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A FUTURE TO PUZZLE OUT

And a new relationship model for China and the U.S. to build

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EDITOR'S DESK

02 A Landmark Visit

THIS WEEK

COVER STORY

18 Sino-U.S. Ties Need Strategic

Rethinking

An expert opinion on where Sino-U.S. ties need repair

20 Nowhere to Hide

Corruption will be one of the topics for China-U.S. discussion

21 Paulson's Unmasking

Sharing the views of a China hand

22 An American Physician in China

George Hatem's lifelong labor of love

WORLD

26 A Painful Lesson

The Syria-Europe migrant crisis is the latest Middle East disaster

NATION

32 Questioning Reality

Chinese actors flock toward reality television



14 COVER STORY

A New Relationship Model
The importance of President Xi's trip to the U.S.

NATION

P.28 | Downsizing the Army
Quality, not quantity, is key to China's military plans

BUSINESS

P.36 | The 'China Miracle' Has Not Ended
Growth stimuli remain in effect



NATION

P.30 | After the Big Bang
Tianjin recovers from devastating warehouse explosions



BUSINESS

38 The Manufacturing Shift

China's economy moves away from labor in favor of innovation

40 Market Watch

CULTURE

44 Spring, River, Flower, Moon, Night

Multiculturalism dominates in the New York premiere of *Pearl*

FORUM

46 Will Tipping Help Improve the Services of Tour Guides?

ESSAY

48 U.S.-Japan Relations: an Example for China?

WWII's wounds still hurt China today

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EDITOR'S DESK

A Landmark Visit

Later this month, Chinese President Xi Jinping will make his first state visit to the United States since assuming office. The trip will undoubtedly give a strong boost to Sino-U.S. relations and demonstrate the promising prospect for building a new model of major country relationship between the two nations.

The new model of major country relationship is characterized by mutual respect and mutually beneficial cooperation. China and the United States, the largest developing and developed economies in the world, have always attracted attention from the world in terms of how they handle their bilateral relationship.

Since the establishment of their diplomatic relationship in 1979, the interests of China and the United States have never been so intertwined and the cooperation between them so extensive. In 2014, the volume of bilateral trade in goods surpassed \$550 billion—they are each other's second largest trading partners—while mutual investment exceeded \$120 billion. Every year, more than 4 million visits take place between the two countries, which amount to more than 10,000 cross-Pacific travels a day. Remarkable progress has also been made in energy cooperation as well as military and cultural exchanges.

Last year, the two countries effectively cooperated in dealing with the Iranian nuclear issue and the Syria crisis, addressing climate change and containing the

Ebola virus in West Africa. The Seventh Session of the China-U.S. Strategic and Economic Dialogue and the Sixth Round of the China-U.S. High-Level Consultation on People-to-People Exchange have borne fruit and been praised as a great success. At both bilateral and international level, the two countries share extensive common interests that far outweigh their differences.

Occupying the top two spots on the global GDP ranking, China and the United States carry important responsibilities on their shoulders. They need to establish a new model of mutually beneficial cooperation between major countries to replace a confrontation-dominated old one. The new model of major country relationship will help keep bilateral ties on a healthy, stable and sustainable road of development, benefiting the people of both countries and the world at large.

China chooses the road of peaceful development because it values the peaceful external environment that is necessary for its development. At the same time it views itself as a major constructive force in international affairs. When it comes to Sino-U.S. relations, China has always tried to avoid conflict, as well as increase mutual respect and mutually beneficial cooperation.

At this historic moment, the two countries need to value each other and try to create more opportunities for tangible cooperation. ■

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JUBILEE CELEBRATION

Locals dance in front of the Potala Palace in Lhasa, capital of southwest China's Tibet Autonomous Region, to celebrate the 50th anniversary of the region's founding on September 8.

The autonomous region was founded on September 1, 1965, following the establishment of the regional people's congress, the local legislature. Tibet won peaceful liberation in 1951, two years after the founding of the People's Republic of China. After suppressing an armed rebellion in 1959, the Central Government initiated a democratic reform to abolish theocratic feudal serfdom that had lasted in the region for hundreds of years.

Official statistics show the region's GDP and fiscal revenue have increased 68 times and 564 times respectively in the past five decades.



Old Friends

Anna Chan Chennault (right), widow of American general Claire Lee Chennault, who volunteered to fight the Japanese air force in China during World War II, shakes hands with a Flying Tigers' veteran in Zhijiang in central China's Hunan Province on September 4.

The Flying Tigers, officially known as the American Volunteer Group of the Chinese Air Force, were formed in 1941 and led by Chennault to help China drive out invading Japanese troops.

Big Data Promotion

China's cabinet, the State Council, has issued guidelines to boost the development of big data, according to an official statement released on September 5.

The action framework for promoting big data, ratified by Premier Li Keqiang, aims to forge a new model for social governance in the coming five to 10 years, highlighting accurate management and multi-dimensional cooperation.

It stipulates that a trans-departmental data-sharing platform should be formed by the end of 2017 and a unified platform for governmental data should be established before the end of 2018, which will give citizens access to public data resources, including credit, transport, public health, employment, culture, education, science, agriculture, finance and weather services.

China should accelerate the open-

ing and sharing of government data to promote the integration of resources and improve governance, boost industrial innovation and foster new business patterns to support economic restructuring, according to the guideline.

To this end, the government will set up an overall coordination mechanism for big data development and application, speed up the establishment of relevant rules, and encourage cooperation between the government, enterprises and institutions, according to the official statement.

China has cultivated several international competitive brands in the big data industry, including 10 world leading enterprises and 500 firms focused on big data application, service and manufacturing.

WWII Museum in Beijing

The International WWII Museum Association (IWMA) was founded in

COLORFUL OPENING

The China-Arab State Expo kicks off with a singing and dancing gala in northwest China's Ningxia Hui Autonomous Region on September 9



Beijing on September 7 to bring the world's WWII museums closer and provide a platform for cooperation.

The museums associated with the organization will share materials, hold joint exhibitions and organize seminars and training. The association will also hold celebrations for important anniversaries related to WWII and launch campaigns promoting peace.

IWMA will undertake research, as well as champion the protection of wartime heritage, said Vice Curator Li Zongyuan.

Thus far, the association has 35 member museums in 11 countries, including China, Russia, the United States, Japan and South Korea, according to the Museum of the War of Chinese People's Resistance Against Japanese Aggression.

Vaccination Donation

China will donate \$5 million to an international vaccine organization to fund vaccinations for 300 million children in developing countries.

The Chinese Government signed the deal with Gavi, the Vaccine Alliance, on September 9.

The money will be donated between 2016 and 2020, to help Gavi with a project that is expected to save 5-6 million lives.

Between 2002 and 2011, Gavi provided China with free Hepatitis B vaccines for more than 25 million newborns in the poorer and remote western part of the country.

The Chengdu Institute of Biological Products provided the Japanese encephalitis vaccine to Laos in April. Another Chinese manufacturer is likely to be pre-qualified by the WHO this year to produce the pneumonia and meningitis vaccine Pneumovax for developing countries in Africa and Southeast Asia.

Insurance for Orphans

More than 70,000 orphans were given free health insurance on September 7 as a new school year gift.

The children from Sichuan Province in southwest China and Guangdong in south China are the latest beneficiaries of a program launched by the Ministry

of Civil Affairs (MCA) and the China Children Insurance Foundation in July 2009.

The insurance, which is covered by donations and will last for at least 12 months, is for underprivileged children and MCA-registered orphans. More than 440,000 orphans have benefited from the program since its inception.

Each child is insured for 100,000 yuan (\$16,339) at a premium of 50 yuan (\$7.8) a year to cover the cost of treating 12 critical illnesses, including malignant tumors and conditions requiring organ or stem cell transplants.

The contracts are usually renewed annually.

Closer to the Moon

China is planning to be the first country to land a lunar probe on the far side of the moon, a Chinese lunar probe scientist said on September 8.

The mission will be carried out by *Chang'e-4*, a backup probe for *Chang'e-3*, and is slated for launch before 2020, said Zou Yongliao, Deputy Director of the Lunar Exploration Department under the Chinese Academy of Sciences at a deep-space exploration forum on September 8.

The far side of the moon, more commonly known as "dark side of the moon," is never visible to Earth because of gravitational forces. According to Zou, the far side of the moon has a clean electromagnetic environment, which provides an ideal field for studying low radio frequencies.

China's plans to launch the

"If we can place a frequency spectrograph on the far side [of the moon], we can fill a void."

Zou Yongliao, Deputy Director of the Lunar Exploration Department under the Chinese Academy of Sciences



Happy Teachers' Day

Students in Peizhi School in Luoyang, Henan Province, display cards they made for their teachers to celebrate Teachers' Day, which falls on September 10.

Chang'e-5 lunar probe around 2017 will mark the last chapter in the country's three-step (orbiting, landing and return) moon exploration program.

Military Observer Training

The Ministry of National Defense (MOD) started an international training course on September 7 for military observers of the UN.

More than 40 military personnel, including Chinese training instructors and foreign attachés to China from 22 countries, such as Australia, Denmark and the United States, gathered in Beijing to attend the three-week training

course.

The sessions will be conducted in English and oriented around UN peacekeeping missions. Courses cover a range of topics, including case analysis and simulation drills.

Combat exercises will cover 14 themes, such as conflict mediation, field rescue, and kidnap and ransom response. Attendees will be evaluated throughout the course.

The UN has more than 1,800 military observers deployed around the globe. China has dispatched 1,670 military observers since 1990 when it started participating in UN peacekeeping missions.

Feast Your Eyes

A visitor takes a closer look at the painting *Ascending the River on Qingming Festival*, one of the most famous paintings in Chinese history, at the exhibition *The Precious Collection of the Stone Moat* in the Palace Museum in Beijing on September 8.

The exhibition displays many precious masterpieces by ancient artists as part of the 90th anniversary celebration of the Palace Museum.



No Crash to Fear

Premier Li Keqiang sought to soothe global business leaders, saying the government's pledge to prevent the Chinese economy from a hard landing is not empty talk. Li made the remarks in an address to an international audience at the Annual Meeting of the New Champions of the World Economic Forum in Dalian, Liaoning Province, on September 10.

"Although there is turbulence, the overall fundamentals are still upbeat," Li said.

"Pro-growth policies have started taking effect, positive factors in economic growth are increasing and the economic index has started to pick up from its previous fall," Li said.

Li said the Chinese Government will make the country the most attractive investment destination. China will con-

tinue reforms to achieve a completely convertible capital account, and soon it will allow foreign central banks to directly invest in the interbank foreign exchange market, Li said.

China will establish a yuan cross-border payment system by the end of this year to expand the currency's use in offshore markets.

Premier Li reiterated that the yuan's exchange rate will remain stable at a reasonable level and the exchange rate reform is targeting a market-decise regime rather than starting a worldwide currency war.

Li also said China is driving the global economy, not derailing it.

China is not the source of the present risk in the world economy but rather one of the engines that is pushing its growth, Li said. "The steady growth of the Chinese economy also benefits the world, as the country contributed about



SUSTAINABILITY

A flock of sheep graze near a wind power plant in Zhangjiakou, north China's Hebei Province, on September 8. According to State Grid's local branch, wind power generation in the northern part of Hebei reached 10.03 billion kilowatt-hours as of September, up 19.8 percent year on year



Up in the Sky

China-made helicopters drop colored smoke at the opening ceremony of the 2015 China Helicopter Exhibition in north China's port city of Tianjin on September 9.

A total of 366 companies from 20 countries and regions participated in the exhibition, with 56 helicopters performing during the event.

30 percent to the world economy's growth in the first half of this year."

However, he admitted in his speech that the transformation from an economy heavily reliant on investment to an economy fueled by both investment and consumption will be far from a painless process, and it is inevitable for the economy to encounter shifts and turns.

"But the Chinese economy will not see a hard landing. These are not just empty words," he pledged.

Rising Inflation

China's consumer price index (CPI), a main gauge of inflation, increased 2 percent year on year in August, the highest level seen so far in 2015, data from the National Bureau of Statistics (NBS) showed on September 10. On a monthly basis, consumer prices in August rose 0.5 percent.

NBS statistician Yu Qiumei attributed the rise to higher prices of food, including vegetables and pork. "In some regions, alternating heat waves and stormy weather have made an impact on the production and transport of vegetables," Yu said.

China's producer price index (PPI), which measures wholesale inflation, slid 5.9 percent year on year in August, marking the forty-second month of consecutive slides, the NBS said on September 10.

"The widening of the PPI decrease is triggered by a recent sharp fall in commodities prices, slowing fixed-asset investment and sluggish external demand," read a report from Minsheng Securities Research Institute.

Trade Decline Widens

China's foreign trade in August dropped 9.1 percent year on year to \$333.53 billion, a steeper decline than the 8.2-percent contraction registered in July, General Administration of Customs data showed on September 8.

Exports fell 5.5 percent year on year to \$196.88 billion, while imports slumped 13.8 percent to \$136.65 billion.

In the first eight months, foreign trade slipped 7.5 percent year on year to \$2.56 trillion.

Qu Hongbin, chief China economist



Let's Talk Business

Chinese Premier Li Keqiang meets with Klaus Schwab, founder and executive chairman of the World Economic Forum, and other global corporate leaders at the 2015 Summer Davos forum in Dalian, Liaoning Province, on September 9.

at HSBC, attributed the slump in export growth mainly to sluggish external demand, especially exports to the EU and Japan.

Li Hui Yong, an analyst with Shenwan Hongyuan Securities, said weak global demand and falling commodity and primary raw material prices dampened import growth.

Lifting the Stock Market

In a move to guard against extreme market volatility, the China Securities Regulatory Commission (CSRC), the national securities watchdog, announced on September 6 that it is drafting a plan to implement the circuit-breaker mechanism.

The circuit-breaker mechanism refers to a measure adopted by stock exchanges to temporarily halt trading to avert panic selling after the stock index has fallen a certain percentage.

The CSRC said it will strictly control

NORTHEAST GATHERING

Customers select carpet in a Mongolian booth at the 10th China-Northeast Asia Expo in Changchun, capital of northeast China's Jilin Province, on September 6. A total of 325 investment contracts worth 220.1 billion yuan (\$34.47 billion) were signed during the six-day event.



automated program trading, curb excess speculative trading of the stock index futures and better regulate the margin financing business that allows investors to borrow money to trade stocks.

"When the market experiences sharp and abnormal market volatility, the government will not sit aside and let it happen," the CSRC said in the statement.

China Securities Finance Co., the state-owned margin lender, will continue to stabilize the market through various methods when sharp market volatilities are likely to trigger systemic risks, the CSRC said.

The outstanding value of margin financing also has decreased from the previous peak level of 2.27 trillion yuan (\$360 billion) to about 1 trillion yuan (\$156.6 billion), indicating that the overall level of risky leveraged trading has shrunk, according to the CSRC.

Only two days later, China's central authorities released another support policy in an attempt to boost the volatile stock market.

Starting from September 8, Chinese investors holding a stock for more than one year have been exempted from a 5-percent dividend tax.

Those who have held shares for one month or less will have to pay 20 percent of the dividend they receive as income tax when they sell the shares, according to a statement jointly released by the CSRC, the Ministry of Finance and State Administration of Taxation.

People who have held a stock for one to 12 months will have to pay a 10-percent dividend tax when they sell the stock, the statement said.

The two moves are part of government efforts to promote long-term investment following a market plunge since mid-June. The Shanghai Composite has slumped by more than 40 percent from a peak seen on June 12. The plunge has erased \$5 trillion in market value, triggering widespread fears that it could cause a ripple effect amongst global markets.

Financial Leasing

On September 8, the Chinese Government rolled out favorable measures on financial leasing to boost the sector and aid cash-strapped firms.

Authorities will cut red tape, improve regulation and gather support from other financial institutions to accelerate the development of the sector, said a guideline released by the State Council.

The guideline encourages government agencies to purchase and provide public services through financial leasing, adding that legislation for the sector is being considered to improve supervision.

Cheaper and more tailored to borrowers' needs than traditional loans, financial leasing is favored by startups and companies with weaker credit.

Local governments should take advantage of new measures, such as interest subsidies, to guide financial leasing businesses to better serve small and medium-sized enterprises, the guideline said.



