

# BEIJING REVIEW

## CHINA CELEBRATES



## YEARS OF REFORM & OPENING UP

GOVERNMENT RELOCATES XIAMEN CHEMICAL PLANT

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**COVER STORY:** Who would have thought that a band of starving farmers, battling drought and poverty, would be responsible in great part for rural China as it stands today? Indeed, even as the secret pact signed by them in 1978 planted the seeds of revolution in a remote village, the Communist Party of China was creating history in Beijing by adopting the reform and opening-up policy that would shape the country's future for generations to come. A paradigm shift to a market economy and private ownership has skyrocketed the country to world number four in terms of economic volume. The standard of living of the average citizen, both urban and rural, has also escalated dramatically in the past 30 years. Deng Xiaoping, the chief architect of this movement, would be proud of how far the nation has come.

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## EDITOR'S DESK

# Years of Change

By ZHANG ZHIPING

It's well-known to people who are familiar with China that the grand boom of the country has been achieved through the revolutionary state policy of reform and opening up. This effort has helped the nation break its economic shackles and escape the grip of poverty.

Against all expectations, this initiative was triggered by a group of starving farmers from a small village in Fengyang County, east China's Anhui Province. In the deep of winter 30 years ago, 18 households of the village signed a secret contract that divided collectively owned land into family plots. The consequent household contract system later spread throughout the country.

Just at the moment when these extremely poor farmers left their fingerprints on the contract, thousands of kilometers away in the capital of Beijing, the Third Plenary Session of the 11th Central Committee of the Communist Party of China was successfully held. This session was widely hailed as a turning point in the history of the People's Republic because of the adoption of the reform and opening-up policy.

Since the shift from an economic model based on rigid central planning to a market economy was launched, Chinese society has undergone profound changes. Because of this, the Chinese economy has made great leaps forward in reform-minded optimism.

China's national strength over these years has been fundamentally enhanced. By 2006, its annual economic growth had averaged 9.67 percent, far exceeding the 3.3 percent world average over the corresponding period. The country has jumped to fourth place in the world in terms of total economic volume.

During the same period, the economy, previously dominated by public ownership, has been varied and the private economy has blossomed. To date, joint-stock restructuring has been carried out in more than a half of major state-owned enterprises. The private sector now contributes to 40 percent of the growth of the gross domestic product and offers the most new jobs.

This dynamic market is allocating resources and other productive factors more efficiently. Consumer and producer products whose prices are regulated by the market currently account for 95.6 percent and 91.9 percent respectively of the total retail sales in these two categories.

China's financial industry has been fully open to the outside world as of the end of 2006. Since the country's accession to the World Trade Organization in 2001, an overall and multi-dimensional system of foreign trade and economic cooperation has been formed. So far, more than 500,000 foreign-funded enterprises have registered in China, with paid-in foreign capital currently exceeding \$690 billion.

People's livelihood has been dramatically improved. Over the past 30 years, per-capita annual disposal income of urban dwellers has climbed to \$1,611 from \$46. In the countryside, farmers now earn \$491 compared to the average of \$18 in annual net income three decades ago.

Minds are also changing rapidly along with accelerating social development. Traditional ways of thinking about consumption, employment, aesthetics and marriage have undergone great changes to become more diversified, liberal and independent. Awareness of political democracy has been continuously raised, and the legal system has been upgraded to better protect private rights.

China's opening-up policy is a long-term one, as Chinese Premier Wen Jiabao said during his visit to the National University of Singapore in November 2007.

At the beginning of its opening-up drive, China assured the world that its policy would remain unchanged in the 20th century and the first half of the 21st century. But, after the mid-21st century, China will have more frequent economic interactions with the rest of the world, and the two will become even more interdependent and indivisible. This will make it even less likely for the country to reverse its opening-up policy. ■

Dear all

*Beijing Review* is preparing for its jubilee celebration forthcoming in March. We invite you to share your knowledge and reminiscences about this weekly magazine with our readers around the world. Submissions may be edited. E-mail us at contact@bjreview.com.cn

## Work Safety Crusader Is Better Armed



CHEN SHUGEN

Li Yizhong, China's work safety chief, says he

hopes to be the most neglected person in the ministerial lineup.

"It's better for me to stay out of public attention," Li told a press conference in late December, explaining that media coverage of him is always a euphemism for deadly workplace accidents.

The 62-year-old Li has been endeavoring to curb rampant workplace accidents since he was named minister of the State Administration of Work Safety (SAWS) in February 2005. However, a convincing victory seems far away for the man known as the "busiest minister in China."

Official statistics show that Li, who has made it a customary practice to personally inspect all workplace accidents, had an exhausting agenda in 2007, despite a drop in the number of accidents and deaths.

According to SAWS, about 457,000 accidents were reported from January to November 2007, a year-on-year decrease of 22.4 percent. The number of accident deaths fell to 88,923, down 14 percent. However, the death toll from 83 serious accidents, each of which killed 10 people or more, still hovered at 1,380.

Li has reiterated on many occasions that government officials' dereliction of duty and collusion with business people were significant causes of some accidents. Now, he has new weapons for the ongoing fight against this.

In the wake of a spate of major coalmine disasters, the Central Commission for Discipline Inspection of the Communist Party of China announced last December that officials who take advantage of their posts to obstruct accident probes could be demoted, sacked or expelled from the Party. It also stipulated that severe punishments would also be imposed on those who try to save people responsible for workplace accidents.

Sources with the State Council's Legislative Affairs Office also revealed that several laws, including the Mine Safety Law, the Coal Law and the Coalmine Safety Inspection Regulations, are scheduled for revision in 2008, in addition to the formulation of the long-awaited Emergency Regulations on Work Safety.

As more than 50 state decrees covering various aspects of workplace safety are now in place, China's goal of establishing a relatively comprehensive work safety monitoring scheme by 2007 has been achieved. Li may have reasons to expect an easier year in 2008.

**“Don't let some unscrupulous coalmine owners kill more people in their last frenzy to make a profit.”**

Li Yizhong, pledging a lasting campaign to improve the country's work safety situation at a national conference

**“Some people have pinned their hopes on Li's determination and hard work, others on input increase and restructuring; nonetheless, excessive industrial production continues to punish the country relentlessly.”**

*China Youth Daily*, on frequent workplace accidents plaguing the country

**“China is capable of producing a bird flu vaccine for human use in appropriate quantities.”**

Zhang Jiansan, Vice General Manager of Beijing-based vaccine producer Sinovac Biotech, said when China announced on December 25 that its bird flu vaccine for human use had proved to be “safe” and “effective” during the second phase of clinical tests in September-November 2007

**“We think that Taiwan's referendum to apply to the United Nations under the name ‘Taiwan’ is a provocative policy.”**

U.S. Secretary of State Condoleezza Rice, telling a news conference in Washington D.C. on December 21 that Taiwan's UN bid unnecessarily raises tensions in the Taiwan Straits and promises no real benefits for the people of Taiwan on the international stage

**“It doesn't really matter which party gets in just as long as we have a government as soon as possible.”**

Anunt, a 60-year-old Bangkok resident, calling for political stability in Thailand when he participated in the parliamentary election on December 23. A party backing ousted Prime Minister Thaksin Shinawatra won the most seats in the new parliament

**“The move is meant to give farmers more benefits and divert more government expenditure into the consumer sector from fixed asset investment and the export industry.”**

Zeng Xiaolan, an official with China's Ministry of Finance, announcing on December 22 that the government is to give farmers subsidies for purchasing household electric appliances in a bid to stimulate sluggish rural consumption and reduce the rising trade surplus

**“When a former prime minister becomes a Catholic, that must be a sign that Catholicism really has come in from the cold in this country.”**

Catherine Pepinster, the editor of Catholic weekly *The Tablet*, commenting on former British Prime Minister Tony Blair's conversion from Britain's established church, Anglicanism, to Catholicism in *The Sunday Telegraph* on December 23

## OPINION

## Responsibility Overshadows Profit

While China suffered from tight refined oil supplies in 2007, it was reported that in the first seven months of the year, 11 percent of the country's total petroleum output was exported. In the meantime, PetroChina and Sinopec, China's two largest oil producers, suspended gasoline and diesel oil supplies to almost all non-state gas stations in south China throughout the year.

Because rising international oil prices are cutting the profit margins of domestic oil sales, domestic oil refiners were motivated to increase oil exports to make more money. Most experts say this is the main factor that is driving up the country's gas prices and causing a domestic petrol shortage.

By doing this, these oil giants are actually making China's trade surplus and overall price increases more difficult to cope with. This will further affect social stability.

State-owned enterprises, monopolies in particular, are supposed to combine their own interests with those of the whole society and shoulder more social responsibilities. It's not acceptable if they only try to get benefits from the government and consumers without undertaking due social responsibilities.

*China Youth Daily*

## Friends Are We

An American newspaper has released an article in which the author said that many foreigners felt quite uncomfortable when being referred to as "laowai" by Chinese people. He explained that being called "laowai" is equivalent to "a taunt or a gibe." "Laowai" has become an unconscious

way to address foreigners, particularly Westerners, in China. In fact, most Chinese never expect that some discord and resentment might emerge from the habitual use of this epithet.

When the country fell victim to foreign aggression in the second half of the 1800s and the first half of the 1900s, foreigners were called "yangguizi" (foreign devils). However, how could a friendly term be used to describe the invaders?

China's reform and opening-up in the past 30 years not only keeps China open to the outside world, but also earns China equal footing in the international community. Foreigners have since been referred to as "laowai." As is known to some foreigners, "lao" is a term of respect and intimacy in the Chinese language, which suggests a change in Chinese attitudes toward foreigners: The Chinese are beginning to treat foreigners as equals and accept them as close friends.

Considering this, "laowai" is neither a bad term, nor does it convey a negative meaning. The change in reference to foreigners represents historical evolution and social progress in Chinese society.

*People's Daily*

## Higher Is Better

On December 23, the Standing Committee of the National People's Congress, China's top legislature, began deliberating a legal amendment to raise the country's personal income tax waiver amount from 1,600 yuan (nearly \$220) to 2,000 yuan (about \$270) a month. It's a well-known fact that migrant and urban blue-collar workers who perform physical labor are among those who earn 1,600 yuan to 2,000 yuan a month.

An increase in the tax threshold would

mean that only 30 percent of the working class would have to pay personal income tax, instead of the current 50 percent, according to Minister of Finance Xie Xuren.

But there are still questions about the rationale for raising the waiver amount. On the one hand, prices for basic necessities and food have soared during the past year. If workers' wages are not increased, they will be able to buy less, making their lives more difficult. On the other hand, if wages were increased, more workers would pay personal income taxes. In order for more people to really benefit from the taxation adjustment, the waiver amount needs to be further increased.

Given China's huge regional disparities, different standards for taxable income are also needed in different areas. The 2,000-yuan tax waiver may help those who live in backward areas. But for those who live in big cities, where people earn more but also have to spend more, almost all workers have to pay the tax—even migrant workers who can hardly support their families on 2,000 yuan a month.

*Beijing Youth Daily*

## Transparency Helps

When the State Council worked out the central budget at the beginning of 2007, it allocated 300 million yuan (about \$40 million) from the sports lottery income to support senior middle-school students from poor families.

The purpose of the government lottery is to use the money to help citizens in need.

The sports lottery sector has a growing negative image, which has been further damaged by scandals of mismanagement by lottery administrators. As a result, the public has started to doubt the reliability of sports lotteries.

While it's necessary for the lottery industry to produce several "millionaires" overnight, its original and final goal is to use the money it collects to promote public welfare, help groups in difficulties and finance public sports facilities.

At present, due to inadequate supervision and regulation by relevant laws and regulations, many problems have arisen in the sales of sports lottery tickets and the use of lottery funds. But if handled properly, this fund can help make up for the government's limited financial support for public welfare. To this end, it is necessary to make the sports lottery more transparent and place it under more effective supervision.

*Dahe Daily*



**FRIENDLY MASTERS:** More and more Western tourists are visiting China. They always receive a warm welcome from hospitable citizens



## Ready for Takeoff

China's first homemade regional jet, the ARJ21-700, rolls off the production line at its assembly factory in Shanghai on December 21, 2007.

Powered by a turbofan engine, the 90-seat ARJ-700 jets have a maximum range of 2,000 nautical miles. Their maiden flight is scheduled for March 2008.

Manufacturers said at the rollout ceremony that they had received orders for 171 ARJ-700 jets and the first delivery to customers was expected in the third quarter of 2009.

**SOCIETY**

**Raised Fines for Water Polluters**

A draft amendment to the Water Pollution Prevention and Control Law, which was deliberated by the weeklong 31st Session of the Standing Committee of the National People's Congress (NPC), China's top legislature, significantly raises fines for enterprises failing to fulfill pollution control duties.

It lifts the ceiling of fines for enterprises blamed for discharging pollutants surpassing the set standard. Fines for such businesses could vary from two to five times the pollutant discharging fees they should pay according to the severity of the violation. Enterprises that fail to rectify the situation within a fixed time period would be closed.

**Defending Open-Ended Contracts**

The NPC had tried to dismiss popular worries that the introduction of no-fixed-term contracts in the new Labor Contract Law, which was brought into effect on January 1, 2008, might exert heavy burdens on employers and reduce corporate efficiency.

The new law requires Chinese employers to sign no-fixed-term contracts with their employees if the employees have worked for them for more than 10 consecutive years, or the two sides have signed fixed-

term contracts twice.

"No-fixed-term contract does not mean a lifelong job and the new law has granted employers the right to fire employees with no-fixed-term contracts if the employees violate laws or are no longer capable of doing the job," Zhang Shicheng, an official with the NPC's Standing Committee, told Xinhua.

**Curbing Trafficking of Women and Children**

China has released an anti-trafficking plan for curbing the trade in women and children over the next five years.

The plan for the period between 2008 and 2012 set a general objective to minimize crimes of trading in women and children and to minimize the physical and psychological pain they suffer.

According to the first national plan of its kind, a ministerial-level joint committee headed by the Ministry of Public Security will be established and local regions, especially where trafficking cases frequently occur, should set up relevant organs. The committee will involve 28 government ministries, which will make a concerted effort to halt trafficking crimes, the plan said.

**Hong Kong's Anti-Spam Law**

The Unsolicited Electronic Messages Ordinance was fully implemented on December 22, 2007, in Hong Kong.

People who want to decline unsolicited commercial electronic messages, also known as spam, can register their phone or fax numbers onto three do-not-call registers, which will be launched by January 25. Protection will start from the 10th working day from the registration date.

Commercial electronic message senders are reminded to: provide accurate sender information and an unsubscribe facility in a message; honor recipients' unsubscribe requests; not to send messages to any phone or fax numbers listed on a do-not-call register unless consent has been obtained from the recipient; not to withhold calling line identification information when sending pre-recorded telephone calls and fax messages; and not to use misleading subject headings when sending email messages.

**Auto-Inspired Songwriting**

After a six-month songwriting competition organized by Tianjin FAW Toyota Motor Co. Ltd. and Huayi Brothers Music, China's first car music album, including five winning songs, was released in December 2007 to promote the latest Toyota Corolla model in China.

The competition kicked off last June in Beijing and was carried out on the Internet. More than 200 songs were submitted to a designated website. The five

LIZHENG



**ONE TABLET DAILY** To satisfy customers' needs for small purchases, many drug stores in Yinchuan, capital city of Ningxia Hui Autonomous Region, rip open boxes of medication and sell drugs in smaller portions

winning songs were recorded and made into a CD by Huayi Brothers Music.

This is China's first car music album by a single auto brand. The music company only produced 5,000 copies of the album and they are not for sale. Anyone who bought the Toyota Corolla model before New Year could receive the album for free.



LUI SHUN

**DELICATE WORK** At a Suzhou-style embroidery exhibition in Tunisia, a visitor tries to work on an ongoing piece



YANQI JIANWEI

**MAKE A WISH** A girl places a coin on an ice wall in Harbin, capital city of northeastern Heilongjiang Province, and makes a wish. The icy wall in the city's center has been an attraction for locals and visitors this winter

**ECONOMY**

**Stable Supply to Curb Inflation**

In the wake of escalating inflation, China pledged to draw up a series of measures, including more subsidies for farmers, to secure stable production and supply of produce in 2008.

The message came from the annual Central Rural Work Conference that concluded on December 23. The two-day conference outlined the top priorities of the country's rural work in 2008 and a certain period of time thereafter. Besides stability of farm produce supplies and prices, other priorities include enlarged government expenditure on improving rural infrastructure, promoting stable development of agriculture and new measures to boost income growth for farmers.

**Yahoo Lost IPR Case**

The Beijing Higher People's Court has made a final judgment that upholds a lower court's ruling that ordered Yahoo! China to pay damages to 11 major record companies for facilitating free music downloads.

Yahoo! China appealed to the Beijing Higher People's Court after losing a lawsuit at the Beijing No.2 Intermediary People's Court in April 2007, which had ordered the company to pay 210,000 yuan (\$28,400) in damages to the 11 companies, which include EMI, Warner Music, Sony BMG Music Entertainment and Universal Music Group. It also

told Yahoo! China to delete the links that allowed Internet users to download 229 songs from other sites.

The record companies began court proceedings in early January 2007 and demanded 5.5 million yuan (\$743,000) in damages.

**Electric-Fried Peking Duck**

China's oldest Peking duck restaurant chain, Quanjude (Group) Co. Ltd., plans to use electric ovens to replace traditional hand-roasting procedures for cooking ducks.

The move is aimed at maintaining food quality while the company expands its business across China. Traditionally, the duck is hung in the oven and roasted by flames from fruitwood. It takes about 45 minutes for the duck to be done and chefs regularly adjust the duck's position to ensure it is evenly roasted.

