT ALPHAGO

Ke Jie, the world's top Go player, believes he is the one to beat artificial intelligence (AI) program AlphaGo, which was developed by Google's London-based AI subsidiary DeepMind. The AI program thrashed South Korean master Lee Se Dol in March.

"I believe I can beat it. Machines can be very strong in many aspects but still have loopholes in certain calculations," said the 18-year-old, who has won three world titles. Ke, however, admits his chance of winning is dwindling fast as the Go-playing system self-improves at a stunning pace.

DeepMind's CEO Demis Hassabis has reportedly expressed his willingness to invite Ke as AlphaGo's next opponent. Ke, currently number one in the world in Go ratings, defeated Lee at the Mlily Cup World Go Open Tournament in January. He also won the Bailing Cup and the Samsung Cup in January and December 2015 respectively.



More New-Energy Buses in Service

Guangzhou Daily
March 16

New-energy vehicles will be prioritized in public transportation over the next five years, according to Liu Xiaoming, Director of the Transport Service Department of the Ministry of Transport, at a press conference on March 14. At present, more than 50,000 electricity-powered buses are being used across China.

China's auto market has boomed over the past 30 years or so; however, vehicles powered by petroleum have put a big strain on energy supplies, with China's oil imports increasing each year. At the same time, the increasingly hazardous smog in cities across the country calls for the replacement of fossil fuel-powered

automobiles with new-energy ones.

China has attached great importance to the development of technologies involved in producing new-energy vehicles and the promotion of such products. According to an action plan unveiled by the Ministry of Transport last year, new-energy buses used for public transportation should reach 200,000 by 2020. Additionally, the government will actively promote the use of vehicles powered by liquefied or compressed natural gas as well as hybrid buses.

The Ministry of Transport has made the right decision by promoting new-energy buses in public transportation. The short endurance mileage of these vehicles is suitable for fixed-route service within a city. Furthermore, the application of electric buses will prompt local governments to step up construction of charging facilities for them. They will also serve to promote new-energy vehicles to the public and thereby increase their popularity.

China Undergoing a Critical Test

Outlook Weekly
March 14

China overtook Japan to become the second largest economy in the world in terms of nominal GDP in 2009. However, its per-capita income still lags far behind developed countries and has yet to circumvent the "middle-income trap." Development remains the primary pursuit of the country.

When China became the second largest economy, some Western observers were worried that China would accumulate wealth by colonizing weaker countries and grabbing their resources, labor force and market like previous powers had done.

However, rather than seeking hegemony, China has promoted peace and development in the world and shouldered responsibilities proportionate to a big country. It has been committed to building a new type of major-country relations featuring mutually beneficial cooperation. Domestically, China has pursued a socialist path with Chinese characteristics that suits the country's national conditions.

As China's economic growth slows down, the country is faced with the tasks of carrying out structural reform and changing

"China and Cuba have long enjoyed friendly and mutually beneficial cooperation. We will deepen our relations with Cuba, and this does not target or affect any third party."

Hua Chunying, Foreign Ministry spokesperson commenting on U.S. President Barack Obama's visit to Cuba and the implications of improved U.S.-Cuba ties for China at a press briefing on March 21

"China is in the midst of a historic transition, which will transform its economy and deliver economic and environmental sustainability. This transition is good for China and good for the world."

Christine Lagarde, IMF Managing Director, at the China Development Forum 2016 in Beijing on March 20

Crackdown on Fakes Online

Legal Daily
March 17

Online shopping has experienced a boom in China in recent years. According to statistics from the Ministry of Commerce, the sales volume of Internet-based Chinese retailers reached 4 trillion yuan (\$616 billion) last year, ranking top worldwide. However, problems such as fake and shoddy products, price scams and poor after-sales services have seriously hindered the development of the e-commerce industry.

Take east China's Zhejiang Province for example. According to the province's consumer market watchdog agency, 62,000 complaints regarding online shopping were filed last year, increasing 148 percent year on year and accounting for 34.5 percent of the province's consumer complaints.

An increasing number of e-commerce businesses have already realized the seriousness of the problem and invested huge amount of manpower and money in cracking down on fakes. For instance, Alibaba Group, which operates China's largest online business-to-consumer and consumer-to-consumer marketplaces, has formed a strict spot-check system for products sold on its websites. It has also provided useful clues to law enforcement departments through big data analysis.

In addition, government at all levels should strengthen supervision over online retailers. On the one hand, they should learn more about the Internet so as to improve efficiency in fighting fakes online; on the other hand, they should enhance cooperation with e-commerce companies and support the latter in their self-rectification endeavors.

Laws should also be improved. As a result, more severe punishment will be imposed upon wrongdoers who produce or sell counterfeits, in order to deter others from committing similar offences.



growth engines. Additionally, the country has to fulfill the goal of lifting all impoverished people out of poverty in five years.

Whether China can overcome the current challenges facing its modernization drive depends on how well the Central Government's policy for promoting innovative, coordinated, green, open and shared development is implemented at all levels of government.

↓ MOTHER WITH GREEN FINGERS

Yi Jiefang, 67, has planted more than 2 million trees on the sandy land of north China's Inner Mongolia Autonomous Region over the past 10-plus years.

Yi, a Shanghai native, said she did this to fulfill her son's will. The young man, Yang Ruizhe, died in a road accident in 2000. Just two weeks before he died, Yang told his parents he was ready to plant trees in Inner Mongolia after graduation because sandstorms were causing too much damage in China.

After Yang's death, Yi resigned from her job and set up the non-profit organization Green Life to plant trees in Inner Mongolia. She sold her apartment in Shanghai and spent most of her son's compensation funds to lease land and hire more than 300 local farmers to work with her. After a decade of hard work, Yi and her team have turned a desert into a forest.



"Although we are not the first Asian nation to send a probe to Mars, we want to start at a higher level. We have less than five years till the launch, but we are confident."

Ye Peijian, an aerospace expert with the China Academy of Space Technology, unveiling China's Mars exploration plan in a recent interview

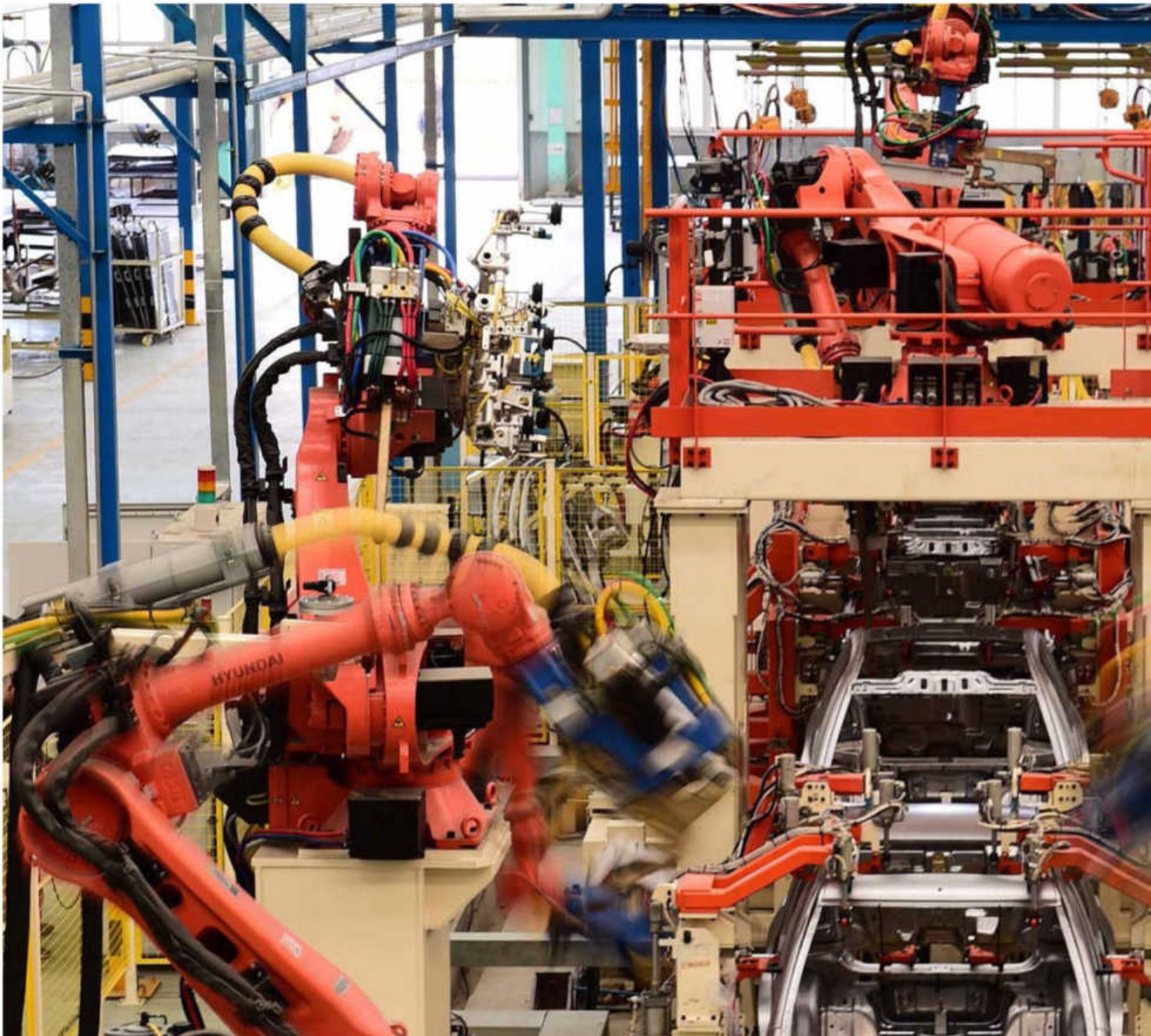
"The scandal has revealed problems in the distribution of vaccines. The China Food and Drug Administration (CFDA) is working with the Ministry of Public Security and the National Health and Family Planning Commission to thoroughly investigate it and ensure the safety of vaccines."

Wu Zhen, deputy head of the CFDA, in response to a recently uncovered scandal in which improperly stored or expired vaccines have been allegedly sold across China, on March 23

COVER STORY

BREAKING THE BOTTLE

A grueling yet beneficial process involving supply-side reform unfolds for China's long-term development By Deng Yaqing



ENECK



Industrial robots work at a factory belonging to the Durable Corp., a new-energy vehicle manufacturer in Weihai, east China's Shandong Province, on November 14, 2015

China shattered economic growth records over the past few decades, yet in 2015 it recorded its slowest growth figures in 25 years. China now turns to its supply side in search of new growth sources throughout its 13th Five-Year Plan period, lasting from 2016-20.

"At present, structural contradictions are conspicuous in economic development. What's most glaring is the supply side's failure to respond to changes in demand, which has affected the manufacturing, service and even agricultural sectors," Xu Shaoshi, Minister of the National Development and Reform Commission, said at a press conference held on March 6.

"Therefore, the current priority should be given to correct the misallocation of production factors, expand effective supply and enhance the adaptability and flexibility of supply structure," Xu added.

In the past, Chinese policymakers tended to concentrate their efforts on the demand side and pushed for growth from investment, export and consumption.

But now that era is over, and the supply-side reform creates more consumption opportunities than traditional methods, according to Huang Yanming, Chairman of the Jilin Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC). Huang said that emphasis will be placed on boosting growth quality and efficiency, rather than expanding the economic aggregate during the 13th Five-Year Plan period.

Moving forward, structural reforms to the supply side will be implemented in five ways: cutting overcapacity and excess inventory, de-leveraging, reducing costs and shoring up weak growth areas.

Growth sources

On one hand, efforts will be made to improve weak economic links in order to increase effective supply, expand the supply of production factors to stoke the development of emerging industries, and enhance the quality and efficiency of economic growth.

On the other hand, companies should take the initiative to cut excessive industrial capacity and reduce their costs of operation with the support of the government. Actions should also be taken to destock the burgeoning housing inventories, which have given rise to a housing bubble.

Case in point, at the end of 2015, China's commercial housing inventories stood at 719 million square meters, a historic high. Xu suggested that the stockpiles be digested via three methods.

First, efforts should be made to accelerate urbanization, which would multiply housing demand, foster the construction of affordable housing and help deflate housing inventories.

Second, the government should reinforce housing system reforms by attaching equal importance to both purchasing and renting operations.

Third, authorities should set regulations based on conditions present in different localities, since the housing market varies throughout cities.

In addition to housing inventories, overcapacity is also prominent on the minds of policymakers. "The excessive industrial capacity that will be eliminated is not necessarily outdated and backward," said Wang Chang, Director of the State-owned Assets Supervision and Administration Commission of Hebei Province.

"For example," Wang said, "the produc-

tion capacity of common rolled steel should be reduced to release additional resources, which can then be allocated to the manufacturing of high-end rolled steel products—which can satisfy market demands better." Wang also stressed that the core of the supply-side structural reform consists of producing high-end and high-efficiency products.

By carrying out the supply-side structural reform, resource factors such as labor forces, capital and technology will be freed up from sectors weighed down by overcapacity and will thereby flow to emerging industries, said Gu Shengzu, Vice President of the China Democratic Construction Association.

"Domestic consumers' demand hasn't been met adequately," said Li Zhantong, President of Tianjin Datong Investment Group Co. Ltd., who said that China still has market potential it has yet to tap into.

Companies should therefore seek more information regarding market demand and pursue specialization, he noted.

