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SMILE, TIBET!

Autonomous region celebrates 50 years of progress

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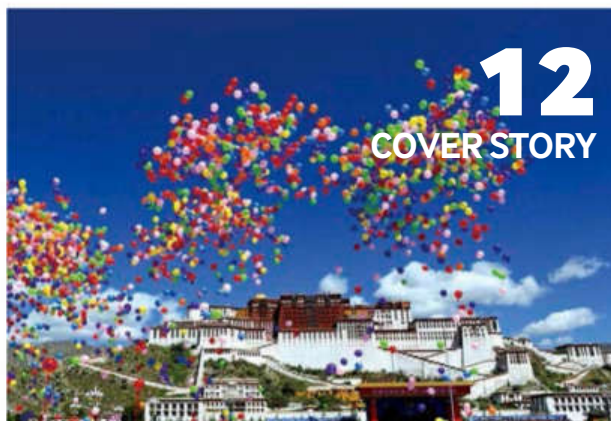
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Cover Photo: A Tibetan student (CFP)

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EDITOR'S DESK

Tibet in Progress

When referring to Tibet, what do people typically think of?

Those who have been to the region may call to mind khata scarves flying in the wind, pious believers on pilgrimages, lamas chanting scriptures out loud, smiling faces tanned by the scorching sun, and the magnificent Potala Palace set against the backdrop of a blazingly blue sky. In other words, they tend to think of moving and unforgettable experiences.

Those who haven't visited, though, can only imagine what the region is like through other's descriptions. They may be able to derive a truthful impression of the region by reading or hearing descriptions of someone with moral integrity. However, they may also get a false impression through exposure to accounts by biased individuals.

If you want to learn about Tibet, you should visit the region in person to authentically experience life there. Making a comparison of Tibet today with its past incarnation will also help you form a real picture of the region.

Most Tibetans were enslaved and deprived of education more than five decades ago. Now they enjoy a modern life and manage regional affairs autonomously. A comprehensive education system encompassing general, kindergarten, adult, special and higher education, along

with vocational training, has taken shape in the region, providing education opportunities to all school-age children.

The freedom of religious belief is well protected in the Tibet, where there are a vast number of venues for religious activities. A large amount of Tibet's cultural heritage has been rescued and preserved. Notably, the region has legislation in place protecting its biological system and cultural heritage and promoting the use of the Tibetan language.

Tibet has made progress over the past five decades and an even brighter future is unfolding. Tibet's progress has been made possible by the system of regional ethnic autonomy. Since Tibet Autonomous Region was established in 1965, Tibetan people have embarked on a path to rapid development and progress. Serfs became masters of their own destinies after the abolishment of the old system. Tibet has since developed from backwardness to progress, from poverty to prosperity and from seclusion to openness.

Some Western media say Tibet is being encroached upon by modern civilization. What we want to say is that only Tibetans have the right to decide their region's path. Some may like Tibet's past, but Tibetan people prefer to embrace the future. ■

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WE MADE IT!

Chinese skipper Guo Chuan (first right) celebrates with his multinational crew after crossing the finish line on September 15 on the Bering Strait following a 13-day voyage on the treacherous waters of the Northeast Passage for 3,240 nautical miles.

It is the first time in history that a racing trimaran has successfully sailed non-stop through the Arctic shipping route from Murmansk in northwest Russia to the Bering Strait.



Green View

The International Garden Expo Park in Wuhan, capital of central China's Hubei Province.

The park will host the opening ceremony of the nine-month 10th China International Garden Expo on September 25. With a total area of 231.77 hectares, it is located in the core area of Zhanggong Embankment Park, with Changfeng Park and the former Jinkou refuse landfill as its main venues.

Easier Green Cards

A high-level meeting on September 15 decided to make it easier for foreigners in China to apply for permanent residence permits, or green cards, to attract more overseas professionals.

"Foreigners' permanent residence applications will be managed in a reasonable, open and pragmatic manner," said a statement released after the 16th meeting of the Central Leading Group for Deepening Overall Reform chaired by President Xi Jinping.

According to a set of guidelines adopted at the meeting, foreign employees working in seven types of companies or institutions are currently eligible to apply for a green card. These include national labs, engineering research centers, state-accredited hi-tech companies' technology centers and foreign-funded R&D centers.

Applicants must hold professional titles at or above associate professor or associate fellow and have been working

in China for more than four years with sound tax records.

Candidates should file applications with the municipal-level public security department in the locale of their workplace.

Foreigners who hold green cards enjoy the same rights as Chinese citizens in areas such as investment, home purchases and education.

Medical Reform

China's cabinet, the State Council, issued guidelines on September 11 on a hierarchical medical treatment system to direct resources to grassroots health institutions.

According to the document, a system of different tiers of hospitals with clearly defined roles will be established by 2017. By that time, the country should also have a greater number of qualified general practitioners (GPs). Local hospital standards are also expected to rise.

To this end, local health institutions will create general health centers with a wide range of services and allow doctors to practice at different institutions.

Meanwhile, the country will train more GPs until there is a ratio of one GP for every 3,000 to 5,000 residents. County hospitals will be improved until 90 percent of medical demand can be met at or below that level.

Patent Applications

China submitted 18,700 patent applications under the Patent Cooperation Treaty (PCT) in the first eight months of this year, about a 20 percent increase over the same period last year.

Shen Changyu, head of the State Intellectual Property Office (SIPO), attributed the increase to the government's strategy to boost innovation, saying that favorable policies have generated opportunities for inventors.

In recent years, the Chinese Government has reduced taxes, increased subsidies and cut red tape to encourage businesses and individuals to pursue innovation.

The PCT, concluded in 1970, is an international patent system that facilitates patent protection. By filing an application under the PCT, applicants can seek protection for their inventions in 148 countries around the world.

ANCIENT RITUAL

A first-grader gets a red dot on her forehead during a simulated traditional ceremony for new schoolers at a primary school in Nantong, Jiangsu Province, on September 16



Search Service

Cloud Tibet, China's first Tibetan language search engine, is on course to be released in August of next year, the developer said on September 15.

Development team head Tselo said the basic architecture is complete and the company has made significant core-technology development gains.

The search engine will help speed up IT, economic and social development in the Tibetan regions, he added.

A 100-member team from a Tibetan language research center in Hainan Tibetan Autonomous Prefecture in northwest China's Qinghai Province has been tasked with developing the search engine.

The project was launched in April 2013 with the financial backing of 57 million yuan (\$8.94 million).

The search engine will also feature

news, pictures, video and audio, Tselo said.

Leisure Games

The 2015 World Leisure Games opened in Laixi County on the outskirts of Qingdao in eastern China's Shandong Province on September 12.

Sponsored by the Italian-based World Leisure Organization, the event is held every five years with the aim to promote outdoor leisure activities among people of all ages around the world.

The 2015 Games, which ended on September 21, was the second time the World Leisure Organization hosted the event. The first games were held in Chuncheon, South Korea, in 2010.

This year's games included competitions in 17 activities, including rock climbing, freestyle skating, street dance, e-sports, marathon, dragon boat, martial arts, chess and beach volleyball.

The World Leisure Summit and the World Leisure Expo and Leisure Culture and Arts Festival were also held at the games.

Cleaner Air

Particles responsible for much of China's air pollution decreased 17.4 percent during the first half of this year, according to official sources.

The adoption of a new environmental protection standard is responsible for a drop of PM2.5 density, or particles measuring less than 25 microns in diameter, in 161 cities, according to Wu Xiaoqing, Vice Minister of Environmental Protection, at a forum on environment and development on September 14.

The new standard was introduced in 2012 and is expected to be implemented nationwide by 2016. It adds PM2.5 and Ozone

"China will further open its market, support research and development and upgrade environmental and technical standards to continuously beef up environmental protection."

Wu Xiaoqing,
Vice Minister of
Environmental
Protection



Global Concerns

The second Global Brand Challenge Summit kicks off in Beijing on September 15 with academics, experts and youth discussing topics ranging from sustainable development and health to energy and education.

to the list of pollutants that authorities monitor to determine a region's air quality.

Air, water and soil pollution will all be targeted in the ongoing anti-pollution campaign, Wu said.

Wetland Park

A state-level wetland park has been established in China's largest desert, Taklamakan, in Xinjiang Uygur Autonomous Region.

The park, located on the western edge of the Taklamakan, has been approved by the State Forestry Administration. It covers an area of around 5,818 hectares and consists of various types of wetlands, including

rivers and marshes.

The park is close to the Yarkant River. The wetland resources formed by marshes, lakes and reservoirs on the banks of the river play an important role in the local climate.

However, the river's water level has been shrunk, along with the wetland areas, due to an increase in human activities and unregulated water use since the 1980s, local officials said.

Xinjiang has a wetland area of around 4 million hectares, ranked fifth among provincial-level regions in China. Preserving and restoring the wetlands has become a priority for the local government.

Life Science Breakthrough

Cloned, genetically modified (GM) cow Niu Niu and its calf at an experimentation base of Beijing University of Agriculture.

Niu Niu, is one of two clones born in 2012 with a gene inserted to increase the fat level of their muscle.

The birth of Niu Niu's calf on August 28 implied major breakthroughs by demonstrating the reproductive capability of GM cattle, according to researchers.



Investment Boom

Foreign direct investment (FDI) into the Chinese mainland jumped 22 percent in August from a year earlier, settling at \$8.71 billion, the Ministry of Commerce announced on September 16.

The growth accelerated from a 5.2-percent rise in July, as investments in the country's hi-tech service industry saw a significant increase.

For the first eight months, FDI, which excludes investment in the financial sector, stood at \$85.34 billion, up 9.2 percent from the same period last year, the ministry said.

Foreign investment in the service industry rose 20.1 percent, with the hi-tech service sector seeing a jump of 59.1 percent to \$5.51 billion.

Hi-tech manufacturing attracted \$6.57 billion of foreign investment in the first eight months, up 9.9 percent.

The ministry noted that the number

of foreign businesses ending or reducing investment in China continued to drop, dispelling worries that foreign capital is moving out of the country due to growth uncertainties.

On the other side of the equation, outbound direct investment (ODI) from Chinese mainland in non-financial sectors totaled \$13.5 billion in August, an increase of 7 percent year on year.

In the first eight months of the year, ODI from the Chinese mainland to countries along the China-proposed Silk Road Economic Belt and 21st Century Maritime Silk Road amounted to \$10.73 billion, surging 48.2 percent year on year. The major investment destinations include Singapore, Kazakhstan, Laos, Indonesia, Russia and Thailand.

Breaking Taxi Monopolies

To help drivers earn more money, Hangzhou, capital of east China's



PRESERVATION

A farmer in Hami, northwest China's Xinjiang Uygur Autonomous Region, dries grapes on September 12

Zhejiang Province, plans to scrap the government's portion of the management fees retroactively starting from January 1 this year, according to a draft guideline released on September 14. The already collected fees will be refunded to taxi drivers.

With taxi-hailing apps now challenging a long-established cartel in the taxi industry, cab drivers have been feeling the pressure of increasing fees and more competition. The city is planning to eliminate taxi franchise fees paid to the government as it seeks to break an oligopoly on the industry.

The new policy will mean a monthly average of 400 yuan (\$63) deduction in fees for each taxi, said Lu Xiande, vice chief of the city's traffic management bureau. The government would also refund nearly 100 million yuan (\$15.7 million) collected so far this year.

More Support Measures

The National Development and Reform Commission (NDRC) on September 14 laid out fresh measures aimed to increase investment.

Xu Shaoshi, Minister of the NDRC told a press conference that funding for targeted projects would be increased and the commission would encourage more cooperation between government and private capital. More powers will be delegated to lower levels and the funding mechanism will be improved to push more capital into the real economy.

Xu stressed that considerable uncertainty still surrounds the economy. China is battling a property downturn, industrial overcapacity, sluggish demand and weak exports, which dragged growth down to 7 percent for the first half of the year. The government is pinning hopes on infrastructure investment to shore up growth.

In the first eight months, investment in infrastructure rose 18.4 percent year on year, contributing to 27.7 percent of the overall investment.

Innovative Zones

China aims to build a long-term mechanism that could spur innovation and drive economic growth.

The State Council has chosen eight regions, including the Beijing-Tianjin-



From Trash to Treasure

Staff members of Shuntai New Energy Power Generation Co. Ltd. test solar panels in Xuzhou, east China's Jiangsu Province, on September 15.

The company's solar panels are located on discarded wetland, and the generated electricity is expected to be sold in the national grid as soon as December.



Gearing Up

A technician works on parts for engine gearboxes in Xianghe County, north China's Hebei Province, on September 12.

The county has actively developed auto parts industry over the past three decades. To date, it has nearly 20 such companies serving automakers in the Beijing-Tianjin-Hebei cluster.

Hebei cluster, Shanghai, and Guangdong Province as pilot zones to carry out trials on innovation and reform.

Li Pumin, spokesman for the NDRC, told a news conference on September 15 that these regions have been asked to map out detailed proposals for innovation reform in the fourth quarter.

The regions have been tasked with building a long-term mechanism for promoting innovation and making breakthroughs in promoting fair competition, intellectual property, scientific achievement and financial innovation, Li said.

Experiments will be carried out in these regions in 2016, while the NDRC and the Ministry of Science and Technology will evaluate the performance. Successful measures will be duplicated or promoted nationwide, said Li.