SOUTH KOREA

On the South's side of the Panmunjom boundary on September 8, delegates of North Korea (left) and South Korea agree to hold family reunions on October 20-26 at a facility on Mount Kumgang on the North's eastern coast



SYRIA

A duplicate statue of Queen Zenobia, who ruled the ancient city Palmyra, is put on display in Umayyad Square in Damascus on September 6 in an attempt to gain the international community's attention and assistance in protecting historical relics that have been sacked and damaged by the Islamic State militant group



EGYPT

A man rides a bike on a road in downtown Cairo on September 9 during a heavy sandstorm that hit several countries in the Middle East



BRITAIN

Tower Bridge is raised amid celebrations to mark the day Queen Elizabeth II became the longest-reigning monarch in Britain's history on September 9



UNITED STATES

Apple CEO Tim Cook introduces the new iPhone 6s and iPhone 6s Plus during an Apple media event in San Francisco on September 9



TRINIDAD AND TOBAGO

Keith Rowley, leader of the People's National Movement, delivers a speech during his swearing-in ceremony as the country's new prime minister in Port of Spain, the country's capital, on September 9

↓ VALUABLE VOLLEYBALL PLAYER

Volleyball player and ace spiker **Zhu Ting** was named most valuable player after she led the Chinese team to a 3-1 victory over Japan with 23 kills and four blocks in the last match of the 2015 FIVB Women's World Cup on September 6. The Chinese team ended the tournament with a 10-1 record, securing its fourth World Cup title and a spot in the 2016 Rio Olympics. This is the first World Cup title for the women's team in 12 years.



Born in central China's Henan Province in 1994, Zhu was selected for the national women's volleyball team in 2013. She has exhibited outstanding performances in multiple world-level games, winning another most valuable player title at the Asian Youth Volleyball Championship in 2012 and the FIVB Girls' U18 World Championship in the following year.

Vying for a Slice of the Air Traffic Pie

Oriental Outlook **September 3**

China's air space is becoming increasingly crowded, with the number of flights increasing from 3.4 million in 2006 to 7.5 million in 2014, a 120-percent rise.

The contradiction between scarce air routes and the rapidly growing demand for air travel is becoming serious. How are air routes distributed in China? Air traffic rights and flight schedules are reviewed and authorized by the Civil Aviation Administration of China (CAAC) and its subordinate bureaus across China. Every year a meeting is held by the CAAC to redistribute flight schedules among airlines. The three major airlines—Air China, China Eastern Airlines and China Southern Airlines—enjoy priority in obtaining traffic rights.

In the competition for air routes, the CAAC and its relevant departments are essential in calling the outcome of the game. Corruption ensues from such a system. In 2009, Huang Dengke, then head of the CAAC North China Regional Administration, was removed from his post and put under investigation. Huang was later found to have gained illegal profits by favoring an airline company in the process of air route distribution.

The CAAC issued a document calling for further streamlining the administration of traffic rights, air routes and flight schedules in 2010. However, the reform plan has yet to bear abundant fruit. Effectively distributing routes among airlines will remain a challenge for the authorities.



How Can Russia Rev Up Its Economy?

Caijing Magazine **August 31**

U.S. and EU sanctions imposed over the Ukraine conflict and the international oil price plunge have once again dragged the Russian economy into a crisis.

The new crisis indicates that the government's efforts directed at economic transformation have failed to take effect. Until today, exports of oil, gas and other raw materials still account for over 70 percent of Russia's total exports, while mechanical and chemical products and food rely heavily on imports. Such a situation is caused by the imbalanced development between different industries and between state-owned enterprises, as well as small and medium-sized private companies.

To counteract Western sanctions, Russia prohibited imports of food from Western countries. As a result, food prices at home soared. However, thanks to President Vladimir Putin's strategy to elicit patriotism, his popularity rating reached a historical high of 89 percent in June.

Andrey Kortunov, Director General of the Russian International Affairs Council, said Russia is unlikely to thaw relations

"The country's fiscal revenue is not quite sufficient, but education must be our top priority. Education funding can only increase—not be slashed."

Premier **Li Keqiang**, speaking to outstanding teachers two days ahead of Teachers' Day, which falls on September 10

"The influence of air pollution controls on the economy exists but in a limited way. In fact, air pollution controls can help new sources of economic growth emerge, such as environmental protection and new energy industries."

Ge Chazhong, a researcher with the Chinese Academy for Environmental Planning, in an interview with *China Daily* on September 9



with Western countries in the short and medium term. In order to pick up the economy, a long-term diplomatic strategy should be formulated to handle relations with Europe, as the latter is an opponent that Russia doesn't like but cannot live without.

More importantly, as many investors are unwilling to give up the Russian market, a fair and open market represents the only opportunity for the country to overcome current difficulties.

Accommodating Seniors' Needs

Xinhua Daily Telegraph September 8

Four ministerial-level departments including the Ministry of Culture and the General Administration of Sport (GAS) issued a document regulating square dancing—dancing in squares and parks as a physical exercise—on September 7.

The document requires local governments to provide residents with convenient venues for square dancing, a fitness routine popular among middle-aged and retired women in cities. It also calls for the establishment of a management system by the government and social organizations. The document represents another move by ministerial-level authorities to regulate square dancing this year. In March, the GAS publicized 12 square dances to be promoted

nationwide.

Square dancing has long garnered complaints of residents for loud noises and occupation of public space. The issuance of the document indicates that such problems have caught the attention of the government against the backdrop of an aging society.

In 2014, the number of senior citizens aged above 60 reached 212.42 million, accounting for over 15 percent of the population in China. According to the latest estimation of the UN, China's senior citizens will reach 36.5 percent of the population by 2049, surpassing most developed countries.

A sound pension system alone is inadequate to address challenges posed by an aging society. Senior citizens' preferences and needs should be taken into consideration in urban planning. Also, in order to alleviate social conflicts, policies should be tuned to adapt to senior citizens. Solving the problems caused by square dancing is only a beginning. To cope with an aging society, a lot more needs to be done.

↓ RESIGNED MAYOR

Mei Yonghong, former Mayor of Jining, east China's Shandong Province, was named head of the Shenzhen-based China National Genebank, a nonprofit institute devoted to the preservation of biological resources, on September 9 following his widely watched resignation.

Mei's resignation has drawn wide attention because it's rare for high-ranking officials in China to give up their posts. He previously made headlines for his remarks about the poor income of civil servants. The then mayor claimed that he worked more than 10 hours a day for just 7,000 yuan (\$1,098) a month.



Mei, 50, graduated from Huazhong Agricultural University in 1987. He worked at the Ministry of Agriculture and the Ministry of Science and Technology before assuming a leadership position in Jining in 2010. He was one of 66 young officials selected by the Central Government from its departments to serve in local governments.

“The Party encourages criticism if it's instructive. For a very long time, the Party has been taking advice from different sources.”

Wang Jiarui, head of the International Department of the Communist Party of China Central Committee, addressing the Party and the World Dialogue 2015 in Beijing on September 8

“Current traditional Chinese medicine (TCM) treatment for HIV/AIDS mainly focuses on immunity maintenance. In contrast, the Schisandraceae study showed that the compound can kill the virus itself.”

Wang Jian, a TCM doctor at the Guang'anmen Hospital in Beijing, commenting on recently released findings by Chinese scientists that compound extracted from the herb Schisandraceae could potentially cure HIV/AIDS

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The Fourth China Africa Industrial Forum 2015

China National Convention Center, Beijing November 2015

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.

Launched in 2009, the biennial forum has been held thrice, 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 Fourth China Africa Industrial Forum 2015:

Guided by: The Ministry of Commerce of China;

Supported by: The United Nations Industrial Development

Organization's Investment and Technology

Promotion Office for China, the African Diplomatic

Mission in China, and the China Society for World

Trade Organization (WTO) Studies; and

Organized by: The China WTO Africa Commission of the China

Society for WTO Studies, and the CAIF Organizing Committee.

Editor's Note: The China-U.S. relationship is as complex as it is critical. Having evolved from World War II allies to major powers exploring a new model of bilateral relations, the two countries are poised to identify more common ground. President Xi Jinping's upcoming visit to the United States is believed to be another crucial step in that direction. Ahead of this highly anticipated trip, *Beijing Review* presents several articles illustrating the significance of a new model of major country relationship between China and the United States, the complexity of their ties and the potential impact it could have on the world's future.

COVER STORY

A NEW RELATIONSHIP MODEL

Xi's upcoming U.S. trip is vital for bilateral ties By Su Ge



A Sino-U.S. joint cultural business group, the Dream Center, holds a commencement in Shanghai on March 20, 2014



The author is president of the China Institute of International Studies

During a 2012 visit with President Barack Obama in the United States, then Chinese Vice President Xi Jinping said, “The greatest Tao is the simplest one.” Put another way, sometimes the best path is the simplest one. At this same meeting, Xi proposed building a “new model of major power relations” between China and the United States. The following year, Xi, as the new Chinese president, again met with his U.S. counterpart. The leaders came away from the meeting saying the relationship between the two powers moving forward will be based on mutual respect and benefit and reducing conflict and confrontation.

New challenges

Recently, however, the rift in the Sino-U.S. relationship has become more distinct. Its negative elements are in the spotlight and drawing more media attention.

The world has undergone profound changes since the beginning of the 21st century. Increasing globalization and multi-polarization has shifted the power balance between the world’s largest developed country and the biggest developing one. The United States entered two expensive and protracted wars in the Middle East and South Asia following the September 11 terrorist attacks in 2001. The 2008 financial crisis that originated on Wall Street also dealt a heavy blow to U.S.’ power.

Now, international relations have reached another inflection point. Developed Western countries are on a relative decline, while emerging market economies are on the rise in both national strength and international stature. China is the world’s second largest economy and it is expected to surpass the United States to become number one. But as an ancient Chinese proverb says, “The tree standing taller than the rest of the forest endures the most wind.”

At the end of the first decade of the millennium, the United States looked back at its security strategy with unease. It has since decided to drastically modify its policy by pulling out of Iraq and Afghanistan and

“rebalancing” its focus to the Asia-Pacific. However, rather than calming the region, its focus on fending off challenges posed by rising powers has only resulted in increased uncertainty in the Asia-Pacific.

Sino-U.S. relations have since wobbled. The countries’ bilateral economic and security cooperation has shifted with the restructuring of both economies leading to fresh issues in maintaining economic and trade ties. The United States has thrown its full weight behind the Trans-Pacific Partnership (TPP)—a trade agreement with 12 Asia-Pacific nations that China has not joined and the Transatlantic Trade and Investment Partnership (TTIP)—an agreement between itself and the European Union.

The “third party factor” also counts. As the policy-making environment in both countries becomes more intricate, factors outside their relationship have come to the forefront, meddling in and even hijacking the U.S. policy toward China. Despite stating it is not taking sides on issues in the East and South China seas, the United States has shown partiality from time to time, which further undermines bilateral ties.

Western media has had reasonable debates on whether Sino-U.S. relations are on the verge of a crisis or “tipping point.” Some people even claim the two countries cannot avoid a Thucydides Trap, or the dangers two parties face when a rising power rivals a ruling one, as seen in the relationship between Athens and Sparta in 411 B.C.

In the face of these challenges, both countries must reinforce the belief that building a new relationship model is not only essential but also feasible. In fact, a desire to avoid the rivalry between an established and an emerging power is one of the motivations for China in developing the new model.

Necessity and feasibility

A line from one of the late Chairman Mao Zedong’s poems reads: “*Range far your eyes on long vistas.*” This applies to the Sino-U.S. relationship, which, despite frictions, has historically been defined by mutual benefit and cooperation. The current situation is not as pessimistic as some in the media state because both countries have the will and basis to cooperate.

As globalization and multi-polarization accelerate, no country can fare well on its own. The international community needs more cooperation. The shared international and regional interests of China and the United States have been on the rise.

Both countries desire a peaceful and stable international environment. They regularly col-

laborate on a broad range of issues concerning peace and development, such as nuclear programs in Iran and on the Korean Peninsula as well as issues relating to South Sudan. They have also cooperated in preventing the proliferation of weapons of mass destruction, combating terrorism, cracking down on cross-border crimes and seeking solutions for regional hot button issues.

China and the United States are the leading engines of global economic growth with China’s GDP growing 7.3 percent and U.S. GDP growing 2.4 percent in 2014. The countries are proactive in improving global economic governance by initiating negotiations on the Free Trade Area of the Asia-Pacific. Both stand by a free, open international trade system and support free navigation in the high seas.

Their cooperation on multilateral diplomatic platforms—the UN, G20 and Asia-Pacific Economic Cooperation—has been fruitful. They have ramped up efforts to cut emissions, setting an example for global cooperation on climate change, environmental preservation and sustainable development. The two powers also work together to prevent and control epidemics such as Ebola.

Bilaterally, a new relationship model between China and the United States will serve as an example of how major countries can work together in the face of globalization.

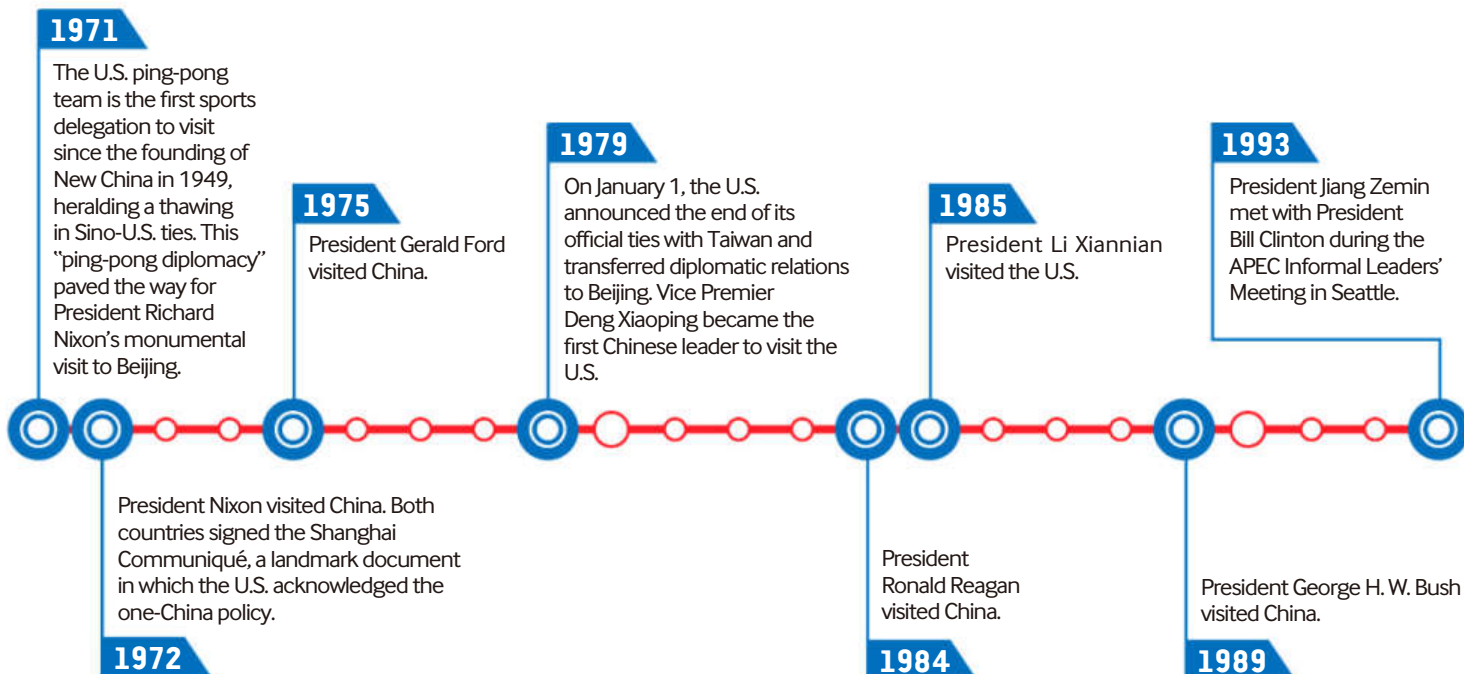
The confluence of Chinese and American national interests provides the impetus for cooperation. Their economic interdependence is intensifying. Last year bilateral trade exceeded \$555.1 billion, or \$100 million every working hour, while two-way investment stocks topped \$120 billion. With their economies so tightly interwoven, the two countries are economically in the same boat.

Meanwhile, their citizens are in closer contact. Some 4.3 million people traveled between China and the United States last year. All of these demonstrates that building a new relationship model has substantial economic and social bases, and is inevitable.

Progress has been made in staving off conflict and building mutual trust. A notable achievement is their agreement to report major military operations and raise a code of conduct on military encounters in the air and at sea.

It is clear that maintaining a healthy relationship through dialogue and negotiations is in the interest of both countries. The Chinese leadership’s intentions and expectations of Sino-U.S. ties are best described by Xi’s recent remarks, “Continually pile up small loads of earth, and a mountain will eventually come into being. Make ►►

Sino-U.S. Landmark Exchanges Since 1971



firm decisive steps, and footsteps will become clearly imprinted on the ground. We should, in this manner, join hands in advancing the construction of a new model of major country relations."