As the role of traditional elements used for development—including labor, resources and capital—is waning, scientific and technological progress, as well as institutional reform, should be taken as new engines for growth to drive China's economy, said Jia Kang, President of the China Academy of New Supply-side Economics.

"To reduce production costs, manufacturers have to expand the sales of their products, and the most effective way to win favor from consumers is to elevate the quality and functions of products through scientific and technological innovation," said Bian Zhiliang, President of the Taishan Sports Industry Group.

Importance should also be attached to innovation in terms of development concepts, the exploration of new growth points



Newly built residential buildings in Changsha, capital of central China's Hunan Province

and market spaces, as well as the creation of new industries.

Li Jiaming, head of the Key Lab for Atomic, Molecular and Nanoscience in the Department of Physics at Tsinghua University, claimed that in the next five years, innovation in science, technical capacity and management will become a major source of growth for the national economy.

Another key factor in promoting the supply-side structural reform is allowing the market to play a decisive role in shaping decisions. "To improve the quality and efficiency of the supply side, the government should simplify administrative procedures, delegate power to lower levels of government and create an equal and transparent environment, so that companies can find a direction for development amidst fierce competition," said Bai Chongen, a professor at Tsinghua University.

Many academics suggest that the Central Government should take everything into consideration and adopt a rational point of view in deciding what should be delegated to lower levels.

Local governments should also actively seek to take over decentralized power, said Ding Rongyu, an official with the Intellectual Property Office of Jiangsu Province. "Rules and regulations should be further completed to prevent inaction," he said.

Difficult terrain ahead

In the 2016 Report on the Work of the Government, Premier Li Keqiang said China will increase its deficit-to-GDP ratio to 3 percent this year, up from 2.3 percent last year, and made it clear that the moderate increase in government deficit is projected to mainly cover tax and fee reductions for enterprises, a step that will further reduce their burden.

Tax and fee cuts are essential if the supply-side structural reform is to succeed, stated Zhu Guangyao, Vice Minister of Finance, who argued that although it would add to the fiscal imbalance and temporarily increase deficits, it is conducive to fostering new growth engines and business patterns, and promotes fiscal revenue in the long run.

According to the Maastricht Treaty that binds eurozone countries together, no member country should have its annual government deficit exceed 3 percent. However, some major countries, such as France and



A worker passes by a wind turbine cover at a manufacturing base in Hami, northwest China's Xinjiang Uygur Autonomous Region on November 16, 2015

Germany, have seen their deficits breaking the limit.

"China's deficit-to-GDP and government debt ratios are lower than those of other major economies," said Premier Li, adding that tax and fee cuts are necessary, feasible and safe.

As the reform continues, some companies will be reorganized or even shut down, and therefore, some employees may be laid off. To cushion the effects of the job losses on society, as well as the families involved, the Central Government has allocated 100 billion yuan (\$15.4 billion) to help those made redundant find new jobs over the next two years. "The fund can be increased if necessary, and local governments do their own job accordingly," said Premier Li.

Supply-side structural problems are especially serious in state-owned enterprises, such as those engaged in steel and iron, construction material and energy, said Chang Zhenming, President of the China International Trust and Investment Corp. Group.

Concerns remain over whether this round of capacity reduction measures may cause a huge wave of unemployment similar to what happened in the 1990s. That, however, seems unlikely.

In addition to the support policy launched by the government, the current reform will have a smaller influence because state-owned enterprises facing pressure

from overcapacity or bankruptcy and reorganization are much fewer in number than those in the 1990s.

The current environment is more favorable now since the non-public sector currently contributes over 60 percent to the GDP, over 50 percent to tax revenues and over 80 percent to employment, said Ge Feng, a financial commentator.

The problems that the structural reforms to the supply side are handling are based on a lack of competition in the market. The government therefore needs to guide structural optimization and take hold of growth potential through policy and institutional supply, said Jia.

"In a mature market economy, self-adjusting mechanisms can solve these problems. But in China, such a mechanism based on the survival of the fittest has not yet taken shape," said Hou Yunchun, President of China Society for Public Economics.

"Government plays an indispensable role in promoting the supply-side reform. It can create a favorable environment which allows the market to play a decisive role and encourages companies to compete on an equal basis. They can also weed out administrative barriers for companies," said Hou. ■

Copyedited by Bryan Michael Galvan
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IRONING OUT DIFFICULTIES

The iron and steel industry aims to reduce capacity and boost demand **By Ma Xiaowen**



A large-scale job fair specially crafted for the employees of Wuhan Iron and Steel (Group) Corp., is held in the company's stadium on March 19

China's iron and steel industry is shackled by problems derived from excess production capacity over the past years, triggering a plunge in the price of steel.

"[Overproduction in the industry] is a widely known fact," said Ma Guoqiang, head of the China Iron and Steel Association and President of the Wuhan Iron and Steel (Group) Corp. (WISCO), in an interview by the website of *People's Daily*. Ma added that the surplus in production was a result of the fast growth that both the global and domestic economies had witnessed in previous years. During the heydays of economic growth, the industry had to keep up with the growing demand on raw materials such as iron and steel, which led to decisions to expand capacity.

In the iron and steel industry, the supply-side reform will deal with a reduction in excess production capacity which has failed to meet

demand, according to Ma. "The reform will then attempt to recalibrate those means of production with the current demand and industry structure," he added.

At the same interview, Cheng Bingqiang, President of metallurgical giant China MCC5 Group Corp. Ltd., stressed that the core concept behind the supply-side reform is to make products meet the needs of society and the market.

"Our steel enterprises still have a lot to do to upgrade their products," Cheng said. "During the supply-side reform, we need to combine capacity reduction measures with structure adjustment and overseas market expansion."

Ma believed that steel companies need to seek innovation to create new demand for steel products while slashing production costs.

Chen Ziqi, Deputy Director of the Metallurgy and Building Materials Department at the China

International Engineering Consulting Corp., agreed, saying that the iron and steel industry needs to promote product upgrading through three main methods.

First, steelmakers should produce high value-added, high-end products themselves instead of relying on imported products.

Next, they should develop high-performance products that meet the needs of the upgrades occurring in downstream sectors.

Finally, they should also promote the use of their upgraded steel structures in the construction of future buildings.

Cost reduction, Chen said, is a permanent task for companies, although lowering costs in the iron and steel industry can't fully offset the decline in prices. Meanwhile, the government is expected to take measures to reduce transaction costs, tax and fee burdens, financial costs, electricity prices and logistics costs for companies.

China's iron and steel industry, unlike some developed countries, has a low degree of industrial concentration. "We have over 1,500 large and medium-sized steel enterprises whose policy-making has been individually conducted based on their own judgment, which has led to overcapacity," said Ma. "Under this current situation, reorganization has become an irresistible trend."

The largest obstacle will be the proper arrangement of staff, according to Ma. Cheng also said that companies need to properly handle staff resettlement.

"As a state-owned enterprise, WISCO carries the responsibility of relocating its staff," said Ma. WISCO is the country's first super-large state-owned iron and steel complex, whose construction began in 1955 and was put into production in 1958. The company is facing a relocation of more than half of its 80,000 employees.

It's estimated that 10 million people in the labor force will be laid off during the supply-side reform. Preliminary statistics show that 1.8 million employees will be made redundant in the coal and steel industries, which form the first step to reduce capacity.

Ma introduced three methods that WISCO has employed to handle the issue: First, those who will reach their legal retirement age in five years without the ability or desire to work can leave for their retirement. Second, the state-owned company has already diversified its businesses and transferred some staff to affiliated non-steel companies. Third, WISCO is working with local government and companies to help its staff find new jobs. ■

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A MATHEMATICAL APPROACH

One of China's northwestern regions drafts a guide to reform **By Ma Li**

How can China carry out supply-side reform in its middle and western areas that are less developed than its eastern counterparts? Liu Hui, Chairwoman of Ningxia Hui Autonomous Region, has employed a mathematical mindset in order to take on reforms.

Addition

"Addition" means to continue to add to or further strengthen those economic factors that were previously positive to the local economy, Liu explained.

In Ningxia, the government needs to develop what it lacked before, such as its lagging infrastructure, to include more high-speed railways, highways, airports and water conservancy facilities.

As for some business areas which have become synonymous with Ningxia—including the coal and chemical industry, grapes, halal food and Muslim-oriented products—the region should improve efforts to foster their growth. For example, since Ningxia is known for its wine, the government should work to improve all segments of its production chain as well as integrate wine into its local tourism and culture. Through these measures, the region should be able to expand its wine industry and make it more of a value add.

Besides, since the development of new energy sources as well as the Internet—through cloud computing and big data—have recently been on the rise, Liu holds that Ningxia should also nurture new sources of economic growth by making full use of Internet technology.

Subtraction

"Subtraction" should be used to lower capacity, stocks and costs for businesses producing zero or low profits.

The steel and electrolytic aluminum industries, for example, are experiencing overcapacity throughout the country, and Ningxia is no exception.



Liu Hui

"So, we should definitely get rid of them and speed up the transformation and upgrading," stated Liu.

At the same time, Ningxia also has a large amount of coal and cement in stock. Companies related to those industries should digest them internally through various market strategies.

As for the ailing housing market, the government should assist by purchasing some of the extra stock and then selling it at a lower price to low-income residents.

Multiplication

Businesses can attain multiple sources of profit through market-oriented strategies and innovation. In Ningxia, two companies stand out in

their efforts to drum up profit.

One is a company selling dried fruit, which added a new product series promoting health care through beverages, snacks and make-up. The company's sales reached 10 million yuan (\$1.54 million) on the Singles' Day shopping festival on November 11, 2015, whereas it only had 2 million yuan (\$307,800) in sales throughout the whole of 2013, before its adoption of the new strategies.

Liu introduced another company in the traditional foundry industry. It realized its transformation via 3D printing technology which greatly increased the company's efficiency. Previously, the process behind 3D printing, from its inception to final product, took about half a year. Nowadays, it takes less than two hours.

"Scientific progress through multiple sources is what I mean by 'multiplication,'" Liu said.

Division

Division mainly refers to cutting what is redundant, through administrative streamlining and delegation of power.

The number of the items that needed approval by the government was cut from 812 to 304, a 60-percent decrease.

"The change of our administrative hall in the capital city of Yinchuan is a typical example," Liu said. "It provides a one-stop service, saving time and energy for residents who previously had to go to different places to collect approval from different departments. Twenty minutes is enough if they have all the necessary materials at hand."

In order to encourage entrepreneurship, the region also simplified the procedures needed to register a company, which made it more efficient to access the market. Ningxia had 26,000 newly registered companies last year, according to Liu. ■

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A Shift in Perception

The potential for detente for China-Japan relations increases By Yu Lintao

The Japanese Government appointed Yutaka Yokoi ambassador to China on March 25.

Yokoi, 61, is classified as a “China-school” diplomat, and is the first of such to be named ambassador to China since 2010. A China-school diplomat refers to employees of the Japanese Foreign Ministry who underwent language training in China. The announcement bears special connotations against the backdrop painted by an enduring chill in China-Japan relations.

Though the appointment is widely regarded as a positive signal for detente, many scholars have noted that the deadlock between the two countries is a result of a variety of factors. If these underlying problems cannot be addressed, it is hard to envision an adequate thaw in relations.

A positive approach

The appointment is viewed by many as a constructive move for bilateral relations, said Professor Zhou Yongsheng in an interview with *Beijing Review*. Professor Zhou is a senior researcher on Northeast Asian studies at the Beijing-based China Foreign Affairs University.

Yokoi, who worked in China as consul general in Shanghai and a senior diplomat at the Japanese Embassy in Beijing, is reported to have close ties to Chinese leaders and officials.

“An ambassador who has a greater understanding of China can usually deliver more evenhanded messages to top Japanese officials, who could then make more balanced and friendly policies toward China,” added Zhou.

Yang Bojiang, Deputy Director of the Institute of Japan Study under the Chinese Academy of Social Sciences (CASS), echoed Professor Zhou’s analysis. Yang was quoted by Xinhua News Agency as saying that Yokoi’s knowledge of China enables him to understand the history and status between the two countries better. His rich work

experience in China could also be an advantage in terms of communication, Yang claimed.

Yang also believed that the move could be seen as an attempt to smooth bilateral communication between Beijing and Tokyo.

Nonetheless, both Zhou and Yang emphasized that the new appointment is unlikely to bring substantial changes to the region’s most complicated geopolitical contenders anytime soon—though it would be a step forward.

Zhou told *Beijing Review*, “An ambassador-level official generally has little say over a country’s foreign policymaking. An ambassador represents the national interests of his nation, and is tasked with implementing the foreign policies developed by the top leaders of his country of origin. In addition, a China-hand ambassador doesn’t necessarily equate to a pro-China ambassador.”

According to Yang, the former Japanese ambassador Masato Kitera, 63, had actually made several efforts to improve China-Japan relations. However, Yang claimed that due to a wide scope of factors involved in their bilateral relations, not much progress had been made.

The fundamental problem

The standstill between the two countries can be attributed to a raft of antecedents including a number of territorial disputes and historical issues.

Longtime observers of China-Japan relations have claimed that the essential issue sparking friction between China and Japan is Tokyo’s growing suspicion toward Beijing, which has come about as a result of an evolving international structure.

China’s rapid rise during the beginning of the 21st century, and in particular when it superseded Japan as the world’s second largest economy in 2010, triggered anxiety amongst Japan’s political elites, according to Zhou.