Method of Release

China's central bank has tweaked the

TIME TO BRAINSTORM

A boy reaches for a robot displayed at a gathering held for entrepreneurs in Hefei, capital of east China's Anhui Province, on September 13. The event served as a networking platform for those seeking and building their own enterprises



way it will assess banks' reserve ratios and said the new methodology will help keep the financial system flowing if funding dries up.

The new compilation method—which will use average levels over a period instead of daily calculations—could help release liquidity in some situations and maintain stability in the money market, the People's Bank of China said on its website on September 11.

"The purpose of the average-based method is mainly to improve the flexibility and convenience of liquidity management at financial institutions," the central bank said. The new rules took effect on September 15.

"The change will help smooth out the volatility in the money market," said Wan Zhao, a Shanghai-based analyst at China Merchants Bank Co. "As it now allows banks to edge around the requirements at certain points, it loosens the previous regulation. This is part of

the broader financial reform that grants banks more flexibility."

Undersea Cable

China Unicom, one of China's main telecom providers, is building the country's first international undersea cable, the company said on September 13.

China Unicom is cooperating with Myanmar's telecom operators to build the underwater cable, said Jiang Zhengxin, Vice General Manager of China United Telecommunications Corp., parent of China Unicom, when attending the China-ASEAN Information Harbor Forum in Nanning, capital of south China's Guangxi Zhuang Autonomous Region.

The cable will carry information and data flow between China and the ASEAN (Association of Southeast Asian Nations), he said.

A land cable between China and Myanmar is also under construction at a cost of \$50 million, he added.

Insider Trading

Several senior executives from China's top securities broker CITIC Securities Co. Ltd. are being investigated for alleged insider trading and information leaks, the police announced on September 15.

Those under investigation include General Manager Cheng Boming; Yu Xinli, who is in charge of operations; and Wang Jinling, Vice Manager of the Information Technology Center of CITIC Securities.

The authorities have recently detained four executives from China's largest brokerage, CITIC Securities Co., a staff member of the China Securities Regulatory Commission (CSRC) and a journalist from business magazine *Caijing*, in the latest moves to crack down on stock market violations.

CSRC spokesman Zhang Xiaojun told a press conference on September 11 that the authorities had launched 22 cases involving suspected market manipulation, insider trading, false information fabrication and dissemination. Seven of those cases involved suspected insider trading on the part of several securities market professionals.



JAPAN

Some 45,000 people rally again in front of the parliament building in Tokyo on September 14 to protest the government-backed security bills in an attempt to stop a possible passage of the controversial legislation in the Diet's upper house days later



THE UNITED STATES

Mogens Lykketoft (center), President of the 70th session of the UN General Assembly, opens the session at the UN headquarters in New York City on September 15



AUSTRALIA

Malcolm Turnbull (left) speaks to the press after he replaced Tony Abbott as the leader of the ruling Liberal Party and became the country's 29th prime minister on September 15



AFGHANISTAN

Security forces gather outside a prison following an attack by Taliban militants in Ghazni Province on September 14



THE MIDDLE EAST

A Palestinian confronts Israeli police officers at a gate at the al-Aqsa Mosque in the old city of Jerusalem on September 15



HUNGARY

Police officers finish building the last few meters of a razorwire fence on the Serbian-Hungarian border on September 14 to prevent illegal migrants from entering

↓ WRONGED SCIENTIST

Chinese-born American scientist **Xi Xiaoxing** was cleared of U.S. charges that he shared sensitive technology with China on September 11. Xi, a professor of physics with Temple University in Philadelphia, was arrested in May by Federal Bureau of Investigations agents following allegations that he had sent schematics for a device called "pocket heater," which is used in semiconductor research, to scientists in China.

It was later found that the diagram was for a different innocuous device. "I don't expect them to understand everything I do," Xi told The New York Times. "But the fact that they don't consult with experts and then charge me? They shouldn't do this. This is not a joke."

Xi, 57, is a world-renowned physicist specializing in superconductor research. He obtained his PhD in physics from Peking University in Beijing in 1987 and went to the United States two years later. He taught at Pennsylvania State University before joining Temple University in 2009.



Better and Cheaper Telecom Services

**People's Daily
September 11**

State-owned telecom giant China Mobile plans to adopt a tiered data pricing plan, according to recent reports. Under the new plan, the more data users consume, the less they will be charged. The new plan will be implemented on a trial basis in seven provinces and municipalities, including Beijing, in September. If the trials are successful, the pricing strategy will be rolled out nationwide.

The new pricing system has drawn skepticism from customers who believe that it will lower the monthly bills of frequent Internet surfers only. China Mobile has also faced recent criticism for another new measure aimed at lowering charges. The company has announced an 80-percent cut of international data roaming charges. However, it has failed to significantly reduce domestic data fees, fueling concern over its sincerity toward lowering costs.

Thanks to the proliferation of smart phones, the main function of cell phones has shifted from making phone calls to using the Internet. Against this backdrop, the telecom industry should focus on improving Internet speed and reducing charges. Telecom operators have a monopoly on the industry and keep customers in the dark about how prices are set. The operators therefore lack the motivation to improve their services and reduce prices. In order to break this impasse, the capital threshold required to enter the industry should be lowered to create sufficient competition.

Fostering China-EU Cultural Harmony

**Oriental Outlook
September 17**

Two months ago, when the Shakespearean play *Richard III* was performed in Chinese by Chinese actors in London in a Peking Opera adaptation, the British audience seemed comfortable with the performance. A few days before the London performance, the British play *War Horse* was performed in Chinese in Beijing. The Chinese audience was amazed by the dazzling stage effects and creative plots.

Chinese President Xi Jinping said during his visit to Europe last year that it's not the mountains and rivers that separate people but the barriers erected by differing perceptions. Interest in and respect for other cultures can help break down these barriers.

European countries boast a long history and splendid cultures. A craze for China emerged in Europe 300 years ago. Likewise, Chinese translator Yan Fu (1854-1921) translated British naturalist Thomas Huxley's *Evolution and Ethics* 120 years ago.

This year marks the 40th anniversary of the establishment of diplomatic relations between China and the EU. The two sides are making use of the opportunity to learn more about the other's culture, including holding talks on people-to-people exchange-

"Cybersecurity should be an area of cooperation rather than a source of friction. Some U.S. personnel should stop their groundless accusations against China."

Foreign Ministry spokesman **Hong Lei**, on September 11 in response to U.S. Director of National Intelligence James Clapper's remarks that Chinese cyber espionage continues to target U.S. interests

"Chinese society is getting older, so a large number of elderly tourists have flooded the market, and they demand age-appropriate services."

Zhang Guangrui, honorary Director of the Tourism Research Center at the Chinese Academy of Social Sciences, on September 14 in response to proposed industry guidelines that will require travel products to accommodate senior travelers' needs



es in the EU headquarters in Brussels and Britain in mid-September.

China and Britain will also have a dialogue on medical policies, as both are currently reforming their healthcare systems. About 5,000 Chinese football coaches will go to Britain over the next three years to study coaching. Cultural exchanges between China and EU members are expected to bear fruitful results.

Oath Taking in Court

The Beijing News September 11

In foreign crime movies, witnesses are often seen taking an oath before the court with their hands on a Bible or another sacred book, depending on their religion. This same scene recently unfolded in a court in Shuyang, a city in east China's Jiangsu Province.

The practice of swearing an oath in court has a long history. In China, oaths were taken during political and military activities in ancient times. Although the practice plays an important role in the legal systems of many countries, it failed to be passed on and further developed in China. As a result,

the practice has no guidelines under current Chinese laws.

Eyewitness testimony can provide crucial evidence during a trial and the oath taking practice is in place, in part, to ensure its credibility. Chinese laws require eyewitnesses to sign a letter of guarantee before appearing in court. However, the letter fails to create an oath's solemn atmosphere and is less effective at preventing false evidence from being presented.

Some courts in China have implemented the oath-taking procedure as part of their efforts to enhance the credibility of the court ruling process. However, relevant laws should be put in place to standardize and legalize this practice.

AWARD-WINNING DIRECTOR

Film director **Song Pengfei**'s debut feature *Underground Fragrance* was awarded by the Federation of Film Critics of Europe and the Mediterranean (FEDEORA) at the Venice International Film Festival, which ran from September 2 to 12. FEDEORA named it Best Film in the Venice Days, an independent section at the festival, describing it as a "sensitive and intelligent film" that reveals the underbelly of modern Chinese society.

The film tells the story of three people struggling to realize their dreams in Beijing. In the film, Song pays particular attention to younger generations that he believes need to be encouraged to pursue their dreams with concrete dedication and commitment.

Song, who has studied film direction at the Institut International de l'Image et du Son in France, told Xinhua News Agency that he sees the award as praise for his realistic viewpoint of society. "I will continue to focus on the common person and get inspiration from the lives of those around me," he said.



"It is very encouraging to note that China is developing new technologies with an emphasis on safety features."

Yukiya Amano, Director General of the International Atomic Energy Agency, speaking to journalists following a meeting with a Chinese delegation in Vienna on September 14

"Only through constant introspection can officials truly improve themselves. Only through adequate supervision can the required pressure be maintained to sustain sobriety in officials."

Xie Chuntao, a professor at the School of the Central Committee of the Communist Party of China, in response to President Xi Jinping's call for civil servants to improve and discipline themselves during a study session on September 11



SUCH GREAT HEIGHTS

In half a century, Tibet Autonomous Region has come a long way By Wang Hairong



A celebration marking the 50th anniversary of the founding of Tibet Autonomous Region is held in Lhasa on September 8

"Now, residents in Tibet have pension and medical insurance, and our income increases year after year," said Balsang, a Lhasa resident.

Economic development

Tibet Autonomous Region was founded on September 1, 1965. Since then, the region has experienced leapfrogging social and economic development. Its GDP soared to 92.08 billion yuan (\$14.46 billion) in 2014, a 281-fold increase from 1965. Since 1994, the local GDP has grown at an annual rate of 12.4 percent on average, registering double-digit growth for 20 consecutive years. The region has built a comprehensive transportation system including roads, railways and aviation as well as an extensive energy system with hydropower as the mainstay.

Tibet has given priority to the development of industries with Tibetan characteristics such as Tibetan medicine, folk crafts, green food and drinks and new energy. So far, nine big groups have been established in construction and engineering, mining, tourism, Tibetan medicine, and commerce and trade sectors. In particular, 18 pharmaceutical enterprises are producing more than 360 kinds of drugs.

In 2014, Tibet received 15.53 million tourists, a 4,436-fold increase compared with 1980 when the region began to develop tourism, or an average annual increase of 28 percent. Tourism revenue has reached 20.4 billion yuan (\$3.2 billion), a 20,400-fold increase or an average annual increase of 32.8 percent.

Dawa Toinzhub, Chairman of Dashi Group in Tibet, has been successful in developing industries with regional specialty.

In 1983, Dawa Toinzhub quit his job as a teacher and went into business with an interest-free loan from the government.

"The government rolled out many favorable policies at that time, which made me believe that private businesses would have a promising future," he said.

After earning his first fortune in transportation and commerce, Dawa Toinzhub created Dashi Group in 1997 and set his eyes on agricultural specialties typical to Tibet. The strategy had proven to be a great success. His company's first product, edible oil extracted from chestnuts, was received

The atmosphere was festive to say the least in southwest China's Tibet Autonomous Region in early September. The first day of the month marked the 50th anniversary of the founding of the autonomous region, and people dressed in brightly colored clothing sang and danced to celebrate the occasion across the region.

This celebration culminated in a grand celebration in front of the Potala Palace in Lhasa, the regional capital, on September 8.

In his speech, Yu Zhengsheng, Chairman of the National Committee of the Chinese People's Political Consultative Conference, China's top political advisory body, said that over the past half century, remarkable changes have

taken place in the snow-covered plateau.

"Tibet has seen rapid improvement in its infrastructure and medical and education services, as well as people's living standards. Its rich traditional culture has been preserved and carried forward, and its ecological environment well-protected," Yu said.

He restated the Central Government's policy toward Tibet, which focuses on strengthening ethnic solidarity, maintaining law-based governance, boosting economic development and improving people's living conditions.

A plaque inscribed with President Xi Jinping's words "Enhancing ethnic solidarity, building a beautiful Tibet" was presented to the regional government at the ceremony.

Tibet by the Numbers

(\$1=6.4 yuan)

Regional GDP



Central Government's Assistance

648 bln yuan

in financial subsidies from 1952 to 2014, accounting for 92.8% of Tibet's public fiscal expenditures

Local Fiscal Revenue

1965: **22.39 mln yuan**

2014: **16.48 bln yuan**

Per-Capita Disposable Income in 2014

an annual average increase of 10.7% since 1978

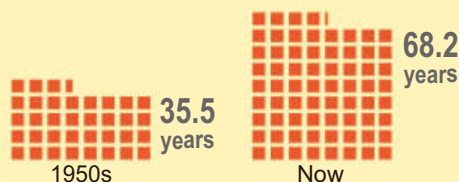
Urban **22,016 yuan**

Rural **7,359 yuan** an annual average increase of 10.9% since 1978

Length of Highways

75,000 km by the end of 2014

Average Lifespan



Coverage of Nature Reserves as of 2015

Total of 412,200 km², covering **34.4%** of land area in Tibet

Housing Investment

From 2006 to 2013, the housing investment totaled

benefiting **2.3 mln** farmers and herdsmen

27.8 bln yuan,



(Source: *Successful Practice of Regional Ethnic Autonomy in Tibet*)

well in the market. Currently, Dashi employs hundreds of people and has an annual output value of around 400 million yuan (\$62.8 million). It produces bottled water, organic agricultural products and cultural products.

