

# China **i**nsight

5G

CPI 1.7%

PPI 0.1%

1.5 th

1.23 th

Stabilizing employment

Ensuring steady growth

Advancing reforms

Enhancing the sense of gain

Preventing and defusing major risks

Making structural adjustments



President Xi Jinping speaks at the Central Economic Work Conference which took place in Beijing on December 19-21, 2018

# A Year of Expectations

Despite headwinds, national economic policy remains committed to development and opening up By Li Xiaoyang

One day after the conference in celebration of the 40th anniversary of reform and opening up, the Central Economic Work Conference, China's annual meeting to set the agenda for the economy, opened on December 19, 2018. The three-day meeting reviewed the economic performance in 2018 and outlined major tasks for 2019.

The conference focused on ensuring stable growth and furthering reform and opening up.

A statement issued after the conference said economic growth remained steady despite increasing downward pressure and mounting uncertainties, both at home and abroad, in 2018. Other achievements included an initial victory in the three tough battles against financial risks, poverty and pollution, as well as new progress in supply-side structural reform. To turn the challenges into impetus for high-quality development, a proactive financial policy, a prudent monetary policy and countercyclical adjustments will be implemented in the new year, the statement promised.

In 2019, China will see a more open market with a favorable business environment, more innovation-oriented manufacturing, stronger domestic demands and higher living standards, it added. Moreover, 2019 is a crucial year for building a moderately prosperous society in all respects by 2020.

"As the statement suggests, China will combine macro, structural and social policies and continue with the three tough battles to ensure steady operation of the economy and financial system to serve the 2020 goal," Xu Hongcai, deputy chief economist with the China Center for International Economic Exchanges, told *Beijing Review*.

## A stronger market

As the domestic market grows, consumption has become a key pillar of China's economic growth. In 1978, final consumer expenditure contributed only 38.3 percent to economic growth. But in 2017, the figure rose to 58.8 percent and to 78 percent in the first three quarters of 2018.

According to the conference, domestic demands need to be boosted by developing the service industry and increasing household disposable income. As part of the government's income-boosting efforts, special individual income tax deductions for expenditures including children's education, continuing education, health treatment for serious diseases, housing loan interests, rent and elderly care took effect on January 1,

2019, following an increase in the threshold of personal tax from 3,500 yuan (\$513) to 5,000 yuan (\$725) per month in October 2018.

To meet people's upgraded demands, industries need to embrace hi-tech innovation such as artificial intelligence, industrial Internet and the Internet of Things, to edge toward the high end of the manufacturing

chain. As the digital revolution emerges around the globe, China is ready to tap more possibilities created by technologies such as 5G. According to a plan issued in August 2018, the commercial use of 5G technologies in China will take off in 2020 as the country moves faster to deploy the new-generation wireless networks.

In 2018, the Shanghai Stock Exchange

## Central Economic Work Conference

### Policies



Proactive fiscal and prudent monetary policies



Fair business environment



Employment boost

### Three Tough Battles

Financial risks



Poverty



Pollution



### Key Tasks



1. Implement special individual income tax deductions



2. Develop 5G



3. Reform rural land system



4. Reform state-owned capital enterprises



5. Develop fair and open business environment



6. Innovate in science and technology



7. Continue opening up



8. Boost employment



9. Develop sound real estate market



10. Cut taxes and fees



11. Encourage small and micro enterprises



12. Make financing more affordable and accessible for enterprises

(Compiled by *Beijing Review*; designed by Pamela Tobey)



Villagers and agrotechnicians from an agricultural company pose for a group photo in a new orchard, part of a poverty reduction program, in Wuying, a village on the border of southwest China's Guizhou Province and Guangxi Zhuang Autonomous Region in the south, on March 29, 2018

launched a science and technology innovation board to spur innovation-oriented development. "The move can introduce more private capital in the technological industry to promote innovation," Chen Baoming, Director of the Research Institute of Comprehensive Development of the Chinese Academy of Science and Technology for Development, told *Beijing Review*.

## Investment role

Apart from consumption, investment is another driver of the economy. The conference stressed that investment contributes to the upgrading of the manufacturing industry and should be consolidated.

According to the National Bureau of Statistics, investment in the manufacturing industry saw a 9.5-percent year-on-year growth from January to November in 2018. The growth rate increased 5.4 percentage points over the corresponding period in the previous year.

"More guidance should be introduced for targeted investment in industries with great growth potential," Shi Lei, Director of the Public Economic Research Center at Fudan University in Shanghai, said.

Chen shares a similar point of view. He calls for greater input into the research and development of core technologies and stricter industrial standards to ensure high-quality and innovation-oriented development of the manufacturing industry.

To create more vitality in the market, the government has stepped up support for small and medium-sized enterprises, especially private businesses.

As follow-up measures, the conference said the monetary transmission mechanism and proportion of direct financing will be improved to make financing more affordable for small and medium-sized enterprises.

According to Xu, the central bank needs to launch countercyclical adjustments by reducing the required reserve ratio for commercial banks and using monetary policy instruments more flexibly to maintain mar-

ket liquidity at a reasonably ample level.

He also suggested deeper cuts in taxes and fees and the issuing of special-purpose local government bonds to expand investment in infrastructure.

## Improving well-being

The conference signaled that employment will be promoted to enhance people's well-being. The most important part of social policies is to ensure people's basic living, so employment should be given primary importance, Zhang Liqun, a researcher with the Development Research Center of the State Council, told *Beijing Review*.

According to a blue paper released on December 25, 2018, the number of employed people in China reached a record high in 2018. By the end of the third quarter of the year, the registered urban unemployment rate stood at 3.82 percent, a historical low. In 2019, the government will continue to promote employment for graduates, migrant workers and former military personnel.