The electric ovens, based on a computerized operation jointly developed by Quanjude and a German company, will keep the handmade technique but simplify roasting procedures, Xing Ying, General Manager of Quanjude, told *Beijing Morning Post*.

**Windfalls From Spiraling Oil Prices**

China sold \$3.25 billion worth of oil production equipment and related products abroad, including drilling machines, spare parts and steel oil pipe, in the first three quarters of 2007, an increase of 67.4

percent on the same period of the previous year.

Customs sources said that the United States was the biggest target market of China's exports, while China's foreign sales to Russia, Algeria and India surged by big margins.

From January to September 2007, China sold \$1.04 billion worth of oil production equipment and related products, or 31.9 percent of the total, to the United States, up 29.9 percent.

China's exports to Russia and Algeria, which are major oil producers, amounted to \$190 million and \$130 million, respectively, up 10.2 fold and 420 percent. Sales to India soared

59.8 percent to \$270 million.

**Another Harvest Year**

China's grain output, which includes rice, wheat, corn and soybean, exceeded 500 million tons in 2007, making it the fourth consecutive year of output increase since 2004.

This boosted the country's hope that a bumper grain output would help slow current price rises.

Prices of food, which has a 33-percent weighting in the nation's consumer price index, soared 18.2 percent in November 2007. However, Sun said output still fell short of demand in 2007, without giving the exact figure for grain demand.



LIU YING

**APPLE INSPECTION**  
Farmers from Xinjiang Uygur Autonomous Region inspect apples during a farm manager training program in Shanghai. The training program, run by a wholesale market, has been training 60 farmers from Xinjiang who will go on to become farm produce brokers



PEI XIN

**EXPO BOUND**  
Shanghai's first subway line built to serve the 2010 Expo has been on a trial operation since December 29, 2007



WANG YAN

**BREAD-LOVING BIRDS**  
A woman feeds seagulls in Kunming, capital city of southwestern Yunnan Province. Over 30,000 seagulls have migrated to the city for winter





**BLOOD SCANDAL** Japanese Prime Minister Yasuo Fukuda apologizes to a group of victims and relatives of people who contracted Hepatitis C from tainted blood products, at his office in Tokyo, on December 25. At least 10,000 people are estimated to have been contaminated in the accident

**TEMPORARY JOB** Flemish Liberal Prime Minister Guy Verhofstadt addresses the Belgian Federal Parliament in Brussels, after his interim government was sworn in on December 21



**FREE TRAVEL** Slovakian Interior Minister Robert Kalinak (right) and Schengens Mayor Roger Weber lift a barrier along the Slovakia-Austria border at midnight, December 21. The enlargement of Europe's Schengen border-free zone with nine more, mostly Eastern European, countries has been hailed as a new sign of the continent overcoming its Cold War divisions



XINHUA/AF

**THAI WINNER** People Power Party leader Samak Sundaravej shows a victory sign to supporters, after initial vote counts showed his party won nearly half the seats in Thailand's first post-2006 coup parliamentary election on December 23



XINHUA/AF

**FAMILY REUNION** A Sri Lankan couple were reunited with their one-week baby at a police station in Colombo on December 24. The abduction from a local hospital caused a traumatic vigil that involved virtually the entire nation



XINHUA/AF

**PEACE MISSION** Burundian soldiers exit the rear of a military transport plane after their arrival at Mogadishu's International Airport on December 23. They join an African Union peacekeeping force trying to stabilize the war-torn country

By DING YING

**C**ritics of Russia's current administration under President Vladimir Putin have been puzzled about who would become the leading candidate in country's presidential election in March 2008. In early December 2007, the question was answered when Putin nominated First Deputy Prime Minister Dmitry Medvedev as the candidate for the pro-Putin ruling United Russia party. Since then, critics have been wondering where Medvedev, as president, would take the country.

### King of the hill

Candidate Medvedev will likely win the election hands down, foreign affairs experts said, not only because Putin supports him,

but also because United Russia is backed by the country's other three major parties—A Just Russia, the Agrarian Party and Civil Force. If Medvedev wins the election, the next Russian Government will follow Putin's agenda for the country, and Putin himself will continue to pull the strings behind the scene, they said.

At a United Russia Party congress on December 17, 2007, Putin hailed him as the "best choice" in the country's presidential election. Putin promised that he himself would become prime minister under Medvedev and that the powers between the president and the government would remain unchanged.

Putin is very popular among the Russians, because of his efforts to improve the country's international power and in-

fluence in the world. His stance on the presidential election is very crucial, said Shi Ze, Director of the Center for Security Studies of Surrounding Areas and a senior research fellow at the Chinese Institute of International Studies (CIIS). He pointed out that 40 percent of those surveyed in a recent poll in Russia said they would vote for any candidate Putin selected.

With the backing of Putin and the country's four major political parties, Medvedev is standing on the Kremlin's doormat. The four parties' seats cover about 75 percent of Russia's parliament. With such strong support, Medvedev has an 80 percent to 90 percent chance of winning the presidency, Shi said.

Wang Lijiu, a researcher with the Institute of Russian Studies at the China

# The Medvedev-Putin Era

First Deputy Prime Minister Dmitry Medvedev becomes the official presidential candidate of Russia's biggest political party



**THE OLD SWITCHEROO:** Russian President Vladimir Putin and First Deputy Prime Minister Dmitry Medvedev make an attractive pair for the coming presidential elections in March 2008

Institutes of Contemporary International Relations (CICIR), said that as first deputy prime minister, Medvedev has made great achievements in improving people's living conditions while he has been in charge of the economy and social development affairs covering public health, education, housing and agriculture during the past years.

"He received high public praise from the people," Wang said.

Putin's political opponents previously had supported other candidates, such as Sergei Ivanov, also the First Deputy Prime Minister of Russia, and Russian Prime Minister Viktor Zubkov. But support for them died down for several reasons after Putin decided to back Medvedev, Wang said.

First, Medvedev, an energetic 42-year-old, is younger than the other two candidates who are in their 50s and 60s. "The age advantage is very convincing to the voters, because they need a strong leader who can implement continuous policies," Wang said.

Second, Medvedev has a close relationship with Putin after working with him for 17 years. Putin has fully acknowledged Medvedev's outstanding ability and insight as a leader.

"If leaders have privity between them, their cooperation will be better," Wang said. He added that their relations become even more important given that the Russian Constitution will not be amended to enlarge the prime minister's powers.

Third, Medvedev, who used to be a law professor, will push for the additional legislative reforms that are necessary for the country now that it has recovered its economic strength. These will enable the country to peacefully get through the transition between Putin and the next president.

Fourth, Medvedev has been first deputy prime minister since 2005. He is very experienced in dealing with all kinds of affairs on a comprehensive level, which is a key requirement for presidents. He also has maintained good relations with top officials in various government ministries. Medvedev also has shown himself to be capable of mediating conflicts and maintaining good connections among government ministries.

Fifth, Medvedev is a "liberalist" with no military or security background. He would easily be accepted by different political parties in Russia, as well as by other Western countries, Wang said.

Other analysts pointed out that Medvedev's loyalty to Putin indicates that he would likely hand the presidency back to Putin in the future.

Putin's appointment of Zubkov as the country's prime minister was intended to help smooth the transition between Putin's presidency and Medvedev's own in 2008, Wang said.

"As an experienced politician who does not have much political ambition, Zubkov is the best choice to stabilize the government and the country's social life during the special transition between two presidents," he said.

### The dynamic duo

During Putin's eight years in office, Russia's economy has grown rapidly, and the country's gross domestic product (GDP) is now among the world's top 10. In early 2007, the Russian Government stated its objective of developing the economy: By 2020, Russia's GDP will be of the world's top five, and the per-capita GDP will reach \$30,000.

In this regard, Russia's next government must focus on the country's economic and social development by continuing to follow Putin's policies, said Shi from the CIIS.

## With the backing of Putin and the country's four major political parties, Medvedev is standing on the Kremlin's doormat

Since Putin decided that he would not change the power distribution between the president and prime minister, the two will be able to work together seamlessly when Medvedev is president and Putin is prime minister. With United Russia as the leading party in the Duma, the Russian parliament, the prime minister and president will all cooperate smoothly, and the government will be able to work more efficiently, Wang said.

The future Medvedev-Putin alliance with Medvedev as president will follow the country's current development strategy and stance on social reformation, Shi said.

"Improving the Russian people's living conditions is an important mission for the new government," he said.

Previously, the Russian Duma had blueprinted its plans with four projects aimed at developing the social economy and adjusting the country's economic structure by encouraging scientific innovation instead of simply exploiting natural resources. Although Russia's GDP has increased significantly, the country's economic development has relied heavily on rising oil prices, Shi said. Foreign exchange reserves of Russia are about \$400 billion; about \$200 billion-\$250 billion of that comes from oil exports. With his extensive experience overseeing Russia's economy and social services, Medvedev will give an outstanding performance in his new role, Shi said.

### Then there are the neighbors

Mending relations with other countries, especially with Western nations, will be another task for Medvedev's government. During his time in office, Putin has kept close ties with foreign leaders, including U.S. President George W. Bush. With Putin's

strong support, Medvedev will have a good start on dealing with big world powers, Shi said, although Russia will continue revitalizing its own power.

Putin is viewed as a tough guy by the American administration. In 2007, ties between Russia and the United States became tense when Washington made plans to establish an anti-missile defense system in Eastern Europe. Russia, feeling threatened, strongly opposes the plan. The enlargement of NATO in Eastern Europe and pro-U.S. "color revolutions" in countries that made up the former Soviet Union also strained Russian-U.S. relations.

Foreign affairs experts believe that Medvedev, as a milder mannered leader, might adjust Russia's foreign policy to regenerate relations with Western countries.

Shi also pointed out that Medvedev, who has been managing affairs with the "China Year in Russia," is very familiar with Chinese issues, and he would likely handle relations with China very well.

"China and Russia's economic structures complement each other, thus strengthening bilateral economic ties would benefit both countries and make them good neighbors and partners," Shi said.

Both China and Russia are members of the Shanghai Cooperation Organization (SCO), a regional organization in the Northeastern and Central Asia. In past years, the SCO members have focused on security and carried out joint military drills. With China and Russia's rising economic strength, the regional organization will have a greater possibility for increased economic cooperation, Shi said. The two countries could jointly establish some economic and scientific foundations that would help other SCO members, he added.

Many of Putin's critics inside Russia talked previously about forming a federation that combines Russia and Belarus and discussed the possibility of Putin as its president. Russia and Belarus have maintained a very close relationship inside the Commonwealth of Independent States, but they still have a lot of differences between their levels of economic development and social structures. Both countries need to set up legislative systems to adequately govern their regimes, experts said. Both Shi and Wang believe that the federation would not be established very soon. They said that Medvedev as president would continue to implement Putin's plan to upgrade the relationship between the two countries. ■



# A Whale of A Controversy

Despite heavy international criticism, the Japanese refuse to end their national tradition of whale hunting

**WHALE KILLER:** Japanese whaler *Yushin Maru* injures a whale before finally killing it in the Southern Ocean off Antarctica in January 2006. In the new whaling season beginning November 2007, Japan plans to take about 1,000 whales in the Antarctic Ocean, an expedition that has triggered condemnation from environmentalists

By YAN WEI

**W**hen the Japanese whale-hunting fleet set sail for the Antarctic waters on November 18, the crew members must have known that their voyage would not be smooth sailing.

Japan's annual whaling program routinely sets off a firestorm of protest from anti-whaling countries and organizations. In January 2006, Greenpeace's icebreaker *Arctic Sunrise* collided with the Japanese whaling ship *Nisshin Maru* in the Australian Antarctic in an anti-whaling campaign, damaging both vessels.

But the international pressure this year seemed to be stronger than ever. About one month after the fleet started its controversial journey, Japan said it was suspending its planned taking of 50 humpback whales, which would have made this year's mission the first major hunt of the endangered species since the 1960s. The country made the decision at the request of the United States, the chair of the International Whaling Commission (IWC), the Japanese Government said.

Humpbacks are large whales whose adults are 12 meters long to 16 meters long and weigh approximately 36,000 kg. A main target for the whaling industry, they were nearly harpooned to extinction before the IWC introduced a ban on humpback hunting in 1966. Humpback stocks have since partially recovered. They are now sought after by whale watchers, particularly off parts of Australian and U.S. coasts.

Despite the concession, Japan still plans to take as many as 935 minke whales and up to 50 fin whales in the Antarctic in what its Fisheries Agency said would be its largest-ever scientific whale hunt.

Given its time-honored history, whaling has become a cultural tradition in Japan. The country insists on catching whales in spite of widespread international criticism mainly to assert its cultural identity, international affairs experts in China said.

### A controversial tradition

Whales have long been a source of food, oil and crafts' material in Japan. The oldest written mention of whaling in Japanese records is in *Kojiki*, the oldest existing Japanese book written in the 18th century. In the 17th century, traditional whaling techniques made great headway in Japanese coastal communities.

As food was scarce in the poverty-stricken years following World War II, whales, as a cheap source of protein, became an important part of the Japanese diet. However, their popularity had plummeted as other types of meat such as beef became widely available.

Today, most young people in Japan do not like whale meat, said Zhao Gang, an assistant research fellow with the Institute of Japanese Studies at the Chinese Academy of Social Sciences. Zhao, who spent a few years in Japan during his academic career, said Japan's unrelenting approach to whaling provides evidence of its "cultural stubbornness."

In Japanese society, agriculture and fisheries are flagship industries that the nation takes pride in, Zhao said. If the government publicly opposes whaling, it will lose votes from farmers and fishermen, who are the major supporters of the incumbent Liberal Democratic Party, he said. With its insistence on whale hunting, Japan subconsciously wants to show its distinctive cultural characteristics to challenge U.S. and European cultures, he said.

Zhou Yongsheng, a professor specializing in Japanese studies at the China Foreign Affairs University, echoed Zhao's views. The ongoing pro-environment movement has dealt a severe blow to Japan's whaling industry. No whale meat has been sold in Japanese supermarkets since the mid-1990s, he said.

Japan catches hundreds of whales every year, mainly from the South Pacific's population of minke whales. In 1982, the IWC, the primary international mechanism for the protection of all whale species and of which Japan is a member, voted on a moratorium on commercial whaling to take effect in 1986. Japan initially intended to oppose the moratorium, but withdrew its opposition after the United States threatened to impose economic sanctions on it.

While it continues hunting whales today under a scientific research permit, Japan has wrestled with the IWC for years to overturn its 1986 ban on commercial whaling. Its desire to restart commercial whaling is evidenced by its annual petition to the IWC, requesting that the commission set a quota for commercial minke whale hunt. Although the IWC General Committee is split roughly 50-50 on whether commercial whaling should recommence, the petition has not yet come close to passing, because any significant change to the moratorium requires a 75 percent majority under IWC rules.

Japan also has recently called for a "normalization" of the IWC to return to its original mission of managing marine resources, rather than monitoring whaling activities.

At an IWC meeting in 2006, a Japan-backed resolution calling for the eventual return of commercial whaling was adopted by a majority of just one vote.

### Scientific whaling

The Japanese public shows little interest in whale hunting since whale meat is no longer a popular food, Zhao said. The meat

sold under the country's scientific whaling program often ends up as pricey items in specialty restaurants.

Also, Japan's scientific whaling is a subsidized government operation with almost no commercial significance, Zhao said.

Apart from arguing that whaling helps maintain an important Japanese cultural tradition, Japan firmly believes that a commercial hunt of minke whales, and potentially other whale species, would be sustainable.

The reliability of existing data on whale populations has been a major point of contention in the implementation of the IWC's commercial whaling moratorium. Critics believe that the existing data were inappropriate for estimating whale demographics. They argued that the data were derived mostly from commercial sources, which are unrepresentative in terms of age, sex and distribution. This criticism provided another justification for Japan to push for whaling for scientific purposes.

Japan says that it seeks to ascertain whether commercial whaling is sustainable by carrying out scientific research aimed at finding answers to questions about the whale population and the mammals' age distribution. Some Japanese officials also pointed out that whales deplete fish stocks.

Japan conducts its scientific research in two areas—the North Pacific and Southern Hemisphere—under the auspices of the Institute of Cetacean Research, a privately owned, non-profit research institute founded in 1987.

Zhou said Japan should reduce the quantity of the whales it catches to better protect this vulnerable species, because the current amount is too large for scientific research.

This year's high-profile whale hunt plunged Japan into diplomatic disputes with a number of countries, particularly Australia. Canberra said it would dispatch surveillance planes and a ship to gather evidence for a possible international legal challenge to the hunt.

Also, Australia's ambassador to Japan presented a formal diplomatic protest in Tokyo to mark the start of Japan's whaling season. The protest, signed by 30 countries and the European Union, represented the largest international protest of its kind against Japanese whaling, according to media reports.

The escalating international pressure finally forced Japan to back down by dropping its planned catch of humpbacks. But Zhao said the compromise is not a substantial one, because conservatives who work in Japan's Fisheries Agency still hold on to their traditional beliefs about whale hunting.

"The compromise may be a result of the coordination between the Ministry of Foreign Affairs and the Fisheries Agency," he said. ■

# A Decade of Bilateral Magic

Ten years may not seem that long in terms of world history, but to some countries they can make all the difference. Indeed, China and South Africa have undergone a dramatic transformation since they established diplomatic relations on January 1, 1998. In an exclusive interview with *Beijing Review* reporter Ni Yanshuo, **Dave Malcomson**, Minister Plenipotentiary of the South African Embassy to China, spoke about the evolution of bilateral ties between the two nations.

*Beijing Review:* Would you please comment on the 10-year development of the bilateral relations between China and South Africa?

**Dave Malcomson:** I think it's wonderful that at the end of September we held the third meeting of the Bi-National Commission between South Africa and China since we established diplomatic relations.