This subsequently led to some political forces’ hype of the so-called “China threat

theory” and insistence on the containment of China, as well as the creation of obstacles for China’s development. Meanwhile, Japanese politics has veered increasingly toward the right.

Since assuming office once again as Japanese Prime Minister at the end of 2012, Shinzo Abe has taken several steps that China has found hard to swallow. Prominent among such measures include his provocative visits to the contentious Yasukuni Shrine, where several of Japan’s most notorious war criminals are enshrined.

Another controversial effort was his work to eliminate Article 9 from Japan’s Constitution. This move advocated a “security diamond” embodied through diplomatic offensives designed to counteract China’s influence in the Asia-Pacific region.

Abe has also used China to grease the passage of new security bills which allow Japanese army to participate in overseas operations, in spite of public opposition.

At a press conference during the Fourth Session of the 12th National People’s Congress on March 8, Chinese Foreign Minister Wang Yi told the Japanese *Mainichi Shimbun* newspaper that the problem behind the relations between both countries is that some politicians in Japan have the wrong perception of China.

Professor Zhou claimed that there is deep ambivalence regarding the Japanese Government’s relationship with China. Zhou mused that on one hand, Tokyo isn’t content with a rapidly rising neighbor which was once viewed as the “sick man of East Asia.” But on the other hand, it doesn’t want to lose an opportunity to take advantage of China’s growth and development.

Zhou said that Japan’s top leadership has attempted to contain China while simultaneously seeking to improve relations—a typical case of double-dealing.

“The nomination of Yokoi provides the case in point,” said Zhou. “But the fundamental principle in improving these relations involves a



Chinese primary school student Jiang Yaning (left) practices her calligraphy writing techniques with a Japanese student at Tsinghua University on November 1, 2015

psychological adjustment in Japan's perceptions of a rising China."

In fact, a majority of Chinese scholars believe that Japan is no longer high on the diplomatic agenda of the Chinese Government. It is mainly because of its "diminishing economic status in the global arena," said Professor Zhou.

In an article recently published on *The Diplomat*, an online news magazine whose headquarters are located in Tokyo, Xue Li, another researcher with the CASS, stated that Japan has fallen behind Russia, Kazakhstan, Pakistan, the ASEAN, and South Korea on China's diplomatic priority list. Xue believed that the situation would continue in the foreseeable future.

Actually, Japan used to be a very important

country for China in the 1980s and 1990s, as exemplified by their harmonious bilateral relations and close cooperation—second only to the United States.

Xue suggested in his article that to improve bilateral relations, Japan should give up its uncooperative attitude toward China. For instance, Japan can join in the China-proposed Asian Infrastructure Investment Bank and the Belt and Road Initiative, which can not only bring the two countries collaboration and development opportunities but also bridge the political gap.

In addition, some noted that people-to-people cultural exchanges between the two nations should play a special role in promoting bilateral ties.

During the past annual meeting of the

National Committee of the Chinese People's Political Consultative Conference (CPPCC), Zhou Mingwei, a CPPCC National Committee member and a member of the Fifth 21st-Century Committee for China-Japan Friendship, told *Beijing Review* that the role of such people-to-people exchange should never be ignored in efforts to improve China-Japan relations.

Zhou suggested that the two countries should work together to organize and coordinate bilateral people-to-people exchange activities, strengthen communication and build trust among one another. ■

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A Question of Orientation

Russia needs economic reform, improved relations to avoid prolonged depression **By Li Ziguo**



The author is deputy director of the Institute of Eurasian Studies, China Institute of International Studies

Russia is currently stuck in an economic quagmire under the dual pressures of Western sanctions and the endurance of low oil prices. The country has suffered losses of over \$500 billion since 2014, according to a report released by a team of Russian economists in February. Most analysts predict such stagnation is likely to continue for quite some time.

Though Russian President Vladimir Putin's approval ratings still hover around 80 percent, Russians are nonetheless worried about the country's economy. A poll conducted in February shows that more than half of the respondents were dissatisfied with the domestic economic performance.

How to overcome these troubles and modernize—or transition from—the traditional industries that have historically propped up the economy has thus become a major task for the nation's policymakers. Moreover, which direction Russia will look to for economic coordination and partnership remains a key question. With its troop withdrawal from Syria that began on March 15, will Russia redirect its efforts on restoring relations with Europe; or will efforts to expand economic cooperation with China and other developing countries continue even after Western sanctions are lifted?

Severe economic loss

Statistics from the Russian Federal Statistics Service show the Russian economy in 2015 was worth about 80.4 trillion rubles (\$1.1

trillion), a 3.7-percent decrease from the previous year. Other figures are even more shocking: Foreign trade decreased by almost a third and the total trade surplus was \$145.6 billion, a 23.2-percent decrease year on year.

Meanwhile, the Russian currency, the ruble, suffered a depreciation of 24 percent against the U.S. dollar, with the exchange rate fell to a record low of 80 ruble per dollar on January 20 this year.

Today, Russia's financial deficit stands at about 1.95 trillion rubles (\$26 billion), which accounts for 2.6 percent of its GDP. Residents' real incomes fell for the second year in a row by 4 percent, with 20.3 million people now living below the poverty line. The only things to go up were the price of commodities, with the consumer price index (CPI) increasing by 12.9 percent, and food prices up by 14 percent.

Unfortunately, the overall 2016 outlook was just as gloomy. The World Bank forecast that Russia's economic strength will continue to fall 0.7 percent this year. According to Russian Economic Development Until 2030, a report issued by the nation's own Finance Ministry, Russia could possibly endure a 15-year-long stagnation period.

Rescue measures in place

Russia has adopted a series of policies to maintain domestic market stability and shift exports from resource-based sectors to other industries. Meanwhile, the Russian Government is trying to pursue the lifting of Western-imposed sanctions, and enhance cooperation with non-Western countries.

There are also some bright spots in the Russian economy despite the large, dark shadow. For example, Russia is coordinating with other prominent oil producers to put a brake on the increasing pace of oil production, which is an important step toward stopping the endless slide of the price of oil.



On February 16, Russia and some member states of the Organization of Petroleum Exporting Countries (OPEC), including Saudi Arabia, Qatar and Venezuela, agreed to freeze oil production on the basis of the January level at a ministerial meeting in Doha.

Russia's foreign exchange reserves also remain sufficient. The Russian Government has chosen not to gamble by saving exchange rates. Instead, Russia's financial watchdog allowed exchange rates to float freely, which helped avoid a sharp decline of its foreign currency reserves. Sufficient reserves are important in helping to keep society stable and making people confident in the face of economic hardship. Russia's gold reserve totaled \$357.8 billion on August 6, 2015. By February 18 this year, the figure recovered to \$382.4 billion. The Western forecast, which predicted Russia's reserves would soon be exhausted, failed to occur. The well-known financial baron George Soros has even said that he believes Russia's foreign exchange reserves would last for "a couple of years."

Along with growing confidence, the outflow of capital has been effectively curbed. In 2014, as much as \$153 billion in capital fled out of the country, while in 2015, the figure shrank to \$56.9 billion. Russia's balance of



Russian military planes begin to withdraw from Syria on March 15

international payments has been further consolidated, and it shows the investors have regained confidence in Russia's economy.

Russia has also achieved successful agricultural harvests in recent years. Its annual grain output in the past two years was above 100 million tons; the figure is expected to reach 104.9 million tons this year. In the agricultural year of 2015-16, Russia's grain export could reach 32.8 million tons. If it meets those expectations, Russia will surpass the United States to become the largest grain exporter in the world. As a Chinese saying goes, with food in hands, there is no need to be panic.

Banking has also been stable. Unlike previously, more and more people across Russia have started to save money in banks in recent years. In 2015, there was a 25-percent growth in bank deposits from locals, most of whom opened new accounts using the domestic currency.

In February, the Russian Government announced a new "action plan for the stable development of the society and the economy." Russia plans to invest \$12 billion to help the development of agriculture, automobiles, the light industry and machinery manufacturing. Russia's endeavor to find domestic substitutions for imported goods has shown some positive results: In 2015,

Russia's food imports dropped 35 percent. The same achievement is likely to be seen in its automobile industry in the next few years.

In spite of the government's bold actions to take countermeasures and save its economy from Western sanctions, the real way out is to find a development path that is suited to its national conditions and can bring long-term prosperity. An economic restructuring and transformation is much needed in order to cure its long-standing woes.

Dealing with the West

Russia's diplomacy remains focused on the lifting of sanctions against it. So far, Russia has made some headway in getting rid of its current dilemma, but serious work remains.

A major milestone is Russia's agreement to talks with the EU on the Ukraine issue. In February last year, Russia, Germany, France and Ukraine reached the Minsk Agreement through the four-party talks. Without U.S. involvement, the Ukraine crisis has cooled down and a final solution is expected. Solving the Ukraine crisis peacefully is the first step toward removal of Western sanctions.

As early as December 2014, German Foreign Minister Frank-Walter Steinmeier had expressed that it was impossible to use economic measures to subdue Russia

and economic isolation could backfire. The German Chamber of Commerce has also repeatedly called for the lifting of sanctions against Russia.

In January, French Economy Minister Emmanuel Macron said that France would lift the sanctions against Russia as early as the summer if the Minsk Agreement could be implemented effectively. As a whole, the EU is expected to gradually lift the sanctions against Russia mid-year. While attending the Davos Forum in January, U.S. Secretary of State John Kerry also stated the possibility of sanction removal provided that the Minsk Agreement can be observed.

The direction of its compass

In July 2015, Russia hosted two summits in Ufa: the summit of the BRICS (Brazil, Russia, India, China, South Africa) countries and that of the Shanghai Cooperation Organization. In recent years, Russia has been working to enhance its partnership with emerging economies through both bilateral and multilateral means.

Among all of Russia's partners, China's importance is growing rapidly and there is vast potential for increased economic cooperation between the two. China is the world's second-largest economy and its overseas investments are escalating each year. Russia is also pivoting toward its eastern territories for economic expansion. Last year, Russia held the first Oriental Economic Forum in Vladivostok, a harbor city in east Russia, where it announced it will build a free port.

Although the trade volume between China and Russia decreased dramatically in 2015 to \$63.6 billion, down 28.1 percent year on year, China remains Russia's largest trading partner and China's proportion of Russia's foreign trade increased.

Yet it is notable that Russia's economic redirection to the East was mainly because of the pressure from the West. Once the EU-Russia relationship improves, the development of the Far East region and its cooperation with non-Western countries might be postponed. ■



Saudi well-wishers greet the newly appointed Crown Prince Mohammed bin Nayef at a ceremony in Riyadh on April 29, 2015

The View From Riyadh

Understanding Saudi Arabia's outlook both foreign and domestic By Wang Bo

Saudi Arabia rolled out a series of changes in its domestic and foreign affairs in 2015 as it responded to a rather complex set of circumstances. In the face of challenges put forth by the so-called "Islamic State" (ISIS) militant group, the sharp decline in global oil prices, the continued war in Yemen, the ongoing conflict in Syria and the deterioration of Saudi-Iran relations, Saudi Arabia's somewhat new King Salman bin Abdul-Aziz Al Saud has taken rare steps in order to maintain political and economic control of these situations.

Though some international media outlets are pessimistic about Saudi Arabia's outlook, the current domestic political and economic

situation is in fact—at least for now—relatively stable. However, the kingdom may face even more challenges in the months to come in foreign affairs, and the test will be how it responds.

Stability at home

After King Salman was enthroned in January 2015, he ordered a reshuffle of high-level personnel in order to consolidate his power, including controlling critical departments such as the ministries of interior and defense as well as National Guard troops.

Notably, King Salman sacked his younger half-brother as the crown prince just three

months after his enthronement, and promoted deputy crown prince Mohammed bin Nayef as successor. He then named his son, Mohammed bin Salman, as the new deputy crown prince. According to his supporters, these moves have helped to achieve internal unity of the royal family and develop future leadership for the country.

King Salman's policies have also gained support among the majority of the Saudi people, who are mostly Sunnis, especially in regards to the fight against the Houthis, a Shiite minority in the north of Yemen. Many Saudis agree that the Houthi rebellion forces, which are backed by Shiite Iran, are aggressive and threaten the security of their country. Thus they believe King Salman's decision to form a coalition to fight against the Houthis was wise.

Yet it is undeniable that Saudi Arabia still faces challenges both economically and in the security realm.

Indeed, the drastic decline of crude oil prices on the international market since June 2014 has delivered a heavy blow to the Saudi economy. In 2015, Saudi Arabia had a fiscal deficit of \$98 billion, the highest in its history. On the other hand, the Saudi Government has largely increased its public spending since 2011, in order to maintain social stability at home. Fortunately, due to its huge foreign exchange reserves accumulated during the era of high oil prices, the country's strong economic base may help it avoid a potential economic crisis.

Mohammed bin Salman, the kingdom's

Deputy Crown Prince, said in an interview with *The Economist* that the Saudi Government is mulling an initial public offering of state-owned Saudi Aramco, the world's largest crude oil producer. The move is still seen as one of the measures that the government could take to guarantee the nation's balance of state revenues and expenditures.

In the meantime, the Saudi Government has implemented some economic reforms to cut down expenses, including stricter regulations on fiscal matters as well as reducing wasteful governmental spending. Such measures may help Saudi Arabia sustain its current system. But if low oil prices persist, the high welfare norms of the Saudi people would eventually be affected, and the kingdom's social stability could be at risk.