At the Seventh China-U.S. Strategic and Economic Dialogue and the Sixth Round of the China-U.S. High-Level Consultation on People-to-People Exchange, both convened in June, the two countries exchanged candid opinions on a range of issues. They included enhancing cooperation, building interactive relations in the Asia-Pacific, managing disagreements and sensitive issues, as well as responding to regional hot button issues and international challenges. The results of the meetings are encouraging and prelude Xi's upcoming visit to the United States.

Seeking common ground

Where Sino-U.S. ties are headed will influence not only the two parties but also peace and development in Asia and the world at large. There will be bumps on the road now and then, but their mutual interest will continue to grow. The two countries should hold more dialogue for candid discussion and work to transform their agreements on paper into tangible results. This will give substantive meaning to the "new model of major power relations" for the two nations and ensure that the ship of bilateral ties can navigate obstacles and forge ahead. To

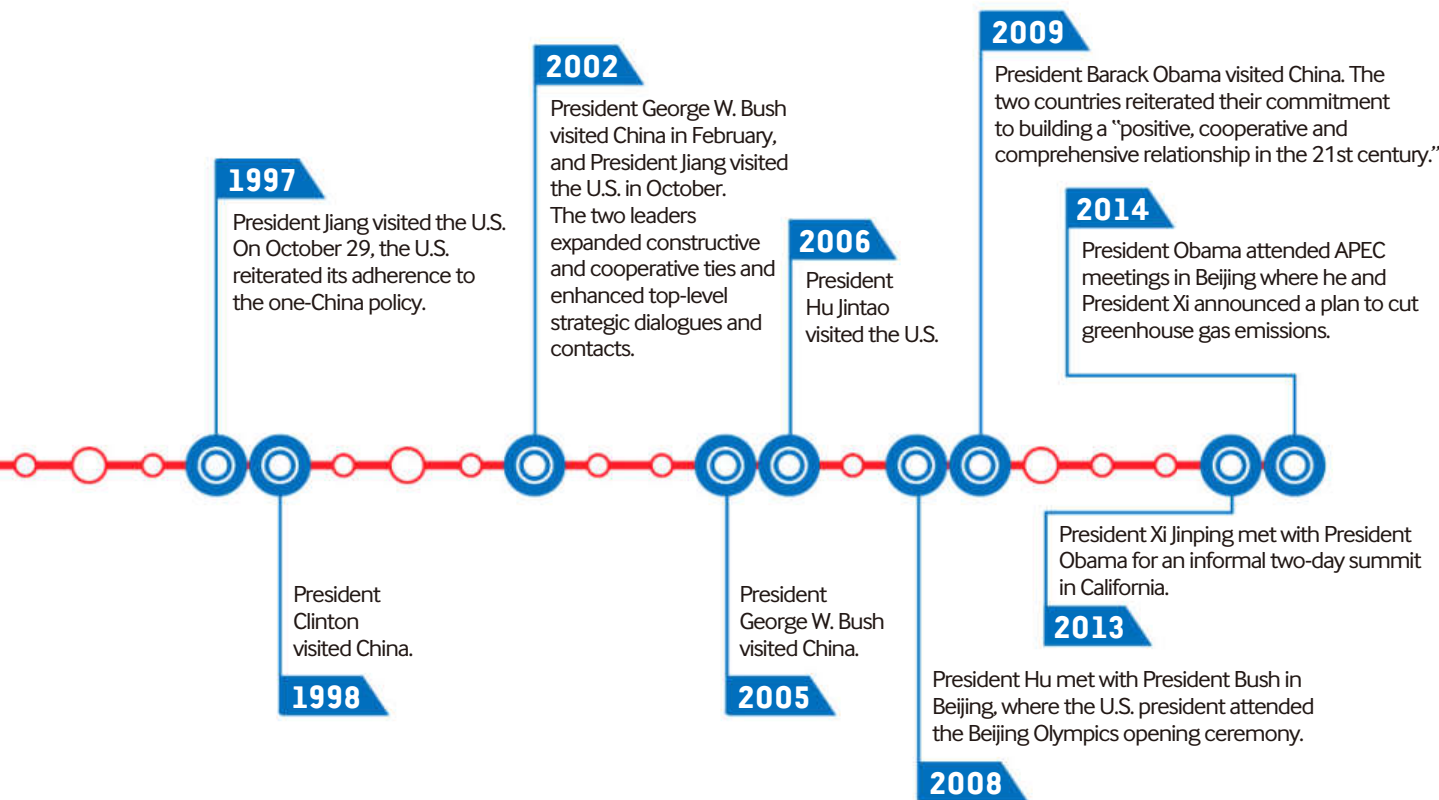


American engineers test spare parts of an electric bus at one of Chinese automaker BYD's manufacturing facilities in Lancaster, California, on April 29

achieve this goal, emphasis should be placed on three aspects.

First, both countries should handle bilateral ties on the basis of mutual respect. As large countries with different domestic conditions, China and the United States should objectively and rationally assess each other's strategic intentions, respect each other's sovereignty,

territorial integrity, political systems, development paths, core interests and major concerns, as well as try to understand each other's cultural traditions and ways of thinking. They should not impose their respective will or approach on the other party. These are the preconditions and basis for the development of a healthy and stable relationship.



China's pledge to follow the path of peaceful development is not expediency or a diplomatic platitude. It is a national policy that embodies China's ideological confidence and behavioral conscience. A China that develops itself peacefully is not a threat to the United States. Peaceful coexistence won't be possible on the global scale until all countries on the planet follow this path. China genuinely aspires to and needs peaceful development, but this in no way means that it will sacrifice its sovereignty and core interests.

As China becomes more actively involved in international affairs, the world will place greater expectations upon it. The United States should develop a rational opinion of and adapt to China's transformation. It should welcome China's development and success with a normal frame of mind while finding opportunities for cooperation. It is not advisable for certain people to stick to Cold War thinking and bet on the containment policy. The Sino-U.S. relations cannot afford any strategic missteps.

Second, China and the United States should have deeper exchanges and cooperation in all aspects. As allies in the anti-fascist war and permanent members of the UN Security Council, the two countries are both beneficiaries and defenders of the current international order. China is willing to join hands with the United States in steering international systems in a more equitable and reasonable direction, and in coping with

various regional and global challenges.

President Xi was quoted as saying that "the Pacific Ocean is big enough for both China and the United States." The two countries are supposed to engage in active, positive interactions in the region, promote inclusive diplomacy and play a constructive role in regional peace, stability and prosperity.

China and the United States share a vast range of interests and a solid foundation for cooperation with trade and economy acting as the ballast for bilateral ties. The negotiation for a bilateral investment treaty has not yet borne fruit. Still, more efforts should be made in increasing American exports to China and Chinese investments in the United States. China also hopes that the U.S. Government and Congress will loosen their restrictions on Chinese businesses. Practical cooperation should be enhanced between their militaries and in counter-terrorism, energy, public security, law enforcement and infrastructure. Exchanges in other fields should be advanced to serve as new momentum for the development of bilateral ties.

Third, the two countries need to explore new methods to control and manage divergences. It is no surprise that two countries at different stages of development, of disparate social systems, cultural traditions and economic interests may have disagreements and misunderstandings. A wise approach is to focus on long-term benefits and resort to

dialogue and negotiations on an equal footing. They should not allow a single issue or a single situation to undermine the foundation for stable relationships. Instead they must handle differences and sensitive issues in a constructive manner and avoid hurting each other's core interests.

On disagreements over values, China and the United States can enhance mutual trust and dissipate suspicions through communication. Negotiation is the best solution, and both sides should be cautious not to politicize trade and economic issues. Even structural and incompatible conflicts should be controlled to avoid misjudgment. In this regard, setting up mechanisms to prevent and properly handle crises is vital for preventing any lapses that may escalate a smoldering issue into a confrontation.

Xi's upcoming state visit will be another milestone in Sino-U.S. relations. It is the time to reaffirm the call of the times, which is peace, cooperation and development.

China is ready to develop a relationship with the United States that stands on mutual respect, inclusiveness, strategic mutual trust and extensive exchanges and cooperation, which it believes will benefit the two countries and the world. Building this new model of major power relations requires that both countries move in the same direction. ■

Copyedited by Jordyn Dahl
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SINO-U.S. TIES NEED A STRATEGIC RETHINKING

In an exclusive interview with *Beijing Review*, Dr. **Cheng Li**, Director of the John L. Thornton China Center at the Brookings Institution, shared his view on the future of Sino-U.S. relations as well as the anticipated outcome of Xi's trip.

Beijing Review: Some U.S. scholars pessimistically claim that Sino-U.S. relations have reached a tipping point. You recently suggested that relations between the two countries need strategic rethinking. How should we understand this idea?

Cheng Li: "Strategic rethinking" is an issue that both China and the United States need to consider.

From China's perspective, its strategic rethinking should follow the idea developed by the late Chinese leader Deng Xiaoping in the 1970-80s. Deng believed that peace and development are the two major themes of the contemporary world. Should Beijing continue to adhere to this strategic judgment given the rapidly changing world situation? The answer to this question also encompasses whether conflict between China and the United States is inevitable and how to avoid such conflict. China also needs to rethink whether its priority is to resolve its current domestic problems or focus more on international issues.

Two kinds of irrational thinking on China are currently getting some momentum in the United States. The first is that China is too assertive and Xi is another Mao-like strong leader. The second is that China is incapable of dealing with domestic problems such as the economic downturn and corrupt officials. These simple—sharply contrasting—views arrive at the same conclusion that Washington should take a tough and more confrontational approach toward China.

Thus, from a U.S. perspective strategic rethinking should relate to whether a prosperous and stable China or a chaotic and collapsed China serves the best interests of the United States. In the meantime, Washington should also rethink the options it has in terms of the future trend of bilateral relations. But as a matter of fact, the United States doesn't have too many choices, and I believe most people in the

United States would choose cooperation over confrontation with China.

If you are a rational and sober-minded scholar, the best choice—from the perspective of both countries—is to avoid conflict. I think to a certain extent the views of future-oriented people and policy makers from both countries are similar.

Sino-U.S. relations have experienced ups and downs since the founding of the People's Republic of China. What kind of lessons can they learn from the history of their bilateral relations? And from the perspective of your personal experience and research, how can the two countries get along with each other?

From a historical point of view, the two countries have never had such extensive and in-depth exchanges as they do now; and these exchanges are multi-level, multi-faceted and multi-field. With the exception of formal dialogue on cyberspace issues, bilateral exchanges in all areas—official exchanges and people-to-people exchanges—have never ceased. These exchanges have formed the cornerstone of Sino-U.S. relations.

In the past 150 years, the two nations had ups and downs. Both stood together during the World Anti-Fascist War. Of course, there have been some mistakes, such as the U.S. policy toward China after World War II and the Chinese Exclusion Act of 1882, but U.S. society and academia in a period of

reflection have drawn lessons from opportunities lost and mistakes made.

Now, the contribution of Chinese immigrants to growth in the early days of the U.S. economy has been widely recognized by the U.S. public. The social status of Chinese-Americans in the United States has been significantly improved, and they have also become an important force in promoting healthy Sino-U.S. relations.

Since the beginning of the 21st century, a remarkable change has taken place in how people from both countries view each other, particularly among the young generation. I conducted opinion polls respectively in 2007 and 2008 that showed U.S. people under the age of 29 have a considerably more positive view of China. Meanwhile, many young people in China, whether they have undertaken education in the United States or not, are all deeply influenced by U.S. popular culture, such as movies, music, sports and the like. In a sense, this reflects the future prospect of Sino-U.S. relations and lays the cornerstone of Sino-U.S. friendship.

The healthy development of Sino-U.S. relations should challenge not only the exaggerations made by some politicians of the bilateral and ideological differences but also those vested interest groups that seek to drive a wedge between the two nations.

In your opinion, what will be the major topics discussed by President Xi and President Obama during the visit, and what kinds of outcome might be achieved?

President Xi's visit by itself has already sent a positive signal and shows that Sino-U.S. relations are being positively pushed forward.

At the strategic level, the United States

"The best choice—from the perspective of both countries—is to avoid conflict."

—Cheng Li





Max Baucus, U.S. Ambassador to China, speaks with Chinese students in Beijing on July 27 about the Rainbow Bridge Chinese-Foreign Student Cultural Exchange Program

might try to focus on four major topics: cybersecurity; the maritime disputes in the South China Sea and East China Sea; human rights and the development of civil society; and global economic development and Sino-U.S. trade and economic relations, which include the bilateral investment treaty and market access. China may focus more on economic issues. The two sides will have different priorities for the bilateral talks. However, the complementary nature of the economies of the two countries will not escape anyone's attention. People in the United States tend to consume too much and save little, while Chinese people do exactly the opposite. How the two economies take advantage of this situation instead of pointing finger to each other will require the wisdom of both leaders.

China does not want to see the Western business communities lose confidence in the Chinese market. China's economy is facing some problems largely due to a shift in its economic development model. Therefore, the Chinese economy is in the "new normal," where "new" stands for change. The United States should take note of China's economic policy orientation following the right track

by encouraging the development of small- and medium-sized private enterprises, especially innovation-driven and service-oriented companies, as well as reforming the financial system. These reforms and adjustments should all help strengthen the global community's confidence in the Chinese economy.

At the same time, I am hopeful that through this visit the two sides will make a breakthrough in cybersecurity dialogue. It will not mean the immediate establishment of a mechanism but rather reaching a consensus and commitment by the two leaders to set up a framework of norms. For example, do not use cyberattacks to target each other's infrastructure, and so on. With this commitment, both sides can gradually establish mechanisms in the future.

Technological development enhances non-traditional security threats. A computer or a cellphone sometimes may cause catastrophic results. In the face of this problem, both China and the United States realize that they have common interests and face common challenges. The first step taken by China and the United States on cybersecurity cooperation will be of extraordinary significance, a crucial step for other countries to work together to safeguard

the future of human civilization.

Some scholars believe the significance of Xi's visit is similar in importance to the trip to the United States made by Deng in 1979, which resulted in an almost overnight change in how Americans viewed China.

I believe most people around the world do not want to see a global economic recession or a confrontation between China and the United States, and the same holds true for the people and leaders of both countries. The United States and China are respectively the first and second economic powers in the world. I believe the two countries' stronger economic ties and cooperation will have a positive impact on global economy.

While Xi's trip may give rise to disharmonious voices in U.S. political circles, they may not represent mainstream U.S. society. Xi's visit will rectify misunderstandings, narrow differences and promote mutual respect between the two countries. I believe a successful visit by Xi will not only benefit the two countries but also serve the interests of the world at large. ■

Copyedited by Calvin Palmer
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COVER STORY

NOWHERE TO HIDE

Xi's visit should be an opportunity to strengthen China-U.S. anti-graft cooperation By Jon Taylor



The author is chair of the Department of Political Science at the University of St. Thomas in Houston and a professor of political science

Preparations are well underway for Chinese President Xi Jinping's visit to the United States in late September. The visit is very important in order to both head-off further friction that has developed in China-U.S. relations during the Obama administration and to continue reinforcing China's "new model of great power relations with win-win outcomes" approach to relations with the United States.

While there are a series of key issues that will color the Xi-Obama meeting, one issue that may fly "under the radar," yet be of long-term importance to China-U.S. relations, is the issue of pursuing and extraditing corrupt Chinese officials believed hiding in the United States.

A common theme of Xi's tenure as general secretary of the Central Committee of the Communist Party of China (CPC) beginning in November 2012 and his current presidency, which began in March 2013, was corruption. Xi held that corruption was eroding the very fabric of Chinese society, threatening both the primacy of the CPC's role as China's governing party and the stability of the nation.

One of the primary reasons for the anti-corruption campaign is to restore the public's faith in the CPC as it prepares to initiate further economic and social reforms. In this respect, the anti-corruption drive was initiated in order to cleanse the Party and to convince the ordinary Chinese citizen that the Party has an interest not just in reforming China but also in reform-

ing itself. The campaign has also had the added benefit of accentuating Xi's point that corruption is a drain on the Chinese economic system. Grasping the politically dangerous issue of corruption is essential for Xi's systematic overhaul of the mechanisms of government that can tackle vested interests and ensure that reforms flow from the center to the localities.

Recently, Xi announced that far from slowing down, the Central Commission for Discipline Inspection (CCDI)'s investigations would continue indefinitely, truly attacking the corrupt institutions that are rendering many of China's reforms and policies inefficient.

The anti-corruption campaign is not only about corruption but also about reform. Because reforms must be implemented in a carefully designed manner so that they can take place in a relatively smooth and gradual fashion, anti-corruption efforts had to take place before implementing additional economic, social, governance and political reforms.