Our delegation was led by our deputy president and was met by your vice president. We had about 150 people who came with the deputy president.

During the discussions in the Bi-National Commission, it was agreed by both sides that our bilateral relationship has been developing very well. Both sides expressed satisfaction with the bilateral relationship, which covers all sectors. So we have a sound political and economic relationship, as well as in other sectors—culture, sport affairs, forestry, science, technology, etc—covering the full spectrum of activities between our countries.

Obviously, there are some pragmatic ways that we can deepen our bilateral relationship. In 2004, we identified each other as strategic partners, and we are looking at how to go forward in the next 10 years and see how to deepen our strategic relationship.

There are three things that the South African cabinet has taken a decision on, in terms of marketing South Africa in China for the next three years. The first is to have a comprehensive program in China from the beginning to the end of next year to celebrate the 10th anniversary of our diplomatic relations. Secondly, we've announced that we will participate in the Shanghai 2010 World Expo, making sure we will represent South Africa perfectly as a business partner to the Chinese people and showing that South Africa has a modern and vibrant economy that China can do business with. In terms of the third area, we agreed we will establish something called the Partnership for Growth and Development, which will take our economic relationship to a much higher level.



**“The Partnership for Growth and Development will be an extensive program aimed at matching the needs of the Chinese economy with what the South African economy can supply, and ensuring that South Africa can add value to the products coming to China.”**

—Dave Malcomson, Minister Plenipotentiary of the South African Embassy to China

At the moment, the trade balance between our two countries is in favor of China. The investment was in favor of South Africa's investment into China. That investment pattern changed recently when the Industrial and Commercial Bank of China (ICBC) invested in [South African] Standard Bank—the 20 percent stock they bought for \$5.5 billion.

Now, obviously China is the greater investor. But actually, what the partnership should do is to look into the Chinese economy: what needs of the Chinese economy

can the South African economy fulfill, and what can South Africa supply to the Chinese economy? At the moment we may be exporting raw materials and commodities to China, so we would look to higher value-added commodities, and to work with China, both in manufacturing and beneficiation. So it's quite an extensive program that we are looking at—matching the needs of the Chinese economy with what the South African economy can currently supply, and working together to ensure that South Africa can also add value to the products coming to China and put them at the higher end.

So we are happy with our relationship with China. We are happy that China has paid a number of high-level visits to South Africa. The Chinese president, premier, a number of ministers and delegations have been to South Africa. Similarly, the South African President [Thabo] Mbeki, deputy presidents and other ministers have also been to China. At the political level, we are doing very well. Moreover, the party-to-party level exchanges are satisfying. Politically and in any other way, I think the relationship can be seen as a strategic partnership and is mutually beneficial to both sides.

**What are your expectations for the future cooperation between the two countries in the economic and trade sectors?**

Clearly, the trade relationship is healthy, and has grown from almost a zero base 10 years ago to over 60 billion rand (about \$8.55 billion) in 2006. But as I've said, that has been from quite a narrow base of what South Africa exports to China, mainly in the areas of minerals and commodities. So what we are trying to do is to broaden that base to make it also include high value-added products, and for China to assist us in benefiting products in South Africa, so that they can be sold on to China.

Equally I think that it is in accordance with the thrust of China to look at your overall trade imbalances and try to make sure that you import more from your partners like South Africa. Certainly, the key factors there will be the Partnership for Growth and Development.

**What sectors do you think need improving?**

In the Bi-National Commission, they specifically identified energy, infrastructure, machinery, home appliances, agro-processing, tourism and finance. The South African cabinet also listed the following priority sectors for investment, such as chemicals,

mineral beneficiation, agro-processing, business process outsourcing, tourism, arts and crafts, automotives, aerospace, marine and rail transport. So there are a number of sectors that we are exploring.

Your Ministry of Commerce and our Department of Trade and Industry are working hard together to make sure that we have some growth in those sectors, both in terms of Chinese investment in these sectors of South Africa, as well as Chinese procurement of those types of high-end products from South Africa.

### How does South Africa's role in the continent impact Sino-African relations?

What we see is that we are a part of various continental arrangements, where we all interact with each other as equals. In that context, we are obviously a member of the African Union; we participate in the regional arrangement of the Southern African Development Community; we are also committed to the implementation of the continental development program, the New Partnership for Africa's Development (NEPAD).

Whenever we interact with China bilaterally, we always have on the agenda, the issues of continental cooperation where China can assist in helping regional integration and in implementing NEPAD. The discussion has also been taken to other arenas. For example, at the moment we serve with China in the United Nations Security Council, and we are also lucky

enough to be invited to the G8 Summit, along with China, Brazil, Mexico and India as the "plus five" partners. In those forums, G8+5 and UN Security Council, we also have ongoing discussions with China on how to implement the NEPAD program and how China can assist in implementing Africa's agenda, which also covers Africa's security, resolutions of conflicts, governance issues and so on.

Certainly, with the steps China has taken of appointing a special envoy to Africa, sending peacekeepers to Africa, working with us in the Security Council on African issues, we value these things very much in terms of supporting the development of Africa. As I said, we used all these opportunities, bilateral and multilateral, to talk to our Chinese partners on how they can assist the overall development of the continent.

### What is the present scenario for Chinese language learning in your country?

I think it is getting healthier. At the moment, we have one functioning Confucius

Institute at the University of Stellenbosch, and that has been running for a couple of years now. There are three teachers from China. There was an announcement that the second Confucius Institute is being established in Pretoria. I know the Chinese Embassy in Pretoria is working hard with all our universities to see where and how other Confucius Institutes may be planned.

There was also an agreement during the Bi-National Commission, between our two ministers of education, that we will be running a pilot project in South Africa of 50 schools offering mandarin as the language of instruction. So I think that is a positive development.

### In recent years, we have seen an increasing number of South African enterprises invest in China. How do you view China's investment environment?

Obviously, the Chinese investment environment must be attractive because you are the largest recipient of direct foreign investment in the world. There are a number of South African enterprises that

**"ICBC's investment in Standard Bank of South Africa, China's biggest investment abroad to date, shows the faith and confidence China has in the South African economy."**



**CHINESE KNOT:** A traditional Chinese festival is celebrated in Johannesburg. The Chinese language and culture are becoming increasingly popular in South Africa

have invested in China. On the whole, they are satisfied with their investment. Many of them are making good returns from their investments. Having said that, there are some that still need some work; and there are one or two that still have problems in their investment.

In general, I think China does provide a favorable investment environment, and it certainly provides opportunities for South African investors. I think the encouraging fact is that, from China's side, South Africa provides an equally sound investment environment. There is recognition that we also have a good environment in place for Chinese investors.

ICBC's investment in Standard Bank of South Africa that I mentioned earlier, China's biggest investment abroad to date, shows the faith and confidence China has in the South African economy. That means our environment for investment, as well as our economic fundamentals, are sound. That is an encouraging development, as South Africans have come to invest in China and now Chinese investors are putting a sizable amount of money into the South African economy. ■



# Who Will Suffer From Overpopulation?

The population problem is not totally about quantity, although quantity is the top concern in this regard. But to what extent is quantity a contributing factor to population problems in all countries? It differs from one country to another. **Wang Yiwei**, a professor with the Center for American Studies at Fudan University, argues that the population problem will be one of the decisive factors in all countries' strength and prosperity.

Today the Western world is faced with a severe "identity challenge" caused mainly by the population problem. Big Western countries such as Japan and Germany face the threat of population decreases and aging societies—with Japan suffering the most. By now, one fifth of the Japanese are over 65 years old. By 2025, Japan will have a median age of just over 50. (The median age is the age at which half a country's population is older and half is younger.) At that time, 60 percent of the country's people will be older than 65. For this reason, Japan's cabinet has appointed a minister of state for youth affairs and measures for the declining birthrate.

The United States and Britain are among the few Western countries with high population growth rates, because both have benefited from their generous immigration policies. Statistics issued in August 2007 by the U.S. Citizenship and Immigration Services indicate that 40 percent of the country's population growth can be attributed to new immigrants, both legal and illegal, while the remainder is a net growth resulting from the birth rate surpassing the mortality rate.

In strife-ridden lands farther afield, including Turkey, the Middle East and Sudan, discord has resulted from profound demographic factors that always present themselves in the forms of ethnic and religious conflicts. The presence of nations and religions is felt through the existence of population. Take the chaos in Darfur for example. Apart from the confrontations between rebel insurgents and government forces and the conflicts between the Arabs and black African tribes, the influx of immigrants from neighboring Chad into the Darfur region has added to the already severe clashes.

Population factors in international issues focus on the quality of a given population, the connection between the net population growth rate and the aging society, a population's structure (including age, gender, racial composition and religions), education levels, and science and

technological progress and developments. Although the factors concerning population are long-term issues, they are only the tip of the iceberg. If there is no full exploration of these factors, it is easy to misinterpret the entire situation.



**POPULATION MATTERS:** The demographic problem is becoming a decisive factor in a nation's future development and prosperity

More and more facts show that the quantity, quality and structure of a population that participates in the global division of labor will decide a country's future competitiveness and international status. International politics is becoming increasingly regionalized and personalized, so that nation-oriented politics is transforming into human-centered politics. With politics now beginning to focus on the importance of people, it is evolving from rationality to sensibility and from singularity to diversity. This is a new inspiration from globalization when it has developed to a certain stage.

## Population pains of Europe

Recently, some scholars discussed whether the West would decline. This is of special significance in the new stage of globalization. But the declines of the West and of Western Europe are two different things. European philosophers had predicted the continent's decline as early as the mid-19th century. Alexis de Tocqueville and Honore de Balzac agreed that as Europe had taken a downward turn on the international stage, the rise of the United States would end the myth of European hegemony since the Industrial Revolution.

Today, the decline of Europe is reflected in the gap of the continent's actual capability and its will to exert its power, and as a result, its determination and desire to use power in global affairs has fallen sharply.

The bombings of trains in Madrid and the London subway as well as the violent protests in the suburbs of Paris have exposed the root of Europe's decline—the immigrant problem and its challenge to the countries' own national identities. The setbacks that the European constitution has experienced have also clearly reflected the challenge that the EU's immigrant structure poses to national identities and the identity of Europe as a whole.

Western Europe's aging population is squeezing its social vitality. These countries can only depend on immigrants from "New Europe" (Eastern Europe) and the Mediterranean coasts to fill their population gaps. Today, immigrants account for 33 percent of the population of the EU, making it the political body with the largest number of immigrants. Germany, for example, has to absorb 400,000 new young immigrants each year to maintain its current proportion of 15-year-olds to 64-year-olds.

Besides the aging population and low social vitality that have resulted from low birth rates and an identity crisis based on its

large immigrant population, the fundamental cause of Europe's decline is the United States. The Americans have fueled the splitting of old and new Europe by deploying a missile defense system in Eastern Europe and asking NATO to expand to the East. This also has caused a conflict between Europe and Russia. In the meantime, the rise of China and India is highlighting the decline of Europe, but not causing it.

Few realize that the conflict between Europe and the United States is caused by the differences in their population structures. Forty percent of U.S. population growth should be attributed to immigrants, mostly from Latin America. In 1910, about 90 percent of U.S. immigrants came from Europe. Today, 80 percent are from Latin America and Asia. The United States of America is becoming "the United States of Americans." On the contrary, Europe is receiving immigrants from the Mediterranean and Arab nations. The differences in these populations' compositions and cultural backgrounds will surely widen the gap between the United States and Europe.

From a demographic perspective, the long-term causes of the U.S.-European conflict are the source of immigrants and the different ways of receiving them. This is shown in the fact that the United States is becoming "more Latin American" while Europe is becoming "more Arabic." The former is trying to assimilate its immigrants, while the latter is tolerating its immigrants. As a result, the social question is again becoming the flashpoint for Europe's conflict, as ethnic problems act as the trigger of conflicts. Meanwhile, the Americans are perplexed by the question: "Who are we?"

### China's advantage

Zbigniew Brzezinski, National Security Adviser to former U.S. President Jimmy Carter, and former U.S. Secretary of State Henry Kissinger used to say in the same way that the rise of China would be the weightiest issue of the 21st century. Now, either China or the rest of the world has to be prepared for this to happen.

The rising role of non-Western countries

they are being marginalized and that their survival is being threatened. If they still follow the Western way of reading China, it's impossible for them to understand today's China. But the geographic distance between the West and China makes it difficult for Westerners to understand a true China.

Quite a few foreign scholars don't believe in China's rise, but instead have faith in

## From a demographic perspective, the long-term causes of the U.S.-European conflict are the source of immigrants and the different ways of receiving them

like China and India in the international stage is placing unprecedented challenges before the old knowledge system that centers on Western culture, and the old system will prove to be increasing clumsy in explaining the ever-changing world.

However, Westerners and many Chinese still hold to the West-centered knowledge system and its concepts and perspectives to understand China's development. That is why we sometimes hear the rhetorics of "China threat," "China's collapse," or "China's chance." All these indicate that Western terms can no longer help explain China's path of development accurately. As the bridge between China and the rest of the world at China's economic and social transitional period, some foreign experts on China already have felt

India's ascent. Obviously, they have incorrect or incomplete knowledge of the whole situation. Although India's population is younger than China's, its low secularization rate hampers its modernization. In addition, China's population policy has greatly improved the quality of its population, which India cannot match.

Some experts already have refuted the hypothesis of India's population dividend, arguing that it's impossible to visualize the country with 500 million young people under 25 years old by 2030. The negative factors in India's population growth are its large rural populace, which is even larger than China's, its huge number of impoverished people and its large number of uneducated people.

Western logic is not fully based on China's national conditions, including all aspects of the Chinese society, so it's easy for Western demographers to have prejudices when examining China. To a large extent, China's population growth is curbed by its family planning policy. Therefore, a policy adjustment, new birth culture and a new concept of birth among the country's people can be corrected and guided in case of any problems. This is different from Japan, Russia and West European countries, which all try to encourage more births.

Moreover, China's elderly population hasn't become a complete social burden yet. On the one hand, the country's social welfare system does not consume so much government funding as it does in developed Western countries; on the other hand, traditional Chinese culture calls for respecting elders, so that families support senior citizens in many ways. Furthermore, China's culture of tolerance also helps to absorb foreign immigrants. ■

*The viewpoint of this article does not necessarily represent that of Beijing Review*



**AGING SOCIETY:** Societies must use more resources to care for their increasing elderly citizens

# The Top 10 Matters That Matter

To review what matters most to the people of China, the country's official Xinhua News Agency created a list of the 10 greatest changes in 2007. Here are the issues that reflect the pulse of the past year

## Easier education for 150 million kids

A total of 150 million rural students in China were exempted from paying tuition and incidental fees for their nine-year compulsory education starting from the 2007 spring semester. The move was designed as a step forward in China's overall policy to ensure that all school-age children enjoy nine-year compulsory education for free.

The government's policy of providing free textbooks for poor rural students was expanded to all 150 million rural students in primary and junior high schools across the country. The government also allocated 14 billion yuan (\$1.8 billion) to improve the country's education assistance system.

## 200 million under medical shelter

Following the medical insurance system for urban workers and the new rural

cooperative medical system, the Chinese State Council set out to launch a pilot urban resident basic medical insurance system, in order to realize the target of establishing a basic medical security system covering all the urban and rural inhabitants.

The basic medical security system has benefited some 200 million urban residents, particularly primary and junior high school students, minors, the elderly and disadvantaged groups.

## Basic living for more than 20 million farmers

A basic living allowance system in rural areas was formally established in all 31 provinces, autonomous regions and municipalities of China in July 2007, 10 years after a similar system was set up in urban areas. So far the system covers more than 20 million rural residents across China.

The amount of subsidies given by the government varies in different areas

according to economic conditions, but the basic requirement is to provide food and clothing for needy people both in urban and rural areas.

Currently the average basic living cost in urban areas nationwide is 169.6 yuan (\$22.3) per person per month and the average basic living cost in rural areas is 71.4 yuan (\$9.39).

## Protecting property

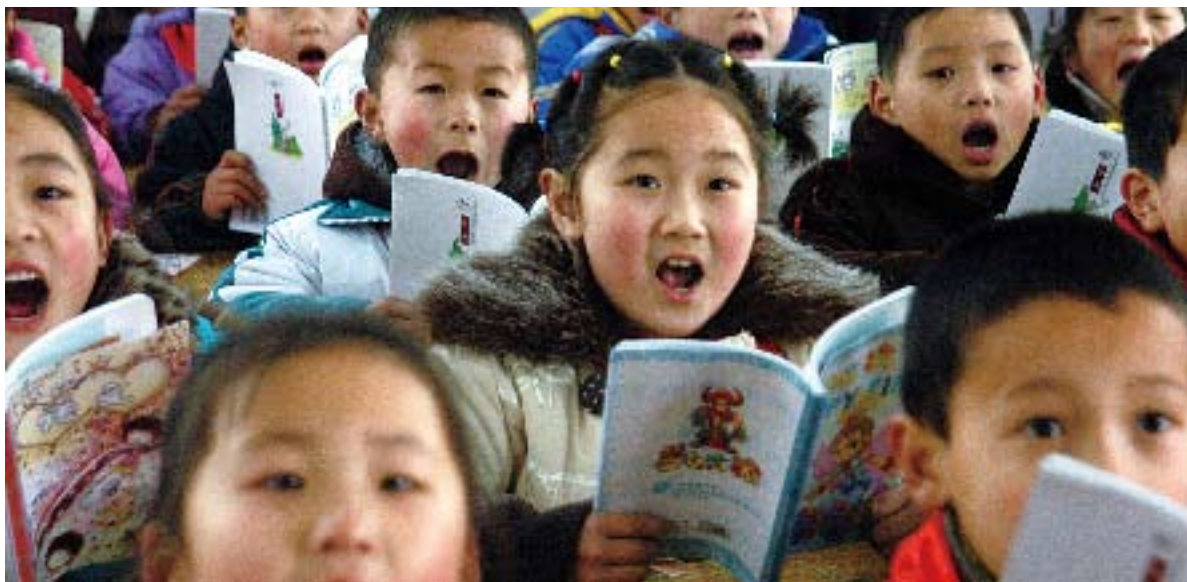
China's top legislature, the National People's Congress (NPC), adopted a landmark property law this year, granting equal protection to public and private property.