In addition to the potential of economic calamity, the expansion of extremist groups like ISIS constitutes a significant threat to general stability and royal rule in Saudi Arabia. In the beginning of 2016, the Saudi Government executed 47 criminals who were charged with terrorist offenses, among which 34 were Sunnis, while only four were Shiite. Seen from the figures, the threat to Saudi Arabia's security brought by Sunni extremists is much higher than by Shiites, who only account for about 10 percent of the kingdom's population.

The suspected Sunni terrorists were charged for participating in terrorist attacks organized by Al-Qaeda in 2003-06. By executing alleged terrorists on a large scale, the Saudi Government aimed to deter potential extremists who are considering joining ISIS. The Saudi royal family is fully aware that an emboldened ISIS—or Al-Qaeda—could undermine its rule.

Hard-hitting diplomacy

Along with the expanding influence of the Shia in some Arab countries, including Syria, Yemen, Iraq, Bahrain and Lebanon—much of which is supported by Iran—Saudi Arabia, as a bellwether for the Sunni world, is feeling more and more under threat. What's more, the policy adjustment of the United States toward the Middle East, and the lifting of nuclear-related sanctions on Iran after a decade-long international isolation in particular, have added to Saudi Arabia's dread of a rising Iran. As a result, it is more likely that the Saudis will adopt an aggressive foreign policy, especially regionally, even if it is from a defensive position.

In 2015, the Saudi Government internationalized the civil war in Yemen, creating a 34-country anti-terrorist military coalition. Saudi Arabia has always been keen to monitor developments in neighboring Yemen, and Riyadh

has resolutely opposed Tehran's expanding influence in Saudi Arabia's "backyard." Thus the kingdom exerted all its efforts to create the coalition to support Yemeni President Abd Rabbuh Mansur Hadi and fight against Houthi rebels. According to Yemeni Government sources, pro-government troops have recently retaken 70 percent of the land. However, some major cities and towns in the north of the country including the capital Sanaa are still under the control of Houthis.

While Saudi Arabia does not share a border with Syria, the former has also taken a major role in the sectarian and geopolitical chess game going on in and on the sidelines of the civil conflict in Syria. If the Syrian regime led by President Bashar al-Assad, who belongs to

Therefore, in the beginning of 2016, Saudi Arabia, on the one hand, held a meeting with Syrian opposition leaders in an attempt to coordinate them to negotiate with the Syrian Government in one voice, and on the other hand, built a military coalition constituted by Sunni Arab countries to press the Assad regime to make concessions in the negotiations. On February 11, the Saudi Government even announced that it plans to send ground troops to "fight extremists" in Syria, which aroused significant concerns from other nations.

If much of the above can be seen as Riyadh's indirect wrestling with Tehran, its breaking of diplomatic ties with the latter in January—after Iranian protesters stormed the Saudi diplomat mission to protest the Saudi execution of a Shiite cleric—can be seen as a kind of direct affront between the two regional powers.

Diplomatic contest

If Riyadh felt disappointed with the United States and European powers over the Iranian nuclear deal, it has retained its close relations with its important Western allies due to the kingdom's pragmatic needs.

Actually, Saudi Arabia may feel more disappointed with Russia. Riyadh had hoped to influence Moscow's regional policy by offering assistance as Russia is mired in economic hardship caused by Ukraine-related Western sanctions. Last June, Deputy Crown Prince Mohammed bin Salman paid a visit to Moscow and signed large-scale cooperation deals with Russia related to oil, defense, nuclear energy and space exploration.

Yet just after, Russia announced that it would send troops to Syria in the name of fighting ISIS. But Riyadh believes Moscow's real intention is to help its ally, President Assad, in his struggle to remain in office. Though the Saudi Government did not show its direct anger to Moscow, bilateral relations have been strained, even after Russian President Vladimir Putin announced the beginning of the withdrawal of Russian troops from Syria on March 15.

China's diplomats say that their Middle East policy has no hidden agenda, and thus it has gained the recognition of Saudi Arabia. Riyadh therefore has shown great interest in developing comprehensive, cooperative relations, and is supportive of China playing a bigger role in maintaining peace and fostering development in the region. ■



Smoke billows following an airstrike by the Saudi-led coalition on an army arms depot under Houthi rebel control east of the Yemeni capital Sanaa on June 7, 2015

the Alawite minority that is allied with Shiites, is overthrown by Sunni opposition groups, the Shia would suffer a great loss in the region. The Shiite group Hezbollah in Lebanon would also lose its anchor, and the political situation in Lebanon—a country that has long housed Sunnis, Shiites as well as Christians in roughly equal numbers—would in many ways be up for grabs.

Yet after several years of conflict, the Syrian opposition groups are losing advantage in the battlefield. Particularly after Russia's military intervention in the Syrian conflict, Riyadh has realized that they cannot rely on the Syrian opposition alone to topple the Assad regime.

The author is a reporter with the Beijing-based *Outlook Weekly* magazine, where the article was originally published in Chinese.
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Charity's New Track

How recently adopted legislation will change the way Chinese philanthropies operate **By Yuan Yuan**

After more than 10 years of drafts, hearings and revisions, the nation's first law on charitable activities reached its final form on March 16, against a backdrop of scandals in philanthropic organizations and an unrelated boom in posts soliciting charity donations on the Internet, especially through social media.

Such adverse conditions were not expected by Wang Ming, President of the NGO Research Institute at Tsinghua University and a member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), when he took part in the original drafting process of the law more than a decade ago.

"When the Ministry of Civil Affairs for the first time suggested drafting a law on charities in 2004, charity was still an uncommonly thought of concept for many people in China," Wang told Caixin.com, a Beijing-based finance and business news platform. "Now the image of charity has become more vivid."

Redefining charity

The law's drafting process, in Wang's opinion, was unprecedented in its transparency to the public. "We invited people from all walks of life to take part in the drafting process and offer their opinions," Wang said. "It worked pretty well. When we finally unveiled the draft to the public for suggestions last October, there was not much that we needed to modify."

Jin Jinping, Director of the Center for Nonprofit Organizations Law in Peking University, attended law drafting symposiums 14 times in 2014 alone. At a forum on the Charity Law in Beijing on March 10 this year, Jin recalled that symposium participants included scholars, legislators and government officials, and "we had very heated discussions every time."

In October last year, the first draft of the new law was submitted to the National People's Congress (NPC), the nation's top legislative body, and the second draft was open for public consultation until January 31 this year. On

March 16, the last day of the annual national assembly of the NPC, the deputies voted on the final draft, which was passed with 2,636 votes in favor; 131 votes against; and with 83 abstentions.

The Charity Law, according to Jin, expanded the scope of charity from the traditional definition, which was mainly limited to financial and material donations, to including such critical issues like environmental protection and pollution prevention. "It is a very inclusive definition that aims at improving public welfare, and that is enhanced in the articles on charity fundraising, donations, and earning people's trust," said Jin.

Online solicitations

As for commentary claiming that the Charity Law will ban individuals' efforts to seek online donations, Wang said that is a misinterpretation of the new law. "The Charity Law stipulates that unqualified organizations

or individuals can cooperate with qualified ones to raise funds, but unqualified fundraisers may face a fine of up to 200,000 yuan (\$30,770)," he said.

Wang clarified that, "the behavior of individuals raising money for the poor or the sick and who give money to beggars falls under the umbrella of 'help-seeking behavior,' which is not banned by the newly approved law and, therefore, is not illegal."

Wang further explained that the difference is that such donations will go directly to individuals in need, while what the Charity Law banned are fundraising efforts aimed at a specific group, not specific individuals.

Li Sixin, a 17-year-old high school student in Zhaoqing, Guangdong Province, was diagnosed with leukemia and needed 1.2 million yuan (\$184,615) for further treatment. In an act of desperation, Li made a post on Weibo, a Twitter-like social media platform in China, asking for help. Within one day, she received donations worth 1.23 mil-



People from Shanghai-based Bailingshe Crosstalk Club donate more than 400,000 yuan (\$63,492) to the Shanghai Charity Foundation on November 30, 2014

lion yuan (\$189,230).

"It was so surprising as we never thought we could get such a large sum of donations so quickly," Li told *Guangzhou Daily*. "I feel so grateful for everybody that offered help to us." Li then had to make another post asking people to stop transferring money to her bank account.

But the booming of online charitable solicitations has become a concern as well. While its use has increased, it's difficult for donors to follow up to see how their money was used.

"Last year, we saw such posts on social media, such as WeChat, almost every day," Hou Yueqi, a Beijing resident, told *Beijing Review*, referring to the use of the messaging application popular among Chinese citizens. "We were encouraged to donate a small amount of money frequently and it seems that charity has become a 'new normal' in our daily lives."

Hou donated about 500 yuan (\$77) on such platforms in 2015, but never got any feedback from those who were helped as a result, and now wonders whether such channels for donation solicitations are trustworthy or not.

A recent survey conducted by *China Youth Daily* found that, although 47.4 percent of the 1,737 survey participants used online platforms to make charitable donations, only 28.5 percent said they trusted the charity groups or individuals involved. A staggering 63 percent expressed concerns about the risks of being swindled.

According to a report by Xinhua News Agency, in August 2015, 19-year-old Yang Cailan launched a personal fundraising campaign online, raising 96,576 yuan (\$14,814) after fabricating a story that her father had gone missing following the deadly Tianjin blasts.

"Fundraising activities by individuals often lack transparency and proper means of supervision, and are therefore vulnerable to manipulation and fraud," said Wang Zhenyao, head of the China Philanthropy Research Institute under Beijing Normal University. "This is ruled out in the new law, but we still need some regulations on this aspect."

"We hope that the public will donate through charitable organizations. If someone wants to donate or asks for help, he or she can be advised to turn to a qualified charitable institute," said Kan Ke, Deputy Director of the Legislative Affairs Commission under the NPC Standing Committee. "In other words, unqualified organizations with an intention to do the

charity, or individuals directly involved, must be combined with qualified ones."

Gaining public trust

The drafting process of the Charity Law coincided with the ups and downs of Chinese philanthropic activities over the past decade.

In 2008, charitable donations and activities saw a surge following the devastating May 12 earthquake in Sichuan Province. But in 2011, an alleged scandal involving the Red



Cross Society of China delivered a crushing blow to philanthropic organizations across the board, despite the organization ultimately being cleared of any wrongdoing.

The scandal involved a 20-year-old woman, Guo Meimei, who claimed to be employed as a manager of an organization associated with the Red Cross Society of China, and posted photos of herself with luxury cars and expensive handbags on Weibo. This soon made national headlines as outraged people criticized what they saw as a misappropriation of donated funds.

Although it was later revealed that Guo had no connection whatsoever to the charity, public trust had already been undermined. This resulted in a severe decline in donations to the Red Cross Society of China, going from 7.36 billion yuan (\$1.13 billion) in 2010 to just 2.6 billion yuan (\$400 million) in 2014.

"In the charity sector, one bad apple spoils the whole barrel," Li Jing with the One Foundation told Xinhua News Agency. "Illegal behavior jeopardizes the whole sector, so it is very important that supervision is strengthened to make philanthropy more popular with the general public."

Li Jing said that she has been most im-

pressed by the Charity Law's aim to create a more supportive environment for charitable activities. According to Li Jing, it will simplify the registration procedures and allow people, resources and organizations with the desire to undertake charitable acts to enter the field.

Sticking point

One hotly debated topic of the draft law was about the percentage of the management

fee that charitable organizations can spend. Wang Ming explained that while there wasn't a clear percentage depicted in the first two drafts of the legislation, the third draft set a figure of 15 percent. He believes that was already a setback, and was disappointed that the final number was just 10 percent, calling it "a pity."

Wang Ming thinks that there is misunderstanding among the public about how charitable organizations operate. "We need to at least pay the employees and if we spend too little on this part, there will be fewer people who will work in philanthropic industries," he said. People expect that 100 percent of all donations should be given to individuals in need, but doing so does not allow for

necessary administrative oversight, training or service delivery.

Xu Yongguang, Director of the Narada Foundation, a private foundation approved by the Ministry of Civil Affairs, believes that these unrealistic expectations show that the charity sector in China has not done a good job in communicating with the public, nor showing the public the professional way of running a charitable organization.

Xu said that even if there should be a general percentage to aim for, one strict figure should not be uniformly applied to all charitable organizations. Xu explained that for some large foundations, 10 percent can be a large number, while for many small ones, this could not even cover basic expenses.

"We can't expect a new law to be perfect," Wang Ming cautioned. "There will be some following regulations as supplementary terms in the following months before its enactment on September 1. But the new law is already a milestone for the charitable industry in China." ■

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On the Frontlines of Judicial Reform

Courts pilot new measures to ensure the independent and impartial exercise of power **By Wang Hairong**

Lu Guoyi, deputy head of Beijing's Fangshan District, went on trial at the Beijing No.4 Intermediate People's Court on November 25, 2015, not for any personal wrongdoing, but on behalf of the defendant—the district government. The intermediate court, established at the end of 2014, was created as a pilot for judicial reform.

"The Beijing No.4 Intermediate People's Court pushes forward administrative litigation, where staff of administrative organs have appeared in courts in 100 percent of cases, substantially contributing to the settlement of administrative disputes," said Zhou Qiang, President of China's Supreme People's Court (SPC), in the work report he delivered to the National People's Congress on March 14 in Beijing's Great Hall of the People.