Although there seems to be a correlation between China's recent slowdown in economic growth and the anti-corruption campaign, correlation does not necessarily imply causation. Some suggest that the anti-corruption campaign should actually be beneficial to China's long-term growth.

A consequence of the anti-corruption campaign is that it has strengthened both Xi and the Party's power. In fact, it reiterates Arthur Kroeber's observation that the CPC is neither weak nor desperate, but forceful and adaptable. This suggests that a Xi-led CPC has confidence in its continued relevance and that it can maintain an acceptable level of economic growth and social stability.

Xi and the CPC's leadership want the Party to become more of a vanguard force as China continues to become a global power. If the Party is weak, disorganized, and corrupt by chasing material profit, this mission and the Party's

primacy are jeopardized.

As I noted at the beginning of my discussion, one issue that may fly "under the radar" with those reporting on the Xi-Obama meeting is the issue of pursuing and extraditing corrupt Chinese officials believed to be hidden in the United States. The U.S. Government's attitude toward the issue of extradition is key here. China wants its corrupt officials back and the money that they have taken with them. Conversely, the United States is concerned about legal procedures, evidence, and the legal rights of accused officials.

In 2011, the Chinese Academy of Social Sciences estimated that between 16,000 and 18,000 former officials fled with over 800 billion yuan (\$140 billion) from the mid-1990s to 2008. Ordinary Chinese citizens are rightly furious at corrupt officials who flee China with public funds.

While the United States doesn't have an extradition treaty with China, the U.S. Department of Justice can still arrest and return fugitives to China. In March of this year, the U.S. Department of State was given a list of 150 corrupt Chinese officials provided by the CCDI believed to be hiding in the United States. For their part, the United States vowed cooperation to help extradite them. However, at the June meeting of the U.S.-China Strategic and Economic Dialogue, China expressed concerns about U.S. reluctance to extradite accused fugitives. If China believes that the United States is harboring fugitives for reasons other than for legitimate legal procedures, it could impact not only cooperation on this issue, but on a host of other issues as well. In other words, how and where China-U.S. cooperation transpires on this issue can and will impact greater China-U.S. relations. ■

Comments to liuyunyun@bjreview.com

COVER STORY

PAULSON'S UNMASKING

Former U.S. treasury secretary's insider view on China-U.S. relations

By Corrie Dosh



The author is a contributing writer to *Beijing Review*, living in New York City

Henry "Hank" Paulson, Jr. has a unique and intimate perspective on China's economic rise. As chief executive of Goldman Sachs, Paulson played a key role in introducing private capital to China's state-owned enterprises. As treasury secretary, Paulson created the highly successful Strategic and Economic Dialogue (S&ED) series and guided bilateral talks during global financial upheaval.

In his new book *Dealing With China*, Paulson draws on his uncommon level of access to modern China's political and business elite, including its three most recent heads of state, to answer several key questions: How did China become an economic superpower so quickly? What are the best ways for Western business and political leaders to work with, compete with, and benefit from China? How can the United States negotiate with and influence China given its "authoritarian rule," its massive environmental concerns, and its huge population's unrelenting demands for economic growth and security?

Paulson divides his 403-page book into three sections: Banking on Reform focusing on his work with Goldman Sachs; Breaking New Ground as head of the U.S. Treasury; and Building New Ground on his new think tank the Paulson Institute. The strength of his work is his caution against expecting China to fit into a Western mold. It would be "naïve" to expect China to become exactly like the United States as it develops. While Paulson draws parallels between China and America's own rise as a world-leading economy, he also makes distinctions on

China's unique heritage in Confucian values and the large role that state-owned enterprises play in development.

Sprinkled within the analysis and commentary is a wealth of private anecdotes that fascinate and illuminate the nature of high-level relations between the world's two largest economies. In one, Paulson writes of meeting with Gao Yan, former head of China's State Power Corp., the day of the 9/11 terrorist attacks in New York. The Chinese executive (who as it happened later fled China in the wake of a \$1 billion corruption scandal) came off as unsympathetic, preoccupied with making sure the restaurant played his favorite song and without a word of condolence on one of America's darkest days.

Paulson also includes selections of personal pictures: practicing tai chi in a Beijing park, climbing the Great Wall with his family; checking out a smartphone app with Zhou Qiang, President of the Supreme People's Court, and hugging a giant panda cub in Sichuan.

Paulson also spends much time writing on environmental protection issues that he and his wife Wendy have taken up as a personal cause. Paulson calls climate change the "biggest economic risk we face." And, unlike the 2008 financial crisis, the government will not be able to pull off a bailout at the last minute. How can China balance economic growth with environmental responsibility? The answer, Paulson says, is to view the environment and the economy as two sides of the same coin, and that no prosperity without sustainability is true growth.

The *Financial Times* calls *Dealing With China* a "must-read for anyone who deals with

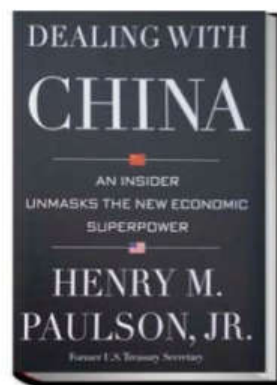
China and possesses an aircraft carrier or two" and acknowledges that Paulson is rivaled only by Henry Kissinger in his level of meaningful access to the Chinese elite—but anyone looking for a juicy tell-all of what happens behind closed doors would be disappointed. Paulson, if anything, is discreet and diplomatic.

"There are some who believe that an immutable law of history holds that conflict is inevitable when a rising power begins to bump up against an established one. But no law is immutable," Paulson writes. "Choices matter. Lessons can be learned. And statesmen and stateswomen can, and do, make a difference."

Almost all of modern challenges facing our increasingly complex and interconnected world—from cybersecurity to opening up big markets for American exports—will be easier if China and the United States work together, he adds.

Paulson makes several recommendations for how the United States can adjust to the rising economic and political might of China. First and foremost among them, he writes, is to "help those who help ourselves" by supporting reformers like President Xi Jinping achieve their economic goals.

Much like charity, however, Paulson advises that with respect to the U.S. dealing with its giant neighbor, efforts should begin in the home. "In the final analysis, our self-induced weakness is more of a problem for us than is China's rise. At the risk of sounding utterly simplistic, once we have dealt with our own problems, we will find it far easier to deal with China," Paulson concludes. ■



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AN AMERICAN PHYSICIAN IN CHINA

During World War II, China received a large amount of assistance from the United States and other Allied countries during the Chinese People's War of Resistance Against Japanese Aggression. Many foreigners in the spirit of internationalism and righteousness came to China and offered help through military missions and in other fields. **George Hatem** (1910-88), an American-born physician, was actively engaged in the war on the Chinese side. In addition to healing many wounded Chinese soldiers, he made great efforts to expose Japanese invaders' crimes to the international community. The story of Hatem's time in China was relayed to *Beijing Review* by his son Zhou Youma. The following are excerpts from Zhou's narration:

George Hatem was born into a family of Lebanese descent in Buffalo, New York, in 1910. He was an extraordinary student from a young age. In 1933, after receiving his medical doctorate from the University of Geneva in Switzerland, he went to Shanghai with two classmates to learn more about tropical diseases and treating the needy.

Hatem opened a clinic in Shanghai and lived a comfortable life. While living in the city, he learned about the Communist Party of China (CPC) through contacts with the expatriate community, including American writer Agnes Smedley and New Zealand writer Louis Eli, who became Hatem's lifelong friend. Later, Hatem met Soong Ching-ling, the widow of Dr. Sun Yat-sen, a revered revolutionary leader who played a pivotal role in overthrowing imperial rule in China. Soong often told Hatem about her opinions on the CPC and current affairs.



George Hatem (Ma Haide) in Yan'an in 1937

In 1936, CPC leaders Mao Zedong and Zhou Enlai asked Soong to invite a foreign journalist and a foreign doctor to visit the CPC's headquarters in Yan'an in northwest China's Shaanxi Province. Soong recommended American journalist Edgar Snow and Hatem for the trip.

In Yan'an, Hatem and Snow met with Mao and many other CPC leaders. They also paid visits to the CPC-led Red Army and local residents. Hatem immediately set up a clinic to deliver medical care. He conducted a physical exam-

ination of Mao, concluding the CPC leader was in very good health.

After visiting other CPC-controlled areas, Hatem wrote a report on the medical conditions and gave suggestions on how to improve local health care.

Hatem decided to stay in Yan'an after becoming fully acquainted with the CPC and its policies. He soon became a mem-

ber of the CPC and was appointed chief medical advisor to the Red Army. Taking Zhou's advice, Hatem gave himself a Chinese name, Ma Haide, showing his determination to spend the remainder of his medical career in China.

Battlefield career

China started its all-out war of resistance against Japanese aggression in July 1937. The CPC and the Kuomintang later jointly established a united front to safeguard state sovereignty and national dignity.

Together with his Chinese comrades, Hatem participated in the resistance against Japanese invaders. He often traveled to the frontlines of the conflict and treated Chinese soldiers and civilians. Upon returning to CPC headquarters, Hatem

George Hatem interprets for Mao Zedong and U.S. military observers at an airport in Yan'an in 1944



took on an additional role as the personal physician of CPC leaders.

Despite living a hard life in Yan'an, Hatem remained optimistic and was eager to help people. Doctors were scarce and precious talent at that time in CPC-led resistance base areas. Hatem always undertook many jobs and met many people through his different roles.

During his tenure as doctor at Yan'an Lu Xun Art School, he met Zhou Sufei, a Chinese woman who had fled from Shanghai when Japanese troops occupied the city in 1937. They soon fell in love and married in 1940 in Yan'an.

At the end of 1937, Hatem was authorized to establish the first hospital in a CPC-led resistance base area in north Shaanxi. It was a brand new position and few medical supplies and equipment were available because of the war. The entire area had fewer than 10 well-trained doctors.

Based on Hatem's advice, a central clinic and hospital were set up in Yan'an, which laid the foundation for medical and public health services across all resistance base areas. To address the medicine shortage, Hatem wrote letters to Soong urging her to seek international aid.

With the help of Soong and her China Defense League, a number of international medical experts came to China to aid the country's people during the war, including

Canadian surgeon Norman Bethune (1890-1939) and Indian surgeon Kwarkanath Shantaram Kotnis (1910-42).

In March 1938, Bethune arrived in Yan'an as a member of a U.S.-Canada medical team. He died of his wounds on November 12, 1939. One of the Eighth Route Army military hospitals the Canadian surgeon worked in was renamed the Bethune International Peace Hospital.

Medical services improved each year with help from both Chinese and international workers. Using the Bethune International Peace Hospital as a template, the CPC established eight more central hospitals and 24 branches in resistance base areas, which were equipped with a total of 11,800 sickbeds. According to records, Hatem diagnosed and treated over 40,000 patients from 1944 to 1947.

Soong was satisfied with Hatem's work in the war. In a letter to Hatem, she thanked him for his efforts and contribution to the Bethune International Peace Hospital.

Liaison to the world

Outside of his role as a surgeon, Hatem helped the CPC in its liaisons with the outside world.

After the war broke out, the CPC Central Committee launched broadcasts in English to inform the world about the atrocities committed by the Japanese

↓ A Profile of Zhou Youma

Zhou Youma, the son of George Hatem and his wife Zhou Sufei, was born in Yan'an in 1943. After graduating from Beijing Film Academy, he worked as a journalist for *China Today* magazine. He also served as Soong Ching-ling's personal photographer for 10 years.

Zhou remains active as a senior journalist. He is also director general of the Ma Haide Foundation and a member of the Committee of Foreign Affairs of the National Committee of the Chinese People's Political Consultative Conference, the nation's top advisory body.

troops. Hatem was effectively the voice of the CPC overseas through his role as the first English-speaking consultant for Xinhua News Agency.

He went straight to the Xinhua radio station after his daytime medical duties to broadcast the news.

He also transcribed news items reported by foreign broadcasting stations, such as BBC. He then translated the English news into Chinese and sent it to CPC leaders as reference materials.

During visits by U.S. military observers to Yan'an, Hatem was appointed an advisor for foreign receptions. He interpreted and explained the CPC's ideas on Chinese politics and resistance against Japan's aggression to U.S. officers.

By 1946, Hatem had spent 10 years in Yan'an. In 1950, a year after the foundation of the People's Republic of China, Hatem became a naturalized Chinese citizen.

Over the remainder of his life, Hatem not only helped found the Central Institute of Dermatology and Venereal Disease in Beijing, but also researched the causes of leprosy and how to prevent the disease. In particular, he worked to advance the cause of medical research and deliver medical care to remote areas.

Hatem passed away in Beijing in 1988. His last words revealed a sense of peace, "I have nothing to regret. I have tried my best to serve the people in my life." ■



George Hatem's widow Zhou Sufei (center front row), their son Zhou Youma (left front row) and family members

COURTESY OF ZHOU YOUMA

HOTEL INFORMATION

Unforgettable Moments at The Portman Ritz-Carlton, Shanghai

A Ritz-Carlton wedding is considered the ultimate bridal bliss. The Portman Ritz-Carlton, Shanghai presented one of the most impressive bridal events of 2015, "50 Shades of White Wedding Show -Create Unforgettable Moments at The Portman Ritz-Carlton, Shanghai," from 1 p.m. to 3 p.m., on August 30.

It unveiled the trendiest wedding colors for 2015: off-white colors, fragrant and fresh flowers and delicious desserts; and also reproduces a romantic scene—couples held their wedding ceremonies in The Portman Ritz-Carlton Shanghai, with best wishes from more than 100 VIP guests and over 30 media.

According to the Brides website, one must forget about classic white: "When in doubt, opt for 50 shades of white! ...Whites and creams, with perhaps even hints of light, light pink, look incredible in pretty much every venue or setting."

Off-white shades of ivory, cream, eggshell, vanilla, champagne and floral white set the scene for one's dream wedding in a venue that includes the hotel entrance, reception area and the over-400 square meter Shen grand ballroom. Decked out with flowers, truly lovely and in different shades of white, let us transform our hotel into your sweet hidden garden. Your guests will get a rare glimpse into the off-white trends assisted by top wedding experts.



Wedding partners at the event include Vera Wang, classic couture wedding gowns, Jimmy Choo, luxurious bridal shoes and Porsche Centre Shanghai Puxi—a Porsche is more than just a vehicle; it is an expression of freedom and a unique attitude in life. It is the realization of a unique dream. Every single resource imaginable to create a memorable, once-in-a-lifetime moment will be available at the event.

2015 Wedding Packages start at 9,888 yuan plus a 15-percent surcharge per table of 10 guests

The package includes exclusive privileges such as one complimentary wedding night luxury stay with chocolate and a special turn-down, a creative floral arrangement for the bridal table, a champagne fountain with one bottle of sparkling wine; unlimited soft drinks, chilled juice and local beer for three hours during the wedding; and much more. Couples will be rewarded with a three-night honeymoon stay at The Ritz-Carlton Bali or Phulay Bay, a Ritz-Carlton Reserve, for weddings booked before October 31.

(Minimum 10 tables; price is valid until

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A Painful Lesson

The migrant crisis has a deep root in Western intervention in the Middle East

By Ma Xiaolin



The author is an op-ed contributor to *Beijing Review* and a commentator of international affairs

The picture of a 3-year-old Syrian boy lying dead on a beach in Turkey has shocked the world. Aylan Kurdi died, along with his mother and 5-year-old brother, in a failed attempt earlier this month to smuggle Syrian asylum seekers to Greece by a raft.

Since 2014, Europe has faced a huge influx of migrants from the Middle East and Africa. In response, the EU is trying to coordinate policies of member states to resettle them but has made slow progress due to internal differences.

An outcome of war

The majority of the recent migrants to Europe come from Syria, Afghanistan, Iraq, Libya, Somalia and Eritrea. All these countries have been ravaged by war and conflict.

Afghanistan is second in the world in terms of the number of refugee applicants due to decades of war. At least 4 million Syrian people have left their war-torn country. Since the expansion of the extremist group Islamic State (ISIS) in Iraq, around 3 million Iraqis have fled their homes. In east Africa, conflicts and poverty in Somalia and Eritrea leave thousands of people homeless every month and force them to seek refuge in Europe.

Most of the armed conflicts involved in the current migrant crisis should be attributed to the neo-interventionism policy of the

United States and major European powers during the past years.

In the aftermath of the September 11 terrorist attacks on the United States in 2001, the George W. Bush administration launched a war on terrorism in Afghanistan. More than 40 countries joined the U.S.-led multinational force to fight against Al-Qaeda and its ally the Taliban. While the Taliban regime was overthrown, the military group was not eliminated. Despite support of the international community, the current Afghan Government has remained weak. After 14 years of war, many people in Afghanistan have been forced to leave their homeland.