The 247-article law, which came into effect on October 1, 2007, stipulates that "the property of the state, the collective, the individual and other parties is protected by law, and no units or individuals may infringe upon it."

This is the first time that equal protection of state and private property has been enshrined in Chinese law, which marks a significant step in the country's efforts to



**CPI RISING:** China's Premier Wen Jiabao visits a pig farm in a village in Xingping City, north China's Shaanxi Province, on May 27, 2007. Wen was on an inspection tour in the province to look into the supply and demand of pork, of which the prices have risen sharply in a number of cities



**EDUCATION FOR TOMORROW:** A total of 150 million rural students in China were exempted from paying tuition and incidental fees for their nine-year compulsory education starting in the 2007 spring semester

further economic reforms and boost social harmony.

## Property income hailed

“Conditions would be created to enable citizens to have property income so as to increase the income of urban and rural residents,” Hu Jintao said in his keynote speech at the 17th National Congress of the Communist Party of China (CPC) on October 15, 2007.

Jiang Jianqing, Board Chairman of the Industrial and Commercial Bank of China, said it was the first time that the ruling CPC had explicitly placed such a message within a keynote document.

The words reflect a striking feature of the times as more and more people realize that wealth accumulation is to retain and increase the value of assets, said Wu Yan, Board Chairman of the People’s Insurance Company (Group) of China.

Property income refers to the capital gains from bank deposits, securities, real estate, automobiles and collections. Currently, China’s per-capita property income contributes only 2 percent to the country’s per-capita disposable income on average after it rose 26.5 percent to 240 yuan (\$32) last year.

## Low-rent housing for all

The Chinese Government has extended the low-rent housing system to cover medium- and low-income families nationwide this year. All cities and counties had come under the system’s aegis by the end of 2007.

Low-income families have only limited access to affordable housing due to an over-reliance by local governments on the highly lucrative property industry for fiscal revenue.

A report released by the China Society for Urban Studies revealed that China has an alarming 1.56 million urban families with no access to adequate affordable housing, many of whom are living in overcrowded and dilapidated homes.

Low-rent apartments are essential to China’s housing security system. They are either built or commissioned by the government and provided to poor urban families at discounted rents.

## CPI concern

China’s consumer price index (CPI), an inflation indicator, was pushed up to 4.4 percent in the first 10 months of 2007 by high-flying food prices led by pork and edible oil. Monthly CPI was above 6 percent for three straight months from August to October, high above the country’s 3 percent alert threshold.

But the current figure paled in comparison to inflation that hit China during the 1990s, when the CPI soared 27.4 percent year on year in September 1994. The National Bureau of Statistics has forecast the annual CPI at 4.5 to 4.6 percent this year.

The Central Government increased financial aid by 1.8 billion yuan (\$ 243 million) to help the recipients of minimum living allowances and poor college students. Livestock raisers were also encouraged to breed pigs by receiving subsidies from the government.

## Labor contract law

China’s Labor Contract Law was passed by the Standing Committee of the NPC on June 29, 2007 and entered into force on January 1, 2008. The law is likely to cause employers, including foreign-invested enterprises, to review and restructure their labor contracts and human resources policies.

This new law is based on the legal principles that underlie the current Labor Law. It, however, operates independently of the Labor Law and is intended to make the labor contract system more detailed and operable. It has brought about several breakthroughs and improvements in respect of labor contracts.

## Ecological civilization

In his report to the 17th National Congress of the CPC, General Secretary Hu Jintao proposed to “construct an ecological civilization by taking charge of the industrial structure, spending patterns, resource conservation and environmental protection.”

An ecological civilization refers to one that obtains materials and spiritual wealth by following the objective principle of the harmonious development of humankind, nature and society. It is a cultural philosophy governing the relations between mankind and nature, mankind and mankind, and mankind and society.

## Holiday system renewed

The Chinese Government announced the scrapping of one of the country’s three golden-week holidays and introduced three new one-day public holidays.

The new national public holiday plan added three traditional festivals—Tomb-Sweeping Day, Dragon Boat Festival and Mid-Autumn Festival—to the list of public holidays.

The new plan will uphold Chinese traditions, make public holidays better distributed and, with more people traveling on new public and paid holidays, ease overcrowding during the golden weeks. ■

Source: Xinhua News Agency

# Power to the People

The relocation of a controversial chemical plant in Xiamen has shed light on the limitations of China's environmental impact assessment system

By LI LI

**R**ecent public protests and debates in southern Xiamen City, Fujian Province, over the location of the city's largest-ever chemical plant finally concluded with the government's concession to move the paraxylene (PX) plant to the peninsula of a nearby city. Environmentalists in China hope that this unprecedented case of grassroots opposition forcing the government to give up on a large-scale project could set a precedent for the future.

Paraxylene is a petrochemical used to make purified terephthalic acid, a raw material for producing polyester film, and packaging resin and fabrics. The 10.8-billion-yuan (\$1.5 billion) project that is expected to produce 800,000 tons of PX and generate revenues of 80 billion yuan (\$10.8 billion) a year was a lure for local officials eager to strengthen the fledgling petrochemical sector of the coastal city. Xiamen's annual gross domestic product (GDP) for 2006 stood at 116.2 billion yuan (\$15.7 billion).

Since the construction of the project began in November 2006, opposition from the public was ceaseless. Zhao Yufen, a chemical professor of Xiamen University and member of the Chinese Academy of Sciences, sent letters proposing the relocation of the project to Party chief of Xiamen He Lifeng and Governor of Fujian Province Huang Xiaojing by the end of 2006.

In January 2007, top government officials of Xiamen invited Zhao and three other professors opposed to the PX plant to a debate about its future. The meeting ended in a deadlock with neither side convincing the other. During the annual session of the Chinese People's Political Consultative Conference (CPPCC) in March 2007, Zhao spearheaded a proposal recommending moving the Xiamen Haicang PX project signed by 105 CPPCC members. The project was originally located in Haicang District, 16 km

from the city center.

Although the Xiamen Government announced its decision to put the chemical project on hold on May 30, 2007, the public opposition climaxed over the next few days when over 5,000 residents launched a quiet demonstration around the compound of the city government demanding relocation of the project.

According to a Xinhua report, at the government-organized hearings on December 13 and 14, of the 107 members of the public selected by lottery to represent Xiamen residents, 91 opposed the project, 15 voiced their support and one left without speaking.

It was reported by *Nanfang Daily* on December 19 that the Fujian Provincial Government and Xiamen Government had decided to move the multi-billion-yuan proj-

ect to the Gulei Peninsular, near the city of Zhangzhou and that the Xiamen Government would compensate the Xianglu Chemical Fiber Company, the principal investor, for losses in initial construction. This arrangement is yet to be ratified by the National Development and Reform Commission.

## Controversial buffer zone

In interviews with several Beijing-based media organizations in March 2007, Zhao said since PX was a dangerous petrochemical that can cause cancer and fetus abnormalities, there had not been a large enough buffer zone between the chemical plant and residential areas. She said over 100,000 people were living within a 5-km range of the plant, including two boarding middle schools, with combined residents of nearly 5,000.

"As a project with a high risk of poisonous emissions and explosions, the project should not be located close to a city. A safe distance would be at least 100 km," Zhao told the Beijing-based newspaper *China Business*.

Yet Xiamen Government and the chief investor of the project, Xianglu Chemical Fiber Company, hold different opinions over buffer-zone requirements. Xie Haisheng, Director of the Xiamen Environment Protection Bureau, told a press conference in June 2007, that based on extensive research by experts organized by the city government, PX was not highly polluting, nor does it induce cancer or fetus abnormalities.

According to an open letter to the public posted on Xianglu's website, the requirement of a 10-km safe distance for a PX plant from residential areas lacks scientific evidence and runs against practices in other cities of China and in other countries. Instead, the open letter claimed the national standard for a buffer zone between a PX project and residence should be at least 700 meters, which the company has implemented faithfully.

The local government decided to introduce a thorough environmental assessment of the city layout of Haicang to settle the ar-



PEOPLE'S DAILY

**ENVIRONMENTALLY-SAVVY CHEMIST:** Zhao Yufen, a chemistry professor at Xiamen University and member of Chinese People's Political Consultative Conference, spearheaded a proposal recommending moving the Xiamen Haicang PX project, signed by 105 CPPCC members in March 2007



WEI PEIQUN

**PROJECT IN SPOTLIGHT: Construction of the 10.8-billion-yuan PX plant in Xiamen was stopped after the Xiamen Government put the project on hold on May 30, 2007**

gument. In July 2007, the Chinese Research Academy of Environmental Sciences was entrusted with the assessment task, which was completed at the end of November.

According to an abbreviated version of the report posted on the official website of the city government, experts concluded that the southern area of Haicang District, where the PX plant was originally to be located, was too small and inadequate for the diffusion of atmospheric pollution.

The Xiamen Government had set two contradictory development targets for the southern part of Haicang by 2020: to develop into a sub-center of the city and to create an industrial zone with petrochemistry as its pillar. The environmental assessment report advised urban planners to choose one or the other, but not both. The report revealed that pursuing both goals together would leave a buffer zone between the sub-center and the industrial zone of just 300 meters, insufficient to protect against air pollution.

### Public involvement

While the environmental assessment of Haicang eventually forced the relocation of the PX plant, the project had passed an environmental impact assessment (EIA) by the State Environmental Protection Administration (SEPA) as early as July 2006.

For more than two decades, the practice of conducting EIAs in China was a subset of the nation's larger Environmental Protection Law. In 2002, the Standing Committee of

## Environmentalists in China hope that this unprecedented case of grassroots opposition forcing the government to give up on a large-scale project could set a precedent for the future

the National People's Congress adopted the Environmental Impact Assessment Law, which requires that all relevant parties, including experts and the general public, evaluate the likely impacts of development projects, programs, and plans on the natural and human environments.

In the four years following the implementation, however, broad public involvement in China's EIA process has been limited. Access to information is often insufficient or even blocked, and participation is limited and unrepresentative. Consequently, public feedback tends to be minimal and ineffective. Moreover, because EIA assessors are trained and certified by SEPA and its branches, their close association with the agency and with local officials and investors has made them vulnerable to pressure from GDP-hungry local government officials. This situation has brought the credibility of their reports into question.

In 2006 SEPA issued a regulation intended to strengthen public participation in the EIA process. The new regulation includes stipulations on openness of information; safeguarding participants' rights; and procedures and methods for public involvement, including opinion surveys, consultations, seminars, debates, and hearings. It marks the first time that SEPA, or the Chinese Government as a whole, has opened the doors to widespread public input into national development initiatives.

As for the PX project in Xiamen, since its EIA process was completed before the 2006 regulation took effect, public access to the report is not compulsory. It was reported by magazine *Life Week* that its journalist's request for the full text of PX plant's EIA report to China Contracting and Engineering Corporation, the compiler of the report, was refused under the excuse of protecting technical secrets. The same report said Ma Tianna, head of the city's biggest environmental protection non-governmental organization, had tried

many times to get the EIA report from Xiamen Environmental Protection Bureau, but was refused.

"The EIA scheme is poorly-implemented. One problem is that public access to the EIA report, though mandated by SEPA regulations, is still blocked in many cases. Another vital problem is that there is almost zero supervision of the implementation of these EIA reports," said Ma Jun, founder of a Beijing-based environmental NGO dedicated to compiling and upgrading an online map highlighting all polluted rivers and polluting companies in China. He told *Beijing Review* that the participation of the public, as the third party besides business investors and environmental protection agencies, could be vital to boosting the effectiveness of the EIA in China. "In light of this, the significant role of civil society's elite in the Xiamen case is groundbreaking," Ma said.

### Checks and balances

An editorial from *Shanghai Daily* on December 20, 2007, called the two-day hearing in Xiamen over the relocation of the PX plant "a victory not only for environmentalists but for democracy in decision making." It said, "The Xiamen model meshes well with the spirit of the 17th National Congress of the Communist Party of China held in October, which called for checks and balances among the power to decide, the power to implement, and the power to supervise." The editorial even called for the spread of the "Xiamen model" across China.

However, the comment of another Shanghai-based newspaper *Oriental Morning Post* was less optimistic. This editorial said that the victory of public opinion in the Xiamen case could not overshadow the fact that government decision-making remains unpredictable. "Easily as government decision could support the maximum of public interest, it could push people into the abyss of pain when they have no resorts to stop the violation of their interests." ■

# New Year, New Vacations

A new system for time off work will be implemented across China in 2008

By YUAN YUAN

China's new vacation system came into force on January 1, 2008, offering all employees paid time off as long as they remain in the same company for more than one year. The length of the paid vacation varies according to how long the employee has been with the company. From one to 10 years entitles employees to five days of paid vacation a year, 10 to 20 years entitles them to 10 days off, and more than 20 years entitles them to 15 days.

Employees can choose to take the vacation in one block or separately. Companies that do not allow their employees to take a vacation must pay triple time for the vacation time worked.

At present, time off from work includes sick leave and a number of national holidays. Time off work under the paid vacation system is in addition to this.

Alongside the paid vacation system, a new national holiday list has been produced. It cancels the May Day golden week, reducing it from three days to one and adds three traditional festivals, the Tomb-Sweeping Day, the Dragon Boat Festival and the Mid-Autumn Festival. From 2008, Chinese people will be able to take time off during these four important traditional festivals. The golden week of National Day remains on the new list. The change increases the number of national holidays per year from 114 to 115.

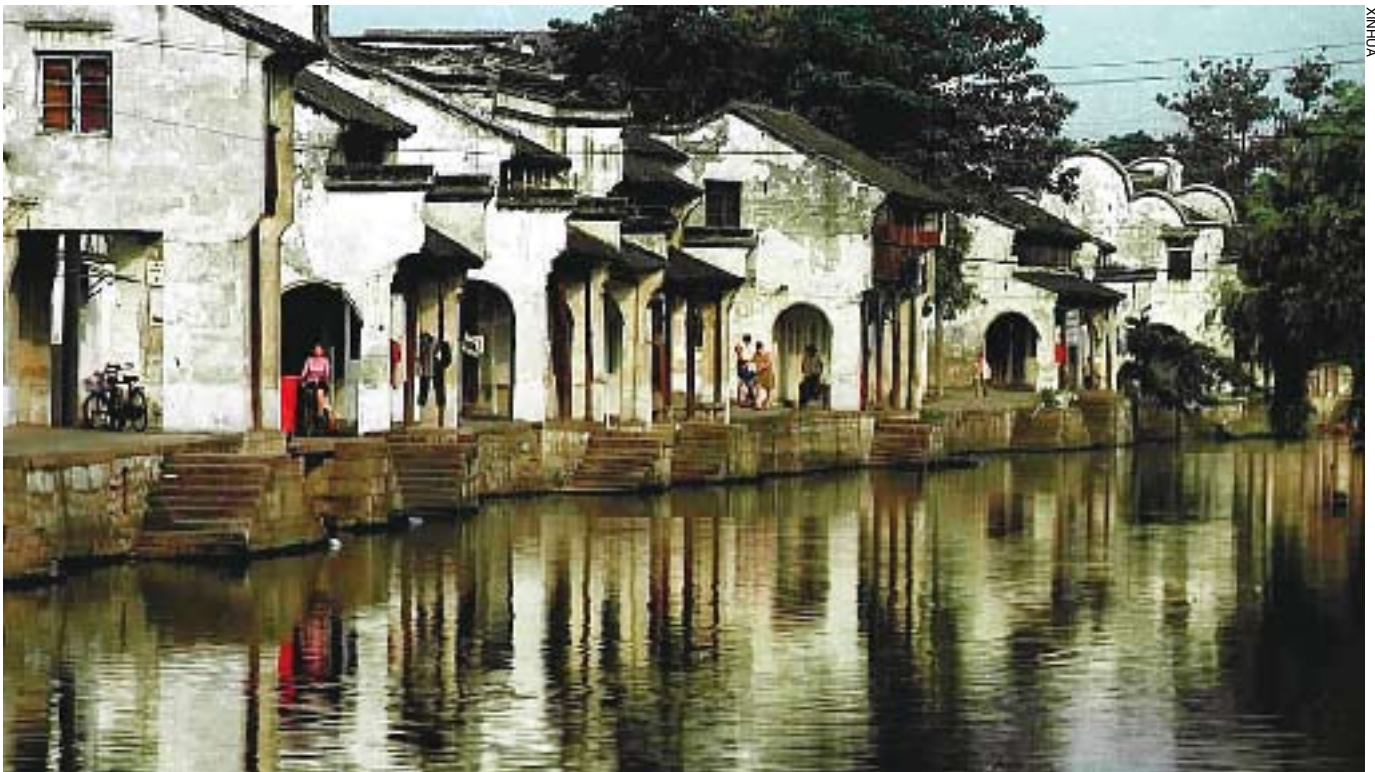
## Tomb-Sweeping Day

The Tomb-Sweeping Day marks the fifth seasonal division point and usually falls on the fifth or sixth of April, a traditional festival for commemorating the dead.