Previously, administrative cases in the various districts of the capital city were first heard at local district courts. Now, first-instance hearings of such cases are held in the No.4 Intermediate Court, which is designed as a cross-district court in Beijing to avoid intervention—and therefore a disruption of impartiality—from district government officials.

The court is already busy handling local cases. Recently, a plaintiff surnamed Meng, who ran an otter rabbit farm in Shuangmo Village of Changgou Town, accused the Fangshan District Government for forcefully demolishing his farm.

Meng rents the plot of land to operate the farm from another plaintiff, surnamed Zhang, who is a resident of Shuangmo Village. On the morning of August 5, 2015, the farm was torn down by the District Flood and Drought Control Headquarters with an administrative enforcement decision saying that the farm blocks a river course for flood discharge. Meng believed that the district government violated his property rights and demanded compensation of 1.25 million yuan (\$191,750).



Zhou Qiang, President of China's Supreme People's Court, delivers the court's work report to the National People's Congress in Beijing on March 14

Zhang stated that he contracted the plot of land from the village committee. On July 22, 2015, he received a notice from the Fangshan District Flood and Drought Control Headquarters, requiring him to move the farm before July 27 of the same year—just five days later—to clear the river course of barriers obstructing flood discharge. Zhang believed that the farm did not occupy the course of any river, so he requested administrative reconsideration. On August 5, 2015, he received the administrative enforcement decision. Zhang claimed that the decision was invalid and requested the court to revoke it, but the farm was already destroyed.

The defendant, the Fangshan District

Government, believed that according to the district flood control plan made in 2006, the otter rabbit farm was located in the river course of the Nanquanshui River, so in the case of a flood, it would endanger the life and property of people living on the banks. The defendant claimed that the forceful demolition was legal. At the time of writing, a final verdict on the case had yet to be announced.

Spearheading reform

The case is one of the typical cases the intermediate court has received in its pilot stage. Wu Zaicun, President of the No.4 Court, explained that administrative cases have mostly involved land expropriation, housing

demolition and government information disclosure. He said that previously, only a small percentage of such cases were accepted by courts, and government departments seldom lost such cases.

Now, people who want to sue district-level governments in Beijing can file their cases with the No.4 Intermediate Court, which is administered by the Beijing Municipal Government instead of the district-level government. "Putting administrative cases into cross-district courts will extricate courts from intervention, so that the general public can stand on equal footing with government departments to push for resolution of administrative disputes," Wu stated.

To protect people's litigation rights, the No.4 Intermediate Court implemented a case-filing registration system from its inception. That is to say that the court accepts a case in its jurisdiction as long as the required documents are submitted.

On May 1, 2015, the SPC reformed the case acceptance method, changing the case-filing review system into a case-filing registration system. Under the previous system, a case was only accepted after it passed a review. This reform has made it easier for people to file cases and has led to a significant increase in the number of cases accepted. According to a white paper titled *Judicial Reform of Chinese Courts* released by the SPC on February 29, 2016, from May to December last year, courts across the country had accepted nearly 10 million cases, up nearly 30 percent year on year.

In addition, in 2015, the No.4 Intermediate Court of Beijing accepted 1,397 administrative cases, almost seven fold the number of such cases received in all Beijing courts in 2014, said Wu at a press conference held on December 30, 2015, to commemorate the one year anniversary of the establishment of the cross-district court. Wu said that the acceptance rate of administrative cases reached 88 percent in 2015, much higher than the 2014 average rate of 32 percent in Beijing, while the percentage of cases in which district-level governments lost had increased by six percentage points.

No external interference

Since 2013, the SPC has rolled out a slew of pioneering reform measures, said Li Shaoping, Vice President of the SPC, at a press conference on February 29. He said that judicial reform is a vital component of the deepening reform in China and is important for advancing law-based governance. Li said that currently, the central leadership has

adopted four important reform measures, including: improving the classified management of judicial personnel; the judicial accountability system; professional guaranty for judicial personnel; and pushing forward the unified management of personnel, funds and properties of local courts below the provincial level. By the end of 2015, a total of 417 courts across the country had been chosen to pilot these measures in three batches, he said.

According to the white paper on judicial reform, institutional adjustments have been made to ensure the independence and impartial exercise of judicial power by courts. In order to detach courts from local interests and interference, the SPC had decided to put the management of personnel, funds and properties of lower-level courts under provincial-level governments rather than district- or county-level governments. The SPC has also established two circuit tribunals: the First Circuit Tribunal in Shenzhen, south China's Guangdong Province; and the Second Circuit Tribunal in Shenyang, capital of northeast China's Liaoning Province. The circuit tribunals, on behalf of the SPC, adjudicate major administrative cases and cross-administrative-division civil and commercial cases respectively in south and northeast China.

To prevent external intervention in the judicial system, the SPC requires courts at various levels to set up special databases to record inquiries about specific cases by any organization or individual outside the people's courts. In addition, special databases should be set up to record interference by any insider of the judicial organs other than those authorized to handle respective cases.

According to Wu, although some leaders of Beijing's district-level governments have visited the No.4 Intermediate Court to attend seminars and exchange ideas in 2015, none of them interfered with a specific case. "We welcome government departments to come to discuss how to promote law-based governance. Yet there is a rule, which is no discussion of specific cases, and questions about specific cases can only be raised in court."

Holding judges responsible

The responsibility system is an institutional cornerstone for judicial impartiality. In September 2015, the SPC released a guideline for it, promoting the principle of "letting the adjudicator judge and be accountable," Li said. Personnel reform is implemented in courts to improve professionalism. Court personnel are categorized into judges, trial

support personnel and judicial administration personnel and managed differently.

"Eighty five percent of a court's manpower should then be allocated to the frontline to handle cases," Li said.

Courts are required to select and appoint judges through open, fair and impartial procedures so that only those with a high degree of integrity, experience and expertise are chosen. In a court piloting judicial reform initiatives, the number of judges is restricted by a quota set according to local social and economic conditions and case load. A judge is to be assisted by a certain number of trial personnel including assistants and court clerks.

The SPC makes clear that the president, vice president and presiding judge shall no longer approve, verify, sign or issue the judgment for any case that they have not directly participated in, except for cases discussed and decided by an adjudication committee. The president, vice presidents and adjudication committee members are now encouraged to directly hear complicated cases.

According to the white paper on judicial reform, all 873 presidents and presiding judges from Beijing courts at three levels have appeared in court to handle cases so far, and the number of cases handled by them accounts for 15.5 percent of the cases closed by all the judges from Beijing courts in 2015. In the No.4 Intermediate Court, the president and vice presidents hear cases directly. The first case heard by the court in February 2015 was adjudicated by President Wu, while the afore-mentioned case concerning the Fangshan District Government was adjudicated by Vice President Cheng Hu.

Data from the court show that currently, judges account for 33 percent of the court's personnel, and trial support and administration personnel respectively account for 52 percent and 15 percent of the total.

In the No.4 Intermediate Court, a case is usually adjudicated by a team consisting of three judges, three assistant judges and two court clerks. The document released by the SPC on September 15, 2015, makes clear that judges shall be responsible for the case handling quality within their scope of duties. It states that a judge, who intentionally violates the laws during adjudicative procedures or renders an erroneous ruling by gross negligence, which causes serious consequences, shall assume the liabilities of illegal adjudication. ■

Caring for Left-Behind Children

The Central Government steps up efforts to protect millions of vulnerable children **By Yin Pumin**



Deng Jifei, a 12-year-old boy, hugs his father with tears at the father's working place in Wuhan, Hubei Province, on February 2. The boy, who is left behind at home in Xixiang County in northwest China's Shaanxi Province, had not seen his father for more than one year.

After spending a mere eight days at home during this year's Spring Festival, Sun Haiping and Xiang Xue, a couple in their late 20s, set off without their 7-year-old daughter. They chose to leave their hometown during the early hours of the morning as their little girl, Sun Zhiyan, was still in sleep.

"It's hard for us to see Zhiyan cry," Xiang, the mother, told *Beijing Review*. She could not bear to dwell on the scene last year when they left their daughter to go to work in Shenzhen, in south China's Guangdong Province. "We had no other option because we have to earn a living," Xiang said.

Zhiyan lives in a mountainous village in Shimen County with her grandparents in central China's Hunan Province. The family has been facing this situation for the past five years.

In fact, children like Zhiyan are so common in China that they have been branded as "left-behind" children, of which numerous cases occur in the country's rural areas.

According to a report by the All-China Women's Federation (ACWF) in 2014, China had an estimated 61.03 million children who had been left behind by their parents when they were employed as migrant workers in cities far from their children. Among the children, about 15 percent were reported as having no physical contact with their parents during the course of a calendar year.

Lacking proper care, many of these children suffer from anxiety, accidents and even sexual assaults. Some can even become involved in anti-social behavior or commit crimes.

In June last year, four siblings left behind in Bijie County, southwest China's Guizhou Province, committed suicide at home by drinking pesticide. According to reports, their parents had divorced and the father was working in south China's Hainan Province at the time. There was no other relative to take care of them, therefore leaving the responsibility in the hands of the eldest child, who was just 13 years old.

Additionally, in October last year, a female teacher was killed by three 13-year-old left-behind children in Shaodong County in Hunan Province.

"Left-behind children pose a social problem with historic, systematic and cultural roots. It cannot be solved by a single organization or group but needs joint efforts from the government, society and ordinary citizens," said Chen Ailian, a deputy to the National People's Congress (NPC) and President of the Zhejiang-based Wanfeng Auto Holding Group. She proposed to establish a law designed to assist left-behind children during this year's NPC meeting.

In his work report for this year, Premier Li Keqiang called on families, schools, governments and society to jointly take the



Meng Ailin, the mother who is working in Dongguan, Guangdong Province, and her daughter, who is left behind at home in southwest China's Guangxi Zhuang Autonomous Region

responsibility of protecting and educating the country's younger generations, including children who have been left behind at home by their parents.

Defining responsibilities

On February 14, the State Council, China's cabinet, issued a guideline on the protection of left-behind children, vowing to greatly reduce their numbers in rural areas by 2020.

The guideline defined the various responsibilities of parents, government and society. It also stressed that parents should bear the primary responsibility in the care of their offspring.

"Some irresponsible parents give birth to children, but leave them uncared for, seriously harming their physical and mental health," said Zou Ming, Vice Minister of Civil Affairs, during a State Council Information Office media briefing on February 19.

Tong Lihua, Director of Beijing Children's Legal Aid and Research Center, said that the parents have no right to shirk their responsibility

as primary caretakers for their children. "The absence of parents' role in these children's lives has led to many problems, including crimes committed by those children," she said.

"Such parents should be punished by law for their indifference," Tong added.

The concept is included in the new guideline, which states that migrant worker parents who leave children behind without giving them regular attention or adequate care might face punishment.

"Their right to custody of their children might be revoked according to the guideline," Zou warned.

Long Donglin, former President of the Kunming Municipal Academy of Social Sciences in southwest China's Yunnan Province, said that local governments should actively investigate and identify parents who do not fulfill their responsibility as guardians and issue warnings or revoke their guardianship.

"Local governments need to establish a sound working system to do the job," Long said.

The guideline proposed three methods to

solve the problem. The first involved parents taking their children with them when they seek employment in other cities. The second suggested that at least one parent stays to take care of their progeny. The last method involved consigning the guardianship to adult relatives who are able to take on the responsibility. The guideline explicitly forbids leaving children under the age of 16 alone without guardians.

However, many parents have expressed their concerns regarding the options provided. Zhiyan's mother Xiang said that she and her husband have also considered taking their daughter to Shenzhen with them, but their current living standards in the city have forbidden it.

"We live in a dormitory-like room in Shenzhen and we have no spare time or enough money to support our daughter in the city," she said sadly.

Zhang Xudong, a researcher with the Beijing-based China Youth and Children Research Center, suggested alleviating the difficulties that migrant children face in cities.



Gu Xinru, a 9-year-old left-behind girl, does her homework with her grandmother (right) at Maotang Village in Huaiyuan County, Anhui Province, on August 4, 2015



"Only when such obstacles such as *hukou* restrictions are removed will migrant children be able to enjoy the same rights with local children in education and other social services," Zhang said. *Hukou*, or permanent residential permit, ties subsidized social services including health, housing, education or pensions to one's legal residence and is much coveted in large cities.

Wang Dinghua, Director of the Primary Education Division of the Ministry of Education, said during the February 19 media briefing that the ministry will introduce more measures to ensure that migrant children can receive schooling close to their parents' workplace.

Meanwhile, Zhang also suggested that governments in rural areas make more efforts to develop local industries in order to attract those migrant workers back to their hometown. "This way, those migrant parents can reunite with their children," he said.

Besides the responsibility of the parents, the new guideline also delineates the role of the government and society in caring for the country's left-behind children.

Local governments and village committees must keep themselves well-informed about the situation of left-behind children within their jurisdiction and ensure that they are properly taken care of, the guideline stated.

Education authorities and schools also have an obligation to help them get education in a safe environment.

Local governments can contract charities and voluntary bodies to provide professional services, and a system of reporting, intervention, assessment and help will be established,

the guideline said.

Following the guideline, the Ministry of Civil Affairs inaugurated a new office devoted to protecting left-behind children. The office, under the ministry's Department of Social Affairs, plans to assess and improve the management of databases for left-behind children in rural areas, according to a ministry statement. It will also be responsible for establishing an inter-ministerial joint conference system to coordinate work among different government branches and helping to integrate civil affairs resources, including social assistance, welfare, social groups and communities.