In 2007, Dawa Toinzhub set up a company to market special Tibetan products produced by Dashi and some other Tibetan companies.

"My biggest dream is for my company to grow in strength and represent Tibet's private economy on the national and world stages," he said.

Better living conditions

As the economy grows, people in Tibet are enjoying a much better off lifestyle. In 2014, the per-capita disposable income of urban

residents in Tibet reached 22,016 yuan (\$3,457), a 38-fold increase from 1978; and that of farmers and herdsmen was 7,359 yuan (\$1,155), representing an average annual increase of 10.9 percent over the past three decades. The proportion of poverty-stricken population among farmers and herdsmen fell from 49.2 percent in 2010 to 23.7 percent in 2014.

The employment rate in the region remains high. In 2014, the registered urban unemployment rate was below 2.5 percent.

The level of urbanization has also steadily increased from 9.48 percent in 1982 to 22.67 percent in 2010.

In 2006, Tibet launched low-income housing projects for local farmers and herdsmen. By the end of 2013, as many as 2.3 million farmers and herdsmen had moved into these houses, with their per-capita living space having reached 30.4 square meters.

"Every household in my village has a safe and comfortable house with access to electricity and clean water," said Gyanbei, a resident in Dongga Village in the suburb of Lhasa.



Quick Facts About Tibet Autonomous Region



Tibet Autonomous Region covers an area of more than 1.2 million square km, accounting for one eighth of China's land area. Its average elevation exceeds 4,000 meters.

Native Tibetans account for more than 92 percent of its present 3,175,500 population. Local residents also include people of 40 other ethnic groups, such as the Han, Mongolian, Hui, Naxi, Nu, Drung, Monba, Lhoba, Deng and Sherpa peoples.

Under China's regional ethnic autonomy system, the people in Tibet enjoy the right to handle local affairs themselves and elect deputies to the regional people's congress, the local legislature.

Currently, deputies from Tibetan and other minority ethnic groups account for 66.7 percent of all deputies from Tibet to the National People's Congress, the national legislature, and 70.2 percent of all deputies to the People's Congress of Tibet Autonomous Region.

At the end of 2014, a total of 70 percent of the officials in the autonomous region were from minority ethnic groups, including 33 provincial-level officials.

In 1994, Gyanbei and his neighbor bought a dump truck and went into construction. Now he and his fellow villagers operate two quarries, which have 180 vehicles and more than 200 employees. The workers' monthly salary averages more than 6,000 yuan (\$942), he told China News Service.

"Every year, we have free medical examinations. Children's food, lodging and tuition in school are all free. Many families own cars, computers and cellphones," he added.

Currently, all farmers and herdsmen in Tibet are covered by medical assistance, and all monks and nuns are included in the basic medical insurance system.

The region offers 15 years of free education from preschool to high school. The government also affords the food, boarding and tuition expenses for students from farmers' and herdsmen's families and those from families in urban areas with financial difficulties.

Tibet has not lagged behind in the information age. The number of local households with Internet access has exceeded 2.17 million, with an Internet penetration of 70.7 percent, and mobile Internet coverage in farming and pastoral areas has surpassed 65 percent.

Lhasa has topped a national happiness ranking, which measures well-being on a regional basis, for five consecutive years, according to a survey jointly conducted by the National Bureau of Statistics, China Post

Group and China Central Television.

Cultural heritage preservation

Amid fast social and economic development, Tibet has done remarkable work in protecting, inheriting and carrying forward its splendid cultural traditions.

China's Constitution stipulates that every ethnic group has the freedom to use and develop its own language. Bilingual teaching in Tibetan and Mandarin is available in all schools in the region.

The regional government has also made tremendous efforts to protect cultural heritage. Currently, Tibet has more than 1,000 intangible heritage items covering 10 categories. Tibetan opera and Gesar epic tradition have been chosen as UNESCO Intangible Heritage of Humanity Masterpieces, and some other items are put under state or regional protection. A large number of monasteries and religious classics have been maintained and protected.

Inheritors have been designated to pass on local traditional art forms. Currently, the region has 68 state-level inheritors and 350 regional-level inheritors.

Soinam Zhaxi, a resident of Duoji Township in Bomi County, is an inheritor of two local art performances.

The 54-year-old man has loved dancing since childhood. Although he is the head of the village, Soinam Zhaxi still performs for

the general public. He is very happy that the two art forms have been introduced into local schools.

Nationwide support

In the past six decades or so, the Central Government has pooled national resources to support Tibet.

From 1952 to 2014, it provided Tibet with an aggregate subsidy of 648.08 billion yuan (\$101.75 billion), enough to cover 92.8 percent of Tibet's public fiscal spending.

Since 1980, the Central Government has hosted six national forums on work of Tibet to draw up blueprints for the region's development.

After the third forum held in 1994, a pairing-up assistance program for Tibet was launched, under which central government departments, provincial-level regions in central and eastern regions and some centrally administered state-owned enterprises have been tasked with assisting designated areas of Tibet.

In addition, in the past 20 years, seven groups of a total 4,496 officials and 1,466 professionals have been sent to work in Tibet.

At the sixth such forum on August 24-25, it was decided that the pairing-up assistance program will remain in effect. ■

Copyedited by Kylee McIntyre
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COVER STORY

MEDICINE FROM THE PLATEAU

The market for traditional Tibetan medicine is flourishing **By Yuan Yuan**

Born into a family of traditional Tibetan doctors in 1966, Puqung first began to serve as a doctor in his village in Baxoi County, southwest China's Tibet Autonomous Region, at the tender age of 15. Two years earlier, Puqung had commenced his study by memorizing the *Four Volumes of Medicine (FVM)*, regarded as the most systematic and complete book on Tibetan medicine.

By 24, he had become a chief doctor at Qamdo Tibetan Medicine Hospital in east Tibet, a position he holds to this day.

Every day, Puqung treats about 80 patients. "Some even come to my home on weekends for treatment," he said. He often uses a bamboo stick to stir patients' urine samples—a diagnostic method unique to Tibetan medicine.

"There are more than 300 fixed prescriptions in Tibetan medicine and they need to be adjusted according to different patients' conditions," said Puqung.

A long history

With a history stretching back more than 2,300 years, Tibetan medicine is one of China's most storied and influential medical disciplines. In 2006, it was awarded the status of national intangible cultural heritage. Last year, China filed an application to have Tibetan medicine inscribed upon the UNESCO's intangible heritage list, giving it a nudge toward gaining global acknowledgement.

Consisting of 156 chapters, the *FVM* was first published in 1546. "In the past, one was required to recite the whole volume from memory if he wished to be accepted by a master as an apprentice," said Renwang Cering, Vice President of Beijing Tibetan Medicine Hospital.

Born in 1962 in Lhoka Prefecture, Tibet, Renwang Cering studied Tibetan medicine for 15 years before becoming a doctor at Tibetan Medicine Hospital in Lhasa in 1995. Later, he was transferred to Beijing Tibetan Medicine Hospital, founded in 1992.

"In the 1990s, only a select few people would come and visit Tibetan medicine doctors, now we see many more patients coming in for treatment," he said.

But Renwang Cering also admitted that many patients who come for Tibetan medicine are transferred from other hospitals. "Some are diagnosed with terminal diseases and see no hope with Western medical treatment," he said. "They bet on the possibility that Tibetan medicine might have some mysterious power and wish for it to create a miracle."

For many, the geographic specificity of Tibetan medicine makes the possibility that it might be able to help their condition quite remote. "I think Tibetan medicine is more suitable for people living in Tibet as the altitude is quite high and oxygen is so scarce," said a 35-year-old Beijing resident surnamed Xie. "I wonder whether or not the herbs

grown in that climate and environment can be used effectively on patients in other places."

Yanggar, a Tibetan medicine doctor who is studying at Harvard University, also on occasion finds himself at a bit of a loss as to how exactly to employ Tibetan medicine in places outside of the region.

Yanggar once used Tibetan herbs on an American patient, who went on to show symptoms of an allergy after two days. "These are very common and widely used herbs in Tibet and I never encountered anybody who was allergic to them," Yanggar said. "I couldn't figure out the reasons for the allergy and I have not dared to treat patients since then."

"Quality evaluation in Tibetan medicine lags far behind other disciplines," said Nie Lijuan, a professor at the School of Medicine at Tibet University in Lhasa. Recently, medical experts in Tibet announced a quality evaluation standard for *Mirabilis himalaica*, an endangered herb used in Tibetan medicine to promote urination and treat many kidney-related diseases. The herb grows only at a range between 700 and 3,300 meters above sea level.

"They are endangered owing to the very specific conditions needed for their growth but are widely used in clinical practice," Nie said. "During research, we established an evaluation method by combining both component measurement and the analysis of infrared spectroscopy. It is the first quality control standard

A Tibetan medicine doctor measures the pulse of a patient in a hospital in Nyingchi, Tibet Autonomous Region



for rare Tibetan medicinal herbs.”

Exporting Tibet

Official statistics show there are now more than 30 Tibetan medical institutions, 1,364 beds and 1,901 permanent Tibetan medicine doctors in Tibet.

In 2008, the Agriculture and Animal Husbandry College was established in Tibet University. Between 50-60 different kinds of medicinal herbs have been cultivated at the college for large-scale production so as to guarantee future supply.

In 2012, the Institute of Tibetan Medicine in Tibet launched a marketing course for Tibetan medicine and enrolled many students of Han ethnicity. “We have more than 30 students in this class and aim to cultivate more professionals to promote Tibetan medicine in more places across China and

the world,” said Nyima Cering, head of the institute.

Tibetan medicine now has become one of the major pillars of the region’s economy.

Another Nyima Cering, a farmer who grows medicinal herbs in Quxu County, has seen a boom in his business.

“Every year, I can earn an average income of about 350,000 yuan (\$54,950) from cultivating Tibetan medicinal herbs,” he said.

Cheezheng Group, a leading Tibetan medicine manufacturer based in Gansu Province, which lies adjacent to Tibet, has a broader goal. Established in 1993, its medicines are sold in 36 countries and regions dispersed across North America, Southeast Asia and Europe.

Now it is planning to cooperate with Walmart Pharmacy to expand its market share in the United States.

“This is part of the company’s global

market expansion program, said Lei Jufang, Board Chairman of the group. “To cooperate with Walmart Pharmacy, we have had our products approved under the National Drug Code standards so we can sell them in the U.S. market.”

Cheezheng is applying for certification under the Good Manufacturing Practice Regulation overseen by the Australian Therapeutic Goods Administration. In addition, it has already signed a cooperative agreement with Hong Kong Watson’s Chemist Group to sell its products in Watson’s personal care stores in Hong Kong.

“One of our targets is the mainstream medicine market, rather than the traditional stalls on the streets,” said Lei. ■

Copyedited by Eric Daly
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COVER STORY

UNITED WE STAND

On the roof of the world reside Tibetans and people of 40 other ethnic groups. Together, they have promoted the social and economic development of southwest China's Tibet Autonomous Region.

At the Sixth Forum on Work of Tibet in Beijing on August 24-25, President Xi Jinping stressed the importance of strengthening the solidarity of people of all ethnic groups in Tibet and promoting understanding, help, appreciation and learning between them.



Zhang Jiming (left), a vegetable farmer from Jinan in east China's Shandong Province, explains planting tips to Tibetan men in Bainang County



A mixed family of Han and Tibetan people toast one another with drinks to the camera in their new low-rent apartment in Lhasa on February 18



Li Jing, Vice President of No.2 People's Hospital of Tibet Autonomous Region, checks a Tibetan girl in a hospital in suburban Lhasa on April 10. Li has been relocated to Lhasa from Beijing as part of a pairing-up assistance program



County Mayor Wang Kun consoles a local woman in Chentang Village, Tingri County, on May 2 after an earthquake struck the region



Residents of various ethnic groups living in Lhasa's Chengguan District celebrate the Chinese and Tibetan New Year, which fell on September 19 this year, by making dumplings



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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.

Navigating Growth Prospects

Structural reform, innovation and international production capacity cooperation become China's new economic engines **By Deng Yaqing**

Seven years after the outbreak of the global financial crisis in 2008, the global economy is not yet quite out of the woods and, overall, recovery remains sluggish and not sufficiently robust. As the second largest economy in the world, China has also bidden a farewell to seemingly miraculous runaway economic expansion and seen its growth pace level off at 7 percent in the first half of this year, arousing extensive concerns over its long-term economic outlook.

"Given the global slowdown, the 7-percent growth China achieved was no easy accomplishment," said Chinese Premier Li Keqiang at the opening ceremony of the World Economic Forum's Annual Meeting of the New Champions 2015, or the Ninth

Summer Davos, which ran from September 9 to 11, who also noted that for a \$10-trillion economy, such a growth actually generates more increase in volume than did double-digit growth in the past. Meanwhile, the ongoing structural reform has already yielded encouraging results—the services industry now accounts for half of China's GDP, consumption contributes 60 percent to total growth, growth in hi-tech industries is notably higher than the entire industrial sector and new economic growth points are rapidly taking shape.