In 2003, U.S. and British troops invaded Iraq and toppled the regime of Saddam Hussein. The consequent power vacuum in Baghdad triggered clashes between tribes, religious factions and ethnic groups in the country. The U.S.-backed Iraqi Government has failed to execute effective governance. As a result, some terrorist groups have established bases in the country. Their atrocities have shocked the world and resulted in a massive exodus.

In 2010, a wave of political upheaval, known as Arab Spring, swept across North Africa to the Middle East as a result of deeply rooted political, economic, and social problems in regional countries. But the intervention of the United States and Europe fueled the turbulence. The U.S.-led NATO even offered military support to the opposition in battles against Muammar Gaddafi's government forces in Libya.

The West's intervention has intensified the divisions in the countries affected by the Arab Spring, including Tunisia, Egypt, Yemen, Libya and Syria, trapping them in irreconcilable conflicts. Today, most of these countries are unable to end the turmoil. Some have plunged into civil wars and

teetered on the edge of becoming dysfunctional states. Under such circumstances, a large number of their residents have left their countries and tried to flee to Europe across the Mediterranean Sea.

Syrian President Bashar Assad's regime has always been regarded as a threat by the United States and Arab Gulf States who have supported various factions in Syria, including some extremist groups, in a bid to overthrow Assad. However, ISIS has also made use of this opportunity to grow their strength and occupied a large area from east Syria to north Iraq. So far, the four-year war in Syria has killed nearly 250,000 people and left 4 million homeless.

In view of the potent threat posed by ISIS, U.S. President Barack Obama announced an air campaign against the group in September 2014. Meanwhile, the United States has built an anti-ISIS alliance. However, Obama has refused to deploy ground troops in the fight against ISIS. The military action has involved many countries but achieved little progress on the ground. As the United States and its allies continue to focus on fighting against ISIS and isolating Assad, it seems an end to the civil war in Syria will be difficult to achieve in the short term. War refugees will continue to flee the country and head to Europe.

Europe's trouble

So far, Jordan has reached its limit and accepted 629,000 refugees from neighboring war-torn countries. The Lebanon has also resettled 1.1 million foreign refugees. In Turkey, refugees from Syria and Iraq—most of them Kurdish people—number more than 2 million. These countries are unable to absorb more displaced people. Besides, Europe is the preferred destination for many refugees.

But the route to Europe, particularly



Migrants from the Middle East wait for trains heading to Germany and Austria at a railway station in Budapest, Hungary, on September 2

across the Mediterranean Sea, is fraught with danger and many migrants have died. The large number of refugees seeking asylum in Europe has also led to rampant human trafficking organized by criminal gangs. Refugees pay these gangs, but their lives are at risk because their safety cannot be guaranteed during the trip.

The waters from Libya to Italy have become a death zone. According to the EU's border agency Frontex, as of August, the EU had rescued 188,000 migrants from the Mediterranean Sea. In the first seven months of this year, more than 2,000 stowaways died because of boats sinking or the lack of food

and water. Last year, the death toll reached 3,279.

EU member states have different attitudes toward the migrant crisis. Some members oppose a compulsory quota scheme outlined by the EU Commission. The death of Kurdi has captured the attention of the world, and some EU leaders have expressed a willingness to accept more migrants. But what will they do to solve the crisis when the warm welcome cools down?

In fact, the migrant issue has brought a series of political, social and security problems in EU countries. Earlier this year, the deadly shooting at *Charlie Hebdo* magazine

in Paris by two Algerian migrants aroused widespread concern over the problem of migrants. It is reasonable to fear that terrorists may use the cover of migrants fleeing to Europe to launch attacks.

Furthermore, the EU's economy has not fully recovered from the financial crisis of 2008. Europeans worry that migrants will take their jobs. Against this backdrop, far-right political parties and groups have become more active in their opposition to migrants. ■

Copyedited by Calvin Palmer
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Downsizing the Army

China announces a curtailing of its military while increasing the performance of the troops **By Wang Hairong**

On September 3 before the grand military parade commemorating the 70th anniversary of the victory of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War, Chinese President Xi Jinping, also Chairman of the Communist Party of China (CPC) Central Military Commission, announced that the nation would cut the number of its standing troops by 300,000.

"China will remain committed to peaceful development. We Chinese love peace. No matter how much stronger it may become, China will never seek hegemony or expansion," Xi pledged during his speech.

This cut represents a 13 percent reduction of China's military in active duty. China now has a military force of 2.3 million, including 850,000 ground forces, according to a government paper published in 2013.

After the downsizing, the military will account for no more than 0.15 percent of China's mainland's total population of 1.37 billion. That is equivalent to an average of one soldier out of every 666 people.

This proportion of military to total population is lower than the 0.53 percent of Russia, the 0.44 percent of the United States, and the 0.22 and 0.21 percent respectively in Germany and the UK, according to Xinhua News Agency.

Yang Yujun, spokesman of China's Defense Ministry, said that the move will mainly cut troops equipped with outdated armaments, administrative staff and non-combatant personnel, while optimizing the structure of Chinese forces.

Yang said the cut will be made step-by-step and will be accomplished by the end of 2017.

Military reform

China's armed forces are composed of the People's Liberation Army (PLA), the People's

Armed Police Force (PAPF) and the militia. The PLA consists of the army, navy, air force and the Second Artillery Force.

The military force not only safeguards territorial integrity and copes with the threat of terrorism, separatism and extremism; but also performs non-military duties such as disaster relief, emergency rescue and international peacekeeping.

"In 2008, some 1.26 million officers and men as well as militia members were sent to counter the disaster of freezing weather, sleet and snowstorms in south China, and 221,000 to participate in rescue after the devastating earthquake in Wenchuan, southwest China's Sichuan Province," according to the 2013 national defense white paper titled *The Diversified Employment of China's Armed Forces*.

In 2010, some 21,000 and 12,000 member of the armed forces took part respectively in rescue work after the earthquake that struck the Yushu Tibetan Autonomous Prefecture of northwest China's Qinghai Province, and the mudslide and rockslide in Zhuguo County of another northwestern province of Gansu, the white paper said.

The armed forces also support national and local infrastructure construction related to national economy and people's livelihood in such areas as transportation, water conservancy, energy and communications.

The PLA, militia and reserve organic troops have been organized to help afforest barren hills, control desertification, preserve wetlands, contribute to poverty-alleviation initiatives and help build new rural areas. Military medical and health institutions and military art troupes also provide services to civilians.

Currently, the PLA has too many administrative staff members and a very complicated commanding system, which makes the military force inefficient, said Xu Guangyu, a

retired major general and council member of the China Arms Control and Disarmament Association.

He told the press that the army will be reduced first, because the current army, navy and air force ratio is not very reasonable.

According to the 2013 defense white paper, the ratio of the above three forces was 72:11:17.

International experiences show that from the 1990s, the navy and air force have become the main forces in "informatized" war, Xu said.

He warned that in the current era, clinging to the old idea of maintaining a big army, while regarding the navy and air force as aux-



A formation of PLA soldiers during a military parade in Beijing on September 3

iliaries goes against the world trend and will lead to disastrous consequences.

Xu believed that given China's situation, the reasonable ratio between the army, navy and air force is 5:2.5:2.5.

He said that military art troupes and sport teams will be the first cut.

The downsizing is also in line with the top leadership's effort to deepen military reform. At its third plenary session held in November 2013, the 18th CPC Central Committee decided to adjust the ratios between the services and arms, between officers and soldiers, and between troops and military offices, and reduce the number of non-combat departments and staff.

This military cut is a decision made to adjust the military system to meet the requirements of modern war, said Gong Fangbin, a professor with National Defense University PLA China.

He said that the military used to meet its own various demands, including demands for education and medical services, while now some logistics services can be outsourced to civilian service providers, which can reduce the military's burden.

In regards to the impact of the military

↓ Military Cuts Since the 1980s

- By 2017, China will reduce the size of its military force to 2 million by cutting 300,000 troops.
- Between 2003 and 2005, China cut another 200,000 personnel, leaving about 2.3 million soldiers.
- In 1997, troops were cut by 500,000 within three years, reducing the total to 2.5 million.
- By 1990, the number of troops shrank to 3.199 million, with a total cut of 1.039 million.
- In 1987, the army size decreased to a total of 3.235 million from 4.238 million.
- In 1985, the country announced it would cut 1 million troops to focus on economic development.

(Source: Xinhua News Agency)

downsizing, Gong said that modern warfare does not depend on troop numbers, so troop cuts will not affect the military's combat power.

Historical experiences demonstrate that while the defense budget remains stable and the military is modernizing, properly cutting the number of troops will not reduce military combat power, but rather optimize the use of limited resources and make troops more efficient, said Gao Yan, a writer who often covers the military.

Gao said assuming that the military pays an average serviceman 200,000 yuan (\$32,258) annually in training and living expenses, a cut of 300,000 means that 60 billion yuan (\$9.68 billion), or about 7.5 percent of China's total annual military spending can be saved every year.

Yang said China's defense budget will be kept on a proper level to meet various needs including expenditure on new armaments, information technology and soldiers' salaries.

While responding to concerns about whether the money saved will be used to develop nuclear weapons and increase its power in cyberspace

and outer space, military spokesman Yang said that China won't use nuclear weapons first and the country advocates peaceful exploration of outer space.

International response

The troop cut will be the 11th military reduction since the founding of the People's Republic of China on October 1, 1949, when the country had troops of 6.27 million.

The largest troop cut in China took place in 1985, when more than 1 million military personnel were demobilized.

Since the recent cut was announced, it has attracted intense attention from the international community.

"The implicit message of Xi's speech is that a strong China intends to be a peaceful power and can afford to do so without jeopardizing the security of the Chinese people," said Ted Galen Carpenter, a senior fellow for defense and foreign policy studies at the Cato Institute in the United States.

"His speech occurred against the backdrop of a military parade that displayed a modern, extremely capable defense force," Carpenter said.

Carpenter noted that Xi said China, despite its growing strength, will never seek hegemony. He said that both the United States and China's regional neighbors should welcome the tone and substance of the speech.

Marisela Connelly, expert in Chinese affairs at the College of Mexico's Center for Asian and African Studies, said that China is saying that it has all this weaponry but that it will cut its armed forces to show its commitment to the peaceful resolution of international conflicts.

China's decision to cut the number of its troops was a welcome decision, said Professor Francis Chigunta, a senior lecturer in the Department of Development Studies at the University of Zambia.

Chigunta said it is a sign that China is trying to reduce tension in the world, especially with its neighbors. China is trying to send a message that even though it has risen as a superpower in the world, it is still committed to peace. This move is good especially for the Asian region."

He said that the decision also suggests that China has realized that the quality of the military matters more than quantity. ■





A monument will be erected on the site of the blasts in memory of people who lost their lives

After the Big Bang

Post-explosion life in the Binhai New Area in Tianjin is slowly returning to order **By Yuan Yuan**

The first class back from summer break for many students in schools in the Binhai New Area of Tianjin, a municipality in north China, is taught by psychologists.

The school semester began on September 1, not even a month after two deadly explosions ripped through a warehouse in the area on August 12. By September 8, a total of 163 had been pronounced dead and 12 still missing.

The warehouse was storing large amounts of toxic chemicals, including around 700 tons of sodium cyanide. The explosions destroyed apartment buildings nearby and affected hundreds of primary schools and middle schools in the area.

After the explosions, the local government and rescue workers worked hard to

ensure more than 300 schools in the area could begin the new semester on time. The plan includes new primary schools and kindergartens.

Back to school

The No. 2 Elementary School of the Binhai New Area Development Zone served as the temporary settlement for the homeless after the explosions. On August 20, the people staying there were relocated, and the local government repaired the affected buildings in the school and cleaned the surrounding area.

A notice board was put at the entrance of the school, detailing the repairing and cleaning process and listing the numbers of

the environmental monitoring results in the surrounding area.

A father surnamed Wang read the notice board carefully and explained it to his daughter, who is a second-grade student at the school.

"They will update the environmental monitoring result every day, and it really helps a lot to remove parents' worries on the possible negative effects of the blasts on the children," said Wang.

Liang Chunguang is a Chinese fifth-grade teacher as well as a school psychological counselor in the school. She took the first class of the semester for the students.

"Some students didn't look happy at the beginning, but after we played games and

shared stories, they looked a lot happier,” said Liang.

Tianjin Teda Maple Leaf International School is only 2.7 km away from the blast site. When the explosions rocked the area on August 12, there were 800 students boarding in the school. All of them were terrified.

“I was horrified that night and haven’t slept well since then,” said Yu Ying, one of the boarding students in the school. “After the class, I felt better when we played games together. It felt nice to be in a big group.”

Liu Changyong, a member of the school management, revealed that more such classes will be held in September and October, as psychological aid will be needed so soon after the disaster.

Fifty professional psychologists from universities and hospitals in Tianjin were sent to seven affected schools to help.

Back to normal

Tianjin’s water supply was cut off immediately after the explosions to ensure that tap water remained unaffected.

“Cyanide levels in samples from rivers and offshore were below toxic levels,” said Deng Xiaowen, head of the city environment monitoring center. “The air outside the core zone has also tested within national standards.”

Meanwhile, though cyanide has been detected in the soil near the blast site in Tianjin, the concentration is within national standards, according to Tian Weiyong, Director of the Ministry of Environmental Protection’s Environment Emergency Center, on August 22.

Sixteen of the 73 soil samples collected within a 5-km radius of the blasts’ center have been found to contain toxic cyanide, but none of them exceed the national standard, said Tian.

Tianjin has conducted safety audits of 275 companies since the explosions, 70 of which were found to have safety problems and have had their operations suspended, according to Zhang Yong, head of the Binhai New Area.

The train station in the area was destroyed in the blasts. Service will not resume until early October.

On August 12, five state-owned property developers in the port city announced that they have formed an alliance to purchase apartments hit by the blasts from willing residents



Workers repair the damaged windows caused by deadly explosions in Jinyu Lanwan community in the Tianjin Binhai New Area on August 25

and re-sell them in the market after renovation. The blasts have affected 17,000 households to varying degrees.

“The surrounding area of these affected complexes will be revamped with greenery. There will also be no storage yard or chemicals at the blast site once it’s all covered in green,” said Di Da, Chairman of Tianjin Real Estate Group, one of the five developers.

In addition, more than 5,000 apartments from some residency communities for sale in the Binhai New Area were also made available for purchase to people who lost their homes in the explosions.

After the blasts, five teams deployed by the State Council have been assigned to investigate the cause, accountability and institutional loopholes that led to the fatal explosions. The findings will be published once all evidence has been submitted to the State Council.

Meanwhile, China’s top procuratorate Supreme People’s Procuratorate (SPP) on August 27 announced its investigation into the officials and port executives for alleged neglect of duty in the explosions.

The officials under investigation include Wu Dai, head of the Tianjin Municipal Transportation Commission, and Zheng Qingyue, President of Tianjin Port (Group) Co. Ltd.

Another official, Wang Jinwen, who is a senior official with the Ministry of Transport, is also being investigated for a suspected abuse of power.

An investigation by the SPP found Wang violated the law to help Tianjin Ruihai International Logistics Co. Ltd., owner of the blasted warehouse, pass safety evaluations and obtain approval to handle hazardous materials.

On September 4, Tianjin announced it would build an ecological park on the site of the blasts. The park is supposed to cover 24 hectares, and a monument in memory of people who lost their lives in the accident will hold a place of pride in the park.

Zhang Yong, head of the Binhai New Area, said that 365 enterprises registered in the district from August 13 to 20, 17 of which are foreign-funded enterprises.

“This reflects that enterprises at home and abroad still have confidence in the development of the Binhai New Area,” said Zhang.

About 1,700 enterprises are estimated to have been affected by the blasts. “The government will help the affected companies to resume production as soon as possible,” said Zhang. ■

Copied by Kylee McIntyre
Comments to yuanyuan@bjreview.com

Questioning Reality

Stars are leaving the screen and stage in favor of reality television By Yuan Yuan

If you were a movie star and had a choice—act in a movie for months for 20 million yuan (\$3.17 million) or spend half a month shooting a television show with your child for 40 million yuan (\$6.35 million)—the answer's pretty much a no-brainer.

Several celebrities are making that very choice. On August 15, the newspaper *Chongqing Times* revealed a pay list for television stars. Liu Ye, a renowned male film star, can make 4.5 million yuan (\$714,000) per day by participating in a show called *Dad, Where Are We Going?*

This TV program is a gathering of five fathers—three actors, a gold medal boxer and an active TV host—and their children. They are taken to six unfamiliar places in China and show the audience how they spend time together in the new places. In each new place, they live for about two or three days, and the whole shooting process is about 15 days.