Even so, many insiders participating in efforts to help those children say that there is still a long way to go.

Li Yang, a co-founder of Prop Roots, a public service organization dedicated to helping left-behind children, said that there are few channels for social organizations to take part in the activity due to a lack of government financial support.

"For example, we are confident that we have the capability to train more professional teachers for rural schools, but the reality is that a lack in funding has led to a brain drain of our original talents," Li said. He suggested that local governments should fund services of social organizations such as his to solve the predicament.

Long suggested that the government should encourage local enterprises to participate in the action. "Local governments can use tax-reduction policies to encourage those enterprises to provide childcare services," he said.

Tong Xiaojun, Director of the Children's

Research Institute at China Youth University of Political Studies, said that China should train more social workers to help protect and educate left-behind children. "Compared to a developed country, China's social worker force is still in its infancy. In the future, the government should put more efforts to train more professional social workers, especially those in rural areas, to help solve problems including those posed by left-behind children," Tong said.

A legal way

Even though legal experts praised the release of the guideline, they also urged that more actions be taken to improve China's laws related to the issue, specifically the protection of children's rights.

Tong, with the Beijing Children's Legal Aid and Research Center, called for the improvement of parents' legal awareness of their responsibilities as guardians.

"According to the ACWF's figures, more than 2.05 million left-behind children in China live alone without guardians. That indicates a lack of legal awareness," Tong said. She suggested that the legal system be improved to punish the indifferent parents.

Another investigation by the ACWF showed that 77 percent of the country's left-behind children have been assaulted. Legal experts have called for the setting up of a sound protection net for children who have been neglected consisting of guardians, schools, society and laws.

However, Bi Cheng, Dean of the School of Public Security of Xi'an's Northwest University of



Yang Zhanyi, a 10-year-old left-behind boy who lives with his grandparents in Dongsheng Village of Longsheng County, Guangxi Zhuang Autonomous Region, helps prepare supper for his family on May 5, 2015

Politics and Law, said that China's current laws are irrelevant in their attempts to protect the rights of left-behind children.

"Most of the current laws concerning juveniles lack the power of enforcement and restriction, which has led to weak prosecutions in their implementation process," Bi told *Gongyi Bao*, a Beijing-based newspaper affiliated with

the Ministry of Civil Affairs.

For example, the Law on the Protection of Minors and the Law on the Prevention of Juvenile Delinquency are regarded by legal experts as "toothless."

"The two laws are just principles. There are no specific rules in the laws defining responsibilities and punishment conditions. Such

laws cannot be fully implemented in reality," said Wang Shun'an, Director of the Institute of Criminology with China University of Political Science and Law.

Wang suggested the creation of a child welfare law to cover the rights of minors, especially those left behind.

Gao Weijian, a professor with Chongqing-based Southwest University of Political Science and Law, agreed. He said that the laws concerning juveniles can be separated into three tiers.

The laws in the first tier are hind-sighted ones. They are set up to resolve problems that have occurred, such as some countries' laws on the protection of juveniles. The second-tier laws are those designed to protect and assist children on the brink of danger, like China's Law on the Protection of Minors. The third-tier laws focused on prevention, such as the Child Welfare Law.

"First of all, we found that the crimes committed by juveniles are a noticeable part of the nation's social problems. Then, through investigation and research, we proposed the concept of 'protection' to counter these problems. But through further research, we found that 'protection' was not enough and that the problem may lie in the environment that the children grow up in, so we must push the legal concept to the level of children's welfare," Gao said. He added that the creation of a child welfare law is only a matter of time. ■

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



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

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

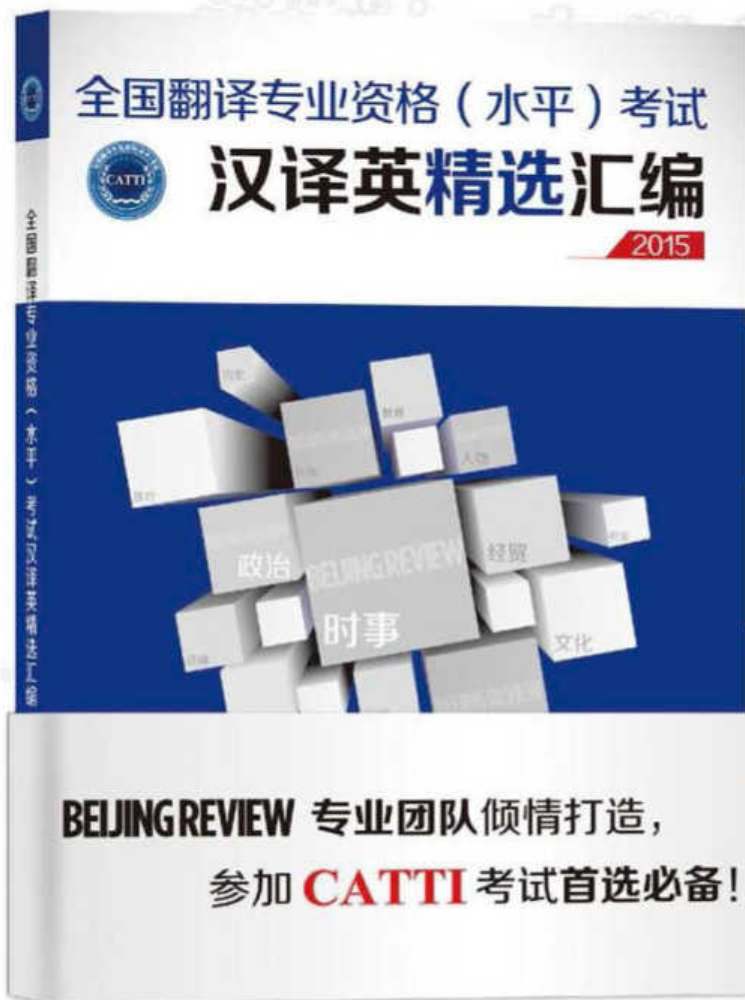


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Cheng Zhigang, the General Secretary of CAIF, was invited to attend the interview of Xinhua News Agency.





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Reforms Kick-Start Growth

Officials and economists confirm confidence in Q1 economic performance

By Wang Jun

Last year, the Chinese economy recorded its slowest annual growth rate in a quarter of century at 6.9 percent. Although official statistics have not yet been released, the market, however, is optimistic about the economic status of the world's second largest economy in the first quarter of 2016.

The view is shared by top officials. Major economic indicators were showing signs of improvement until early March, said Vice Premier Zhang Gaoli at the opening of the China Development Forum 2016 held in Beijing on March 20. "If we can overcome this year's challenges, we may have better prospects for next year," he added.

Pan Jiancheng, deputy head of the China Economic Monitoring and Analysis Center

under the National Bureau of Statistics (NBS), interpreted "better prospects" as healthier growth and improved structures, instead of simply fast quantitative expansion.

Growth prospects

As of early March, major economic indicators were turning for the better, including electricity consumption, employment, fixed assets investment, fiscal revenue, disposable income of urban and rural residents as well as money supply, Zhang said. The Chinese economy will therefore have a good start in the first quarter, he claimed.

According to figures from the NBS, in the first two months this year, investment in fixed assets—excluding rural households—reached

3.8 trillion yuan (\$586.42 billion), up 10.2 percent year on year in nominal terms, slightly higher than the average growth in 2015. That was the first time that the indicator had gone up in the past 20 months.

Also in January and February, floor space in commercial buildings and their sales volume soared 28.2 percent and 29.7 percent year on year, respectively, against a 3-percent increase in real estate investment. This is also marked resumption in real estate investment growth for the first time since 2014.

At the same event, Zhang also responded to pessimism regarding the Chinese economy with some numbers: In 1978 when China initiated its reform and opening-up policies, China's GDP stood at a mere 365



Vice Premier Zhang Gaoli delivers a speech at the opening ceremony of the China Development Forum 2016 in Beijing on March 20

billion yuan (\$56.33 billion), with a per-capita GDP of \$254.

Between 1978 and 2010, China's GDP grew at an annual rate of 9.9 percent on average, and during the 12th Five-Year Plan (2011-15) period, the average annual growth rate of GDP was 7.8 percent. Last year, China's GDP reached 67.7 trillion yuan (\$10.86 trillion), while the United States' was \$17.9 trillion.

However, Zhang stressed that China has been facing new challenges ever since the country entered a new stage of slower but more resilient growth. "We have never evaded the fact that the Chinese economy is facing downward economic pressure," he said.

When answering questions from the media at a news conference on March 16, Premier Li Keqiang said that the weak global recovery had taken its toll on the Chinese economy, which is deeply intertwined with the world's economy. As China's economic transition develops, its deep-rooted problems are emerging. Due to that, downward pressure is indeed increasing, according to Li.

But Li nonetheless expressed his confidence in the Chinese economy's prospects. "The other day I read a foreign media report saying that one visit to a heavy industry corporation left the impression of depression, while the next stop to a technology park left the impression that the economy is growing at a double-digit rate. This is in line with the conclusion I reached in my own trip last year—that hope and challenges coexist," Li said at the news conference. "If we look at what is 'fundamental' as well as the 'big trend,' hope outweighs the challenges that China faces."

Xu Shaoshi, Minister of the National Development and Reform Commission, China's top economic planner, said at the recent China Development Forum that the transition in the engines driving the country's growth is advancing smoothly and rapidly. Factors that have shored up China's economy include the impetus provided from expanding domestic demand, including investment and consumption. Also, new industries, new business models and formats, as well as growth stimulated by the deepening reform are playing their part, too.

In the eyes of Mao Shoulong, Executive Dean of the Academy of Public Policy at Beijing-based Renmin University of China, a new economy includes not only cloud computing and other Internet-related technologies, but also some fledgling sectors that develop on the integration of traditional industries and new business models.

Zhang admitted that although the real economy is growing well, China still lags behind developed countries in terms of innovation and technology. He asked, "How

Dormitories which once housed workers from Microsoft's Nokia mobile phone factory become an e-commerce industrial park in Dongguan, Guangdong Province



can we build China into an innovation-based power and maintain sustainable growth if the country doesn't innovate?"

Tax reduction

Pan said that while fostering new growth engines, the government must also strive to cut overcapacity and excess inventory, deleverage, reduce business costs and strengthen points of weakness in the market in order to withstand the downward economic pressure. By lowering the costs that businesses are bound to, the government will provide a better environment for growth, Pan claimed.

The State Council has already started on lowering business costs. An Executive Meeting of the State Council held on March 18 decided to extend the pilot reform that replaces business tax with value-added tax (VAT) to four additional sectors—construction, real estate, finance and consumer services—as of May 1. This pilot has been launched to reduce corporate tax strain in addition to supporting the development of the modern service industry and transformation of the manufacturing industry.

The new pilot program also allows companies to include the prices of new real estate purchases into their costs of production for tax exemption purposes. This will give businesses more incentive to make greater investment. In the previous pilot program, for example, VAT for purchases of machinery was exempted.

According to a report on the State Council's website (Gov.cn), from 2012 to the end of 2015,

5.92 million tax payers had been included to the pilot VAT reform, saving them a total of 641.2 billion yuan (\$98.95 billion). It is estimated that after the reform is extended, 500 billion yuan (\$77.16 billion) will be saved from taxes throughout 2016.

Pan believes that the extension of the reform will not only reduce the corporate tax burden, but also boost industrial transformation initiatives. "With more taxes exempted, companies can invest more in production. Particularly, firms providing producer services will be able to increase their profits and capabilities, thereby giving further impulse to the transformation of the manufacturing industry," he said in an interview with Shanghai-based *National Business Daily*.

The VAT reform is not merely a step toward tax reduction, but a very important part of boosting the supply-side structural reform, according to Pan. Taxation reforms usually produce their desired effects quickly, he claimed.

"The extension of the reform is significant to unifying the country's taxation system, reducing the burden posed by corporate taxes and helping us withstand the downward economic pressure," said Premier Li at the Executive Meeting of the State Council on March 18. The premier went on to say that a large number of companies will benefit from the reduction, which will lead to further growth. ■

Copiedited by Bryan Michael Galvan
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A Global Mobile Revolution

CEOs and experts specializing in Chinese consumer trends—particularly those in the digital and mobile consumer markets—will gather again in Paris on April 6-7 to attend the annual China Connect conference. This year, European marketing and digital decision-makers from different fields including services, communication and media will focus on the Chinese mobile consumer market, which has nearly 1 billion mobile Internet users.



Laure de Carayon, founder and CEO of China Connect, shared her views on the success of mobile media and services in China, as well as what the West can learn from them in an exclusive interview with *Beijing Review*. Edited excerpts of the interview are as follows:

Beijing Review: What are some of the most striking changes you've witnessed in the fields of communication and mobile media in China during the past year?

Laure de Carayon: It may not be striking changes, but rather an acceleration of what we've been witnessing for a couple of years: the growth of Internet penetration and an acceleration of mobile adoption—mostly thanks to smartphones. This has led to the explosion of mobile shopping, cross-border e-commerce, the search for services and products that improve lifestyles, the bridging of the online and offline (O2O) worlds, and the facilitation of mobile payments.

This year will be very interesting as Western and local players, from Apple Pay to Huawei Pay want to have their piece of the cake led by Alipay and Tencent Pay/WeChat Wallet. The rise of WeChat has been phenomenal as it has become

mandatory for any player hoping to connect with Chinese customers in China and abroad. In this regard, we're very happy to welcome WeChat at China Connect in Paris.