Zhu Min, Deputy Managing Director of the International Monetary Fund, believes GDP growth is not the point, and that the major challenge China now confronts is accomplishing

structural transformation. He stated that over the next few years, old economic growth models will be supplanted by new ones, which will be more innovative, technology-intensive and sustainable in nature.

Over the past decade, China's economy has been predominantly driven by investment, especially in infrastructure construction and real estate, leading to the piling up of debts. Now the nation is shifting its economic focus to consumption and the services industry, said Rich Lesser, Global CEO of Boston Consulting Group, who believes the process will be fraught with uncertainties and no end of fluctuations.

As it stands, China's steady growth, which has been generated by a more pragmatic





Chinese Premier Li Keqiang gives a speech at the opening ceremony of the Summer Davos forum in Dalian on September 10

economic structure, has already substantially benefited its people. In the first half of this year, a total of 7.18 million new urban jobs were created, meaning 72 percent of China's annual target has already been met ahead of schedule; the unemployment rate in big cities was in and around 5.1 percent; per-capita disposable income grew faster than the economy, with the income of rural residents growing even faster than that of urban residents; price levels have been kept fundamentally stable; and total retail sales increased by more than 10 percent.

Moreover, China contributed about 30 percent to global growth. With commodities prices dropping markedly in the global market, the growth of China's foreign trade

volume is slowing, while the actual amount of commodities China imports has continued to rise.

As emerging industries grow at a remarkable pace, traditional industries are decelerating. To ensure employment is not affected and the economy grows at an optimum level, it has become apparent that the Chinese Government needs to lower borrowing costs, to encourage local governments to complete protracted projects and to fully realize corporate reform.

China now has seen the leverage ratios of its enterprises, economy and government debt climbing, though they remain relatively low compared with other nations. "In the process of deleveraging, adjustments will be

made in financial policies, which is necessary amidst a slowdown," said Wang Hongzhang, Chairman of China Construction Bank, who argued only healthy and strong financial institutions will survive these adjustments, and they will better serve the real economy and compete on the global arena in a more reliable way.

If the developed world fails to resume its former pace of growth, China will continue to find that exports turn turtle to shore up the economy and will thus focus instead on bolstering domestic consumption. "As a middle-income country, China still has huge potential on this front. Beyond that, the nation can also feed off infrastructure construction, environmental protection, ►►



An engineer inspects valves in a coal-fired power plant constructed by China Huadian Engineering Co. Ltd. in Bali, Indonesia

urbanization and so on," said Justin Yifu Lin, a professor from National School of Development of Peking University and former chief economist and senior vice president of the World Bank.

Lin believes that China will maintain a 7-percent-or-so growth over the next five to 10 years, and therefore, will continue to contribute one fourth or one third to global growth.

Comparative advantages

In his speech, Premier Li noted that as countries at different stages of development possess their respective strengths, global cooperation on production can match supply with demand effectively, and generate greater demand through innovation on the supply side.

Getting down to specifics, developed countries have advanced key technologies and equipment, but the demand for their products is limited owing to high prices. Conversely, developing countries may en-

joy abundant natural resources and low labor costs, yet most of their industries and products inhabit the low end. From this perspective China is aptly placed in the middle with its capacity for manufacturing good-quality and affordable mid-range equipment, its strong engineering and service capabilities, and the cushion of large foreign exchange reserves.

"China's role could be that of a bridge that links the parties together," said Premier Li, noting that the three parties concerned should pool their comparative strengths, and provide quality equipment and products at relatively low prices to bring down construction costs and better meet the needs of different countries.

To promote such an approach of global cooperation, these countries need to establish certain intergovernmental or inter-business cooperation mechanisms, formulate a framework plan to make clear cooperative scope, lay down a project list and make financing arrangements, said Xu

Silk Road.

Wu Xinbo, Vice Dean of the Institute of International Issues of Fudan University, suggested the Belt and Road Initiative is primarily designed to help the countries in order to improve their infrastructure construction and create more trade and investment opportunities, which will in turn boost external demand for China.

Taking stock

The impact of the drastic plunge in China's stock market prices was so great that its reverberations were felt even throughout the global financial market. Zhang suggested that China's stock market at its present stage still needs improvement, arguing that authorities should assist its transformation and learn from its global equivalents.

Li Daokui, a professor at Tsinghua University, proposed as distinct from the scenario in developed countries, China's stock market is barely linked to the real economy. This means that even when the

Highlights of Premier Li's Speech



real economy is sound and propitious, the outlook for the stock market may appear bleak and gloomy.

In fact, the largest impact brought by the turbulent Chinese stock market is psychological in nature, said Wang, who also pointed out that positive results have arisen from the People's Bank of China's injection of more liquidity into the market and its suspension of initial public offerings.

Overseas-based experts were quick to dispel notions of the market slump having long-term repercussions for the broader Chinese economy. Helen Zhu, head of China equities at global asset manager BlackRock in Hong Kong, said that in a market that is roughly 80-percent retail-based, volatility is simply a given. Former U.S. Federal Reserve board member and University of Chicago professor Randall Kroszner emphasized focusing on the fundamentals and advised against being overly swayed by the condition of the stock market. As he put it, "Sometimes, volatility is just noise."

Wang observed that current signs are anything but bleak, pointing out that from July 9 to August 10, China's stock market rose 400 points, which, to some extent, has bolstered market confidence and exerted a positive influence on the global economy.

All in all, the future looks bright for the Chinese economy. The next steps for the Central Government will be easing restrictions on the access of private capital to the financial sector, and developing private banks, financial guarantees and financial leasing so as to better support the real economy. ■

(Eric Daly also contributed to the story)

Copyedited by Eric Daly
Comments to dengyaqing@bjreview.com

“We are talking about a \$10-trillion economy, for which 7-percent growth actually generates a greater increase in volume than did double-digit growth in the past.”

“In the first half of this year, China contributed about 30 percent to global growth.”

“China is not a source of risks for the world economy but a real source of strength for global economic growth.”

“I’m not making an empty promise when I say that the Chinese economy is not heading toward a ‘hard landing’.”

“We will continue to keep the yuan basically stable at an adaptive and equilibrium level, and gradually make it convertible under the capital account.”

“We will make sure that no regional or systemic financial risk will be incurred.”

“China will open still wider to the rest of the world. There will be no change in China’s overall policy on foreign direct investment.”

“Global cooperation on production capacity presents enormous business opportunities for companies worldwide.”

Tackling an Identity Crisis

To penetrate global markets, Chinese enterprises may first have to ask themselves a question: “Who am I?”

By Eric Daly

In contrast to panel discussions held elsewhere in the Dalian International Conference Center on September 10, the mood surrounding the event “The Global Rise of China’s Entrepreneurs” held in the building’s studio was decidedly more festive.

Instead of a single moderator addressing questions to guests in a solemn fashion, this gathering featured two photogenic TV reporters—one male and one female—who flitted from guest to guest, poking gentle fun at each in turn, asking questions, and soliciting reactions to answers from their fellow panelists.

The atmosphere was more akin to that of a televised Spring Festival gala versus the more academic tone of other talks at the three-day World Economic Forum’s Annual Meeting of the New Champions, held in Dalian, northeast China’s Liaoning Province, from September 9-11.

Seated center among the five guests was Margery Kraus, the head honcho of international PR company APCO Worldwide, founded in 1984. Belying her softly spoken demeanor was a razor-sharp business intellect capable of cutting incisively to the heart of the matter. Unlike many other PR agencies, which deal primarily with corporate matters, APCO also tackles political affairs and crises in addition to helping companies enter new markets. Having set up shop in Beijing in 1989, among her clients is a Chinese basketball player by the name of Yao Ming, for whom Kraus’ efforts proved instrumental in securing a place in the NBA.

Asked what was the most pressing challenge for Chinese enterprises going global, Kraus’ answer was unequivocal: branding. Although she noted that many in the West were “glad to see the rise of Chinese entrepreneurship” as it brings stability, she also observed that Chinese companies focus on ROI (return on investment) to the detriment of ROR (return on reputation), or what she terms “reputational equity.”

She added that what works in China is not necessarily generalizable overseas; for example, putting the word “China” in your company’s name. She said it is important for Chinese enterprises to “think about their face as they go abroad in order to avoid some of the problems and create some of the greater opportunities,” and “build trust and respect; otherwise you won’t grow.”

Strong advice indeed. When asked by one moderator which Chinese companies have successfully built their brand abroad, Kraus referred to a survey her company conducted asking respondents in the United States to name U.S.-listed Chinese companies. Distressingly, 97 percent of those surveyed did not know even one, despite the fact that a dozen or so such enterprises are in the United States’ top 50 companies. She said this was a shame as “some of these companies are doing great things.”

Views from the trenches

So did Kraus’ views mirror those of her fellow panel members? Liu Changle, Chairman and



CEO of Hong Kong-based Phoenix Satellite Television, returned from Milan to attend Expo 2015, an international event focused on agroeconomics. He was impressed by the long lines of visitors at the Chinese pavilion, the majority of whom were not Chinese. He saw this as a good barometer of growing foreign interest in his country. In the British pavilion, he noticed that Chinese was the sole Asian language translated on signs and promotional materials, indicating interest in the opposite direction.

For Chen Feng, Chairman of Hainan Airlines Co. Ltd. (HNA), branding is a question of time. His company is China’s largest privately owned air transport company and one of only seven Asian airlines with a five-star rating from UK-based flight consultancy Skytrax.

Making a point later echoed by Kraus, he insinuated that authenticity was an integral part of his airline’s appeal, stating that while the flight attendants of competitor American Airlines wear “professional smiles,” his (comparatively younger) flight staff “smile sincerely from the heart.”

Though Chen expressed confidence in the ability of Chinese companies to create enduring brands, he also said it was a process that cannot be rushed. He admitted Chinese enterprises need to learn from their mistakes and their Western fellows but also provided a caveat: “As we learn from our Western teachers,

Champions 2015 September 中国·大连



Entrepreneurs receive the Global Growth Companies for 2015 award from the World Economic Forum in Dalian on September 10

our teachers get in trouble,” he said, reflecting the recognition of Chinese companies post-2008 that many of the businesses they once emulated turned out to have feet of clay.

Panelist Xiang Bing maintained that while Chinese companies in the past were global in a passive sense, now they need to become actively so. Xiang is dean of the Beijing-based Cheung Kong Graduate School of Business, an institution which boasts Jack Ma and Sinopec chair Fu Chengyu among its alumni. He feels Chinese companies fall short of overseas counterparts, such as Japan, South Korea and the United States, in management, especially in the area of human resources.

While he praised the fact that China’s outbound investment last year surpassed its incoming equivalent, making the country a net creditor, Xiang feels that China’s neighbor India has pulled ahead in producing companies with “a global vision.”

“While being confident, we need to be very humble,” he said. Xiang also emphasized that companies need to think of themselves as global entities first and Chinese second.

One company that espouses a similar philosophy is Neusoft, the brainchild of Li Huatian and Liu Jiren, professors at Northeastern University in Shenyang, the provincial capital of Liaoning. (The company’s name is an abbreviated form of Northeastern University

both within and between companies.

In addition to suggesting more people-to-people relations between international enterprises, Liu stated that global Chinese companies, both public and private, should be aware of their status as business ambassadors.

Likening his country’s enterprises to its tourists, Liu said that one bad experience with a Chinese business may lead others to generalize—fairly or unfairly—to its national peers.

Value judgments

One of the chief points Kraus made was the importance of a corporate culture based on something apart from the desire to make money. As Xiang (rather poetically) put it, “We need to have different dreams.”

Again citing the findings of one of her company’s studies, Kraus claimed that what sets global leaders apart from their run-of-the-mill brethren can be summarized as four qualities, all beginning with the letter “a”: alignment, the extent to which a company’s staff share a common goal; authenticity, how well a company abides by its stated values; attachment, the emotional connection between brand and market; and advocacy, the company’s *raison d’être* aside from financial considerations.

Xiang reckons that the business leaders of

Software.)

Having started as a research laboratory, today it is the largest provider of IT solutions operating in China. Since 1991, the company has amassed a staff now composed largely of foreign workers, and like Kraus, Chairman Liu believes that trust is paramount

tomorrow may be most effectively steeped in such values during their formative years.

At one point during the event’s Q&A session, a man identifying himself as an entrepreneur lamented the lack of business know-how among young people, a characteristic that becomes glaringly obvious, the man claimed, when they try to start businesses.

This led Xiang to discuss the three generations of business schools in China. The first, he said, merely relay learning gleaned from Western institutes. The second generation, of which Xiang counts his own academy a member, attempts to generate their own base of knowledge. The next generation, he predicts, will furnish young Chinese business people with the skills, practical knowledge and, perhaps most importantly, values necessary to take on the world.

To do this, Xiang suggested incorporating elements of humanities education to produce more well-rounded graduates. Kraus was similarly chipper about Chinese prospects, predicting that over the next decade, Chinese enterprises will undergo changes rendering them unrecognizable from their present-day incarnations.