The festival arises from a sad story from ancient times. During the Spring and Autumn Period (770 B.C.-476 B.C.), China was divided into several parts, one of which

was Jin. Jie Zitui was a minister of the State of Jin who was very loyal to Chong'er, the brother of the prince. After the prince committed suicide as a result of being framed, Chong'er was forced to leave his native land. Only few ministers including Jie followed him. Jie even cut the meat off his own leg when Chong'er was hungry. After 19 years of hard struggle, Chong'er finally became the king of Jin. He granted all the ministers who followed him high positions, but forgot Jie. He felt guilty when his ministers reminded him of Jie's loyalty and went to visit him, but Jie refused to see him and hid in a mountain with his mother. Chong'er burned the mountain to force Jie out. After three days of burning, no one came out, and Chong'er found the dead body of Jie, hugging his mother by a willow tree. Chong'er felt sad and set the day of Jie's death as Qing Ming Festival (Tomb-Sweeping Day).

Since then, every year during Tomb-



XINHUA

**TRADITION GAINS ATTENTION:** Many well-preserved ancient towns will regain their quietness with the canceling of the weeklong holiday of May Day. The Chinese Government has attached more importance to Chinese traditional festivals by setting three of them as public holidays

Sweeping Day, people eat only uncooked food and place willow branches around their houses to commemorate the dead. Nowadays, many people also put flowers on graves to mourn for the dead.

### Dragon Boat Festival

The Dragon Boat Festival is celebrated on the fifth day of the fifth lunar month by eating *zongzi* (a pyramid-shaped dumpling made of glutinous rice wrapped in bamboo or reed leaves) and holding dragon boat races.

The festival began during the period of Warring States (475 B.C.-221 B.C.), and has a history of more than 2,000 years. The date of the festival is said to be the date when Qu Yuan, an official of the State of Chu, one state among seven in China during the period, died. He was a wise and articulate man, and was loved by the common people. He made an effort to fight against rampant corruption, which caused envy and fear among other officials. He advocated the emperor of Chu to fight against the State of Qin with the cooperation with the State of Qi, but was refused and driven out of service. During his stay in other states, he wrote many poems expressing his strong feelings for Chu. On the day that Chu was defeated by Qin, Qu jumped into the Miluo Lake expressing his strong love for his native land by taking his own life.

After the death of Qu, the common people of Chu went to Miluo Lake to mourn over the great poet they loved so much. Some threw eggs and rice wrapped in leaves into the lake to feed the fish in order to keep them away from Qu. Some doctors poured realgar wine into the lake to kill snakes and other animals that might try to eat Qu.

In commemoration of the day during the Dragon Boat Festival people race dragon boats, eat *zongzi*, and drink realgar wine to remember the great poet Qu.

### Mid-Autumn Festival

This festival is celebrated on the 15th of the eighth lunar month. It is a traditional festival for family reunions and celebrated by eating moon cakes and enjoying the full moon.

The Mid-Autumn Festival has a long history. At first, it was only popular among nobles and scholars, who enjoyed the full moon and wrote poems. Later it spread to the common people and became a tradition festival. In the Tang Dynasty, it finally became a fixed festival and one of the most important festivals for the Chinese people.

A beautiful story is associated with the festival. It is said that there were 10 suns in the sky in ancient times and that they came out every day together, and burned the Earth. A man named Hou Yi killed nine of them and ordered the last one to rise and set down on time everyday. Hou was regarded as a great hero and respected by the people. He had a pretty wife, Chang'e, and they lived happily together. One day, Hou was given a portion of immortality from the Queen Mother of the Western Heavens, and kept it at home. A thief found out about it and tried to steal it when Hou was away. Chang'e couldn't fight against the thief and swallowed the medicine. After drinking it she flew to heaven and was unable to return to the Earth. Hou was desperate to have her back but could do nothing but pray to the moon and miss his wife. Once people heard the sad story they prayed to the moon with Hou and gradually praying to the moon became an important festival for the Chinese people. ■

## Chinese Festival Holidays 2008

Festival	Date
Spring Festival	February 7
Tomb-Sweeping Day	April 4
May Day	May 1
Dragon Boat Festival	June 8
Mid-Autumn Festival	September 14
National Day	October 1



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By WANG HAIRONG

**W**hen autumn settles in the rolling cotton fields in Xinjiang Uygur Autonomous Region and the fluffy snowy flowers burst out of their shells, the cotton harvest season arrives. For farmers like Wu Caixia, a resident of Linze County in northwestern Gansu Province, it is time to embark on their journey to the cotton fields in Xinjiang.

Wu and her husband make a living by growing two thirds of a hectare of corn in their hometown, which yields an annual income of about \$1,450. Her husband also works as a construction worker here and there, bringing in another \$400. Last autumn, the couple spent two months in Xinjiang picking cotton, making \$700, which boosted their family savings and self-confidence. With this money, the couple bought a re-

frigerator, a DVD player, an electric fan; the remaining was set aside for social security for their parents and tuition fees for their child.

#### White gold

Located in the northwest corner of China, Xinjiang Uygur Autonomous Region is blessed with a cotton-friendly climate. Xinjiang is the largest cotton-growing region in China, producing about 40 percent of the country's cotton in 2007. Statistics from the China Cotton Association (CCA) show that the national gross output of cotton reached 6.73 million tons during the 2006/07 cotton season and is estimated to be 7.5 million tons in 2007/08. Cotton production and related industries have become a backbone of Xinjiang's economy, generating one sixth of the local gross domestic product (GDP).

"And when the cotton balls get rotten, you can't pick very much cotton," an

English nursery rhyme says. Cotton growers in Xinjiang understand it too well. If cotton is not picked in time, it is wasted in the field.

Labor is abundant in China, but not in Xinjiang during the cotton harvest season. With an area four times the size of California, Xinjiang accounts for one sixth of the total landmass of China and a little over 1 percent of the total population. While rich coastal cities frown upon the influx of rural migrant workers, cotton growers there have to compete fiercely for scarce labor resources. During the cotton harvest season, Yang Huowa, a cotton grower in Xinjiang frequents the local railway station to recruit farmers. "From dawn to dusk, I crane my neck for migrant labors, yelling at the top of my voice to attract their attention. As soon as I see one, I lobby him to work on my farm. In addition to a regular wage, I offer them perks such as delicious free meals." On one

# A Tale of Cotton Pickers

Cotton production in Xinjiang has boosted migrant farmers' income and self-confidence

GUANG NIU/SETTY IMAGE



unlucky day, he only managed to recruit four farmers. Yang planted about 15 hectares of cotton. Due to labor shortages, in one year, his cotton was still swaying in the field when snow blanketed the ground in winter.

In 2007, Xinjiang attracted about 1 million farmers from other inland provinces of China, half of whom were from the neighboring Gansu Province. These migrant farmers picked most of the cotton produced in Xinjiang, earning a total of 2 billion yuan (\$0.27 billion) in two months or so. The majority of migrant farmers are women. To ladies such as Wu Caixia, cotton-picking is no more onerous than other fieldwork. They have time to spare in autumn anyway. Cotton-picking not only brings them off-budget revenue but also provides a rare chance to see the world outside their hometown.

### Cotton picker economics

We can hardly talk about cotton pickers without mentioning the textile and apparel industry. The textile industry is a labor-intensive industry that offers employment opportunities to a large number of low-skill workers. Many countries used to impose quota and tariffs on textile imports to protect their own industry. The Multifiber Agreement (MFA), signed in 1974, restricts international competition in the industry with bilateral quotas. Under the MFA, the total textile exports from an exporting country cannot exceed a certain share of total imports in the country of destination. In 1995, the MFA was replaced by the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC), which set procedures for the phasing out of MFA quotas by 2005. Since the expiration of MFA in 2005, clothing products are no longer subject to quotas under a special regime outside normal WTO/GATT (The General Agreement on Tariffs and Trade) rules. China entered the WTO in 2001, which granted China increased access to international market. Many foreign apparel companies such as Nike, JC Penney, and Adidas have outsourced production to Chinese companies.

Now, China has a very large textile industry that captures a large share of the global market. The industry gobbles up millions of tons of cotton each year. The

migrant farmers working in Xinjiang's vast cotton fields are part of the global supply chain of textile and apparel. Demand for these farmers and the wages offered to them are associated in some sense to how much clothing shoppers buy in stylish stores lining the streets of cities such as Beijing, Shanghai, New York and Paris, and how much cotton is produced on the plantations outside of Xinjiang. The number of migrant farmers picking cotton in Xinjiang each year has increased from about 10,000 a decade ago to 1 million now.

The globalization of the textile industry is illustrated by Pietra Rivoli, a business professor with Georgetown University. In her book *The Travels of a T-Shirt in the Global Economy*, Professor Rivoli traced the fascinating journey of a t-shirt around the globe and the politics involving each leg of the shirt's journey. Professor Rivoli learned that the t-shirt she bought for six dollars was woven with cotton planted on a farm around Lubbock, Texas. Further investigation led her to a factory in Shanghai, China, where

about one-half of China's imported cotton was from the United States, with the rest is from West Africa, the former Soviet Union and Australia.

Traditionally, cotton in China was primarily produced by Chinese farmers along the Yellow River. The fields were patchy and production costs were high. In 2004, the government began to subsidize grain crop farmers in 13 major grain-producing provinces in east and central China (farmers in western provinces are not covered because they are not located in the major grain belt), according to a U.S. Department of Agriculture study authored by Fred Gale, Bryan Lohmar and Francis Tuan. This was the first time that the Chinese Government had offered direct subsidies to farmers.

After the turn of this century, China's agriculture accounted for only 15 percent of GDP and 5 percent of tax revenue. China's WTO accession renders farmers vulnerable to global competition. The government decided to end the century-old agricultural tax and introduced direct subsidies. The amount of subsidies varies across regions and across

## Year after year, like migrant birds taking wing in the autumn wind, cotton-picking farmers embark on their journey to the vast cotton fields in Xinjiang, harvesting a better life

the cotton from Texas was spun and woven into cloth. The cloth was cut and sewn into a t-shirt, and then was shipped back to the United States, where it was bought by Professor Rivoli.

"We are moving away from an economic system in which national markets are distinct entities, isolated from each other by trade barriers and barriers of distance, time and culture and toward a system in which national markets are merging into one huge global marketplace," she said.

In 2005, Thomas L. Friedman, a foreign affairs columnist for *The New York Times* identified 10 factors that have leveled the global playground, including the fall of the Berlin Wall, the rise of information technology and new business models such as outsourcing and offshoring.

Although China is the world's largest cotton producer now, domestic supply still falls significantly behind ballooning demand fueled by the growing textile industry. The world cotton price is lower than the domestic price due to the higher production efficiency of foreign farmers and subsidies from their governments. According to the U.S. Cotton Council, from 2004 on, about half of cotton consumed in China was from imports, and

crop types. The subsidy enticed many cotton growers in China's heartland to shift to grain production. Foreign cotton took up half of the cotton market in China. In 2004, Xinjiang had a bumper harvest of cotton, yet cotton growers suffered from declining cotton prices and a shortage of migrant cotton-picking farmers. Their woes were exacerbated by dwindling demand from cotton mills. High cotton prices the previous year forced some mills to close down and others to reduce capacity.

Recent booms in the textile and cotton market gave birth to the spectacular phenomenon of migrant cotton pickers. Year after year, like migrant birds taking wing in the autumn wind, cotton-picking farmers embark on their journey to the vast cotton fields in Xinjiang, harvesting a better life.

The market has a cool head and a cold heart when picking losers and winners. Recently, Xinjiang cotton growers acquired another helper, the cotton-picking machine. Each machine can pick as much cotton as 600 farmers, at a cost of 0.4 yuan (\$0.05) per kg of cotton, 60 percent lower than the labor cost of human cotton pickers. How this will affect the landscape of the cotton fields of Xinjiang is a question for tomorrow. ■

**HAPPY HARVEST: A farmer picking cotton in Xinjiang Uygur Autonomous Region**

# Double-Identity Olympian

Champion-turned-Olympic official Deng Yaping is determined to make Beijing's Olympic Village first class

By TANG YUANKAI

In January 2007, Deng Yaping was appointed Deputy Director of the Olympic Village Department of the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG). Since then, people who know the former Olympic gold medalist for table tennis have begun to call her "village head."

Not many Chinese people would fail to recognize the face of the 35-year-old, who once dominated table tennis and won 18 world champion titles and four Olympic gold medals during her sporting career. She has so far been the only women's single player to win Olympic gold medals in table tennis in two consecutive games.

"The difficulty of managing the Olympic Village well and winning an Olympic title is roughly the same," said Deng. She explained that both missions require a strong sense of responsibility and leave little room for any mistake. "The Olympic Village Department

has to work as a team in managing the Olympic Village," she said.

Deng believes that her experience of living in several Olympic Villages has provided her with good references for her current job. "Being an athlete for many years, I know exactly what kind of Olympic Village an athlete needs. When I worked as a member of the Athletes' Commission of the International Olympic Committee (IOC), we had to take turns to be stationed at the Olympic Village during the Olympic Games. I spent a great deal of time at different Olympic Village during that period, which improved my knowledge of facilities in them."

## Sweet home

"The Olympic Village should be first and foremost a home for the athletes," Deng said. To ensure that athletes give their best performances at the Beijing Games, village administrators should make them feel at home with the most considerate service, Deng added. When receiving visiting of-

ficials from Olympic committees of other countries and regions, she always asks for their suggestions to improve the operation of the Beijing Olympic Village.

Deng said facilities in the Beijing Olympic Village will not be significantly different from those of previous Olympic Games since it has to meet IOC standards. Decoration of the Beijing Olympic Village, according to Deng, will not be luxurious but will include elements of Chinese culture.

Since the Olympic Village will also accommodate athletes for the Special Olympics, Deng and her colleagues have worked on details in design to make life there more comfortable for disabled athletes. "For example, all wardrobe bars in the athletes' apartments have been lowered to the perfect height for wheelchair-confined athletes," Deng said.

There are many similar examples. "These details in redesigning are simple, but have taken a lot of thinking about. A lot of work needs to be done to make the Olympic Village a home to all athletes," Deng said.



**PINGPONG CHAMPION:** Deng Yaping, winner of four Olympic gold medals in table tennis, plays as guest at a community competition in Beijing

LI SHILEI

## Impossible is nothing

Anybody who has ever watched Deng in competition will have little doubt of her capacity and determination to achieve in whatever she does.

The legendary player with 18 world titles to her credit was physically unfit for her sport. Standing five feet one inch, she was once refused by an amateur sports school. Luckily, Deng received good home schooling from her father, a table tennis coach. He told young Deng that her only winning chip lay in becoming an aggressive player with faster ball speed and faster steps.

At the age of 13, Deng won her first national title by defeating a world champion. Despite this, the national team rejected her due to her height. Her victories over the next year quickly landed her a spot in the national team.

Deng believes that her admission to the national team also boosted the confidence of other athletes who are not blessed with the perfect physical shape. "Seeing my success, they can believe they still have a chance," Deng said.

Juan Antonio Samaranch, IOC President from 1980 until 2001, has said on different occasions that Deng was his favorite table tennis player. "I like her character and I had the great honor of presenting her with her medals at the Olympic Games in both Barcelona and Atlanta," he said.

Deng does not conceal the unyielding personality that helped her to win. "Whatever games I competed in, as long as I stood in front of the table, I would try my best to win. The court is no place to show your soft side, even for a second," she said.

After she retired in 1997, she was admitted by the prestigious Tsinghua University to study for a Bachelor's degree in the English language. At the entrance test, Deng struggled to write down all the 26 characters. To catch up with her classmates, she studied 14 hours every day. The same year she received her Bachelor's degree, Deng was admitted by the Business School of the University of Nottingham in Britain for her Master's degree. Then she went on to get her doctorate in economics at Cambridge University. During her days at Cambridge University, she was an active student in the classroom. Her professor once jokingly said one could tell she was a former world champion by seeing how hard she studied.

Deng has been working for BOCOG since its foundation in December 2001. In her spare time, she works as a volunteer for the Beijing Olympic Games.

"I take part in any activity where my image can be used for charitable or promotional purposes," she said. "Being of service to the Olympic Games is nothing less spectacular than the experience of winning an Olympic gold medal." ■

## DISCOVERING BEIJING

# More Than a Bar Street



For a long time Sanlitun, located beside Beijing's Eastern 3rd Ring Road, has been the No.1 bar street in Beijing. In recent years, Shichahai, a city-center lake that for centuries has provided local residents with a sanctuary from the hustle and bustle of the day, has begun stealing the spotlight as the new paradise of nightlife.

Shichahai, which means "sea with 10 temples," earned its name from the days when 10 Buddhist temples stood on the banks of the lake.

Composed of three manmade lakes separated by two stone bridges, Shichahai once formed part of a system of waterways that fed into the Forbidden City, the royal palace complex. About 700 years ago, Shichahai became the northern end of the 1,794-km Beijing-Hangzhou Grand Canal, one of the oldest and longest manmade waterways in the world. In its prime days as a busy dock, Shichahai hosted tens of thousands of wooden boats carrying produce from southern provinces.

In the 1930s, a marketplace, called Lotus Market, was built around the lake. Lotus Market, together with Tianqiao Market, were Beijing's two busiest carnival flea markets with endless lines of stalls selling authentic local delicacies and stages showing various folk art performances.

After being terminated for many years, the carnival tradition came back to Shichahai in the 1980s. The carnival market, which lasts several months every year, became one of the best places in Beijing for tourists to sample local cuisine and purchase traditional works of art.

Most bars in this area are built on one street across the lake. This area is also home to the best preserved *hutongs* (alleys or lanes) and *siheyuans* (Chinese quadrangles) in Beijing, a mixed area of homes for ordinary people and palaces for princes and princesses during the Qing Dynasty (1644-1911). Over 40 buildings in this area are under government protection as cultural relics.

The government recently built a 6,000-square-meter square on the eastern bank of the lake. A miniature map of the ancient canal, which marks 16 of the most important port towns, was carved on the ground.