Insider's view

Dad is in its third season—the show aired for the first time in China in 2013. Originally created by South Korean MBC Television Stage, this show was localized in China by Hunan Satellite Television, and in its first season, it became the most popular show of 2013, gaining high ratings.

By the end of 2013, the program had made a spin-off film, the shooting of which only took five days. The film became a hit as well and winner at the box office, grossing 700 million yuan (\$111.1 million) in total.

"The celebrities showed a side that we rarely see," said Yang Bing, a Beijing-based fan of the show. "It made me feel that they're a lot like us."

The fathers show candor in the show. They chat while cooking together in the kitchen late at night, confessing about not spending more time with the kids due to busy work and expressing love to their spouses.

"But it is still a show," said Lu Tingting, a

30-year-old lawyer in Beijing. "With all the cameras on you, of course you will show the nice part of you. It was different with *The Truman Show*. Truman didn't know he was in a show, but these fathers know clearly."

Lu refers to the 1998 movie starring Jim Carrey and Ed Harris, in which nearly all of Carrey's character's life is filmed without his knowledge.

Lu used to be a fan of *Dad* in 2013, but she gave up watching after 2014. "It was getting boring and more commercial."

For Lu, this program is a cut-and-dry model—five fathers and five kids travel to remote places, cook and play together. In the end, they make some touching remarks.

"This is not fresh to me, and I don't think staying with the kids for such little time can mean that much to them," said Lu.

The declining of the audiences' interest has also affected similar shows. *Voice of China*, the juggernaut in the boom of the reality shows in China, is also losing its audience.

First aired in 2012, the *Voice of China*, the

Chinese version of *The Voice of Holland*, made a huge hit nationwide with its fresh way of discovering potential singers—the judges sit with their back to the stage and can only evaluate the competitors by their voices.

These judges build teams from the contestants that they choose and compete with each other until one winner is left. When the judges find a very good singer, they will argue to place that person on their respective teams.

The final competition of the show was a live broadcast, attracting about 100 million viewers, breaking the record for Chinese reality shows.

Seeing the potential of such programs, since 2012, many TV stations jumped on the bandwagon, and the competition scope expanded from singing to dancing, comedy performance and many other areas.

"The styles are quite similar. There are normally four or five judges, mostly celebrities. Even the words they use to argue are not that different every year," said Xiao Peng, a college student from Beijing Normal University. "I was

The group picture of the participants in the reality show *Flowers and Youths*



crazy for this show in 2012 but got tired in 2013, and last year I didn't watch it at all."

In 2013, Xiao saw a post on Weibo, a micro-blogging platform in China, that revealed the final winner of the show. "At that time, the final had not even begun," said Xiao, "but finally it was proved true. The winner was probably set before the whole competition. I suspect the whole thing, including the judges' reactions, is a prepared show itself."

"Of course it's prepared," posted Wang Sicong, the son of China's richest man Wang Jianlin, who is very active on social media platforms, on his Weibo. "Don't tell me you guys don't know it."

Show on the road

If the *Dad* and singing shows bore their viewers, the producers always have new ideas.

Hurry Up, Brothers, the Chinese version of the program *Running Man* of South Korea, was a new hit in 2014. Six actors and three actresses are divided into three teams, and they run to a destination while accomplishing set tasks along the way.

Netizens commented that it is funny to see the pretty actresses run crazily, eat noodles fast, argue and even fight to achieve their goal.

Flowers and Youths is a program in which actors travel abroad together and deal with different situations every day. The cameras are set up in their living room all the time.

If group shows are too chaotic for viewers, there are shows that focus on a single individual.

In a show called *Chef Nic* that began in 2014, Nicholas Tse, a 35-year-old actor from Hong Kong, cooks different dishes for different groups of friends.

"It seems that each year, there is a new type of reality show, but it soon loses favor, and the audience will switch to another one," said Lu Yi, a professor with Peking University's School of Journalism and Communication. "It is like fast food."

In contrast to the declining interest of the audiences, stars are making more than ever doing reality television.

Fan Bingbing, according to *Chongqing Times*, charges 60,000 yuan (\$9,524) per minute for her appearances in such shows—with good reason, as Fan is one of the highest paid actresses in the world. In the newly released *Forbes* list of the world's highest paid actresses of 2015, Fan ranked fourth with a total paycheck worth \$21 million, more than that of Julia Roberts and Angelina Jolie.

There are reasons for the price rise. "Only with these stars can the program get more advertisement, which is crucial," said Zhang Qinglong, who has been involved in producing some reality shows.

Last year, China has localized the American show *The Amazing Race*, which was originally a program for average Joes. But considering the profit and audience rating, they finally switched to star contestants.

With the explosive booming of such shows, on July 22, the State Administration of Press,

Publication, Film and Television of China issued a notice on the strengthening of the reality show management.

On August 25, the administration once again held a reality show training class. Tian Jin, Deputy Director of the administration, reiterated that reality shows should absorb more from all walks of life grassroots participation.

The negative reports of such shows have been accumulated before this. People in the show are suspected to act instead of show—well, reality.

Liu Shuang, known as the name Liu Jishou online with 10 million followers on Weibo, revealed in a Weibo post that a program invited him to join in such a reality show.

"They gave me a script, detailing what to say in every episode, whom I should argue with and what image I should set up in this show," wrote Liu in the post. "They told me the reality shows now are very welcomed among the celebrities, as they are a very good way to set up or renew a public image. If your previous image is not an easygoing person, they will make you look easygoing. If you look isolated and super cool, they make you cook in the kitchen to show your warm side."

"No matter what he says in the post is real or made up, it uncovers the tricks in the shows," said Zhang Dazhi (pseudonym), an assistant director for a reality show. "We need to know the personalities of the participants and create the situation according to that."

In March, when the second season of *Flowers and Youths* first aired, a picture looking like a script page for the show was posted online, showing many detailed arrangements in the show. Even though the producer said it was actually written after the shooting for the final editing, netizens are wary of how true the reality show can be.

"It doesn't matter anyway," said Song Xi, a drama scriptwriter from Beijing. "The reality show is now in an overheated situation, and people are rushing in to get in on the action. I think after it cools down a little bit, we can have some shows created domestically, and people will have more time and patience to make them better. Or, they will just get tired of this form and go for new entertainment programs." ■



Two fathers and their kids play in the show *Dad, Where Are We Going?*

HOTEL INFORMATION



Shangri-La Hotel, Nanchang Celebrates Full Moon Reunion

Shangri-La Hotel, Nanchang celebrates the Mid-Autumn tradition this year with a highly anticipated selection of mooncakes packaged in luxurious and elegant boxes available from July 20 until September 27. The mooncakes make ideal presents to send best wishes to relatives, friends and guests during this traditional festival.

This year, Shangri-La Hotel, Nanchang offers the mooncakes in its attractive packaging—highly sought after among mooncake lovers as gift items. The wide range of mooncake flavors include chestnut paste, egg yolk with white lotus seed paste, assorted nuts and lightly sweetened green tea. All are baked to a glistening deep golden brown. Mooncakes with less sugar and oil make the gourmet journey healthier.

To meet different requirements this Mid-Autumn Festival, the hotel showcases five unique containers in three colors—elegant green, luxurious gold and ruby red. The five types include Classic Box, Fortune Box, Luxury Box, Prosperity Box and a Disney limited edition.

Combining embroidered satin and classical elements, the China Grand is designed as a drawer featuring Chinese scenery. It offers four kinds of gift boxes, each priced from 138 yuan. In addition to the traditional flavors, it offers red wine and cranberry, truffle and bacon paste.

The Disney limited edition, authorized by Walt Disney Co., is packaged in a set of 10 pieces, with vivid Mickey Mouse and Winnie the Pooh characters on the lantern-shaped container. Each box is priced at 198 yuan net.

Shangri-La Hotel, Nanchang's mooncakes combine traditional and modern design details, making them truly special gifts for family, friends and business associates.

For gift certificates, bulk orders, delivery or more information, please call 86-791-82222888 ext. 3133 or 3738.



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The 'China Miracle' Has Not Ended

Better fundamentals, more space for a pro-growth policy and favorable factors will keep the economy strong and competitive **By Mei Xinyu**



The author is an op-ed contributor to *Beijing Review* and a researcher with the Chinese Academy of International Trade and Economic Cooperation

While almost all the other emerging economies are experiencing massive turmoil, the Chinese economy is slowing down, with its GDP growth in the first two quarters of this year dropping to its lowest level since 1990. China's stock market plunge and a depreciation of the yuan caused by the country's foreign exchange reform also triggered turmoil in global markets in August. Some even claim that the yuan exchange rate will collapse, causing capital outflow to spiral out of control. Market fears about China's fall are more prominent than they have been in a decade.

However, if one looks at the economic fundamentals in China with an objective and dispassionate mind, it's apparent that they are still better than those of other major economies and emerging markets. The challenges the Chinese economy faces have been exaggerated. Chinese policymakers have more room to maintain economic growth than their foreign counterparts. In the mid-to-long term, China's business environment is much better than that of other major economies and emerging markets. Meanwhile, China has no impetus to trigger a "currency war" and is capable of ensuring the stability of the yuan's exchange rate.

Outshining rivals

It is undeniable that economic slowdown is occurring in China and will last for a certain period. This is natural after the world economy falls into low growth. Against the backdrop of a slowing

world economy, it is unlikely for China to be the only economy that maintains high-speed growth.

However, compared with developed economies and other major emerging markets, China still has a higher growth rate.

China's foreign trade faces similar challenges. Its performance this year has been unsatisfying, and the 20-30 percent growth it exhibited in the first decade of the 21st century will no longer be seen. The decline is occurring not due to overarching internal factors but rather because the world economy has stepped into a long period of low-speed growth, and the hyper-globalization era, when global trade growth doubled economic growth, has ended.

The current decline of China's foreign trade is occurring against a backdrop of shrinking global trade. In the first quarter this year, China's exports dropped by 2.7 percent, while those of the United States and Japan dropped by 7.1 percent and 3.5 percent, respectively. Even India's exports slumped 20 percent, reaching its lowest level since the 2008 global financial crisis.

The global primary commodities market has slipped into a recession since 2012, which may continue 10-15 years. The U.S. Federal Reserve has changed its monetary policy, and almost all the major emerging markets have experienced economic turmoil in recent years. Some currencies have depreciated by more than 40 percent against the U.S. dollar within one year.

Such turmoil has inevitably affected China, and many market participants have changed their views on China's economic tendencies. However, as the world's largest manufacturer that has maintained a trade surplus, China is completely different from those exporters of primary commodities, which means that an economic collapse is

much less likely to occur in China than in other emerging markets.

More room for policy

China's economic fundamentals are still sound, and the Chinese Government has more resources to ensure economic growth than many other countries. For instance, if China's central bank relaxes its monetary policy, it won't have to face the conflict of curbing inflation as other countries will.

Usually when a country's central bank intends to relax the monetary policy to stimulate the economy, the biggest challenge it will face is that relaxed monetary and fiscal policies will intensify the pressure of inflation. The strong fundamentals of the Chinese economy have created room for the central bank to relax the monetary policy because it doesn't need to worry about the backlash of soaring inflation.

How does such a judgment come about? China's inflation has remained low for a while, and its inflationary pressure has primarily resulted from imported inflation. The global primary commodities market has been in a deep recession, and the recession may continue for a long time. Therefore what China will face is not inflation but the pressure of deflation. Although prices of a few consumer products like pork have been rising quickly, such events are not enough to reverse China's deflation trend.

In emerging economies like Brazil, prices of primary commodities denominated in the local currency will still rise even if prices denominated in the U.S. dollar in the international market have declined, because the local currency in question is continuing to depreciate against the U.S. dollar. However, such events will not occur in China. A continual trade surplus has supported the yuan's exchange rate, so that its depreciation

against the U.S. dollar won't be significant. Moreover, most of the capital China attracts has flowed to the real economy as direct investment, further stabilizing the yuan's exchange rate.

Favorable environment

In the mid-to-long term, China's overall economy, manufacturing and foreign trade will still have advantages that won't be affected by Western opinions or changed by some individual cases.

As China's national income has increased remarkably—and will continue to increase—the advantage of low labor costs has gone. This is an inevitable result of China's economic and social development, and the Chinese Government should not take the low income of laborers as a permanent advantage, because it must have its people share the benefits of development. However, when China loses the advantage of low labor costs, it must look elsewhere for a new competitive edge.

Along with the national income, its domestic market is also expanding at an unprecedented speed. To those investors mainly targeting the Chinese market, they are faced with unprecedented opportunities.

As its overall strength enhances, China is imposing a larger influence on international trade rules. China had to accept trade protectionism measures taken by other countries, but now, it is increasingly capable of persuading its trade partners to regard products made in China more fairly. Hence, those interesting in exporting manufacturers will face less trade protectionism.

Besides, certain advantages held by specific foreign countries are just temporary or will be offset by other factors. Take energy costs as an example. According to a report by the Boston Consulting Group, the manufacturing cost in the United States is 100 and that in China has risen to 96 due to the rise of energy prices. Chinese manufacturing companies that intend to invest in the United States will be attracted by cheap energy prices there.

The United States' energy price advantages have mainly come from the combination of the shale gas revolution and its control of oil and gas exports. However, since the international oil slump in June 2014, the overall primary commodities



market has entered a recession that may continue for 10-15 years, which will therefore narrow the United States' advantage of low energy costs. The Clean Power Plan initiated by President Obama will raise the U.S. energy costs above even those in East Asia. Therefore it will be unrealistic to speculate that China's disadvantages will continue.

Considering China's advantages in infrastructure, industrial facilities, public services and human resources, as well as the determination of the Chinese Government and Chinese people in making consistent improvements, we can believe that China can remain competitive in its business environment, manufacturing and foreign trade.

A stable yuan

The depreciation of the yuan against the U.S. dollar and the stock market plunge in August have become an excuse for other countries to depreciate their currencies and for the slump of primary commodity prices. Some countries are criticizing China for launching a "currency war." Market expectations on further depreciation of the yuan are rising, while China's interest rate and required reserve rate cuts are considered by some market participants to be factors intensifying the yuan's depreciation.

However, the yuan has been appreciating against the U.S. dollar for 17 consecutive years since 1997. According to the National Bureau of Statistics, the yuan's exchange rate against the U.S. dollar had strengthened from 8.2898 in 1997 to 6.1428 in 2014. The recent depreciation of the yuan only represents part of the progress in market-oriented formation and two-way fluctuation of its exchange rate.

In sharp contrast, most currencies around the world have been depreciating significantly against the U.S. dollar within

the past year. For instance, the euro and Japanese yen have both depreciated by 18 percent. In emerging markets, the Russian ruble and Brazilian real have depreciated by 40 percent and 34 percent, respectively. Compared with these currencies, the depreciation of the yuan is much milder. Therefore it is unreasonable to claim that China initiated a currency war.

China's economic fundamentals won't support the continual depreciation of the yuan: Its economic growth is still much higher than that of other countries; it still maintains a trade surplus and a high net inflow of foreign direct investment; and China's budget deficit and debt-to-GDP ratio are also comparatively low among major world economies.

Moreover, China's decision makers have no incentive to allow or even encourage the yuan's significant depreciation, let alone initiate competitive currency depreciation.

In the short term, a sharp depreciation of the yuan may cause deterioration in the balance sheets of Chinese companies holding debt denominated in U.S. dollars. Companies that can get low-interest dollar loans from the international market are powerful companies. Significant worsening of their balance sheets would certainly affect the stability of the national economy.

In the long term, if there is repeated turmoil in the financial market and significant depreciation of the yuan, it would mean the Chinese economy has entered a stage of stagnation after its economic takeoff. Such a condition is not attractive to China, which has been vigilant about avoiding this situation for many years. ■

Copiedited by Kylee McIntyre
Comments to yushujun@bjreview.com

The Manufacturing Shift

China's production is banking on innovation and the Internet for success

By Hou Weili



Visitors ask for information on investment at the Hong Kong booth at the 2015 China International Fair for Investment and Trade held in Xiamen, Fujian Province from September 8-11

Jack Ma was the undisputed star of the show at this year's China International Fair for Investment and Trade (CIFIT) held in Xiamen from September 8-11. A Chinese icon of entrepreneurship, Ma has had his hands in a number of enterprises, including online shopping, online financing and several apps dealing with everything from carpooling to laundry.

Though Ma—and China's booming Internet market—has garnered world attention, it's important to remember that small and medium-sized enterprises can't exist online without the manufacturing industry.

"The Internet-based economy can-

not prosper without the real economy. Manufacturing is still the linchpin for the Internet age," Dong Mingzhu, President of Gree Electric Appliances, Inc., said at the 2015 CIFIT International Investment Forum.