In addition to knowing what you’re about, it’s also important to know what others are about. Liu said that he earned the trust and loyalty of his foreign employees by remaining sensitive to their culturally specific needs and expectations; for instance, he granted them longer holidays at a time when relatively few Chinese employers did so.

Xiang echoed this sentiment when he recalled how taken aback he was upon visiting Hertz in Greece last month. There he encountered the tradition of taking a siesta, whereby businesses close for two hours in the afternoon, a peak retail time in non-Mediterranean countries. He maintained that it is very important to try and understand such customs and their inherent value, unfathomable though they may at first be. ■

Copiedited by Jordyn Dahl
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The Chaos in Yemen

Will the Saudi-led multinational forces put an end to the Yemeni conflict? By Ma Xiaolin



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

Six Arabic countries, including Egypt, Jordan, Morocco, Sudan, Qatar and Kuwait, agreed on September 6 to join ground forces led by Saudi Arabia to try and defeat the Houthi militias in Yemen. With more multinational troops participating in ground battles to retake the Yemeni capital Sanaa, the situation in the war-torn country is expected to undergo decisive changes.

A critical country

The war against the allegedly Iranian-backed Houthi militias began about six months ago after Yemeni President Abd Rabbuh Mansur Hadi fled to Saudi Arabia on March 25. Saudi Arabia, the strongest Sunni state in the Middle East, has been trying to restore power for President Hadi. Saudi Arabia needs Yemen under Hadi's rule to keep the Gulf a Sunni-dominated region. More importantly, Yemen is a key U.S. ally in the fight against al-Qaeda in the region.

The Yemeni domestic policy has been opposed by Houthi militias, a Zaidi group in north Yemen that is seeking greater autonomy for its home province. Hussein Badreddin al-Houthi, founder of the Houthi militias, criticized then-Yemeni President Ali Abdullah Saleh for allying with the United States in the 2003 Iraq War.

In 2004, al-Houthi started the Houthi in-

surgency in its stronghold in north Yemen and advocated establishing an Iran-like theocratic regime in the country. He was reportedly killed by Yemeni government forces later that year. Now the group is reportedly led by his brother Abdul-Malik al-Houthi.

Since last year, Houthis have taken over the government in Sanaa and gained control of a significant part of Yemen's territory.

As the war has escalated, the Saudi-led coalition forces have expanded their military interventions from an airstrike campaign to a ground operation in an attempt to recover exiled Yemeni President Hadi's control in the country.

Despite 10 countries fighting in the coalition, most governments have only offered symbolic support. Egypt, which has the strongest military force in the coalition, is half-heartedly fighting as it is only returning a favor to Saudi Arabia. The latter gave Egypt billions of dollars of aid after Egypt's former president Mohamed Morsi was ousted. In the meantime, Pakistan's intervention plan was aborted due to stiff domestic opposition.

The air campaign has yet to strike a heavy blow to the Houthis because of lack of experience and accurate intelligence. In fact, civilian

targets were often bombed in the airstrikes, triggering criticism of the joint military intervention. In retaliation, the Houthis launched cross-border missile attacks on Saudi targets.

Root of the chaos

The Saudi Government is fully aware that war is not the only option in solving the Yemeni crisis. Thus, it hasn't closed the door to negotiation. In the last couple of months, delegates from all parties, including the Houthi militias and the Yemeni and Saudi governments, have held talks in Geneva mediated by the United Nations. But the negotiation proved unfruitful because of the wide political differences between the parties. The Saudi and Yemeni governments allege the Houthi rebellion was incited by Iran. The real reason is far more complicated. The uprising in Yemen, in my opinion, is a result of the opposition parties' long-term discontent with the country's political power structure.

The chaos in Yemen started in 2004 during the reign of former Yemeni President Ali Abdullah Saleh. As part of the Arab Spring movement, the Houthis participated in the 2011 Yemeni Revolution. However, the group

The chaos in Yemen is filled with conflicts, including those between Hadi's government and the Houthi rebels, Sunnis and Shiites, the Saudi-led Gulf coalition and Iran, and more than 200 tribes and al-Qaeda



A local resident on September 9 searches a building destroyed in an air raid by the Saudi-led coalition in Yemen's capital Sanaa

rejected the November 2011 Gulf Cooperation Council deal that would transfer power from Saleh to his vice president on the grounds that it divided Yemen into poor and wealthy regions. In fact, it wasn't just the Houthis who participated in the uprising. Other political groups and tribes also took part in the revolution, including al-Qaeda's Yemen affiliate. The groups tried to use the revolution to grow their forces.

In the months following the revolution, President Saleh was unable to control the domestic situation and compromised in November of 2011 by agreeing to hand over power in an early presidential election. On February 27, Saleh stepped down as president, a title he had held since 1978. His vice president Hadi won the election.

However, the newly elected president was unable to mend the country's political divisions. The government and Houthi militias reached a temporary consensus and established a federal system, but the deal was soon broken.

Without a common ground for reconcili-

ation, military intervention is unlikely to end the confused fighting in Yemen.

The war's prospects

Because of the airstrikes' limited success, Saudi Arabia and the United Arab Emirates dispatched ground troops in August to aid Yemeni government forces. The Saudi-led coalition is equipped with more advanced battle tanks and fighter jets than the Houthis. Yemeni President Hadi expects to defeat the Houthi rebels and retake the capital Sanaa with the help of his Gulf allies. This intervention could at least force the Houthi militias back into reconciliation talks.

But some analysts are not optimistic that the war will end soon. The political and social situation in Yemen is very complicated. First, the ground fight will lead to larger casualties, including soldiers and civilians. If the coalition forces suffer heavy losses during the street battles, the Gulf States will need to address stronger anti-war sentiments at home, which might lead to a withdrawal of their respective troops in Yemen. A prolonged war is not

what the coalition would have hoped for.

Second, even if Houthi militias are forced to retreat back to their northern stronghold, other political factions are unlikely to completely follow Hadi's government. Yemen's future is even more uncertain if the coalition intends to prop up other proxies to replace Hadi.

The chaos in Yemen is filled with conflicts, including those between Hadi's government and the Houthi rebels, Sunnis and Shiites, the Saudi-led Gulf coalition and Iran, and more than 200 tribes and al-Qaeda. Yemen has been pushed to the brink of collapse.

Under such circumstances, the prospect of a successful Saudi-led military intervention is not likely in the near future. Outside intervention will not bring a fundamental solution to Yemen. Peace in Yemen can only be realized through negotiation based on the interests of all parties in Yemen. But unfortunately, the warring factions are obsessed with the allure of the gun. ■

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For a Cleaner and Sustainable Future

China-U.S. cooperation on clean energy and environmental protection inaugurates a concerted model for addressing global climate change **By Tang Xinhua**



The author is an assistant researcher at the China Institutes of Contemporary International Relations

LP Amina is a North Carolina-based environmental engineering firm that provides proprietary solutions for emission reductions in coal- and gas-fired power plants. It developed a technology that prevents larger coal-dust particles from entering boilers, and so reduces the discharge of nitrogen oxides by 15 percent, thereby significantly mitigating pollution from coal-fired power plants, while also increasing employment in the manufacturing industry. The China-U.S. Clean Energy Research Center (CERC) was founded in 2011. After LP Amina participated in this initiative, a coal-dust separator featuring this technology was installed at Fengtai Power Plant in China's Anhui Province. The positive results that accrued thereafter soon induced the Chinese market to embrace this product, and LP Amina has since established a solid foothold in the country. CERC has also aided other transnational companies in finding success in the Chinese market.

As CERC's first five-year term (2011-15) nears its end, it has reaped a bounty of fruits from Sino-U.S. cooperation in research and development in terms of the production of clean

coal, clean-energy motor vehicles and energy-efficient construction. In November 2014, Chinese President Xi Jinping and U.S. President Barack Obama jointly announced their support for a second term of CERC cooperation, agreeing to invest no less than \$2 billion from 2016 to 2020 to core development via resorting to a governmental and enterprise investment vehicle, and to add "energy and water" as new fields of cooperation.

CERC is one success story in the two countries' collaboration on clean energy and environmental protection. Leaders of both countries see climate change as a strategic issue in bilateral ties, and have set in motion extensive and intensive cooperation in this regard. A complete system encompassing frameworks, mechanisms and actions is now taking shape in their cooperation on climate and environmental issues.

Framework and mechanisms

Sino-U.S. collaboration on clean energy and environmental protection is operating under an authoritative and flexible framework and mechanisms.

In 2013, the China-U.S. Climate Change Working Group (CCWG) came into being to enhance policy dialogue and facilitate practical cooperative actions. The two nations reached agreement that year on implementation plans for the five initiatives launched under the CCWG, including emission reductions from

heavy-duty motor vehicles, smart grids, carbon capture, utilization and sequestration, collection and management of greenhouse gas data, and energy efficiency in buildings and industry.

Last year saw the launch of three more initiatives: climate change and forestry, climate-smart/low-carbon cities, and industrial boiler efficiency and fuel conversion. The two sides reaffirmed the agreement reached by Xi and Obama in 2013 on hydrofluorocarbons (HFCs), pledging to take national action and promote bilateral cooperation to achieve meaningful progress in phasing out HFCs. They also agreed to collaborate through enhanced policy dialogue, including information sharing, for their respective post-2020 plans to limit greenhouse gas emissions. CCWG's priority in 2015 is the global climate change talks in Paris. It plans to organize bilateral and international conferences to better the chances of clinching a deal.

During the 2008 China-U.S. Strategic Economic Dialogue (S&ED), the two countries signed the Ten-Year Framework (TYF) for Cooperation on Energy and Environment, which mobilizes different government agencies on both sides. The focuses of cooperation under this framework include electricity, water, air, transportation, wetlands, nature reserves and protected areas, and energy efficiency.

The Sino-U.S. EcoPartnerships is a platform under the TYF for the development of specific paired relationships between the two coun-



An American employee works on a solar panel assembly line in the Chinese-funded Wanxiang America Corp. in Chicago on June 8

tries' relevant local governments and agencies. This scheme encourages various local governments, enterprises, academic circles, institutes, administrative organs and training institutes, as well as other organizations, to voluntarily forge cooperative eco-partnerships. At the seventh S&ED in Washington, D.C. in June this year, the China-U.S. joint secretariat announced six new eco-partnerships in a signing ceremony.

Significance

Climate change presents a grim challenge to humankind in the 21st century, and is manifested in the increasing frequency of extreme weather events such as droughts, floods and cyclones. Coping with this challenge will require concerted efforts and worldwide action. As the world's largest developing and developed countries, it behooves China and the United States to join hands in this mission in order to inspire more forceful global action. They set a good example in 2014 by issuing a joint communiqué on climate change that lent support to the Lima conference.

The Paris conference convening this December is expected to produce a new universal agreement on climate change for post-2020. Its outcome will determine whether humankind will reach the goal of limiting global warming to no more than 2 degrees Celsius—a failure here would unleash catastrophic consequences on the planet, and complicate the transition to green, sustainable development in the course of industrialization. It is also critical to constructing a model of global governance through the broadest ever collective consultation.

From this perspective, China and the United States, as representatives of the developing and developed world respectively, must bolster their communication and coordination to seek balanced, proportional results at the Paris conference.

The currently flagging global economy is primarily attributable to an aging population, growing rich-poor gap, and regional economic bubbles, all leading to a lack of effective demand in the real economy. Measures to ameliorate climate change can however generate this much-needed creative demand. Green growth in the United States has proven a boon for its economy, bestowing yet another competitive edge on it in the age of innovation. In China, the pressing problems of a slowing economy, severe pollution, and the urgent need for industrial upgrade and innovation all translate into a huge demand for green industries. Business opportunities abound in areas such as emission reduction, efficient construction, and the exploitation and use of clean energy, as well as remediation and protection of the eco-system. China and the United States can expand their cooperation in these areas in technology, management, marketing, financing and manufacturing; this will stimulate their domestic growth and industrial restructuring—in addition to that of the larger world—and thus usher in a new wave of industrial revolution.

The Chinese and U.S. economies both heavily depend on fossil fuels such as coal, natural gas and oil, much of it imported. This poses a threat to their respective energy security. Each drastic change in human energy use

leads to a revolution in global industry. As the cost of clean energy falls appreciably thanks to technological advancements, world energy consumption is increasingly tilting toward the low-carbon end. Countries globally are looking to solar, wind, hydropower, biomass, oceanic, and nuclear sources for more energy supplies.

Earlier this year, the Obama administration announced more than \$4 billion in private sector commitments and executive actions to increase investment in clean energy innovation. It later unveiled the Clean Power Plan, an important step in reducing carbon pollution from power plants. These initiatives offer the potential for cooperation between the United States, which boasts the world's best technologies, and China, with the world's largest market for technological applications. This will accordingly benefit both in their transition toward low-carbon development.

The new model of major country relationship between China and the United States rests on the old basis of conventional security. Vulnerable to shifts in bilateral ties and the regional as well as international environment, it is thus inherently unstable. A solution to this problem is to expand bases and areas of cooperation to increase their strategic confluences. Climate change is opening up a new front in their collaboration. Since the inauguration of the S&ED in 2009, climate change, energy conservation and environmental protection have figured more prominently in their talks, and featured in half of the achievements reached at the seventh round of the S&ED. It is evident that practical cooperation between the two countries on climate, environment and clean energy has become another pillar of the new model of bilateral relations.