A feature of the bar area of Shichahai is that bars far outnumber restaurants. A lot of bar-goers, mostly foreigners, order food from nearby restaurants, before heading to the bars. Bar and restaurant owners in the area are happy with this business mechanism as it allows both to co-exist happily.

A new must-do for tourists is a hutong tour (trip on a peddled three-wheel rickshaw). It is amazing to see how Beijing's rickshaw drivers, who are also tour guides, bargain with tourists from around the world in many foreign languages.

**Most bars in Shichahai are built on one street across the lake. This area is also home to the best preserved *hutongs* and *siheyuans* in Beijing, a mixed area of homes for ordinary people and palaces for princes and princesses during the Qing Dynasty**



**TOUR DE SHICHAHAI:**  
A cycle ride around the tree-shaded lake Shichahai in downtown Beijing is regarded by many local residents as one of the best ways to spend a spring or summer afternoon

ZHANG XU

# SHARING THE FEAST

Deng Yuwen, Associate Editor-in-Chief of *Study Times* affiliated to the Party School of the Central Committee of the Communist Party of China and a researcher of China's reform and opening-up policy, discusses 30 years of reform

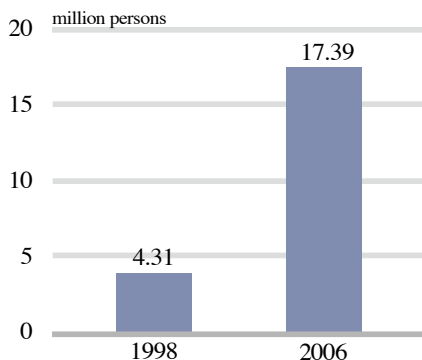
**T**he decision to begin reform and opening up, which was made at the Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) in December 1978, has helped the Chinese people navigate through hard times and toward prosperity and rejuvenation in the past three decades. During the course, the Chinese people have attained distinguished achievements and learned many lessons.

One outstanding achievement is that China's economic and comprehensive national strengths have been continuously enhanced and the living standards and welfare of the people have been further improved. China is currently the world's fourth largest economy in terms of gross domestic product (GDP), and will possibly overtake Germany to be the world's third largest in 2008. China now remains the world's third largest trader. Previously suffering shortages of many necessities, China today instead has excess production capacity on the whole. At the same time, living standards have been greatly improved and the people in general lead a comfortably well-off life. In 2006, China's per-capita GDP reached \$2,000, and the rural population in abject poverty has decreased from 250 million in 1978 to 21.48 million at present, down from 30 percent to 2.3 percent of the country's total population, a remarkable achievement in the history of the world.

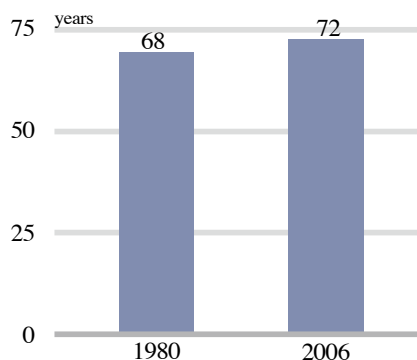
Another important change has taken place in the mindset of the people. Opening up has brought a new vitality to the people's tedious and uniform lifestyle and way of thinking, which, dominated by the personality cult of political leaders for years, was against humanity. The people's spiritual and cultural life has been enriched to promote diversified thinking. ▶▶



**Students in Universities**



**Life Expectancy**



**WHOLLY NEW:** The architects of China's reform and opening-up policy could not have imagined that Shanghai would look so different 30 years later



Discussion of such concepts as competition, efficiency, democracy and rule of law had never been encouraged before reform and opening up. The Chinese people today are enjoying greater freedom in thinking, making choices on their own and deciding their own fate. Thanks to reform and opening up, the Chinese people are freer, more self-reliant and more independent. Revolutions in spiritual and intellectual life have mobilized hundreds of millions of people who devoted themselves with creativity and enthusiasm to China's socio-economic development.

In the past three decades, China has established a market economy and the market has replaced the government to play a decisive role in resource allocation and social development. China has gradually assimilated into the global mainstream during the decades of reform and opening up. The market economy and democracy have proven to be the most successful institutional creations in human civilization up to the present day. In its reforms and opening up, China has learned the merits of these creations, and voluntarily observed the common rules for the development of human society so as to overcome the flaws of traditional Chinese concepts of rules and to promote augmentation of national welfare and restore wealth and power for the country.

A review of China's history shows that the nation has been open, strong and prosperous during several feudal dynasties, but it never happened that the nation truly assimilated into the external world and shared the common progress. Especially after Western capitalism emerged and led to industrialization, China adopted a "closed-door" policy and remained an agricultural society for 200-odd years. Poverty-stricken and weak, the country eventually lapsed into persistent turbulence. The reform and opening up of the past 30 years represent the first "open-door" policy in its true sense in China's history: China not only learned from Western countries' technologies, but also their experience



JIANG XIOMING

**CHILDHOOD BLISS:** China has invested huge funds in improving infrastructure and environment in the past years

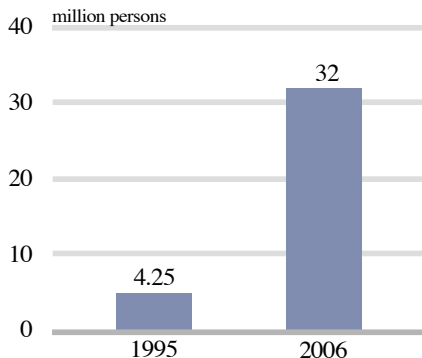
in developing a market economy and democracy as well as Western civilization, in order to carry out institutional reforms. China has successfully seized the opportunities of the third wave of globalization and effectively participated in international division of work to develop its economy. With its WTO membership, China is recognized today as a member of the global mainstream. It's commitments and credit in the capacity of a sovereign country warrant that China will adhere to the reform and opening-up policy in its future development.

In summarizing the experience of China's reform and opening-up program, some points should be stressed. First, reform theories should be updated and innovated in accordance with changes in practice in order to guide further reforms. Second, economic construction should be the central task of China's development, which has remained

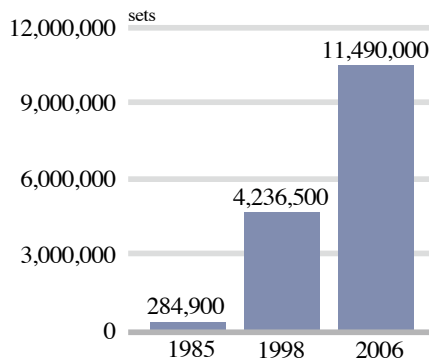
unchanged during the past 30 years under any circumstances. Third, it's wise to stick to the path of socialism, adhere to the CPC leadership and pay respect to reform innovations at the grass-roots level and by ordinary people while implementing the policy, which is conducive to effectively safeguarding the country's unification and social stability against the background of growing diversification of interests in China. Lastly, cultivating a market-oriented economy and implementing the opening-up policy at a gradual pace are needed, so as to ensure China's solid assimilation into the global mainstream.

The root factor behind all these achievements, as Party General Secretary Hu Jintao emphasized in his report to the 17th National Congress of the CPC, is that China has followed the path of building socialism with Chinese characteristics and has formed a

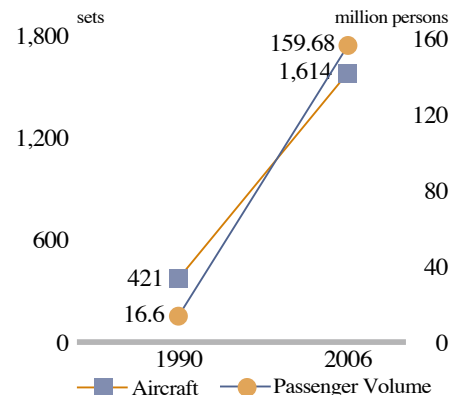
**Outbound Tourists**



**Private Cars**



**Civil Aviation**





**GREAT EXPECTATION:** The reform and opening-up policy has introduced better lives to the Chinese people

theoretical system of socialism with Chinese characteristics. A knowledge of China's basic national condition—the fact that China is at the primary stage of socialism and will remain so for a long time to come—is pertinent to understanding the essence of this theory. To recognize this fact indicates that China has eventually embarked on the road of seeking truth from facts and respecting objective laws.

Besides its achievements and experience, mistakes have also been made and there are lessons to be learned from these.

First, economic growth was achieved at cost of environmental destruction and excessive consumption of resources. If it is safe to say that the economic achievements China has attained in the past 30 years would have taken a Western country a century to do, then it is equally safe to claim that the environmental destruction China has suffered during

the period would take any Western country a century to encounter. China's sustainable development is endangered if no changes are made to its developmental model.

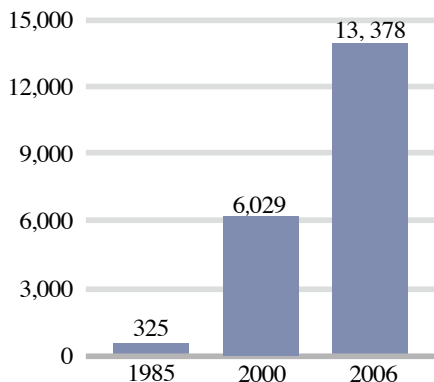
Second, the gap between the rich and the poor is widening. It took Japan and South Korea about 20 years to ascend into the club of developed countries in terms of national income. But in China, the overall national income, despite increases in the past 30 years, is still lagging behind many countries.

This is primarily because labor enjoys no preference in the nation's income allocation pattern, though China's huge population is another reason. The wealth created by the people has been transferred into capital and fiscal revenue, in the form of profit and tax, including those to importers in Western countries through granting exporters export subsidies. This imbalanced allocation has worsened the rich-poor gap in China.

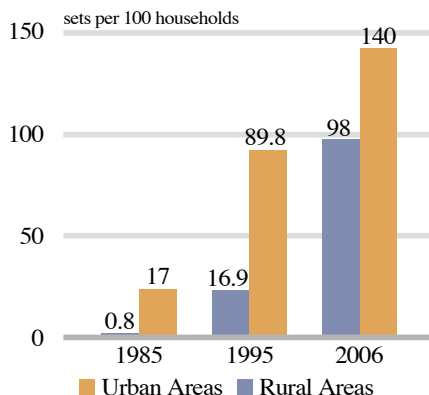
Take the Gini index—an indicator of a country's overall income inequality—for example. China's Gini Coefficient index has reached 0.45, or the widely recognized warning boundary, in recent years. The Chinese people feel even stronger about the unfair disparity than people in other countries with similar ratios, as much of the disparity is attributed to monopolies and privilege in China. The government has failed to effectively protect the legitimate rights and interests of the laborers, who as a result can't share in the fruits of the national economic growth. At the initial stage of reform and opening up, China was short of capital but abundant in labor, and as a result, attracting foreign investment became an important task of local governments at all levels, as well as a standard to assess the performance and administrative achievements of officials. The rights and interests of workers, on the contrary, were neglected, and they don't have the rights to collectively negotiate over payment, not to mention all kinds of social rights such as welfare and insurance that are common in developed countries.

China remains a low-income developing country despite the huge achievements it has made over the past 30 years. The basic knowledge, strategic plotting and policies drafted related to reform and opening up in the future should be based on the basic national condition that China remains a developing country in the primary stage of socialism, so that confronting emerging problems in reform and development can be understood. In the reform and opening-up drive in the coming years, the Chinese Government should adhere to its primary experience and fundamental policies of the past 30 years, continue to focus on economic development, promote the role of the market in resource distribution, and seek correct solutions of contradictions and problems that accrue in the process of socio-economic development.

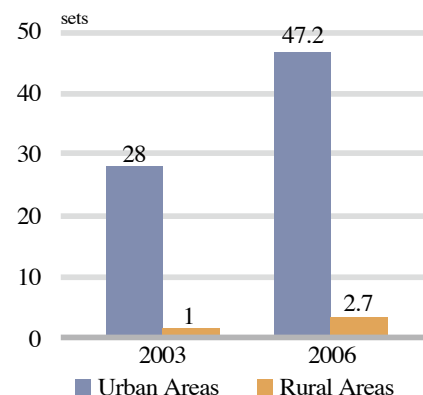
**Hotels**



**Color TV Sets**



**Computers**





# SYSTEMATIC FOUNDATION

Three decades into its reform and opening-up policy, China has learned from its experiences and transformed itself into a global economic powerhouse

By FANG SHUANXI

**T**hirty years have elapsed since the reform and opening-up policy was adopted in China on December 18, 1978, at the Third Plenary Session of the 11th Central Committee of the Communist Party of China. This magnificent economic reform, particularly the reform from a planned economy into a market economy, has a close bearing on the destiny of the Chinese nation, and thereby it is of great significance to review the decades as we mark its 30th anniversary.

At the start of reform, a system of contracted responsibility linking remuneration

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to output was introduced in rural areas. This greatly stimulated the enthusiasm of farmers and reduced production and supervision costs. The system also laid a solid foundation for China's subsequent economic boom. The increase in the efficiency of food production enabled the country to feed its huge population and also created a wealth of surplus labor. The surplus work force had unexpectedly produced a new non-public economy before the reform of the traditional planned economy was completed, which helped enhance and activate the public economy.

Microeconomic reform has inspired the competition of enterprises under different ownerships, thus greatly sparking the vigor and vitality of the national economy. After 30 years of reform focused on state-owned enterprises (SOEs), the majority of small and

medium-sized SOEs have been replaced by more efficient private enterprises, while the economic performances of large SOEs have been significantly improved.

Tax reform since 1994 has helped form a unique relationship between central and local governments centered on economic construction. Under the system, fiscal revenue from local governments depends greatly on the expansion of the local economy, pushing the local government to attract investment and improve GDP performance. The fact that the local governments take investment attraction as an important task has accelerated the process of industrialization and urbanization.

China has pursued its opening-up policy and participated in the globalization process in an omni-directional way. It now tops the

# SPARK OF A PRAIRIE FIRE

Eighteen hungry farmers from Xiaogang Village, Anhui Province, signed a secret pact nearly 30 years ago, lighting the torch for China's rural revolution

**B**efore 1978, Xiaogang Village, a small farming village along the Huaihe River, was known only for its poverty. Its 20 households and around 100 villagers mostly depended upon state relief funds and loans to ease their continual crop failures. Agriculture was inconsistent in the region because of a stagnated river channel, leading to floods and droughts that hit the area in successive years.

According to people who lived there at the time, in the past, it was extremely difficult for girls from the village to obtain a good dress for their marriage. For young men, it was even harder to find a wife from nearby villages.

In 1978, Xiaogang suffered from a great drought and farmers starved in these miserable conditions. That's when Yan Junchang and Yan Hongchang, two local leaders, decided to do something to change the situation. They called together the heads of all the local

households for a meeting. After a short discussion they made a radical decision: abandon the long practised communal farming system and divide the land among themselves. Such a practice was illegal at the time.

They drew up a contract that divided the commune's land into family plots. They would turn their production quotas over to the state and the leadership, and keep whatever remained. Under the commune production system at the time, keeping any communal grains was forbidden.

"If the trial fails, we cadres are prepared for death or imprisonment under the law, and other commune members pledge to raise our children until they are 18 years old, when they become adults," the contract concluded.

However, that secret pact is now considered the first bold step toward rural reform in China.

For most of the country's rural population, agriculture is the most vital source for

livelihood and security. After the founding of the People's Republic of China in 1949, the government helped farmers reallocate land through agrarian reform.

In Fengyang County, where Xiaogang is located, farmers were organized into collective farming districts. During that period, late Chairman Mao Zedong also implemented a project to regulate the nation's waterways. Reservoirs and water reserve areas were built up, several canals were dredged and levees were heightened and consolidated to control flooding. After waterways were regulated and agriculture collectivized, annual grain production began to stabilize. The problem of food shortage had been fundamentally solved.

During the Great Leap Forward in 1958-60, communes were set up as the organs of both state power and productive labor. Dozens or even hundreds of cooperatives at different economic and development

world in foreign investment. The influx of foreign capital has helped relieve the country's shortage of capital for construction and make up the insufficient needs in the domestic market. Participation in international competition has also boosted overall economic efficiency.

The banking sector has become more market-oriented after it was independent of the financial system. Under the traditional planned economy, banks were affiliated with the national fiscal system. During the 30 years of reform and opening-up, China has gradually formed a capital market and state-owned banks have gradually introduced enterprise management. As a result, capital is able to move into highly efficient links driven by market principles, which in turn has greatly improved the efficiency of the distribution of capital factor.

These five factors have impacted the national economy through its different periods of development. For instance, overall reform first started in rural areas, with the contracted responsibility system quickly helping boost agricultural production. This system exerted its greatest potentials in the late 1990s with solid achievements. Dramatic slip in grain production is unlikely to occur except in case of special circumstances. After the

motivation brought about by this system to economic growth waned, the country has witnessed the boom of the private economy as well as the foreign-invested economy since the late 1990s. At the start of this century, China's entry into the World Trade Organization brought another new momentum to economic development.

China has gradually transformed from a highly intensive planned economy into a modern market economy. This rational approach is based on the concept of peaceful development in connection with China's unique historical backgrounds.

First, China has stuck to the principle that "practice is the sole criterion for testing truth." While a theory might be right, only practice can show whether it is pragmatic or not, and sufficient attention is attached to yielding sound results in each step.

Second, the country has been able to prioritize. At the beginning of reform and opening-up, the CPC raised the concept that China was still in the primary stage of socialism and decided that the most urgent task at this stage was economic development, thereby extricating the country from the dilemma of taking class struggle as the key link.