Producing nearly a quarter of global manufacturing output by value, China is now beefing up its efforts to transform the country's manufacturing industry from one driven by labor to one driven by innovation.

Changing parameters

China's manufacturing sector is undergoing intense change, not only due to contracted exports but also due to the Internet. "The sec-

tor used to rely on a large but cheap workforce, but in the future, what really matters will be our brains and imaginations," said Ma. "Big data will inspire such imagination."

With the penetration of the Internet into sales, information, including people's consumption habits, will be obtained through computing more accurately. "Enterprises will have to restructure. Internet data will determine productivity. Much of what's involved in production can be calculated," he said.

As the head of an air conditioner producer, boasting sales around the world, Dong is well aware of the need for information and its importance. "A small company may sur-

CRRC Corp. Ltd.'s train models are on display at the 2015 China International Fair for Investment and Trade



vive without the Internet, but big businesses performing large-scale manufacturing have to use it to be successful," she said. With the support of the Internet, Dong can substantially trim the maintenance staff but remain an upscale after-sales service.

"By using the Internet, businesses will be able to respond to market changes much sooner, allowing them to optimize production materials, enhance product quality, shorten launch time and increase the market share," noted Wang Xiwen, an expert with the Ministry of Industry and Information Technology (MIIT).

In the meantime, technology advances have led to fewer factory workers. Firms like Gree are using automation and robots to raise productivity. Globally, automation offsets the effects of labor cost increases to some extent. "In developed nations, businesses are using less blue collar workers in manufacturing," said Zhu Xian, Vice President of the New Development Bank operated by BRICS.

Tough transition

Upgrading the manufacturing industry is no easy feat—let alone upgrading the system that already exists in one of the economic giants of the world. Take into account rising labor costs and overcapacity, and it's easy to understand why the industry is facing declining profit margins.

In the first seven months of this year, profits made by industrial enterprises above designated sizes—annual principal business revenue of 20 million yuan (\$3.1 million)—declined by 1 percent, 0.3 percentage points lower than the period from January to June, according to China's National Bureau of Statistics (NBS).

The manufacturing purchasing managers' index (PMI), the key gauge on factory activity, stood at 49.7, falling below the threshold of 50, in August. A reading above the 50-threshold indicates economic expansion. China's manufacturing PMI figures

have fallen close to the 50-mark since last October.

Declining figures mirror the rough waters firms are navigating presently. Dongfang Electric Corp., power generating equipment manufacturing giant in China, is one of them. According to the company's semi-annual financial report in 2015, its net profit stood at 168 million yuan (\$26.3 million) in the first half of this year, 79.94 percent down from the same period of last year.

"It is an inevitable consequence of China's economic restructuring. With contracted demands and fiercer competition, firms in the manufacturing sector have to find new ways to bring in cash," said Si Zefu, President of Dongfang Electric Corp. Ltd.

Despite the momentary slump, China still holds formidable advantage in upgrading manufacturing. "China itself is a vast market, and it is already a manufacturing giant. Without exports, many firms are able to survive," said Si.

More and more large manufacturing firms like Dongfang Electric and Gree also emerged in the process of China's economic growth. In 2014, 100 Chinese companies made the *Fortune* Global 500 list, 68 more than that in 2008, ranking China second in the world in volume of *Fortune* Global 500 companies—the United States holds the first place. Of the listed companies, 56 fall within the manufacturing sector. Experts noted that these companies will be the driving force for future expansion.

The manufacturing sector will also benefit from the fact more and more workers are entering the job market with diplomas. "Even if wages are high, companies would like to recruit workers with better skills and qualities, as well as high productivity," said

Zhu, believing China's improving workforce will foster a bright future.

To innovation and beyond

In investors' eyes, the ultimate success secret for manufacturing businesses is innovation. "Innovative achievements are the ones that stand out," said Zhang Hanya, President of the Investment Association of China.

The manufacturing development plan "Made in China 2025," unveiled this March, set intelligent manufacturing and service-oriented manufacturing as the nation's core projects and priorities.

Regarding the rush to tap into potential in the manufacturing-related services, firms have a lot to do. "After power equipment sales, there are still transactions to be made in installation, maintenance and upgrading. This is a huge market," said Si. He also pointed out that a manufacturing company cannot blindly take charge of all of the services—only those requiring core technologies like equipment upgrading so that the company's competitiveness will not be compromised.

"We need to compete with international advanced technology and improve ours through innovation so that the label Made-in-China can gain the respect of the world," he added.

Against the backdrop of capitals and entrepreneurs enthusiastically diving into the sectors that generate quick money, Si believes manufacturing businesses need to keep cool and learn the skills involved in polishing upscale products.

"Making better and better products based on what a company already has is also innovation," added Zhu. ■

Copiedited by Kylee McIntyre
Comments to yushujun@bjreview.com

OPINION

Guarding Against Financial Risks

Premier Li Keqiang recently presided over a special meeting of the State Council, where he stressed that financial stability affects the entire economy and called for an improvement in risk management to further prevent regional or systemic risks.

The global monetary, capital and commodity markets have recently witnessed the most serious turmoil since the 2008 global financial crisis. It has arisen because developed economies and emerging markets have different macroeconomic policy options for managing economic expectations. Such turmoil has brought uncertainty to global economic recovery and will severely affect the stability of the Chinese financial market, leaving China's economy open to complicated challenges of financial risks. The Chinese Government's priority is to improve its capability of addressing various risks while ensuring the economy operates within an appropriate range.

Several factors inside and outside China have led to these challenges to the Chinese economy.

The monetary policies of various countries have been the root cause of the turmoil in the international financial market during the past year. Seven years after the 2008 global financial crisis, most developed economies have resumed growth. The U.S. Commerce Department recently revised its estimate of economic growth in the second quarter to an annual rate of 3.7 percent, raising the expectation of the U.S. Federal Reserve lifting interest rates within the year. The U.S. dollar has also been appreciating against many currencies over the past year, stimulating international capital to flow back to the United States.

While developed economies resumed growth, emerging markets didn't make real structural adjustments. This failure caused serious problems of overcapacity and high debt ratios, which made the economic structures of

emerging markets increasingly untenable.

Among the BRICS countries, China and India have maintained growths of about 7 percent, but Russia and Brazil are likely to face negative economic growth because of the fall in bulk commodity prices. Other emerging markets are also facing capital outflow, currency depreciation and financial market turbulence.

The expectation of an increase in interest rates by the U.S. Federal Reserve is causing emerging markets to experience stagnation in economic growth, a decline in investment demand and weak exports. Economic figures in the first quarter of this year indicate that emerging economies have entered their worst phase since the 2008-09 crisis, and the global economy is likely to face a recession triggered by emerging markets.

In China, major indicators such as manufacturing, investment, real estate and exports have all fallen because of weak demand, despite economic growth holding steady at about 7 percent. China's contribution to global economic growth in the past few decades has been so unparalleled that uncertainty about the Chinese economy may spark fears throughout the world.

Based on the above analysis, turmoil in the global financial market will become the new normal and such turbulence will inevitably affect the stability of the Chinese economy and its financial market. Judging from conditions over the past year, China must pay attention to at least four main risks.

The first stems from the upheaval in China's stock market. Since June, the stock market has plummeted several times, forcing the government to take actions to stabilize the market. However, the stock market has not yet regained stability, which may affect the stability of the whole financial system.

The second risk is debt. According to estimates by some Chinese economists, the percentage of debt against China's GDP has

risen to 235.7 percent as opposed to 170 percent in 2008. The ratio of corporate debt against GDP has reached 113 percent, higher than the internationally accepted warning level of 90 percent. Under conditions where economic growth is slowing down, such a high debt ratio may see deterioration in the financial health of companies, and these risks could spread to the financial system.

The third risk could result from the spillover effect caused by the depreciation of Chinese currency. The yuan's depreciation is a normal adjustment to its exchange rate, and China does not intend to start a currency war through depreciating its currency. However, considering the significance of the Chinese economy, some countries may follow China and depreciate their own currencies, stimulating capital to flow out of China and making the external environment less favorable.

The real estate sector forms the fourth risk. Although real estate markets in some major cities have been recovering because of a series of policies implemented by the government, most Chinese cities face difficulty in revitalizing their real estate markets due to high inventories. In the first seven months of 2015, the country's investment in real estate grew by 4.3 percent compared with 13.7 percent in the same period of last year. Decreasing profits, difficulties in securing reliable financing channels, high inventories and tight capital sources are still concerns for the real estate sector.

Risks both inside and outside China pose a threat to the country's financial stability. We must be aware of the significance of properly addressing these risks and prevent systemic financial risks in order to maintain a stable financial market. ■

This is an edited excerpt of an article written by financial commentator Ma Guangyuan and published in *Economic Information Daily*.
Copyedited by Calvin Palmer
Comments to yushujun@bjreview.com

NUMBERS

(\$1=6.4 yuan)

7.3%

Revised GDP growth rate of China in 2014

60 bln yuan

Value of a China-planned nation fund to encourage the growth of small and micro-businesses

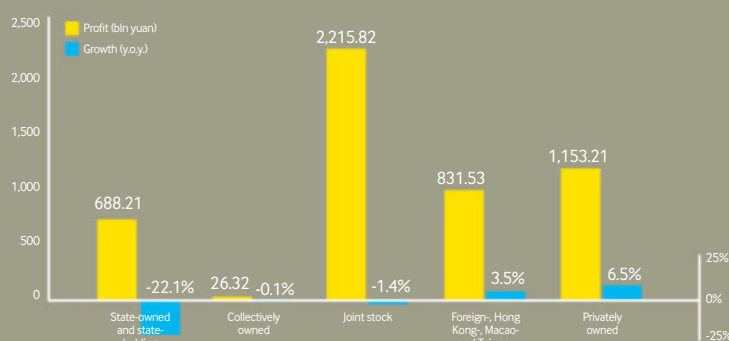
\$3.56 tln

China's foreign exchange reserves at the end of August, decreasing by \$93.9 billion from the end of July, marking the fourth consecutive month of falling forex reserves

221 mln tons

China's crude oil imports from January to August, an increase of 9.8 percent year on year

Industrial Enterprises' Profit by Business Type
Jan-Jul



\$12.29 bln

Outbound direct investment from Shanghai in 2014, leading the country in this field

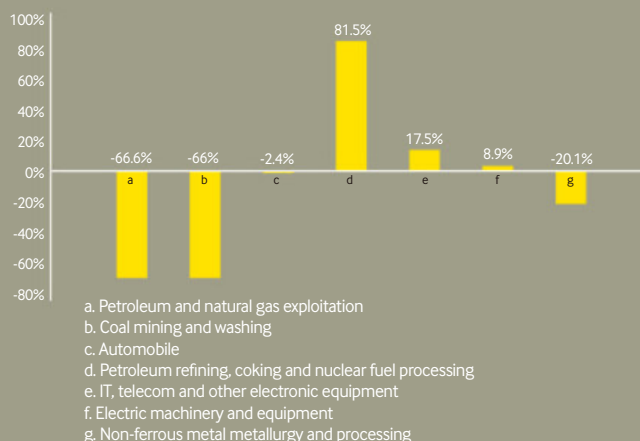
1,786

Number of overseas projects signed by Chinese companies along the China-proposed Silk Road Economic Belt and the 21st Century Maritime Silk Road during the first seven months of the year

Industrial Enterprises' Profit by Sector
Jan-Jul (bln yuan)



Profit Changes of Major Industrial Sectors
Jan-Jul



(Source: National Bureau of Statistics)

24,500

Number of new energy vehicles produced by Chinese automakers in August, up 372 percent from a year earlier

\$165 bln

Spending by Chinese outbound tourists in 2014, an increase of 28 percent, comprising 11 percent of global tourism revenue

Mr. Mansell Xue has been appointed as the Director of Sales and Marketing of Beijing Marriott Hotel City Wall.

With about 20 years working experience in hospitality industry, Mr. Mansell Xue has progressed in his career through a series of appointments with International five-star hotels in the region, including Front Office Department of Sheraton Tianjin Hotel which he started at, Sales & Marketing Department of TEDA International Club Tianjin, Hyatt Regency Jing Jin City Resort & Spa, etc. He worked as a role of Director of Sales & Marketing since 2010, respectively at Banyan Tree Tianjin Riverside during pre-opening period, Radisson Blu Hotel Liuzhou, and Pan Pacific Tianjin to oversee the opening. With his extensive management experience of multi brands and new opening hotels, Mansell will lead sales & marketing team of Beijing Marriott Hotel City Wall to achieve better result after accomplishment of hotel hard ware upgrade and renovation.



Beijing City center Hotel for business and meeting groups

This stunning landmark Beijing hotel is adjacent to the remaining ancient Ming Dynasty City Wall, a five-minute drive to Forbidden City, Tiananmen Square and Silk Market, and a 5-minute walk to Jianguomen Subway Station. Beijing Marriott Hotel City Wall is home to 357 elegantly decorated rooms and suites featuring Marriott's trademark "Revive" bedding and connectivity to plug and play iPods and other personal devices. The meeting space comprises of 2,300 square meters, including a pillar-less ballroom that is interchangeable to suit your needs. Wireless high-speed Internet is accessible in all public areas and meeting rooms. Aside from the preferable accommodation and meeting facilities, we offer a distinctive selection of restaurants and bars. Our various facilities and services include a state-of-the-art fitness center, a half-Olympic-size indoor heated swimming pool, 24-hour room service, Gold Key Concierge service and a stay to remember.



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尊月礼盒 8粒装 人民币**488**元

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Spring, River, Flower, Moon, Night

The world premiere of *Pearl* electrifies Lincoln Center with its heartfelt tribute to one of America's greatest novelists **By Corrie Dosh**



The author is a contributing writer to *Beijing Review*, living in New York City

A small girl named Pearl runs and skips along the banks of the Yangtze River, playing with peasant fishermen, mimicking the graceful movements of village girls, plaiting her hair into long braids and taking lessons in calligraphy and Confucianism from her Chinese tutor Mr. Kong. She is lonely. Her brothers and sisters have died from illness and disease, and her parents, American missionaries in southeast China's Zhenjiang, are busy with their work.

As her life unfolds, the little girl sees firsthand the ravages of war and the evil of racial hatred, and finds herself pulled between her homeland of America and her adopted country China. Pearl channels her longing and emotions into a creative energy, writing about her unique childhood in novels that win her fame and honor.

The life story of Pearl S. Buck, now considered one of America's greatest novelists and humanitarians, has been interpreted into a dance play called *Pearl*—which made its global debut at Lincoln Center's David H. Koch Theater on August 27 with great success, earning a standing ovation from jaded New Yorkers used to seeing the very best in world dance. It is the first international project of China's Legend River Entertainment and is led by renowned choreographer and director Daniel Ezralow, who, among other works, is known for choreographing the opening ceremony of the Winter Olympic Games in Sochi, Russia, and for his work in the Broadway production *Spider-Man: Turn Off the Dark*.

Ezralow said his aim in developing the dance play was "communication."

"Initially, [the ballet] is about Pearl S. Buck and her life, but her life was a communication between East and West at a time when East and West were somewhat divided. Her life is a representation and, also, an example for all of us," Ezralow told *Beijing Review*. "We can embrace cross-culturalism and embrace this world as one world without boundaries."

Ezralow said he was inspired by the life of

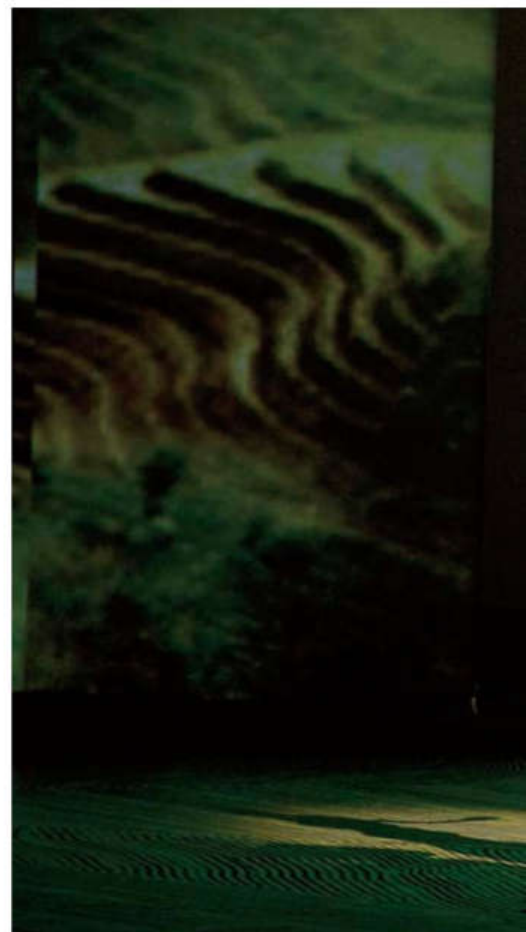
this extraordinary woman and presents her story in five symbolic stages—spring, river, flower, moon and night. Those segments are based on a poem by Zhang Ruoxu, a Tang Dynasty (618-907) poet, about the passing human existence. The poem, like Pearl's childhood, is centered around the moonlit Yangtze River and the sorrow of leaving loved ones behind.