Abundant scope exists for strengthened and expanded cooperation between China and the United States in clean energy and environmental protection, with a future focus on energy, the Internet and sustainable use of energy and water. With the merits of high feasibility, quick effects, tangible benefits and broad influence, this cooperation should indeed receive the attention from both sides it deserves. ■

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Investment Injection

Money from diversified sources perks up medical services **By Yu Nan**

Jeffrey Williams had not considered private treatment before he came to Beijing in the summer of 2014 and developed a respiratory tract infection. When the 39-year-old senior executive at a foreign bank went to a large public hospital, he had to wait nearly an hour as patients bustled in and out. When he finally met the doctor, the weary medico gave him only five minutes, telling him it was a common illness and quickly jotting down a prescription.

While the consultation and medicine only cost him \$15, Williams sought to ensure his peace of mind and made the decision to sign up for a better quality of medical service. Finally, Williams opted for a private medical insurance plan provided by the Bayley & Jackson Medical Center in downtown Beijing, a private hospital with headquarters in Hong Kong. The plan's premium cost him about 30,000 yuan (\$4,713) annually, which includes outpatient and inpatient services, regular check-ups and accommodation costs.

In comparison to the majority of Chinese who seek treatment in public hospitals, those who use private medical facilities see it more as a luxury service that is not time-consuming, overcrowded or impersonal.

Value

On any given day, the scene at well-known public Peking Union Medical College Hospital in Beijing is a familiar one: hundreds of people lining up in front of the registration windows from the crack of dawn. Registration fees vary between 5 yuan (\$0.76) and 14 yuan (\$2.2) depending on the treatment needed. But while traditionally most of the public hospitals in

China's big cities are government-funded, there has been a slow shift to foreign investment in this sector in recent years.

Most foreign capital making its way to China's hospital sector has until recently been directed toward high-end consumers, fed initially by the expat market. But increasingly this trend is shifting to China's own middle class. "Half of our outpatients are expats working or living in China, such as diplomats and executives of foreign-invested companies. And the other half is high-income Chinese residents. We sell by word of mouth," said Zhu Ying, President of the Beijing Bayley & Jackson Medical Center.

"I can communicate directly with the doctor in English here about my medical history," Williams said. "And the privacy is better protected."

Also, Zhu said that patients paying out of their own pockets at private hospitals have high expectations, demanding more professional and personalized services.

China's healthcare sector is estimated to be at 8 trillion yuan (\$1.26 trillion) by 2020. More and more Chinese are demanding international-standard medical services as their wallets grow, says Roberta Lipson, CEO of United Family Healthcare (UFH) and Chindex International. In 2013, Chinese patients contributed about one third of the UFH's \$87.5 million annual revenue.

In August 2014, China's health and commerce authorities issued a circular, encouraging foreign investors to set up solely foreign-invested hospitals in seven municipalities and provinces—Beijing, Tianjin, Shanghai, Jiangsu, Fujian, Guangdong and Hainan.

Analysts say that opening up the health-

care sector will boost high-end medical services. In the past decade, the government has supported the development of private hospitals by relaxing market access, land and capital requirements.

Cindy Zheng, China office manager of a company in the United States, fits the customer profile of a Chinese high-end medical provider. The 33-year-old had a bad experience with the antenatal care of her first child at a public hospital. "I had to get up as early as 6 a.m. to queue for registration," she said, complaining of overcrowding and long waits in endless queues.

After falling pregnant with her second child, Zheng sought the services at Beijing United Family Hospital. She said that the rooms were cleaner and quieter with better medical facilities, compared with public hospitals. Services offered also reduced waiting time for consultation.

For delivering a baby, public hospitals charge about 4,000 yuan (\$628) on average in Beijing. It's about 10 times that much at a UFH facility, but for Zheng, one of many of China's rising middle-class citizens, the professional service offered is worth it.

Meantime investors have seen the potential of hundreds of millions of patients and are rushing into China's booming medical business.

"Investors have a strong interest in this sector, and they are waiting for investment opportunities," said Simon Li, General Manager of Shanghai's Kantar Health, a world leading healthcare consulting firm. Li added that a growing market means there are still a lot of unmet medical needs.

Vipul Prakash, Director for Manufacturing,



Cui Yutao, a pediatrician at Beijing United Family Hospital, delivers a lecture at a training class for medical workers in Beijing on August 6

Agribusiness and Services in the Asia-Pacific at the International Finance Corp. (IFC), said that having been given freer rein, private companies and foreign investors in healthcare are optimistic about the prospects. The IFC injected about \$300 million in the sector in the recent past.

As a sign of the increasing demand for high-quality medical services, more private hospitals have opened in China. By the end of September 2014, there were 11,963 private hospitals, 11 percent more than in the same period of the previous year, according to official statistics.

In 2014, U.S.-based Warburg Pincus LLC invested \$100 million in Beijing-based AmCare Women's & Children's Hospital to help its expansion. By May 2013, AmCare had assisted in more than 10,000 births and its total revenue soared 50 percent to 300 million yuan (\$49 million). Today AmCare occupies about half of the high-end healthcare market for women and children in Beijing, which is dominated by private hospitals.

Bottlenecks

With problems such as shortages of beds and doctors and overcrowding plaguing China's medical system, private capital has become important for healthcare system reform. This year, non-public medical institutions are supposed to provide 20 percent of all hospital beds

and health services, according to the Plan on Deepening the Reform of Medical and Health System in the 12th Five-Year Plan Period (2011-15) released by the State Council, China's cabinet. Local governments are also trying to woo foreign investment.

But although investors are ready, there is a shortage of well-trained medical workers. In 2012, China had 14.6 physicians per 10,000 people compared with 38.5 in Australia, 24.2 in the United States and 17.6 in Brazil, according to the World Health Organization.

"Lack of high-caliber physicians will always be a key constraint in private hospital development," said Zhao Chun, Executive Vice President of Chinese Hospital Association's Private Hospital Management Branch.

"We're short of medical professionals as we expand," said Hu Lan, CEO of AmCare. "We hope to attract more."

Yu Ying, a former ER physician at the Peking Union Medical College Hospital, set up a clinic in partnership with AmCare. For it, the incentive was to establish a model of service in line with its concept of "happiness and respect [to treat and to cure]."

"Doctors at private clinics are not paid the highest average salary [in the sector], but each of them wants to devise different treatment modes and learn different management systems that promote greater

efficiency," Yu said. "This is the best time for private healthcare with more private capital coming in and policies being relaxed."

China needs to expand the country's basic medical insurance program to cover more procedures and at the same time, to ensure this spending can be applied toward procedures completed within a privately owned hospital, said Benjamin Shobert, Managing Director of Rubicon Strategy Group, a consulting firm specializing in market and project management work in healthcare. He added that this sort of flexibility in payment would send an important signal to the private sector and investors that China is serious about setting in motion a viable for-profit hospital sector and is willing to reimburse private operators.

Wang Hong, Chairwoman of the private Beijing Huilan Hospital, said that the government needs to provide a wider range of measures to regulate investment in the healthcare sector and ensure its healthy development.

"As the market opens up, many investors don't have the right concept. They just want quick profits," she said. "But in the health sector, that's simply not the case." ■

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Too Efficient to Fail

China plans to overhaul its state-owned enterprises By Zhou Xiaoyan



Workers assemble cars at a north China production base of BAIC Motor, a state-owned auto group

On September 13, China unveiled long-awaited details of how it would reform its state-owned enterprises (SOEs), the latest move to invigorate the country's torpid public sector by shaping a more pragmatic management system and nurturing more competitive public enterprises.

According to the guidelines released by the Central Government, China will modern-

ize SOEs, enhance state asset management, promote mixed ownership and prevent the erosion of state assets. In doing this, the government hopes to improve the competence of SOEs and turn them into fully independent market entities.

"Decisive results in key areas of SOE reform are expected by 2020, when SOEs are expected to be more robust and influential and have greater ability to prevent and control risks," read the guidelines. "The government should have nurtured a large number of state-owned backbone enterprises that are innovative and can challenge international rivals by that time."

Zhang Yi, Chairman of the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), the governing body of China's centrally administered SOEs, said that the goal of the reform is to enhance the overall efficiency of China's public sector.

Li Jin, chief researcher with the China Enterprise Research Institute, said that the guidelines have one salient theme—to realize integration between state-owned assets and the market economy.

"After the release of the document, mergers and acquisitions, and asset reorganizations among SOEs will accelerate," Li forecasted.

The first top-level design for China's SOE reform in nearly two years, the guidelines touch upon several issues facing the reform, including classification of the massive number of SOEs, diversification of shareholders in SOEs, mixed-ownership reform, a more market-based salary system and stricter supervision of public enterprises.

However, some analysts warned that since the document is instructive rather than mandatory, it will prove difficult to implement some of the policies as they will have to navigate the vested interests of involved parties.

Highlights

SOEs have played a vital role in China's economic boom over the past four decades. There are currently 110 state-owned conglomerates administered by the SASAC, while many more

SOEs are administered by local governments.

A pillar of the economy, SOEs have enjoyed a dominant position in the market with easier access to cheap loans and more favorable policies, but a common complaint is a lack of efficiency—private firms have been more satisfactory in that respect—and the fact that they simply haven't delivered as much as expected since the economic slowdown took hold.

In the first seven months of this year, the profits of SOEs declined by 2.3 percent year on year, according to data from the Ministry of Finance.

The reform of underperforming SOEs has become one of China's most pressing needs amid a battle against downward pressure.

"This reform will help to give an impetus to the economy and make growth more sustainable," said Xu Hongcai, Director of the Economic Research Department at the China Center for International Economic Exchanges, a Beijing-based think tank.

One of the most significant innovations introduced by the guidelines will be a clear classification of SOEs into two categories, commercial and public welfare, to avoid a "one-size-fits-all" management approach.

The former will be market-based and stick to commercial operations, aiming to consolidate state-owned assets and boost the economy; while the latter will provide public goods and services.

Zhou Fangsheng, Deputy Director of the China Enterprise Reform and Development Society, said that classified regulation is the premise of modern corporate governance.

"In the past, SOEs didn't have clear classification, and a less customized management approach created many problems," Zhou said. "For different types of companies, the managerial approach could be totally different. The two types of SOEs, for-profit ones and public welfare-related ones, will lay a foundation for future classified management," Zhou said.

"The two parts will have differentiated reforms, development paths, supervision, responsibilities and systems of assessment," Zhou said.

According to Zhou, the difficult part is ►►



distinguishing between China's tens of thousands of SOEs.

"In many SOEs, especially centrally administered behemoths, there exist both commercial and public welfare-related assets. Some assets are commercial entities masquerading under the guise of public service providers. Specific classification will take some time and involve interests of several different parties," Zhou said.

"After finishing the classification, the two types of SOEs should be forbidden from investing in each other's businesses," Zhou suggested.

The latest guidelines call for a greater focus on SOEs' capital returns and greater tolerance with so-called mixed ownership, or the participation of private investment in existing public companies.

State firms will be allowed to bring in various types of investors to help diversify share structure, and more state firms will be encouraged to restructure to pave the way for stock listings. Private investors will be encouraged to buy stakes in state firms, to buy SOE-issued convertible bonds or to swap shares with their public counterparts. According to the guidelines, SOEs will also be allowed to experiment with selling shares to their employees.

In addition, the document states that the government will not force mixed ownership, nor will it set a timetable, giving each firm the go-ahead only when conditions are ripe.

Zhou said that mixed ownership and employee shareholding programs will result in a diversification of shareholders and help provide a rationale underlying the corporate-level decision-making process.

"In the future, China will be more cautious toward the reform. Mixed-ownership reform is not equal to privatization but should be carried out only when it can make SOEs stronger and better," warned Zhu Zhenxin, a researcher at Minsheng Securities Co. Ltd. "From here on in, private capital will be introduced on the basis of preventing the loss of state assets and promoting the augmentation of state assets."

A change of managerial thinking toward state assets is another theme of the guidelines.

According to the document, the state-owned asset management system will shift

from managing enterprises to managing capital.

Wang Jun, another researcher at the China Center for International Economic Exchanges, said that indicates a fundamental change in the role of the SASAC.

"The SASAC used to micromanage SOEs—managing their assets, personnel and even daily operations. In the future, it will be reoriented toward dictating rules that preclude, for instance, improper intervention from the government, which will greatly boost the vitality and efficiency of business operations," Wang said.

The guidelines also require SOEs to strengthen the system that prevents boards of directors being unduly influenced by top executives, and the introduction of more flexible and market-based wage and human resource systems at state firms through the linking of pay with company performance. It is also noted that supervision over state-owned assets should be tightened during the process of SOE reform to ensure asset security.

Tough task

Xu Baoli, a researcher at the SASAC's Research Center, said that SOE reform will engender many opportunities and face many challenges, as central authorities will have to persuade entrenched interests within local governments to relinquish some control over state firms. The guidelines are directives rather than steadfast rules, he said.

Li, chief researcher with the China Enterprise Research Institute, said that SOE reform is all about redistributing interests; therefore, policy implementation may prove difficult.

"For instance, the guidelines say no shareholding limit should be set for private capital for SOEs if those companies are in a fully competitive sector. Private firms would rush in to grab a piece of the action, availing themselves of profits on a scale previously enjoyed only by SOEs. Therefore, public companies will be quite reluctant to carry out that policy," Li said.