Also, it's interesting to see prominent Chinese tech entrepreneurs such as Tencent's Pony Ma or Alibaba's Jack Ma urging for a more open Internet that will benefit China's economy, by spurring innovation and encouraging a shared economy.

What are you looking forward to seeing this year in terms of China-West cooperation in these fields?

There's a will to better understand and reach each other's culture and customers. And digital is the way to bridge both worlds. Digital is the pillar of this connection—as Angela Ahrendts said when she was at Burberry, "We may not speak Chinese, but we have a common language: digital."

For example, Datawords, specializing



in e-multiculturalism is helping worldwide brands communicate effectively outside of their home markets. And I'm very happy to welcome at China Connect two Chinese companies in the field of programmatic advertising—iPinYou and iClick Interactive Asia, that are developing cross-border operations. E-commerce, e-health, FinTech, the Internet of Things, content creation, and also education are among the fields where we'll see more cooperation.

Why do you think that China's mobile media and e-payment services have succeeded in market penetration where its Western counterparts have not?

It's not that the West has not succeeded, it's that the context, the needs and the usages are different. The main reasons are linked to geography and scale, as well as access to products and services. We in the West have a culture of shopping in brick-



Chris Guo, Vice President of the online supermarket YHD.com, speaks at the China Connect 2015 conference

A panel discussion at the China Connect 2015 conference held in Paris from March 5-6, 2015

and-mortar stores, like going to the mall in America. We have that choice almost wherever we go, the convenience is there, whereas you don't have that choice everywhere in China.

We also have a strong cash culture, and we don't like to share personal data. Habits are the most difficult and slowest things to change. These are all factors that are enough to make a difference.

China is composed of a huge territory, huge traffic, huge smartphone penetration and accessible labor costs that help drive the pace of development of services, in O2O for example. If it's easy to get a quick and cheap [food] delivery, why go to a restaurant and waste time in a traffic jam? This is also a result of the fast adoption of mobile phones from a growing middle class, as well as a rising number of (very) young tech-savvy users.

Still, e-commerce is growing everywhere,

and connectivity is spreading, so we are certainly heading toward more electronic payments.

What are some challenges facing Chinese companies' expansion into Western markets? What about Western companies seeking to reach into China's market?

The main challenge is the same as ours in expanding in China: culture. Objectives and means can be an aspect of that culture as well. From a purely marketing standpoint, the challenge lies in branding. Building a brand's DNA, territory, values, and unique selling point is something new to Chinese companies, which are more sales-driven and want to go fast. But it takes time—sometimes decades, or even a century—to build a brand. With China's market shifting from manufacturing to a service- and consumption-driven economy, it is obviously changing in terms of agility,

speed, and aggressiveness.

What about the use of e-hongbaos—digital red envelopes—which have seen an explosion in popularity in China?

I don't think that e-hongbaos could spread around in France. Let's not forget they are first and foremost an old Chinese tradition, that has been digitized. That was a brilliant idea! Connecting with millennials, who wouldn't otherwise engage with such programs. Also there's another key date I can't skip: How Jack Ma publicized the Chinese e-commerce event of the year, November 11 [or Singles' Day], with his very own Live TV show bringing in movie stars such as Daniel Craig's 007 and Kevin Spacey's character in *House of Cards* Frank Underwood. I believe that was another milestone. ■

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OPINION

Europe Should Stop Its Anti-Deflationary Policies

The European Central Bank (ECB) has recently issued a package of measures to ease its monetary policy. These actions include cutting main interest rates in the eurozone to zero, reducing the deposit rate further from minus 0.3 percent to minus 0.4 percent, expanding quantitative easing (QE) to 80 billion euros a month from 60 billion euros, and purchasing more assets by expanding its money printing program.

These “gifts” from the ECB will affect not only the eurozone, but also the global market. The ECB should change its anti-deflationary policies. Otherwise by prescribing too much “medicine” in the form of its easy monetary policies, the economy in the eurozone may overdose, which would have dire consequences for the global economy, too.

The ECB has racked its brains to lift the European economy out of its crises and address deflation. It has launched multiple QE measures including a bond-buying program, a securities markets program, a general long-term and targeted long-term refinancing operation, and has even cut its interest rates so much as to put them into negative territory. The ECB has tried in every way to ease its monetary policy.

The eurozone’s poor economic performance has pushed the ECB to ease its monetary policy further and further. Even so, figures have shown that their economy has once again fallen into stagnation. In February the consumer price index (CPI) in the eurozone fell by 0.2 percent year-on-year, the lowest in 12 months and far below expectations. In January, the index rose by 0.3 percent.

In addition, the eurozone’s core inflation rose by 0.7 percent in February from 1 percent in January, reaching the lowest figure in 10 months. The unemployment rate also hit 10 percent. The ECB consequently decided to further ease its monetary policy and continue stimulus measures to boost the economy and maintain the inflation rate below—but close to—2 percent, which is the primary objective of the ECB’s monetary policy.

These measures are really good news to those who invest in risk assets such as investment-grade corporate bonds, the sovereign bonds of eurozone periphery countries, bank credits and stocks. However, Mario Draghi, President of the ECB, seems to be more concerned about how to make investors believe

that the economic recovery will continue in the eurozone.

When announcing a package of measures on March 10, Draghi revised the outlook for economic growth of 2016 in the eurozone down from 1.7 percent to 1.4 percent, and said that interest rates would likely remain at present or lower levels for several months.

Draghi must be well aware that, since the start of the global financial crisis in 2008, the results of the ECB’s monetary policy have not been satisfactory. Although the ECB has used various measures, the European debt crisis has only worsened rather than subsided, and the eurozone has fallen into debt and austerity quagmires. Although the debt crisis has been slightly alleviated since 2015, Europe’s economic recovery is still weak, and deflation risks have even intensified.

A continuous negative interest policy is dangerous, which will only encourage financial bubbles and impede economic growth in the eurozone. It will also lead to competitive depreciation in the global market and make the current global financial stability even more fragile.

Even after all of the above mentioned policies have been put in place, the eurozone’s fatal weakness still remains—due to the conflict between a unified central bank and monetary policies as well as the independent fiscal policies of various countries, the eurozone is unable to get out of its debt crisis. Fiscal austerity, in the view of German Chancellor Angela Merkel, is the only correct solution to the problem, and the economic recession brought about by austerity is the price that Europeans must pay to correct their previous mistakes.

However, austerity may only bring more serious problems. The idea of making the ECB assume all the responsibilities involved in alleviating the economic stagnation and deflation in the eurozone has been proved wrong. Monetary policy alone is unable to solve the crisis.

The essential reason for the economic stagnation in the eurozone is due to the structural imbalance in the economy. Management policies such as the ones currently being enacted are also unlikely to get the economy out of its quandary.

The ECB and the European Commission must determine future policies more strategically to secure a more stable and healthy economic recovery. Here are three suggestions:

First, the eurozone should further enhance its structural reform, especially to determine the key areas and guiding principles of the reform. It should also establish a combination of indicators to better evaluate and monitor the structural reforms occurring within eurozone countries, and improve the supply structure to better satisfy the demand. By doing so, it will optimize the economic structure and ensure adequate economic transformation and sustainable growth.

Second, the ECB must focus on restoring the transmission mechanism of its monetary policy. The global financial crisis and the European debt crisis have made the European financial market gone awry, and the monetary and interest rate transmission channels have also been damaged.

The ECB must therefore improve the operation of those channels immediately. It can change the interest rates in the money market and sovereign bonds market by controlling the official interest rates—which would ultimately affect retail interest rates—or the lending and borrowing rates of commercial banks. The role of the banking union in the European Union should be played to its full extent, so that banks will be more efficient in their execution of the monetary policies.

The ECB should also, through bank stress tests, restore or enhance the private sectors’ confidence in the health and balance sheet quality of commercial banks, and guide more capital from private sectors to the banking industry and encourage banking capital to flow to the real economy. It should give assistance to commercial banks in efforts to write off non-performing loans as soon as possible. If the above measures provide tangible effects, the economic recovery in Europe will stay on course.

Third, the eurozone countries must strengthen cooperation and advance structural reforms in the fields of industrial, fiscal, monetary, and trade policies. It is only through the proper execution of these policies that the eurozone will be in a position to rebuild the sought-after impetus for economic growth and avoid failures of a single policy. ■

This is an edited excerpt of an article written by Wang Yong, a professor from Zhengzhou Training College of the People’s Bank of China, and published in *Securities Times*

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

NUMBERS

(\$1=6.6 yuan)

17%

The year-on-year net profit growth of Fuyao Glass Industry Group Co., one of Asia's largest automobile glass producers, in 2015, mainly due to robust auto sales in China

929%

The year-on-year net income growth of China's major online travel agent Ctrip.com in 2015

373,400

The recorded number of Chinese visitors in New Zealand in February, a 9 percent year-on-year increase

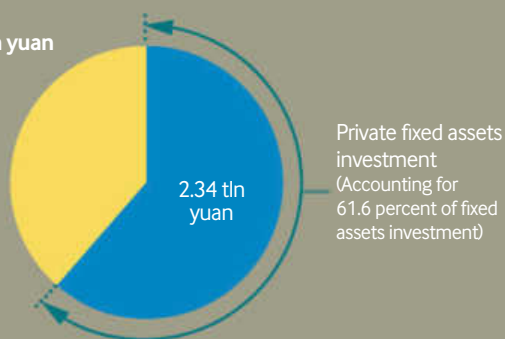
16 mln tons

The iron ore that Brazilian miner Vale agreed to ship to China COSCO in an agreement signed on March 18

Fixed Assets Investment in China

Jan-Feb

Total fixed assets investment: **3.8 tln yuan**



\$250 mln

A loan from the Asian Development Bank to support China's treatment of industrial wastewater

182%

The year-on-year net profit growth of Sinolink Securities

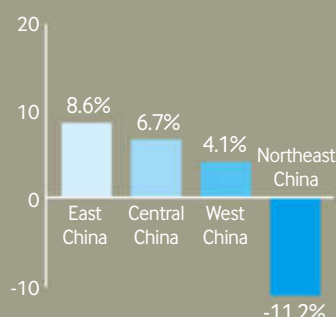
Private Fixed Assets Investment by Region

Jan-Feb

Amount (yuan)



Growth (y.o.y.)



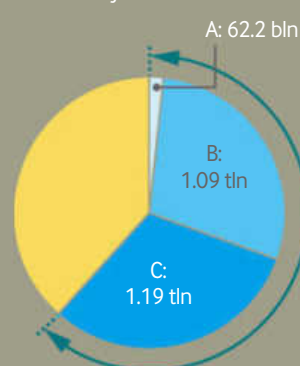
15.88%

The year-on-year net profit growth of Hainan Airlines, China's fourth largest carrier, in 2015

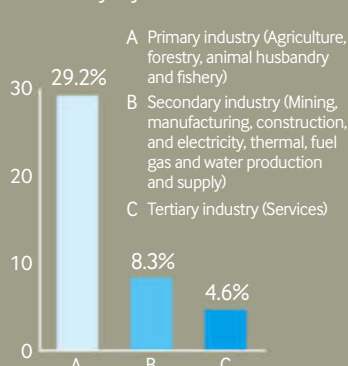
Private Fixed Assets Investment by Industry

Jan-Feb

Amount (yuan)



Growth (y.o.y.)



(Source: National Bureau of Statistics)

17.5 bln yuan

Alibaba-backed YTO Express plans to go public via a 17.5-billion-yuan (\$2.7 billion) merger with a listed clothing maker

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THE NEW SPIRIT OF AFRICA

A STAR ALLIANCE MEMBER 

Finding the Right Word

University promotes study of African languages to enhance cultural understanding **By Sudeshna Sarkar**

When Sun Xiaomeng left the city of Zaria in north Nigeria after finishing her master's in the famed Ahmed Bello University in 2005, she went to say an emotional goodbye to an unusual group of acquaintances—the Hausa vendors at the local market where she used to buy her groceries during her two-year stay.

"It was a moving experience," said the now-38-year-old, who serves as the dean of the School of Asian and African Studies at the prestigious Beijing Foreign Studies University (BFSU) in the Chinese capital. "When I went to Nigeria in 2003, I was the only Chinese person in the city and a novelty to the people in the market. When they heard me speaking in Hausa, their native language, they were astounded. 'Where did you learn it? How do you speak it so fluently?' they asked me, and step by step, our friendship grew."

Sun began to learn Hausa in 1996 when she joined the same university where she is a professor today, majoring in the language that

is the lingua franca of West Africa. Besides being spoken by the majority of Nigerians, who also boast Africa's largest economy, Hausa is spoken in countries such as Niger, Sudan, Chad, Ghana and Togo. After majoring in Hausa, she went to Nigeria on a Chinese Scholarship Council scholarship to improve her language skills as well as soak up West African culture.

She subsequently studied under Professor Li Anshan, a leading African studies scholar, and obtained a doctorate from St. Anthony's College, Oxford. Today, she is directing young Chinese students toward other indigenous African languages and literature.

Filling the gap

A huge language-learning program is underway in China, dovetailing with the Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiative announced by President Xi Jinping to advance the common development of Asia, Africa and Europe. "For the initiative to

go smoothly, it is more important to deepen mutual understanding among these countries than just focus on an economic boom," believes Sun. "Public diplomacy is fundamental to its success and language plays a very important part in that."