"If you take a poem like spring, river, flower, moon, night, it is effectively about life and about how we live and die and how things continue. It's just like *Pearl*," Ezralow said.

Each character in the name of the poem corresponds to a stage in Pearl's life, he said. "Spring" is Pearl's youth, "river" is movement, "flower" is her creativity, "night" is her homesickness for China and "moon" is her enduring legacy.

Pearl's influence is also felt in the deliberate casting of the multinational crew of dancers and production staff. The five dancers who play Pearl are all of different ethnicities and nationalities, blending East and West in a harmonious portrait of the writer's life.

"Every single performer is multicultural," Ezralow said. "When I chose them, I was very conscious of the fact that Pearl grew up in



Dancers perform *Pearl* at Lincoln Center for the Performing Arts in New York City in late August



China, she came to America and she fought for the cause of multiculturalism across this world—which we need to do as well. So, I felt the cast had to be multicultural.”

Also starring in the show is a six-foot-wide, 150-foot-long river, with actual water, to symbolize the Yangtze and the division between East and West that Pearl constantly tried to bridge. At one point in the show, after Pearl watches her two worlds go to war in the Boxer Rebellion, two planks with the characters for “bridge” and “dream” are laid across the dividing stream. She submerges herself in the waters—and emerges as her own woman confident in her convictions.

“When you walk into the David H. Koch Theater and see a river, it changes your perspective,” Ezralow said. “I’m trying to do a show that shifts your perspective. I don’t want you to think ‘dance show.’ I want you to see a river and wonder why, on a dance stage. It represents the Yangtze. It represents the Pacific Ocean. It represents the blood in our veins. It’s everything. It’s life.”

In addition to being multicultural, the performance also incorporates multimedia ele-

ments. As *Pearl* explores her passion for writing, projections of words fly above her head onto a page. Digital projections of the five dancers who play Pearl morph and provide transitions between each stage of her life. Above the stage are ancient characters projected with the five stages of the show.

“I went to a Buddhist temple near Zhenjiang and I saw 2,000-year-old calligraphy that was etched in stone. It was amazing and so modern. That’s what I was inspired by,” Ezralow said.

Ezralow said he wanted American audiences to be inspired by his work on Pearl and to become more interested in the life of this amazing writer. By all measures, the director has succeeded.

“I hate to admit it, but I have never read *The Good Earth* or anything by Pearl S. Buck,” said audience member Stephanie Turner, who became interested in the show based on Ezralow’s past work. “But now, I really want to read her novels. She seems like such an amazing woman and I’m so inspired.”

By intermission, Turner said her favorite part of the show was the alienation Pearl felt when returning to America for college. The strange hopping motions and tinny music of

↓ The Life of Pearl S. Buck



Pearl S. Buck (1892-1973) spent most of her early life in Zhenjiang, China, as the daughter of American missionaries. Growing up on the banks of the Yangtze River, she learned Chinese and

grew close to her local playmates. By the time she was sent to attend college back in the United States, she was alienated from her American classmates by her unusual upbringing.

Even as she grew used to Western life, she remembered and loved her Chinese childhood. She returned to China and married agricultural economist missionary John Lossing Buck. The match was not a happy one, and they divorced as Pearl moved back to the United States and began to write novels drawn from her childhood life in China. She then married Richard Walsh, her publisher and greatest supporter.

Pearl’s novel *The Good Earth* earned her both the Pulitzer Prize and the Nobel Prize in Literature. It was the bestselling fiction book in the United States in 1931 and 1932. Yet she never returned to China, separated by war and politics. When U.S. President Richard Nixon visited China in 1972, Pearl was “heartbroken” when she was prevented from joining the delegation. She died a year later with her tomb stone inscribed with the Chinese characters of her name.

Western culture in the 1920s seemed foreign and dissonant after the gliding dances of Pearl’s childhood—much as it must have been to Pearl herself.

Pearl had only four performances at Lincoln Center, but is expected to continue on to tour the United States, Europe and China. A documentary film about the production is slated to appear in China. After its enthusiastic reception from New York audiences, the show seems set for a triumphant run, and the life of Buck may touch a new generation of both Chinese and Americans looking for a way to build understanding across cultures. ■

Copiedited by Eric Daly
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Will Tipping Help Improve the Services of Tour Guides?

The National Tourism Administration has recently issued a document to support the legalization of tips in the tourism industry in China. In Western countries, tips are a tradition that is widely accepted, but in China, the public is not used to this concept, although the practice of giving tips has already been introduced to some popular tourism cities on a trial basis.

The underlying reason why this document has caught attention is that, generally, tour guides in China are not well paid. Some travel agencies even do not ensure basic wages or social security for the guides. As a result, tour guides, especially part-time ones, have to invent their own ways to make money. They can go as far as forcing tourists to buy souvenirs in certain shops so that they can get kickbacks. The guides tend to treat them terribly. There are also many other ways that tour guides use to draw money from tourists. Disputes and conflicts thus frequently arise between tourists and their guides. The tip system is expected to increase tourist guides' incomes in a legal manner so as to reduce forced shopping as well as disputes between the two parties.

Some believe tips are necessary, as tour guides in China are paid much less than they deserve, but others doubt the effectiveness of tips in helping boost tour guides' incomes and worry that it will increase tourists' traveling costs.

Multiple worries

Zhang Fengyi (Xi'an Evening News): Amid various disputes and inconveniences existing in the tourism industry, the state hopes to make tip payment a system that will encourage tour guides to provide better services when they have higher and more stable incomes. However, whether this will really happen is quite doubtful. Anyway, tips are only desserts after a dinner, not the main course. Besides, we in China don't have the tradition of paying tips. Most consumers believe, after paying a certain amount of money to the travel agency, they deserve to be

well served. They resist paying tips.

Almost half of the country's tour guides do this as a part-time job. Given fierce competition in the industry, travel agencies try to keep tour expenses as low as possible. They employ a large number of part-time tour guides, and these guides are very low paid. Tips are far from enough for them. When tips are given on free will, tourists can choose to pay or not. Once tips become a system, tourists will have to pay tips, or their tour guides will make the journey uncomfortable for them. Besides, possibilities remain that apart from collecting tips, some tour guides may continue to force tourists to shop.

Therefore, before tips are legalized, a pay system for tour guides is necessary to ensure them a basic income and a decent life. Only when these worries no longer exist can tips truly play a role of encouragement.

Zhu Dazhi (China Youth Daily): We worry that the legalization of tips will make a voluntary payment a compulsory system, adding to the cost of traveling. This worry is not groundless.

In the West, actually, there has been opposition against tips. Opponents see tips as an unhealthy habit and have called for their abolition, and some countries even have tried to set up a restrictive system to curb tips. The reason for the survival of the custom of giving tips is that many people in these countries feel thankful to those who offer excellent services and are willing to tip. Otherwise, they'll feel uneasy.

The Chinese society is not used to the practice of giving tips, and now it is planned that a system is to be set up to force people to give tips. This is not what tips are invented for. The priority now is not to push forward the tip system but to regulate and develop the tourism industry into a healthy sector and to let tour guides earn a payment that is at least equal to their work. When the tourism sector embraces sound development, even without a compulsory system, tourists tip the guides that offer them good services.

Shu Shengxiang (Beijing Youth Daily):

Dear Readers,

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

 yanwei@bjreview.com

Please provide your name and address along with your comments



Ideally, tips are paid to show respect and gratitude. In Western countries, although customers can choose to pay or not, giving tips has long been a common practice.

The current salary system in China's tourism sector is such a mess that a large number of tour guides don't have base pay or basic insurance. A percentage drawn from the sum tourists pay for souvenirs during the trip has almost become a major income source of tour guides. Forcing tourists to shop has become a hidden rule in the tourism sector, which has seriously damaged tourists' traveling experience and affected the long-term development of the tourism industry. It is against this backdrop that some travel agencies and local governments begin to seek to set up a tip system in the tourism industry, with the intention of dragging this industry out of the vicious cycle.

If tour guides can make money by asking tourists to buy souvenirs, they are likely to offer quality services on this precondition. However, once they are forbidden to accept kickbacks from shops and instead depend

on tips, which are usually much lower than the brokerage given by souvenir shops, the service quality may deteriorate. Besides, it's quite possible that the guides will be comfortable with those who have paid them tips, while at the same time they will be harsh to those who have not done so. As a result, something supposed to be based on free will become compulsory.

Due respect

Song Guifang (www.xinhuanet.com): Tips have been conventionally seen as illegal income. Relevant laws and regulations issued several years ago expressly forbid tour guides to ask for tips.

However, we have to realize that tour guides in China are struggling with their wages and social security falling far behind the rapid development of the tourism industry itself. Fierce competition in the industry is squeezing profit margins for travel agencies, which in turn have cut wages for tour guides. As a result, more and more qualified tour guides choose to

leave this industry, leading to deteriorating service quality. If tour guides can expect payment that shows respect to their services, we can expect an overall improvement in the tourism industry.

In China, the public treats tips as an extra payment for certain service items, and thus there is resistance to tips. Given the conditions tour guides are now in, tips actually act as a kind of compensation to them, rather than bonuses. It sometimes happens that when we want to go to certain places to know more about local customs and scenic spots, we can't find a qualified tour guide. It's time to think of a way to make tour guides feel that their work is respected and that they don't need to exploit tourists to make a living. The legalization of tips may help solve the problem to some extent, but in the long run, we need to explore a new model for the sustainable development of the tourism industry. ■

Copiedited by Kylee McIntyre

U.S.-Japan Relations: An Example for China?

By Lan Xinzheng



While China was hosting a military parade to mark the victory of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War in Beijing on September 3, U.S. President Barack Obama published a written statement on the 70th Anniversary Commemorating the End of World War II (WWII) in the Pacific. In the statement, he said, "[The United States and Japan] over the last 70 years stand as a model of the power of reconciliation: Former adversaries who have become steadfast allies and who work together to advance common interests and universal values in Asia and globally. Seventy years ago this partnership was unimaginable."

Obama's praise of U.S.-Japan relations brings to mind the frozen relations between China and Japan. The Chinese Government and people have repeatedly criticized and condemned the right-wing Japanese Government for beautifying Japan's aggression of China 70 years ago.

Obama may be hoping that China and Japan can reconcile with one another; to be more specific, he perhaps wishes China would forgive the Abe administration and the right-wing forces in Japan, even though their behavior has damaged the post-war world peace and injured the people that once suffered from the war.

The war between the United States and Japan 70 years ago was more of a war between the two countries' armies. Nevertheless, the Sino-Japanese war was an outright aggression launched by Japan within Chinese borders. The wartime atrocities committed by Japanese soldiers in China were too numerous to record.

Japan did not violate the dignity of U.S. citizens by drafting sex slaves, nor did it launch a savage germ war on U.S. soil or commit inhuman massacres on the continental U.S. soil like in Nanjing. Therefore, it's easy for the United States to forgive Japan. China, to the contrary, cannot turn a deaf ear to Japan's beautifying of its aggression.

As for the reconciliation between the United States and Japan mentioned by Obama, it's worth discussing whether it's real. Reconciliation should be arrived at on an equal basis, but the reconciliation talked about by Obama is Japan's one-sided compliance to the United States. Post-war Japan-U.S. relations have never been equal. Moreover, Japanese people, especially right-wing

**Obama's
laudation of the
United States
and Japan as
"a model of
the power of
reconciliation"
is ill-founded**

politicians, have not forgiven the United States for dropping the two atomic bombs at Hiroshima and Nagasaki as is shown by Japan's commemoration of the 70 years' anniversary of the bombings. Therefore, Obama's laudation of the two countries as "a model of the power of reconciliation" is ill-founded.

In the 70 years since the end of WWII, China and Japan have both been able to rebuild their countries and revive their economies, creating miracles in social and economic development. In the 1970s, the two countries' leaders made the important decision to normalize bilateral relations with a view to the two peoples' long-term and fundamental interests. In the years that followed, people-to-people exchanges and bilateral trade both thrived. By 2005, 250 pairs of cities in both countries had forged sibling-like relationships. Therefore, the two countries have sound economic and social foundations for reaching a compromise. However, right-wing politicians have damaged the friendly atmosphere created by the older generation leaders of the two countries.

What's the most difficult part for seeking reconciliation? I think it should be whether the Japanese side can correctly face up to historical issues.

As an old Chinese saying goes, one can learn why a country thrives or declines from history. How can a country which dare not admit its past properly face the future? Besides covering up aggression, Japan passed new security legislation in a bid to reestablish its right to collective self-defense back in July. Does this imply that Japan is back on the track of aggression? Such worries represent the most prominent concern of the Chinese people about the incumbent Japanese Government.

The Chinese Government upholds the principle of learning from history and facing up to the future. The Chinese Government and people hope that the Japanese Government can properly deal with historic issues, stick to the path of peaceful development, and win trust from its Asian neighbors and the international community with concrete actions. If Japan fails to properly handle historic issues, reconciliation between the two countries may be impossible. ■

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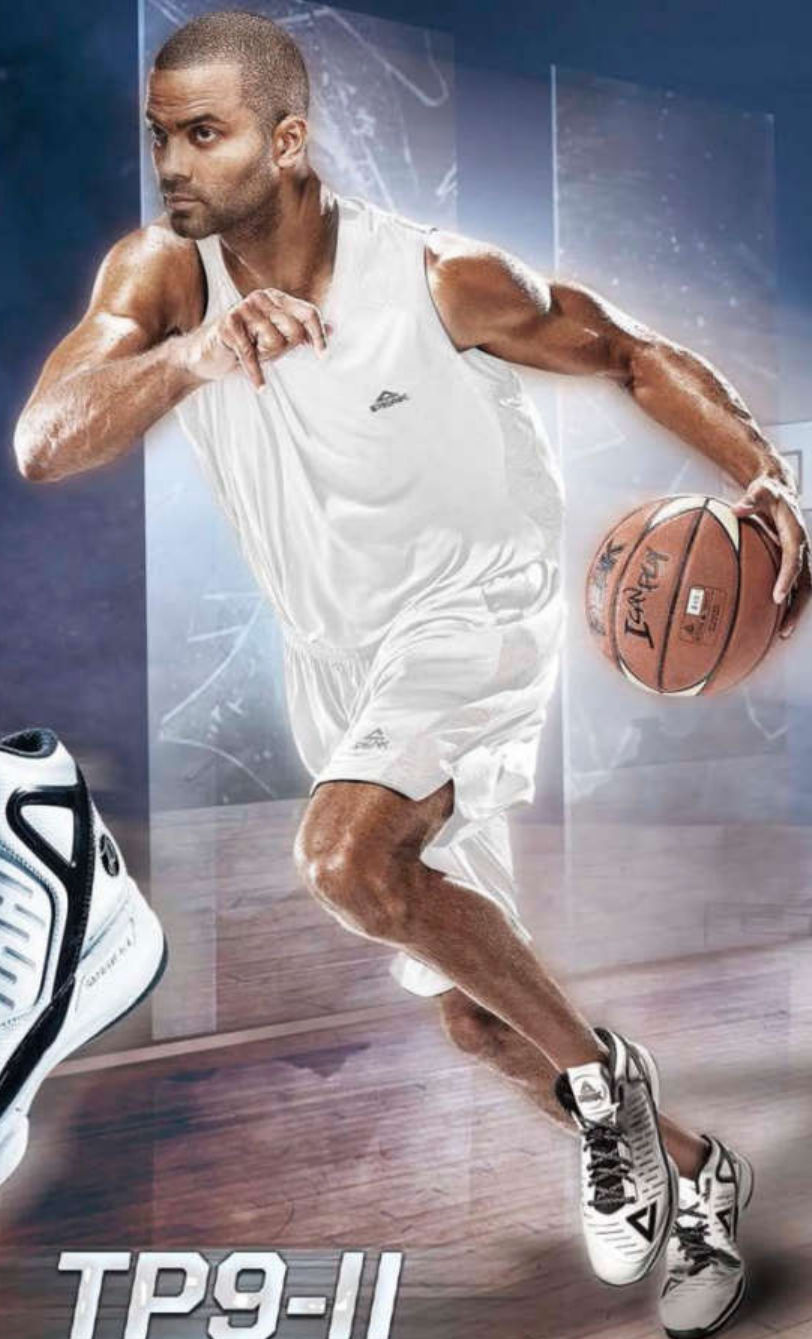


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