"Now that the top-level design has been released, local governments should focus on how exactly to implement it," Li said. "SOE reform entails a different task for local governments than it does for the Central

Government. SOE reform carried out by local governments have to be tallied with other thorny issues they face—dealing with a hefty amount of debt, clearing their financing platforms and reforming their fiscal and taxation policies. Therefore, for them, SOE reform is even more pressing. Merger and acquisition, and asset reorganization are important means of accomplishing reform goals."

Zhou, Deputy Director of the China Enterprise Reform and Development Society, said that it's a pity that the guidelines do not address the much-mooted reform of dividend rights at SOEs.

According to Zhou, reform of China's Lenovo Group, the world's largest PC maker and one of the top smartphone makers, started from giving employees the right to enjoy dividends.

"Without reform of dividend rights, Lenovo wouldn't have become as strong as it is. If a SOE is in a fully competitive market, its employees should be granted the right to dividends. Having access to the value they create and letting them play a part in steering the company will greatly motivate them," Zhou suggested.

Like China, many other countries have undertaken reform of their public enterprises. However, Cao Heping, an economics professor at Peking University, said that China's SOE reform cannot merely parrot the approach of other nations.

"China's situation is much more complicated than that of any other country in the world, therefore China has no model to use as a suitable template. For instance, some people said that we should derive inspiration from Singapore's Temasek model. That would be totally unfeasible," he said.

"Singapore is only half the size of the Binhai New Area of north China's port city of Tianjin and there, one centralized state-owned asset management agency can effectively govern its state assets. While in China, the situation is totally different. Only by establishing a sound primary market and secondary market can effective capital exchange be realized to invigorate state assets." ■

SOE Reform Agenda

The government plans to achieve major reforms in key areas by 2020, when SOEs are expected to be more robust, influential and better-equipped to manage risk. The government will nurture a group of SOEs that are creative and internationally viable by that time.

Major Objectives

By 2020, China will have:

- Basically finished corporate reform at SOEs
- Established a more mature system for supervising state-owned assets
- Realized more efficient allocation of state-owned capital

Five Major Reform Measures

1 Classifying SOEs as either commercial or for public welfare

- Commercial SOEs should be market-based, stick to commercial operations and aim to increase state-owned assets and boost the economy. Non-state capital will be actively introduced into commercial SOEs. Commercial SOEs could be state holding companies or joint stock companies. They will be encouraged to get listed as a whole.
- Public welfare SOEs exist to improve the quality of people's life and provide public goods and services. Assessment on public service SOEs will be based on their cost control ability, the quality of their products and services, operation efficiency and support capacity.



2 Steps to improve the modern corporate systems

- Adopting corporate systems and conducting shareholding reforms
- Improving corporate governance structures
- Setting up and improving a classified and multi-tiered system for managing SOE executives
- Implementing a remuneration distribution system
- Strengthening reform of SOEs' internal personnel systems



3 Steps to improve the state-owned asset management systems

- Shifting the focus from managing enterprises to managing capital
- Increasing the percentage of profits that SOEs are obliged to hand in to public finance to 30 percent by 2020
- Earmarking part of state-owned capital to finance China's social security fund



4 Steps to develop a mixed-ownership economy

- Introducing non-state capital in SOE reform, especially in sectors such as petroleum, natural gas, electricity, railway, telecommunication, resource development and public utilities
- Encouraging state-owned capital to buy shares at non-state companies, especially in areas such as public service, hi-tech, ecological and environmental protection and strategic industries
- Exploring ways to implement employee stock ownership plans



5 Steps to prevent the loss of state assets by strengthening supervision

- Strengthening SOEs' internal supervision
- Establishing and improving an efficient and coordinated external supervision system
- Publicizing information to reinforce social supervision
- Implementing a strict accountability system



(Source: State-owned Assets Supervision and Administration Commission)

OPINION

How to Avoid Another Depreciation 'Accident'

Within two days of trading after China's central bank announced on August 11 that it would improve the yuan's central parity system, the yuan fell by more than 3 percent against the U.S. dollar. This depreciation was considered normal, especially in view of the yuan's 15-percent trade-weighted increase since 2014. However, the depreciation did cause unexpected responses in both the Chinese and international markets.

In view of China maintaining a trade surplus for a long time, the yuan has not been overvalued. It is the balance of a country's current account that influences the medium- and long-term exchange rate. The sharp fall in the Russian ruble last year and a fall in the currencies of Malaysia, Indonesia and Brazil this year were all due to a worsening trade balance.

In the medium and long term, if a country's production efficiency improves faster than its trading partners, its exports will be more competitive, laying the foundations for a trade surplus and currency appreciation. It is obvious that is the case with China.

The lack of a sound basis for the depreciation of yuan begs the question as to why the market reacted so strongly to the readjustment of the yuan's central parity rate system. Why does such a difference exist between the government's intentions and market expectations?

Since the second half of last year, China's economic growth has slowed down. After monetary and fiscal policies were implemented, the market naturally expected the government to readjust the exchange rate to ensure stable economic growth. When China's central bank announced reform of the central parity system, rumors floated around the market that the government intended to depreciate the yuan by 10 percent in order to stimulate exports.

The market focuses excessively on the exchange rate between the yuan and the U.S. dollar, while paying inadequate attention to the trade-weighted exchange rate that denotes the competitiveness of a country's products in the international market. The yuan's exchange rate against the U.S. dollar is only part of the picture. The United States is only one of China's trading

partners, and the yuan's exchange rate against U.S. dollar alone does not fully reflect the currency's real exchange rate.

According to the Bank for International Settlements (BIS), the nominal and real trade-weighted exchange rate of the yuan have both appreciated by more than 15 percent since mid-2014. It is a "passive" appreciation mainly due to the appreciation of the U.S. dollar. A 3-percent depreciation of the yuan against the U.S. dollar is therefore a normal adjustment and no cause for overreaction.

Moreover, because the stock market plummeted, and the government's stabilization measures failed to achieve the expected results, investors felt less confident in the stock and financial markets. They are changing their asset structures to hold more foreign currency assets.

The strong expectations in the market for a depreciation of the yuan run contrary to the policy intentions of the monetary authority. This round of unexpected market fluctuation can be regarded as an "accident" caused by depreciation expectations.

Although the "accident" didn't cause fatal results, it still reveals a harsh fact: Once domestic residents and companies expect depreciation of their currency, it severely affects the stability of the financial market, macroeconomy and society. To avoid such unfavorable conditions, the government must pay attention to three factors.

First, it should guide the market to better understand China's stage of economic development stage and exchange rate tools.

Pursuing a trade surplus used to be one of China's policy targets. Such a goal was reasonable and necessary in the primary stage of economic development. However, this phase has ended. China has become the world's second largest economy, and it is unlikely that high growth can be maintained merely by relying on external demand.

Since the 2008 global financial crisis, China has taken tough measures to correct external economic imbalance. The trade surplus as a percentage of the total GDP declined significantly, but the structure of China's exports has

been improved. We have no reason to believe that the government will use the exchange rate tool to support industries engaged in low value-added exports.

Second, the government could release an exchange rate index and guide the market to pay more attention to the multilateral exchange rates.

The exchange rate between the yuan and the U.S. dollar is usually used to measure the strength of the yuan. Although the BIS releases a trade-weighted exchange rate for the yuan, it is still not widely used. Moreover, the BIS only provides monthly figures, and the market has no high-frequency and real-time multilateral exchange rate figures to use. Therefore, the Chinese monetary authority could release a high-frequency exchange rate index to clarify the overall exchange rate of the yuan for the market. The monetary authority should also encourage market participants to pay more attention to the overall exchange rate level against a basket of currencies instead of just the exchange rate against the U.S. dollar.

Third, the government must improve management of the financial market and enhance public confidence.

Usually international capital flows, especially short-term capital flows, are used to observe the influence of capital account changes on the exchange rate. However, it does not apply to China because the country is much less dependent on international financial capital than most of the other emerging economies, and securities and trans-border deposits are still under control domestically. Therefore, the most significant factor affecting the yuan's exchange rate is not the flow of international capital but rather the behavior of Chinese residents and companies. Their confidence in the country's macroeconomy, financial market and even social stability will be the most important factors affecting the exchange rate. ■

This is an edited excerpt of an article published in *Securities Times*
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NUMBERS

(\$1=6.4 yuan)

6.1%

Year-on-year increase of industrial output in August, up slightly from 6 percent in July

2.48 tln yuan

China's retail sales in August, an increase of 10.8 percent year on year, up from the gains of 10.5 percent in July and 10.6 percent in June

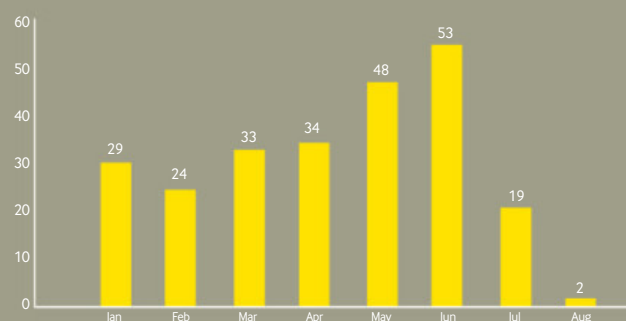
10.9%

Growth of fixed assets investment from January to August, down from the 11.2-percent rise in the first seven months

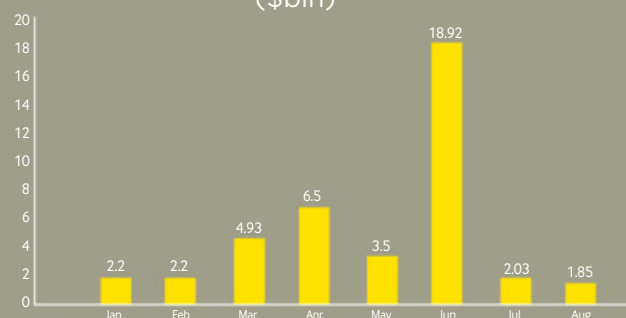
1.9%

Growth of power consumption in August, compared with a 1.3-percent decline in July and a 1.8-percent increase in June

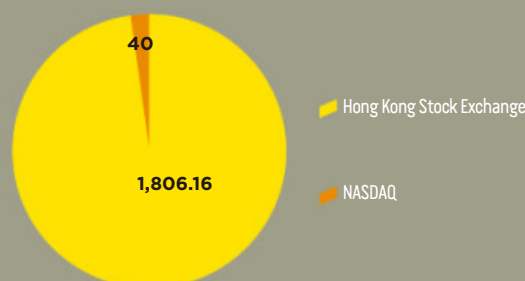
Chinese Companies' IPOs



Chinese Companies' IPOs by Value (\$bln)



Financing Amount for Chinese Companies' IPOs August (\$mln)



(Source: Zero2IPO)

967.1 bln yuan

Fiscal revenue in August, increasing 6.2 percent year on year, compared with a 12.5-percent rise in July

1.28 tln yuan

Fiscal spending in August, jumping 25.9 percent year on year, up from 24.1 percent in July

6.11 tln yuan

China's property investment from January to August, an increase of 3.5 percent over the same period of last year

30,000

Number of Chinese people that arranged tourism and business visas to the United States through Ctrip, a leading travel agency in China, from January to August, a threefold increase from last year, following the 10-year visa policy between the two countries

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Beijing's Pride

A Peking Opera master brings purity to an enthusiastic New York crowd

By Corrie Dosh



The author is deputy director of the Institute of European Studies at the Chinese Academy of Social Sciences

New Yorkers got a taste of real Peking Opera with a brief yet wondrous visit by Zhang Huoding on September 2 featuring rare performances of *Legend of the White Snake* and *The Jewelry Purse*—marking Zhang's first performances outside China.

The performances are the fourth event staged at Lincoln Center's David H. Koch Theater by the China Arts and Entertainment Group (CAEG), following performances of *The Peony Pavilion*, *Silk Road*, *The Red Dress* and *The Legend of Mulan*. CAEG is under the administration of China's Ministry of Culture and is seen as a sort of cultural outreach to promote Chinese art.

Star performer

The diminutive, unassuming Zhang is celebrated for her mastery of Cheng school opera. The school is named for its founder Cheng Yanqiu (1904-58)—a famous male opera star popular for playing female *dan* roles in the 1920s and 1930s—and Zhang's challenge is to be a female singer singing as a male playing a woman. The trick of the Cheng style is to adopt a low-pitched, subtle tone.

Zhang's fans love her for more than her dulcet tones and graceful, precise movements. She has dedicated her life to Peking Opera with a singular passion. Denied entry to

a regional training academy multiple times, Zhang began studying at the late age of 15 at a school in Tianjin. She made up for lost time with a dedication that bordered on obsession, practicing endlessly and catching the eye of Zhao Rongchen (1916-96)—Peking Opera's foremost star practicing the Cheng School.

As she mastered the art, Zhang thrilled the world of traditional opera with a special Peking Opera show she created at the Beijing People's Art Theater. Now a teacher and seasoned performer, Zhang's Lincoln Center performance featured many of her own students at the National Academy of Chinese Theater Arts.