Third, China made a correct judgment of the international situation. It has successfully

seized the chance during the third wave of globalization and efficiently participated in the international division of labor to develop its own economy, thus setting an example of success for other developing countries. China's WTO accession is also attributed to its correct, wise judgement of the international situation, as, at that time, many people still held the belief that a world war would break out.

Fourth, the country created a consensus on reform. On the one hand, it employed many audacious people to carry out reform in various fields. On the other, it strove to ease the resistance to reform and leave aside arguments in order to focus on economic development. For instance, since many people could not accept the concept of a market economy at the beginning of reform, the reformists put forward the idea of a commodity economy.

Lastly, great attention has been attached to coordination and leadership during the course of reform. The former State Commission of Economic Reform played a positive role in the 30-year economic structural reform. Such leadership has helped push forward reform and remove obstacles through coordination of complicated interests relations. ■



**BRAVE RISK:** In a move that could have risked their lives, farmers in Xiaogang Village ditched collective farming in 1978 in what was eventually to become the "poster child" for agricultural reform across the country. Here a guide discusses this important event outside the gates of the village with a tour group

levels were merged. The experiment eventually proved disastrous and ruined the agricultural industry of the country.

Villagers from Xiaogang knew that creating secretly contracted farming plots would be a great political risk. But they had

few alternatives. In less than one year, they harvested nearly 70,000 kg of grain and the years of starvation gradually ended. Though output did not reach the level of 100,000 kg at the preliminary stage of collectivization, it increased from then on.

Other people began to notice that Xiaogang farmers went unpunished so they followed suit and reclaimed their fields with their own reform plans. Then in April 1979, the Communist Party of China Central Committee made a decision to speed up agricultural development and began a series of reforms. The reforms the Xiaogang farmers started began to spread outside of Anhui Province and the obsolete commune system was replaced with the "household contract responsibility system."

In the early 1980s, the Central Government decided to give long-term leases to farmers on the collectively owned farmland. Under the new system, the proprietary land is still collectively owned, but the land use rights are distributed to rural households for independent operation. Households have become the main economic unit of the agricultural production system in rural China.

Generally speaking, the farmers were allowed to keep any grain after paying rent on the farmland. They could then trade their agricultural products to grain procurement agencies, cooperatives or individual businesspeople, or sell them in urban markets. According to an official from the Ministry of Agriculture, the household contract responsibility system accords with the interests of the Chinese people and the fundamental realities of the country, and enables most farmers in the country to live a life with enough food and clothing. ■

Panama International Merchandise Mart (PIMM) is to become the first and largest tax-free wholesale center in Latin America. By providing a platform for overseas manufacturers and industrialists to showcase their products and interact directly with buyers in the Americas, the \$1 billion PIMM project is based on a vision to revolutionize the way that goods are traded in the Western Hemisphere.

The concept of PIMM is simple and appealing—to make offices and showrooms available to exporters from various parts of the world in a large wholesale center where they will be able to display their products and interact face to face with buyers from all over the Americas, thereby avoiding unnecessary intermediaries.

PIMM founder and President Reynald H. Katz explains the idea as follows, “PIMM is the first merchandise mart in Latin America. By definition, the mart is a place where vendors and customers connect with each other and make deals with each other, because they can meet and see the products they are buying. The vendors show the samples to the wholesalers, and once the order is placed, they ask their factory to ship the products directly to the buyer.”

The need for a merchandise mart is particularly intense in Latin America where importers face visa restrictions when travelling to the United States or flying to a different time zone halfway around the globe to seek new opportunities with exporters from such places as China or India. “Latin America has 566 million consumers, and there are hundreds of thousands of wholesalers that are flying all over the world to buy merchandise,” Katz explained. “So my idea is really simple—to bring the manufacturers closer to them.”

Chinese manufacturers, when dealing with Latin American buyers, benefit from less stringent import regulations and procedures than those enforced by the United States and Europe. Indeed, the market potential is so significant that Katz is contemplating constructing a special pavilion where Chinese exporters can operate. “Here they will be able to



**“PIMM will provide 6,800 showrooms organized in 34 buildings according to product categories”**

forge new relations with Latin American buyers,” Katz said. “I expect that PIMM will draw buyers from many other parts of the world, who are interested in exploring PIMM’s multinational trading community.”

The location of PIMM, close to the Panama Canal at the hub of the Americas, could hardly be better for an international wholesale mega-mart. Panama is a key international multi-modal logistics hub and has the largest maritime fleet in the world. Operating and shipping costs are down to a fraction of U.S. levels, and a showroom at PIMM is three to four times cheaper. Only 40 km from PIMM is the Colon Free Trade Zone, the second largest free trade zone in the world.

At PIMM, showroom owners can enjoy the benefits of operating in what may well be called a tax haven, with no tax on sales, company income, or exports, and with tax exemptions on income derived from abroad. To speed up the movement of traded goods, PIMM is in talks with countries in the region to establish a system where every invoice and every shipment that arrives with the PIMM seal can pass customs without inspection.

# PIMM — A New Gateway for Trade Between the Continents

PIMM will be the first and largest merchandise mart in Latin America

# How to get started at PIMM



Reynald H. Katz, Founder  
and President of PIMM

Those who are interested in obtaining a showroom at PIMM are encouraged to visit the project's website ([www.pimm.com](http://www.pimm.com)) to make a reservation. It only takes \$1,000 up front to book a showroom. An additional \$5,000-\$10,000 must be paid upon receiving the purchasing contract one month later. The down payment of 40 percent of the showroom's value can be paid up to two years in advance. PIMM's "Fly & Buy" program allows interested buyers to deduct their plane ticket and lodging fees from their purchase, for a total of \$1,000. It is also worth noting that at PIMM, Chinese companies will be able to obtain appropriate visas under a special fast-track arrangement.

## 10 reasons to invest in Panama

By PIMM founder Reynald H. Katz

1. The Panama Canal
2. Access to 566 million consumers
3. Tax haven
4. Fast economic growth and low inflation
5. Booming real estate sector
6. The dollar as legal tender
7. English as second language
8. Political stability
9. Low shipping and operating costs
10. PIMM!

## PIMM — the project

Like other contemporary developments, e.g., the World in Dubai or the Pearl in Qatar, the architecture of PIMM is based on a single unifying concept, explained Katz. "Panama in the native language means 'butterfly.' So we created a structure where all of the buildings together form a big butterfly. One building will display home decor, one specializes in jewelry, and another in shoes for kids, clothing for kids, and so on. Furthermore, in order to accommodate the flow of visitors and give the same sales opportunities to each vendor, we increased the size of each building and placed all showrooms on the ground floor."



Showroom building

# A city of commerce

As the largest private investment project in Panama, PIMM is about to become the largest commercial structure on the continent.

The wholesale concept of PIMM is combined with a prestigious real estate development in an entire commercial city comprising all necessary facilities to conduct business comfortably, with plenty of accommodation available for visitors, showroom owners and staff. Once completed, PIMM will provide no less than 6,800 showrooms, four hotels, one convention center, one block of office buildings, and one block of apartment buildings plus 10 restaurants, 10 fast-food outlets, parking for 5,000 cars, a free airport shuttle bus service, and a fire station, as well as other supportive infrastructures. The showrooms are grouped in 34 individual buildings according to product categories, such as textiles, shoes, home decor, jewellery, etc. A new highway connecting PIMM to Panama City in just 20 minutes by car will be ready in 2009 when the first showrooms are scheduled for launch.

Attracting the attention of manufacturers that are keen to invest in a showroom has proved easier than expected. The first 800 showrooms were quickly pre-sold, generating \$135 million in three months, equivalent to \$1 million per day. The buyers are typically small and medium-sized manufacturing companies in the textile, clothing and shoe business that want to show their products in the Latin American market. So far, the majority of the showroom buyers are from Hong Kong, Europe, the United States, Venezuela, Brazil, Chile and India.

Katz has dedicated a multi-million-dollar budget to promoting PIMM among Latin American importers. "We are going to invest more or less than \$1 million a week in flying buyers from all over Latin America to come and see the manufacturers at PIMM," said Katz.

It is predicted that each showroom will generate an annual sale of \$5 million on average. Indeed, PIMM is projected to have a profound impact on Panama's economy and the living standards of the local community. "We calculated that PIMM would bring \$565 million of cash directly into Panama, or \$1.5 million per day. Besides this, we will be the biggest tax payer in Panama. We will hire 31,000 local employees, directly and indirectly. This is going to benefit around 120,000 people if you include the fathers, the mothers, and the children living with the people who work at PIMM," Katz noted.

The ambitions of PIMM Holding Inc. do not stop with Panama, however. Katz's vision is to open similar merchandise marts in other countries and regions like South Africa, Russia, Viet Nam, India, China, Malaysia, Australia, Belgium, the United States, Brazil and Mexico. "My goal is to open two to four PIMMs in China. To open a PIMM in China, I need a local partner. My concept is to find a local partner who is honest and flush with capital," says Katz.

Each PIMM costs \$700 million-\$1 billion, depending on various country-specific factors. As a way of financing the projects, Katz is planning to launch an IPO in 2008.

# Panama International Merchandise Mart

## Interview With Reynald H. Katz

PIMM is the product of one visionary mind, namely that of trade specialist and entrepreneur Reynald Henry Katz who started early as a self-made businessman trading handmade jewelry. Katz's innovative approach and talent for sales have served him well throughout his remarkable career, a career that has taken him to the United Kingdom, the United States, the Middle East and China, before eventually settling down in Panama. In this interview, Katz speaks about how he came up with the idea for PIMM and shares with us some of his personal experiences as a businessman and entrepreneur.

**Mr. Katz, Panama has never before seen a project quite like PIMM. We are curious about how you came up with the idea for this pioneering initiative.**

Last year I was looking for a showroom for my own export company. I found one, but I was told that 2,500 other companies were already waiting in line. So I thought, "I hit a jackpot. I will open my own showroom space in my own buildings, and I will open 600 or 700, maybe 1,000 showrooms. Maybe they will sell well." Later, I sold the first 800 rooms in only three months.

**It is not the first time that you have been able to turn innovative ideas into profitable businesses. At the age of 19 you launched a revolutionary product in the market for nail polish, which gained 80 percent of the global market, making you a millionaire. What are the principles that have brought you to success in the world of business?**

It is both a matter of luck and the ability to see what others don't see. That is what I admire about the Chinese. They are very good at that. When they arrive in a country, they see opportunities that no one else has thought of, and this is why they are so successful.

**You spent two years in China where you opened several malls and developed the link between the Chinese Government and American cosmetics manufacturers. Can you tell us about this experience?**

I was brought to China by the Ministry of Internal Trade, and my responsibility was to decide which perfumes and which brand-name perfumes should be brought to China. I had a wonderful time there—the best time of my life. People are so nice there and the food is delicious. It was a really good experience.

**Before we conclude the interview, would you like to say something to our readers in China and across Asia? What would you like to tell them?**

I would like to address the hundreds of thousands of medium-sized companies in China that must export but are at risk in the United States and in Europe. I want to tell them that Latin America is a good place to do business, and PIMM is the best place to do business from. If they want to open a showroom in New York, it will cost them \$2 million. But at PIMM, they can open one with a minimum of \$250,000, and they are going to have a place in Latin America with access to 566 million consumers.

Picture of PIMM project seen from above—butterfly structure



Illustration of showroom buildings - overview





## Heaven on Earth

Delicate Kongfu tea, crispy nuts, sweet snacks, exquisite crystallized pawpaw, delicious baked sesame seed cakes, succulent barbecue and royal shark's fin soup—all are just a small part of Manchurian-Han Royal Cuisine presented by Beijing Minzu Hotel in January 2008. The delicious, mysterious, imperial style of cooking adds to the attraction.

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party from 11:30 p.m. to 2:00 a.m. with resident DJ Randall in the plush lobby lounge for the 2008 countdown! A New Year's Eve special on bottles of Piper champagne for 550 yuan will help to bring in the New Year.

**Adults:** 388 yuan net (including a glass of bubbly)

## Park Plaza Beijing, Wangfujing



Bloo restaurant now offers its guests three kinds of business set menus at reasonable prices. From the renowned Cantonese delicacy shark's fin soup to the nutritious the super duck broth and braised bailing mushroom in abalone sauce, all

set menus are sure to satisfy your taste buds. Fresh vegetables, rice and seasonal fruits are also featured in the set menus.

The shark's fin soup set menu is 68 yuan per person, and the super duck broth set menu and braised bailing mushroom set menu are 58 yuan per person.



## Raffles Beijing Hotel

Beijing, November 14, 2007—The Crown Prince Felipe de Borbon y Grecia of Spain and the Princess Letizia Ortiz Rocasolano were warmly welcomed at Raffles Beijing Hotel. An exquisite gift was

presented by Mr. Peter Wynne, General Manager and Mr. Gino Tan, Executive Assistant Manager of Marketing at Raffles Beijing Hotel on November 14, 2007.



## Crowne Plaza Fudan Shanghai

On December 4, 2007, the ceremony of 2007 Magnolia Gold Award, presented to Dr. Richard Hausmann, President and CEO of Siemens China, was held at Crowne Plaza.

**Pictured:** Allen Zhang (right), Acting Executive Assistant Manager and Dr. Richard Hausmann (left), President and CEO of Siemens China at Crowne Plaza Fudan, Shanghai.

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## MARKET WATCH

**TO THE POINT:** China's central bank increased the interest rate for the sixth time in 2007 to try to prevent excessive liquidity. The government banned around 600 items from the low value-added processing industry, and decided to import grain products at a higher cost to ease domestic shortages. The country is now reading a law draft in order to safeguard state-owned assets. The stock market rebounded after its largest monthly drop in history, and trading activities in a mysterious account was suspected of causing the stock market disaster.

By LIU YUNYUN

### Take a Hike

The People's Bank of China decided to raise the interest rate for the sixth and final time in 2007 in a bid to cool the economy and honor the government's commitment to a tightened monetary policy.

The central bank raised the benchmark one-year deposit interest rate by another 27 basis points to 4.14 percent and the lending rate by 18 basis points to 7.47 percent as of December 21, 2007.

Unlike the previous five rate increases, the central bank this time lowered the interest rate for current deposit by 9 basis points. The move was meant to encourage people to put more money in the bank for a fixed period, rather than having it readily available for stock or property investment.

The central bank's decision was based on the surging consumer price index (CPI) growth rate, a key barometer for inflation, which soared to a 11-year high of 6.9 percent in November. The climbing CPI has been driven up by increasing prices for food, largely due to higher pork prices.

"If this move fails to ease inflationary pressure over a certain period of time, the central bank may announce more hikes in interest rates and bank reserve requirements," said Tang Min, chief economist with the China Mission of the Asian Development Bank.

Analysts expect the central bank will raise the interest rate another two times in early 2008, then gradually reduce the rate in the second half of the year.

When the central bank conducted its fourth quarter survey among depositors, it showed only 30 percent were willing to buy stocks. Half of the respondents said current commodity prices were "unbearable" and 64.8 percent believed that prices would continue to rise in 2008.

### Far From Enough

The large fall harvest could not satisfy consumer demand in 2007, meaning China had to turn to imported grains at a higher cost.

China's Minister of Agriculture Sun Zhengcai said the country's grain output, which includes rice, wheat, corn and soybeans, exceeded 500 million tons in 2007, making it the fourth consecutive year of output increase since 2004.

The bumper harvest was supposed to ease grain supply pressure in the domestic market. However, Minister Sun said that output still fell short of demand in 2007.

Sun said the grain supply per capita dropped from 412 kg in 1996 to 378 kg in 2006. Historically, grain output had declined until 2004. It is estimated that the country will have to maintain an annual grain output of 500 million tons up to 2010 if it wants to secure an adequate food supply.

However, China is confronted with great challenges in feeding its huge population of more than 1.3 billion as the amount of farmland shrinks and more farmers relocate to towns and cities. Extreme weather brought about by global climate changes will also

make agricultural disaster prevention and reduction more difficult.

To cope with supply pressure, the country scrapped export rebates for 84 agricultural products on December 20, 2007, in an effort to discourage exports of farm products and boost domestic supplies.

China also increased imports of agricultural products to ease domestic shortages. It imported 21.7 million tons of soybeans in the first three quarters of 2007, a growth of 2.1 percent over the year before.

Xinhua News Agency quoted Customs sources who said the imports were valued at \$7.36 billion, up 32.5 percent. The import price averaged \$339.8 per ton, up 29.8 percent. Of the total imports, 99.1 percent came from Brazil, the United States and Argentina.

The higher import cost was due largely to mounting domestic demand, decreases in production and rising transport costs worldwide, sources said.

### Laying Down the Law

Chinese legislators are reading the State-owned Assets Law, which has gone through 14 years of drafts and deliberations.

China now boasts a colossal 29 trillion yuan (\$3.94 trillion) worth of state-owned assets, excluding financial enterprises, while net assets stand at around 12.2 trillion yuan (\$1.66 trillion).

However, experts complained that state-owned assets have kept shrinking due to serious abuses, and some local governments sold their state-owned assets at surprisingly low prices for untold reasons.

The draft law will not govern all types of state-owned assets, just operational assets, in contrast to resource assets like land and forest, and assets owned by public institutions and government agencies not for business purposes.

"The role of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) has been in the spotlight during the law-making process," said Li Shuguang, a senior law professor with the China University of Politics and Law.

SASAC represents the Chinese Government in 150 major state-owned enterprises and now plays the role of supervisor as well as investor.

Li believes that in the future, SASAC will only perform the functions of an investor, not a supervisor.

### Up the Value Chain

China will ban another 589 items from the processing industry effective as of January 21, in order to nail down exports of low value-added products and prevent industrial pollution. Some steel, petrochemical, aluminum and mineral products are among

the list.

The first list was issued in April when 1,138 items were banned from the processing industry.

Such processing firms previously imported raw materials and re-exported finished products duty-free.