With the Chinese economy growing at a rapid pace and China's engagement with Africa deepening, more and more Chinese officials are being assigned to posts in various African countries.

"But our understanding of Africa lags," claimed Sun. "If you interact with Africans only through English, French and the other foreign languages imposed by colonizers, you perpetuate hegemony. By learning the indigenous African languages, we fill the gap between engagement and understanding, and at the same time, help Africans preserve their heritage and retain their cultural values."

In collaboration with the Ministry of Education, BFSU is expanding its foreign language program. By 2020, it will increase the



"By learning the indigenous African languages, we fill the gap between engagement and understanding, and at the same time, help Africans preserve their heritage and retain their cultural values."

—Sun Xiaomeng, Dean of BFSU's School of Asian and African Studies



Tesfaye Yilma Sabo (center), a senior diplomat at the Ethiopian Embassy in Beijing, attends an Amharic lecture at the Beijing Foreign Studies University in November 2013

number of languages it teaches to 100 from the current 70. The objective is to teach all the official languages spoken in all the countries with which China has diplomatic relations.

BFSU's School of Asian and African Studies was established in 1961 with Swahili, the local tongue of East Africa, as one of the first five "founding languages." In the late 1960s, China signed an agreement with then-newly independent Tanzania and Zambia to help them build the 1,860-km Tanzania-Zambia Railway, their first new transportation line since independence, and there was a great demand for cross-cultural communication.

Gradually, Hausa and Arabic were added to the school's repertoire. This year, seven more African language programs are being included: Amharic, the official language of Ethiopia; Tigrigna, spoken in both Ethiopia and Eritrea; Afrikaans and Zulu (South Africa); Malagasy (Madagascar); Somali (Somalia); and Comorian (the Comoros Islands).

In the 15th century, Chinese explorer Zheng He sailed to the Horn of Africa, establishing contact with East Africa. Six centuries later, 16 Chinese students from BFSU—starting in September this year—will go to Ethiopia, South Africa, Madagascar, Somalia and Comoros to learn the major languages and gain insights into the local cultures so that they can return home to become

teachers and researchers at these newly established language departments.

Intrepid voyagers

It is nearly 7 p.m. and well past her official working hours, but Liu Hong (her real name has been withheld on request) is still in her office in Beijing, intently pouring over a typewritten manual. The 27-year-old, who works as an office assistant, is doing her Amharic lessons. "I would like to move up in my career," Liu said, explaining why she has chosen to learn such a challenging course, and a language virtually unknown in her home country. "Learning Amharic would give me a unique skill. I could become an Amharic teacher."

Young Chinese like Liu can even be offered incentives for becoming multilingual. For instance, since Madagascar was a former French colony and has French as its other official language, BFSU students who have chosen to learn Malagasy will also be sent to Paris. BFSU has a collaborative agreement with the Paris-based National Institute for Oriental Languages and Civilizations. The Chinese students who enroll there will learn both Malagasy and French.

"Multilingualism is very important," Professor Sun said. "In China, we have 56 ethnic groups. In Africa, there are 54 [recognized] states and each group's language represents its cultural values. When you learn their languages, it shows you

respect them, their culture and values."

Chinese students' attitude toward learning foreign languages is also changing. Now there is a new sense of adventure, empathy and even patriotism associated with language proficiency.

According to Sun, language opens a very important window for young Chinese people to understand Africa. "In the past 40 to 50 years, African languages were a rarity in language schools because the pursuit of new languages was economy-related," she said. "But now they are inspired to go to Africa."

For instance, one BFSU student chose to go to the Somali capital Mogadishu this year in order to learn the Somali language. Somalia has long been under attack by extremist groups, notably Al-Shabaab. As recently as February 28, the terrorist group bombed a restaurant in Baidoa, killing at least 30 civilians. Though the Somali Government has assured the university that the Chinese students would be safe, there is still an element of uncertainty.

But the student (who cannot be named for security reasons) is undeterred. "I know what's going on in Somalia from watching television," he told his teachers. "But I still want to go. It is my obligation to do so." ■

The author is an editorial consultant for *ChinaAfrica* magazine
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Has Artificial Intelligence Outwitted Humans?

Google's AlphaGo computer system defeated South Korea's Go grandmaster Lee Se Dol 4 to 1 in March, marking a historic milestone for computer programmers and artificial intelligence (AI) researchers. The match between Google's computer software and Lee, who topped the world's Go player ranking from 2007 to 2011, attracted attention from the world as they competed for a \$1-million prize.

Mastery of Go, an ancient East Asian board game, has long been regarded as a real challenge for AI given its complexity and number of options for "moves." According to experts, that means that the technology must be capable of human-like "intuition" in order to prevail over human players.

While applauding the advancement of technology, questions also arise. Does the victory imply that computers will outwit humans more generally? Some worry that in the future humankind might even be "enslaved" by computers or robots, as computers are already able to succeed in tasks that humankind will never be able to accomplish.

Yet others argue that although AlphaGo has won a sweeping victory in this contest, this event does not mean that human intelligence is inferior to AI, because after all, AlphaGo and its technology competitors were created by a team of human science and technology experts. The software is incapable of thinking purely by itself and depends on human experts for a variety of tasks. Therefore, AlphaGo's achievement is actually a monument to human inventiveness.

Pondering implications

Yang Linlin (Baijia.baidu.com): Go is seen as a complex game of profound meaning, and sometimes it is even raised to the level of philosophy and military theory. This time, despite the fact that the AlphaGo system did not win a complete success, its strong calculating ability is already shocking enough. More importantly, the significance of this game reaches far beyond who won.

Go is most popular in East Asian countries like China, South Korea and Japan, and its popularity seems generally confined to this region. There were worries that this sport might disappear on the international stage in the near future; however, the Lee-AlphaGo match has steered worldwide attention to Go, making this game better known around the world.

The victory of AlphaGo unveils how fast AI is growing. Lee revealed some of the AlphaGo system's obvious advantages over humankind: When it was squeezed into an unfavorable condition, AlphaGo remained psychologically unfazed and stayed focused, which is different from common human reactions. This advantage is persuading many that, although AI is unable to completely trounce human players in this game for the time being, it is only a matter of time before it will totally surpass humans.

There are also concerns that, should computer software outwit human intelligence, humankind might be ruled by computers. Imagination even goes as far to speculate that human beings could be made into slaves in a computer "empire," as some science works have depicted. This is a groundless worry, because it is human beings that create the computer software. It's reasonable to feel happy about the result of this match. We are fully confident that, in the near future, a lot of problems that elude humankind will be solved by computers.

Pan En (Sports.163.com): After Lee was defeated by AlphaGo, many people began to worry about human beings' common dignity. Chess games have always been regarded as a typical knowledge-based activity and world chess masters are seen as a symbol of human wisdom. Today, however, a human grandmaster is giving way to computer software. Does this mean that AI has outpaced human intelligence?

The fact is that AlphaGo was created by human experts, and its abilities were designed by humans. The computer system may beat a human grandmaster, but does it have indepen-

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dent thinking and wisdom? Does the computer have will, emotions, inspiration, etc.?

It's too early to judge if AI has surpassed human intelligence just because Lee lost the match to AlphaGo. The victory sealed by AlphaGo is simply another example of human beings' cleverness and the rapid progress of computer science and technology. Even if a software system has defeated human beings in one area, this does not mean they automatically possess all the knowledge of human beings, but it shows that they, as super tools, can do some things better than their creators.

The match between Lee and AlphaGo is just a show, having nothing to do with human dignity. Everyone involved in this game has something to benefit. Google's AlphaGo computer software swiftly rose to fame, while Lee also gained in reputation. Any understanding of this match as a blow on human dignity is narrow-minded.

Getting prepared

Tian Wenzhi (Opinion.people.com.cn): The game between the AI program and the human player is ultimately a contest between human beings. To be specific, it is a fight between a single human being's intelligence and the intelligence created by a hi-tech team on the basis of sophisticated science and technology.

The attention should be directed to the team behind AlphaGo, and even the company and the country's science and technology strategy, rather than the computer system itself. More importantly, we should get to know how far China is lagging behind its counterparts in this field.

Innovation is a powerful driving force for a country's overall development. The level of a nation's frontier strategic technologies represents its competitiveness on the global stage, shaping its future prospects.

Yu Sibian (People's Daily): Computer systems have been used to beat human players in other chess games, but Go is a more complex game in terms of moves, strategies, etc., and was thus seen as the hardest game for AI to crack. Google's AlphaGo computer system sealed a victory over the world's top player, Lee, in the recent Go game. This is the first time that a human player has been beaten by a computer system, shocking the world.

Coincidentally, at the 2016 Winter Davos Forum, AI was a hot topic among those from the commercial and technological circles. Experts have unveiled future prospects for AI: It is likely to serve as a foundation for the next round of industrial revolution. Thanks to new technology, robots will be able to read articles, as well as understand human language and even human emotions. Robots of the next generation are likely to possess

the ability to study independently as humans do. The application of AI in human life will change our way of working and the working environment.

However, there are also concerns over its rapid progress. More and more intelligent robots will increase humans' dependence on them and eventually whether or not human beings can bring them under control will also become a problem.

Actually, the panic is unnecessary. AI has already been widely applied, and we are benefiting from it in various aspects of life, such as automatic speech and image recognition technology. Also, robots are doing assembly work accurately and tirelessly. There is still a big gap between the current level of AI and our imagination. We should explore and embrace this technology, rather than be worried about it.

While enjoying the convenience and benefits brought about by robots, human beings need to think about how to get along with them ahead of time. Legislation practices in the countries and regions employing highly developed robot technologies have already started, with a view toward solving possible ethical problems brought by AI and robots. China is at the primary stage of doing so, and we also need to prepare for potential risks, before our technological creations cause any headaches. ■

Copyedited by Mara Lee Durrell

The Global Impact of China's Growth

By John Ross



China's 13th Five-Year Plan (2016-20), which was just adopted by the National People's Congress, the country's top legislature, sets the framework not only for China's domestic development, but for other countries' economic interaction with it. Consequently, it is important that other states accurately judge the effects that China's continued reform and opening-up process will have on them.

The first key point is that the 6.5 percent minimum annual GDP growth target over the plan's duration is more important for China and other countries than 2016's individual 6.5-7 percent target. Some commentators have suggested that while China may achieve a 6.5 percent growth target in 2016, this will be followed by a significant slowdown—to 5 percent or below by 2020. If this occurs, China could be drifting toward the "middle-income trap." The plan's calculations, however, make clear that China is not prepared to let this happen, while the key features of China's economic structure show there is no reason for alarm.

The decisive target of the new Five-Year Plan is to achieve a "moderately prosperous society." By the numbers, this means doubling China's GDP between 2010 and 2020. Growth in the first half of this decade averaged 7.8 percent. Therefore, to achieve the decade's target average annual growth through 2020, the rate must equal at least 6.5 percent. As 2016's target is 6.5-7 percent, this means that no significant slowing will be accepted in the plan's later years.

More important than a verbal commitment is that China's fundamental economic parameters show that this target can be achieved—statistics have confirmed that China's efficiency of investment in generating growth is higher than that of the United States. This means China will maintain its present position as the global economy's strongest development point over the next five years.

The second key aspect for other countries to observe emerges from the combination of China's rapid growth, with China being a more open trade economy. The latest internationally comparable data show that trade constituted 40.1 percent of China's GDP compared to 30.1 percent for the United States. China's greater openness means that its growth generates a proportionately greater increase in international trade than equivalent U.S. growth.

In order to accurately grasp these trade trends, it is important to correct any misunderstanding caused by the fact that the dollar value of all major economies' trade is currently declining due to the global

China will maintain its present position as the global economy's strongest development point over the next five years

fall in commodity prices—the latest International Monetary Fund (IMF) data show trade declining by \$3.5 trillion, or 11 percent, year on year. However, China's world trade share has expanded as it suffered less from this than other major economies. The latest IMF data show China's share of world trade has reached its highest level ever.

If China's global position in growth and trade continues well-established trends, there are also new key factors that will affect other countries as China makes the transition from a middle-income economy, by World Bank standards, toward a high-income economy. Some factors, such as China becoming the world leader in renewable energy, will have a major indirect effect on global capabilities in fighting climate change.

Two of China's direct economic processes also have a particular effect on other countries. First, China is no exception to the rule that all major economies were internationalized first via trade and only later via foreign direct investment (FDI). But China has unparalleled financial resources to contribute to FDI: Its \$3.2 trillion foreign exchange reserves are the world's highest.

Financial firepower has allowed China to rapidly ramp up its annual outward FDI flow from under \$20 billion in 2006 to \$118 billion in 2015, to be the driving force behind the Belt and Road Initiative, and to lead multilateral initiatives, such as the Asian Infrastructure Investment Bank and the New Development Bank. China will therefore play an increasingly large role in global bilateral and multilateral FDI.

A second decisive trend is China's technological upgrading and the priority given to developing innovative capacity. The new Five-Year Plan will raise China's research and development spending to 2.5 percent of GDP by 2020—almost equaling the United States' current research and development spending as a proportion of GDP.

It is this huge resource allocation that powers China's innovative ability. It ensures that while China switches out industries, it will increasingly export higher-value products. Simultaneously, a consolidation of China's lead in cost innovation, an ability to achieve competitive prices by technological and managerial innovation, means global companies will increasingly want to locate research facilities in China. ■

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