The debut of a hometown treasure like Zhang on an American stage is a gesture of cultural goodwill ahead of a state visit by Chinese President Xi Jinping this month. State officials want to show off the best in traditional Chinese arts and culture, and performances like Zhang's cap a particularly China-centric year in New York culture, including the well-received China: Through the Looking Glass theme at the Met Gala earlier this year.

The state visit offers a chance to start a new era of Chinese-American relations, and a chance to redefine the relationship as cooperative and mutually beneficial. Cui Tiankai, Chinese Ambassador to the United States, said the two presidents would take the opportunity to conduct in-depth exchanges on major issues concerning global peace and development. U.S. President Barack Obama, apparently feeling liberalized in his last two years as president, seems open to publicly taking positions and taking action on politically sensitive topics. There is a very good chance that the talks could be a positive turning point for both sides.

"China and the United States should manage issues of difference through communication, sincerely respect and take care of each other's core interests, and make efforts to expand common ground while reducing differences to maintain the big picture of stable development of the bilateral relationship," President Xi said while meeting with U.S. National Security Advisor Susan Rice ahead of his state visit to the United States.

Real deal

Like most forms of Chinese culture that Americans are exposed to—including food, calligraphy and kungfu—Peking Opera is often altered to appeal to a Western audience. While there have been some attempts to preserve the form in its historical state, such as director Chen Shizheng's 18-hour staging of the original *The Peony Pavilion* at the 1999 Lincoln Center Festival, most classic works of Peking Opera are shortened to 90 minutes, subtitles added, martial arts scenes ramped up and props added.

Just the filming of performances represents a break with traditional Peking Opera, said David Rolston, a professor with the Department of Asian Languages and Cultures at the University of Michigan. The art form should be viewed on the stage. It's a stipulation that some of his students have trouble understanding.

As opera troupes become privatized and come under pressure to increase ticket sales, the lure of a Western tour has become attractive along with the prospect of new audiences, Rolston added. Lincoln Center is "a big deal" to opera troupes, and there is a bit of a revival in the genre going on—evidenced by Zhang's performance and the 2014 Lincoln Center



Zhang Huoding (left) performs *Legend of the White Snake* at Lincoln Center in New York City on September 1

Festival performance celebrating China's greatest opera star Mei Lanfang (1894-1961). These two performances in particular were dedicated to keeping traditional opera styling true to history, and to preserving the art form while introducing it to Western audiences.

Zhang's selections of *Legend of the White Snake* and *The Jewelry Purse* are sensible picks, Rolston said, as they are both classic stories and local favorites. Legend tells an ancient myth of a white snake in Hangzhou who takes a human husband and irks a Buddhist monk. The tale has been told many times in modern culture, including a 2011 film starring Jet Li, numerous television series and even children's books.

The Jewelry Purse follows the tale of wealthy Xue Xiangling on the way to her wedding, who selflessly gives some of her dowry to a poor bride she meets. Years later, when Xue finds herself desperate and penniless, she fortuitously meets the woman she helped in the past, who is now a wealthy woman in her own right.

Both productions are lush. No expense was spared in the making of the heavily embroidered gowns, glittering headdresses and flowing fabrics. The music is superb, orchestrated by a small and skilled group of musicians. In keeping with tradition, the stage is bare and the story is told through pantomime and storytelling.

Two lectures on Zhang's work and the history of Peking Opera were held at Lincoln Center ahead of the performances. Professor David Der-wei of Harvard University and Professor Rolston encouraged the American audience to applaud during the performance highlights.

The largely Chinese audience knew every word and every movement of their idol's performance, which played more as a nostalgic tribute for homesick Chinese expats than as an introduction to the art form. The crowd rushed the stage to take pictures of the curtain calls, demanding an encore until Zhang obliged.

Her performance was perfection, the material thoughtfully prepared, but the audience was familiar.

Zhang kept her word and stayed true to her beloved art form. Purists would demand nothing less. Perhaps it is Western listeners who need to rise to the occasion and appreciate the subtle refineries of Peking Opera. James R. Oestreich, a reviewer for *The New York Times*, asked, "Where's a good sword fight or acrobatic brawl when you need one?"

Appreciation for true Peking Opera is small but growing in America. Certainly performances by such masters as Zhang will help in spreading the popularity of the art form, but true aficionados are rare. Reviewers for mainstream U.S. papers readily admitted their unfamiliarity with the works but called Zhang's performance a "nice introduction." ■

Comments to yanwei@bjreview.com

Should Finance Courses Be Offered in Elementary Schools?

The education authorities in south China's Guangdong Province have decided to introduce finance into the curriculum in primary and middle schools in the provincial capital Guangzhou. This is the first time of its kind in the Chinese elementary education system. The finance course will cover basic financial knowledge, stock market investment and financial management.

This idea has sparked discussion among the public. Some believe it's necessary for students to get to know financial knowledge at an early stage, saying that students will learn to manage and properly use their money. Also, investment techniques in the stock market will be helpful when schoolchildren grow up. Thus, offering a finance course in primary and middle schools is an unavoidable trend. However, others argue that the elementary stage is too early a period for students to learn financial management and stock market operation. They are still financially and intellectually incapable of grasping concepts like stock market investment, stock exchanges, futures transactions, and so on.

Helpful

Lin Chunhao (www.rednet.cn): For quite a long time, finance education in China has been at a relatively low level. The majority investors have not received systematic finance education. As a result, many Chinese stock market investors, particularly individual small-time investors, know next-to-nothing about finance and totally depend on chance. The embarrassing result is that they lose much more often than win. Against this backdrop, the pilot finance education program in primary and middle schools in Guangzhou will lay a solid financial foundation for students. The course will help nurture rational financial management habits among students. In this sense, Guangdong's decision to push forward finance education is laudable.

The popularization of financial knowl-

edge will speed up innovation in the financial market. When members of the public are better equipped with financial knowledge, their demand for financial products and services will surely rise, which will prompt the financial market to develop more products. In the long run, what Guangzhou's schools do will mean a lot to the prosperity of the local financial market.

Huo Zekai (Guangzhou Daily): The faster the economy develops, the more important financial management is. Take home purchases for example. Older generations like to pay in a lump sum, as they think life is too tough under debt. They don't like the idea of paying back an amount every month—plus interest—to the bank. However, by doing so, they have neglected a very important fact: Housing prices change over time. Nowadays, housing prices in large cities have risen so high that many wage earners can't afford to buy a home. Some people regret that they did not do so earlier when apartments were still affordable. This consequence can somewhat be attributed to their lack of basic financial management knowledge.

Therefore, gaining knowledge on financial management is becoming increasingly important in modern society. It's a basic life skill rather than something you can turn a blind eye to. It is urgent that we begin educating young students on financial matters.

Chen Fang (Xinmin Evening News): When it comes to finance, people usually focus on investment and money making. Knowing how to spend one's money is also a part of it. In China, most children are not familiar with financial concepts. During the Spring Festival, for example, how to best put their "lucky money," monetary gifts given to them by adults, to use is a popular topic of discussion, implying a need to begin financially educating young students. Such an idea is not alien to Western countries. The British, for instance, require schools to educate children in financial

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management at a young age, even requiring youngsters to complete compulsory courses on the topic.

In China, college students' daily expenses have garnered discussion. Some students' excess spending is shocking. Partly, this is because they have rich families, but this is also a reflection of their poor financial nous. Nowadays, a lot of young people spend every penny of their monthly wages without depositing anything into savings. Isn't this a result of their poor capacity for financial management? Educating students on the proper use of money and giving them some financial knowledge will help them make better use of their allowance and plan for their lives when they mature.

Unnecessary

Pi Haizhou (finance.21cn.com): Primary and middle school students should be informed of basic financial knowledge, such as what money is, the function of money and how to properly use money. A correct understanding of money will help foster positive consumption concepts and habits. However, investment topics are too heavy for such young minds. Besides, they may not have an opportunity to practice. If children are sent to the bank to deposit money, their parents and bank staff may feel uneasy.

It's all right for students in middle schools to gain financial knowledge, but it's too risky for them to go to the stock market. Also, it will squeeze their already limited study time. Their study will be seriously affected if they are distracted by financial issues.

To become a rational investor, one must know how to make a basic analysis of the stock market and gain a sense of the macroeconomic situation, domestically and internationally. These are difficult topics—how can you expect middle school students to cope with the stock market? A



stock market investor must be capable of independently bearing risks, as speculation in this market is a risky practice. There is no necessity to encourage young students to get involved in this speculative activity.

Yan Nong (Yanzhao Metropolis Daily): Elementary education should be based on students' interests. It's quite doubtful that children with no stable income will show interest in making money, especially making money off of investments. Even if they become interested in this topic, is it really right to nurture the concept of making money by speculation among young students? They don't have a good enough grasp of the concept of risk.

Some people argue that a management major should not be opened at the undergraduate level, as students at the university age are not suited to study this discipline without the relevant experience or background knowledge. Most young college students struggle to manage their personal affairs, so how can they be expected to manage business affairs in enterprises? Similarly, primary and middle school students don't have stable incomes and most of them can't even formulate a decent plan for how to spend their pocket money. The arrangement of courses in primary schools must respect the rule of education, instead of remaining open to

social trends and whimsy.

Liang Jiangtao (www.jxnews.com.cn): We have to admit that offering finance courses in primary and middle schools is an idea with good underlying intentions. However, the need for financial management—unlike environmental protection and health education—is not so urgent that it must begin in primary schools.

More importantly, we should consult young students—do they desire yet another course? This is an issue of choice, not one that should be decided for them by local education authorities. Primary and middle school students already struggle under immense pressure to succeed in their studies. They also attend auxiliary classes in their spare time. We don't want to overtax these children.

However, the finance course could be made an elective, like football, piano, etc. Let students themselves decide whether to take it or not. Those who are really interested in finance and the stock market may well grow up to become the next Warren Buffett, while others may become elites in areas in which they truly show interest. Making the course an elective will satisfy all involved. ■

Copyedited by Kylee McIntyre

Cybersecurity: Dialogue Is Better Than Confrontation

By Jia Xiudong



A delegation led by Chinese President Xi Jinping's special envoy Meng Jianzhu, and comprising leaders from public security, judicial, and cyberspace industries, among others, recently visited the United States. The two sides exchanged views on issues such as mounting a joint effort to crack down on cybercrime. The Chinese side attaches great importance to cybersecurity, which is becoming an increasingly important facet of China-U.S. ties.

Compared to topics the two sides have continuously remained at odds over, such as economic and trade agreements, Taiwan, Tibet and human rights, cybersecurity is a problem that has emerged overnight and could soon become a sticking point between the two countries. The issue has of late been sensationalized in the American press, and it is even reported that the U.S. Government will impose sanctions on Chinese companies and individuals accused of hacking.

The "China cyber threat" theory is a rehash of the "China threat" theory, relocated to cyberspace. Public opinion in America casually decided the cyber-attacks came from China. America claims these cyber-attacks are supported by the Chinese Government and the Chinese military. This is not a persuasive claim. It is widely held by cybersecurity experts around the world that hacking is a global issue. Chinese authorities have repeatedly reiterated that the Chinese Government resolutely opposes and cracks down on hacking attacks in any form. Neither the Chinese Government nor the military would support such actions. However, even such an unequivocal stance seems unable to dislodge the deep-rooted suspicions held in the United States.

The U.S. side has so far failed to provide any tangible evidence proving China is involved in cyber-attacks or business espionage. On the contrary, a large amount of data exposed by Edward Snowden clearly shows the U.S. Government and some relevant departments have long been engaged in large-scale and organized cyber espionage, monitoring activities against foreign political leaders, companies and individuals, including those from China. America's surveillance activities are all-pervasive. This undoubtedly has alerted China to its own cybersecurity and

To minimize disagreements between China and the United States, cybersecurity should be used as a starting point

increased China's doubts concerning U.S. cyberspace strategy.

Both China and the United States are big players on the Internet. The United States is widely recognized as having the strongest comprehensive capabilities in cyberspace, while China is rapidly developing in terms of cyberspace and other relevant areas. Both countries are increasing their dependence on cyberspace. But the two countries share more than just a rivalry in this new area, but also wide common interests. Cooperation is required between the nations and will benefit both parties, while confrontation will prove equally hurtful. Like in conventional areas, such as economy, trade and military, this principle suits the unconventional area of cybersecurity. If the United States continues to impose cybersecurity sanctions on China, it will only trigger commensurate reactions from the Chinese side. This will seriously eat away at the strategic trust extant between the two countries, potentially even damaging their long-term interests.

Against a backdrop of increasingly fierce strategic competition, both countries have explored how to manage their differences. Their efforts have thus far proven fruitful. It is unnecessary for one to perish while the other survives in the realm of cyberspace. Both sides can bolster trust and expand cooperation. The signals given during Meng's visit to the United States were clear: In terms of cybersecurity, dialogue is better than confrontation. The Chinese side seeks dialogue and cooperation rather than opposition and confrontation.

To narrow differences and expand collaboration is the best option for China and the United States. To minimize disagreements, cybersecurity should be used as a starting point. So far, the two sides have reached consensus in many important areas. If the differences in cybersecurity are minimized while mutual trust and cooperation are gradually consolidated, an ostensibly bad situation could be turned on its head. This will mark another big step forward in terms of promoting China-U.S. relations. ■

The author is a senior international affairs researcher at the China Institute of International Studies. The article was first published in Chinese in *People's Daily Overseas Edition*.
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