The Ministry of Commerce said it expects the ban will spur processing enterprises to develop in sectors with high-end technologies and add more value to their finished products.

### Middle Class Woes

They are rich in the eyes of most people, but deep down, they feel as poor as those who envy them.

*China Youth Daily* and Sina.com jointly conducted a survey among 7,313 people who were labeled middle class.

Only 12.7 percent of the respondents agreed they are living a middle-class lifestyle. Many of them said they were poor people living in the city. Though their income is above average, their lack of the necessities for city life such as cars and apartments leaves many wondering if they really belong to the middle class.

The middle class in China is defined by the survey as those whose annual income ranges from \$7,500 to \$25,000 and who are between the ages of 20 to 49.

However, the latest survey found that only 2.2 percent of respondents agreed with that definition.

HSBC, Fudan University and MasterCard Worldwide did a similar survey in December 2007 and concluded that the number of middle-class consumers in the country is expected to nearly triple to 100 million in the 10 years from 2006.

It is not difficult to explain why they are upset. Skyrocketing housing prices have driven the middle class crazy. The really rich people can afford a house no matter how costly it is, but the poor can only afford to rent rent-controlled apartments which are provided by the government only to the poor people. The middle class group is caught between the two. They will have to work for 20 years to buy an apartment in the city.

### Man of Mystery

Mainland stock investors suffered an icy slap ahead of the winter season when major stock indexes tumbled in the biggest monthly drop in history starting in November 2007.

The mainland magazine *Money Weekly* said that a mysterious A28090 (later changed to T20666) account should be held responsible for deliberately crushing the stock market.

It claimed the conclusion was drawn from TopView data from the Shanghai Stock Exchange, which revealed that the A28090

### NUMBERS OF THE WEEK

# 122 million

The Ministry of Information Industry said the number of broadband users has reached 122 million in China, making up 60 percent of all netizens. About one third of the newly added broadband users in 2007 were from the countryside.

# 0.1 yuan

Zijin Mining Group Co. Ltd. won approval for an initial public offering from the regulator and will issue its shares at 0.1 yuan of paper value, the first of its kind in history. Chinese stocks are usually set at 1 yuan per paper value.

account sold blue chips such as PetroChina and Shenhua Energy at unreasonably low prices when the stock market showed little signs of recovering.

The magazine said that the operation style of the account was very different from regular traders. When PetroChina's share price surged to 48 yuan on its first trading day on November 5, doubling its Hong Kong share price, the account did not sell a share. However, when PetroChina share dropped to 40 yuan, the account sold 1.479 billion yuan (\$200 million) worth of shares and continued slashing PetroChina's share price when the stock market showed signs of rebounding on November 28. It sold 3.2 billion yuan

(\$438 million) worth PetroChina shares from November 28 to December 12 with average price of 31.37 yuan.

PetroChina has the biggest weight in directing the benchmark Shanghai Composite Index, and was driven down to its lowest point of 29.15 yuan on December 18, casting a big shadow over all investors.

The report said that the mysterious account could not be revealed by the Shanghai Stock Exchange and indicated that it would be hard to identify the owner. The magazine did quote a fund manager as saying the account might belong to China Life and private equity firms from Zhejiang Province. ■

## Writing Competition for Foreign Students Kicks Off

The "China and I" themed essay writing and photography competition for foreign students in China, which is hosted by the Service Center for Studying Abroad of the Ministry of Education and supported by *Beijing Review* magazine, will be launched soon. The competition is to demonstrate foreign students' bonds with ancient and modern China and the upcoming Olympic Games.

For more information please visit: [www.studyinchina.net.cn](http://www.studyinchina.net.cn) or [www.bjreview.com](http://www.bjreview.com)



SUCCESSFUL SALVAGE: *Nanhai 1* emerges from the ocean on December 21, 2007

CHEN XUESI

# Sea Silk Road

The salvaging of an 800-year-old sunken merchant ship could be evidence of an ancient ocean trade route between China and Europe

By ZAN JIFANG

**Y**ou may know the Silk Road, a trade route from west China to the continents of Europe and Africa since China's Han Dynasty (206 B.C.-220) that got its name from the export of China's silk. But have you ever heard of a silk road on the sea, which can be dated back even further than the overland one?

A wreck that had been buried underwater for 800 years was recently raised from the seabed of the South China Sea, providing forceful evidence of the existence of an ancient maritime trade route connecting China and the rest of the world, archaeologists say.

In a huge steel cage as high as a three-story building and larger than a basketball court, the sunken ship, covered in mud, was hoisted onto a barge on December 22, 2007.

Named *Nanhai 1*, the ship was discovered in 1987 off the coast of South China's Guangdong Province, two meters under the

surface of the silt at the bottom of the sea at a depth of 30 meters.

The wooden vessel, which is around 30 meters long and over 9 meters wide, is a merchant ship built in the latter part of China's Song Dynasty (960-1279). It is the oldest, largest and also the most complete ocean-going ship that has ever been recovered in the world, China's Xinhua News Agency said.

## Archaeological value

In the past 20 years, archaeologists have excavated over 4,000 gold, silver and porcelain containers from the ship, as well as some 6,000 copper coins of the Song Dynasty. It is estimated that there were between 60,000 and 80,000 treasures altogether in the vessel.

According to Wei Jun, Vice Director of the Underwater Archaeology Research Center of the Institute on Archaeology of Guangdong Province, based on the current excavation and research, the majority of the relics on the *Nanhai 1* are porcelains of over

30 varieties and most of them are well preserved.

"They will be valuable tangible evidence for research on the porcelain of the Song Dynasty," said Wei.

Apart from the porcelains and ancient coins, some ornaments and things for daily life have been discovered in the shipwreck, including gold bracelets, gold waistbands and copper mirrors, which historians think are also of great significance to the research on the life of people 800 years ago.

The ship also provides typical sample of ship building skills in the Song Dynasty and the preservation of wooden relics. Experts say that the Song Dynasty and the later Yuan Dynasty (1271-1368) was a time when China's ship-making skills developed rapidly, and ships made at that time were widely equipped with compasses and other advanced navigation instruments.

"Despite erosion in the seawater for over 800 years, the main body of *Nanhai 1* has surprisingly been preserved pretty well, and

the wood is still very solid. This is unprecedented in the world," said Wei.

More significantly, the salvaged ancient vessel is believed to be important evidence of the existence of a marine silk road connecting China with Southern Asia, Africa and Europe. It is recorded in historical books and documents that since the Han Dynasty, or even earlier, businessmen in central and east China shipped porcelains, clothes, silk and other goods made in China to other countries through an ocean route. The merchant ships usually set off from ports in south China's Fujian and Guangdong provinces, and would arrive in Egypt and Rome via India.

The marine silk road, like the better-known overland silk road stretching from Central Asia to Europe, became a bridge that linked Eastern and Western civilizations in the past. But, so far, the evidence that has been found to prove its existence has been rare, experts say.

**Cautious research**

Although the ancient ship was pulled out of the sea successfully, with the whole vessel and the relics on it intact, preserving

them and carrying out further research on land will be a tough job.

At a press conference on the salvage of *Nanhai 1* held on December 21, 2007, Chinese archaeologists said that they would be cautious about removing the ship's covering of mud. During its time in the sea the ship adapted to its



**PRICELESS FINDS: Relics excavated from wreck of *Nanhai 1***

ocean environment. Opening it rashly in the open air could lead to the destruction of the ship and its contents, according to Wei.

With this in mind, *Nanhai 1* is now stored in a newly built glass museum, in an

artificial environment similar to the one that it was hauled from on the ocean bed.

The scientists in the Guangdong-based Sun Yat-Sen University carried out an in-depth report on the environment of the sunken ship, based on which technicians worked out the exact environment for preserving the vessel, said Wei.

China will also invite foreign scientists in relevant fields to participate in the protection and archaeological research of *Nanhai 1*, said Shan Jixiang, Director of the State Administration of Cultural Heritage.

Archaeologists will do excavation and research on *Nanhai 1* within its new glass home that contains seawater to a depth of 12 meters. Visitors to the museum will be able to watch the archaeological research as it happens. The museum, called Crystal Palace by locals, will be open to the public at the end of 2008.

The true face of the *Nanhai 1* will not be unveiled for another five to 10 years, said Wei. And perhaps the *Nanhai 1* will lead archaeologists to further discoveries, like who owned it, where they were heading, and whether there are more ocean silk road ships at the bottom of the sea? ■

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# Should Sex Bribery Be Punished Without Legal Approval?

**F**irefighters are highly respected in China, as they should be for the dangerous job they do. With high honor earned from the job, the firefighters, as a major part of the nation's police force, should certainly not be involved in any form of bribery, including trading power or favors for sex. In a move to wipe out bribery and build a clean government, the Ministry of Public Security, top watchdog of China's police force, recently issued a self-discipline decree, which prohibits firefighters from committing sex bribery as part of its vigorous anti-corruption campaign. It's the first state decree on sex bribery in China so far.

Given an alarming increase in cases involving trading of power for sex, the decree was widely applauded. However, some questioned the legal basis of the decree. Two major amendments to China's Criminal Law in 1979 and 1997 failed to include sex

bribery as a crime. When deputies to the National People's Congress, China's top legislature, proposed the enactment of an anti-sex bribery law in 2001, it was turned down as a result of too much controversy, in addition to the difficulty involved in making a conviction.

Violators of the recent decree will be given administrative demerits, but without legal approval, it is unclear whether the administrative decree will be effective. Those opposed to the idea believe that the decree lacks authority and operable rules. Others have confidence in the enforcement of the decree, saying that even the inclusion of sex bribery in the Criminal Law would not assure a clean government if it cannot be fully implemented.

Legal experts want to resort to legislative procedure, as they believe that crime and punishment should be defined and streamlined within a legal framework in a state ruled by law. Judicial interpretations and

extensive rules are the most effective legal weapons against corruption, they argue.

## Self-disciplined initiative

**Tang Guangcheng** (*The Beijing News*): The Ministry of Public Security leads in the fight against sex bribery since any form of non-material bribe is banned in firefighting units in pursuant to the newly released decree. The newly issued ban conforms to stipulations in international pacts like the United Nations Convention Against Corruption, which also suggests the inclusion of non-material bribes. Only tangible bribes are currently seen as evidence for prosecution in China, leaving a loophole in the legal system for illegal possession or trading of something intangible. The decree is a good supplement when criminal laws are incapable of reacting.

As we may find, nearly all of the ministry-level officials recently sacked for



LI SHIYONG

corruption in China kept mistresses.

In fact, the Supreme People's Court and the Supreme People's Procuratorate jointly issued a judicial interpretation in July to list 10 "new forms" of bribery, including seeking profits through "specially related persons," referring to close family members, relatives, lovers and people sharing joint interests. It's stipulated that civil servants who entrust mistresses to obtain bribes in the name of "cooperation" by acquiring investment securities, futures or other properties are equally guilty of receiving bribery themselves. Officials who accept sex services in exchange for power will also be severely punished.

**Pan Hongqi** (*Beijing Youth Daily*): Sex bribery has been the focus of public attention in recent years because of its growing existence in real life. As corrupt officials are heavily punished, the firefighting units' "sex bribery ban" is another mandatory warning for them.

Since sex bribery has not yet been criminalized in China, if the Ministry of Public Security transfers a firefighter who has received sex bribery to judicial organs, punishment it is at their discretion. If more governmental departments follow the example, it is likely that legislators will reconsider the proposal for inclusion of sex bribery as a crime in law.

**Xiao Yuhen** (*Shenzhen News*): Conviction for sex bribery is controversial in China because the present Criminal Law has failed to include non-material bribery as a crime. Corrupt officials who are trading power for sex can hardly be identified and thus punished. The firefighting units' ban on sex bribery will significantly raise the public awareness of this issue and help to push forward legislation against such crimes. Future legislation on sex bribery is expected to give a clear definition of what it is and more operable punishing rules to curb violation of sex-related crimes.

**Zhang Ruoyu** (*Changjiang Times*): Perhaps the difficulties in collecting evidence, weighing punishment and protecting privacy are all attributable to delays in creating "sex bribery" legislation.

It is understandable that the government

is cautious to achieve a balance when legislative conditions are not mature. At the same time, however, Party discipline, administrative decrees and media supervision can be used to assist this anti-corruption initiative.

### No legal basis

**Xiao Hua** (*Sanqin Metropolis Daily*): It seems that the government is decisive enough to crush corruption by listing the behavior of introducing mistresses as bribes. However, I'm not optimistic about the results as current rules are not able to rein in extravagant dining at public expense and the private use of public vehicles. People are not fearful of being punished because penalties are small and criticism mild. The decree of the Ministry of Public Security this time also failed to illustrate punishments for people involved in sex bribery.

**Zhang Peiyuan** ([www.people.com.cn](http://www.people.com.cn)): The cheapest and most secret fashion of taking graft is sex bribery. Due to a lack of reference in the current legal system, however, anti-corruption bans cannot be effectively applied.

As we know, if there is no law, there is no crime and without a crime there is no punishment. The spread of bribery and abuse of public power in exchange for sex deals is more or less a result of the absence of legislation. The damage caused has made it a problem for the law rather than ethics.

**Li Wanyou** ([www.tom.com](http://www.tom.com)): Because legal remedies have not been available to date, a number of officials have escaped punishment, even though there has been positive proof of their guilt. This lack of legal punishment has ruined the Party's image, and bred further corruption. Anti-corruption strategy should also advance with the times.

**Deng Qingbo** ([jschina.com.cn](http://jschina.com.cn)): Trading public power for private interests and bribes is strictly forbidden and severely punished by the Criminal Law and the Civil Servant Law. Compared to laws at state level, discipline rules and regulations at department level are more random in application and less severe in making punishment. Department investigations before judicial inquiries in a criminal case have lessened the power of the law. ■

### Dear Readers,

"Forum" is a column that provides a space for varying perspectives on contemporary Chinese society. In each issue, "Forum" will announce the topic for an upcoming issue. We invite you to submit personal viewpoints (in either English or Chinese).

**Upcoming Topic:** Is shared power a euphemism for democracy?

E-mail us at [byao@cipg.org.cn](mailto:byao@cipg.org.cn)

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**Editor:** Yao Bin

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### Shenzhen

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- Forum Hotel Shenzhen
- The Landmark Hotel Shenzhen
- Mission Hills Golf Club

# Where There's Smoke, There's Fire



By JAMES JOHNSON

I'm sitting in a crowded restaurant, enjoying a tasty meal with my Chinese family. The atmosphere is hot and loud—exactly the type of environment that attracts the interest of those closest to me—and one I have learned to get used to, over time. One thing I can't get used to, and never will—the clouds of cigarette smoke that fill the air and our lungs with every grudging, indrawn breath.

It used to be the same for me in my home area in the United States. Well, in regards to the clouds of smoke, anyway. The noise is definitely a relatively new experience.

Now, however, the overwhelming evidence of smoking's many dangers has prompted my home state to ban the noxious habit in public establishments. Hotels, restaurants and even bars are finally, blissfully, smoke-free. I won't deny this has left many smokers disgruntled. They seem to think that everyone else's health is a small price to pay for their momentary pleasure. Or, as some

have put it, "If you don't like it, you are free to stay at home!"

Back to the present. I glance around the room, and smiling diners are happily blowing smoke into the faces of their friends and families. Can they really be oblivious to the damage they are causing, or is it merely indifference? My wife—who loathes the practice at least as much as I—says that it's at the least socially acceptable and at worst considered downright cool to inundate the surrounding environment with clouds of health-grinding chemicals.

Living in an industrial city and dealing with air pollutants are necessary facts of our existence. This seeming desire of certain people to reproduce the toxic effects, not to mention the smell, of the big factories wherever they go is inscrutable to me.

For us, it's become too much. We confer briefly with *Ba* and *Ma*, who nod in agreement. Standing up, we call out *maidan* (pay the bill), and leave. Once outside, we both agree that we won't return to that particular restaurant again. The ventilation is too poor, the area too closed in, and it offers a dearth of private rooms.

Later that night, I ask my wife why her

parents are so willing to put up with it. She says that they feel it's simply unavoidable and therefore must be endured. They tell her that she, too, must learn to accept it. They ask her what she will do if she gets a job where the office is filled with smoke? What if she needs to take a taxi? Many drivers smoke (outside of Beijing, where the practice was recently outlawed), seemingly unaware of the depths of their discourtesy. To them, as to my wife's parents, it's just a part of modern Chinese life.

A similar attitude pervaded the United States in the past. And if China is now where America used to be, then it stands to reason it may very well be heading for the same painful wake-up call. Ask your western colleagues if they know anyone who has died a smoking-related death. Chances are you won't like what you hear.

I myself can regale you with a list that can but barely be confined to my 10 fingers—friends, relatives, neighbors, some of them surprisingly young. And I'm only in my early thirties. I guarantee that I am not alone. One study says that ap-

proximately one of every five deaths in the United States is smoking related. And even those who do not succumb to the risk of cancer, lung disease or a heart attack must still face the ubiquitous consequences of aging fast and an overall decreased lifespan.

Don't make the mistake of assuming that only western studies make such claims. Over the last few years, Hong Kong has increasingly gotten into the act with not only studies but aggressive anti-smoking campaigns after a group of researchers found that approximately one in three young men will most likely die from the risky vice in the coming few decades. Do you still think smoking is cool?

The next time you graciously offer your guest a smoke, or light one up in front of family or friends, ask yourself this: Is encouraging the decline of their health a proper display of hospitality, respect or love by any measure?

If you think the answer is yes, then all I can say is this: When someone close to you loses their life to one of the many associated risks, remember that you share some responsibility for their demise. If you play with smoke, you're playing with fire. And sooner or later, you're going to get burned. ■

The author is an American currently living in Liaoning Province.

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