Targeted poverty alleviation remains among the key tasks on the economic agenda in 2019 as well.

The year 2018 has seen many examples of successful poverty alleviation mainly by developing tourism and agriculture. Liu Yongfu, head of the State Council Leading Group Office of Poverty Alleviation and Development, said at a news conference on December 13, 2018 that the number of rural residents considered impoverished under the current standards had been reduced by over 85 percent by the end of 2018.

Still, the government needs to boost the rural economy to ensure that people rescued from poverty do not slide back into it, the conference said.

Since many local authorities tightened regulation in 2018, the housing market across China gradually cooled down. In 2019, the focus will be on developing a long-term mechanism to maintain sound development of the market and crack down on housing speculation.

Nevertheless, expectations of a possible adjustment emerged. The housing policy may see a shift in the middle of 2019 as reducing taxes and boosting consumption may not effectively offset the effects of downward pressure, according to a research team of brokerage and wealth management company Huatai Securities. However, it said the fundamental principle of ensuring houses are used for living instead of speculation will remain unchanged.

## Opening up

The year 2018, marking the 40th anniversary of reform and opening up, saw the Chinese market open up further despite rising uncertainties caused by the China-U.S. trade friction and slow global economic growth. A white paper, China and the World Trade Organization (WTO), released by the State Council Information Office in June 2018, highlighted China's contribution to the world economy since its accession to the WTO. It said the Chinese economy has become a major driver of global economic recovery, contributing 30 percent to global growth on average since 2002.

On July 28, 2018, a new negative list of exceptions for foreign investment was released, marking a key effort to lower the market threshold and improve China's business environment.

The first China International Import Expo held in Shanghai in November 2018 marked another Chinese initiative to boost global trade. The success of the initiative can be gauged from the fact that the value of intended deals made at the event reached

\$57.8 billion.

China is also pushing ahead with the Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiative, tapping the potential of the domestic market by improving both imports and exports.

The conference said all-round opening up will be promoted in 2019. China will continue to boost imports and exports through easing market access, reducing import tariffs, simplifying administrative procedures and cutting institutional costs. The pre-establishment national treatment plus a negative list management will be improved to protect the legitimate rights of foreign companies in China.

In addition, more efforts will be made to introduce international standards into the domestic market, according to the conference.

## Meeting challenges

"While growth is moderating, China's economy continues to perform well," the

World Bank said on December 20, 2018 in its new China Economic Update. The report said China's GDP growth slowed to 6.5 percent year on year in the third quarter of 2018 from 6.8 percent in the first half mainly due to weaker trade and investment.

According to Zhang, the impact of the China-U.S. trade friction on China's exports could become more prominent in 2019, leading to a decrease in the growth of overseas market demands. The growth of the Chinese market is also seeing a slowdown with reduced purchasing power.

However, to stimulate the economy, China has room to shift government spending to health, education and social security, according to the World Bank report.

Xu said stable economic growth can still be ensured by combining a proactive fiscal policy, a prudent monetary policy and structural reform. "The year 2019 is a new start, furthering the reform and opening up, and deserves more confidence and expectations," he said. **CI**



A workshop of SIASUN, a robot and automation company in Shenyang, northeast China's Liaoning Province

# An Early Move

## Central bank cuts the reserve requirement ratio to further support the real economy By Li Xiaoyang

To make financing more accessible for micro, small and private enterprises and to manage liquidity during a period of New Year celebrations as well as tax deductions, China's central bank slashed the reserve requirement ratio (RRR) for financial institutions twice in January.

The People's Bank of China (PBC) announced on January 4 that the share of deposits financial institutions are required to hold in reserve would be cut by 1 percentage point.

The PBC cut the RRR by 0.5 percentage point on January 15 and repeated the act on January 25, which collectively injected 800

billion yuan (\$116.6 billion) into the market to increase loan funding sources for domestic enterprises. It will also reduce the cost of bank interest payments by around 20 billion yuan (\$2.9 billion) annually, which will help lower financing costs for the real economy.

The measure will ease liquidity constraints since the forthcoming period will mark the maturity of commercial banks' medium-term lending facility, funds that can support financial institutions in seeking additional capital, and see tightened liquidity as people exchange cash gifts during the Chinese Lunar New Year, Zong Liang, chief researcher with Bank of China (BOC), told

*Beijing Review.*

"This can help offset liquidity fluctuations before the Spring Festival and allow financial institutions to improve the support for small, micro and private businesses to better serve the real economy," Zong said.

The PBC said the move is a moderate change amid monetary easing following the Central Economic Work Conference, the annual meeting to chart the course for the economy in 2019, which highlighted the goal to maintain sound liquidity. The bank said it will continue to implement a prudent monetary policy and refrain from using "a deluge of stimulus."



A farmer consults a bank clerk on micro loans in Rizhao, Shandong Province, on December 24, 2018

## Easing fund access

Facing downward pressure and mounting uncertainties in the external market, the Chinese economy has been experiencing a growth slowdown, partly caused by contraction in the manufacturing sector. According to data from the National Bureau of Statistics, the purchasing managers' index dropped to a record low of 49.4 in late December 2018, the first time in recent years it dropped below the 50-point threshold dividing contraction and expansion.

"It suggests that domestic entrepreneurs lack confidence in the market due to the burden caused by taxes and fees and difficulties in financing," Gong Yuhang, Dean of the China Enterprise Finance Research Institute, told the media.

To boost market confidence, the priorities Chinese policymakers unveiled at the economic conference included improving countercyclical adjustments, cutting taxes and fees and supporting private enterprises. Since small, micro and private enterprises play a key role in propelling economic growth and employment, such companies will be offered more access to funds so that their debt default risks can be reduced.

The central bank said financial institutions will support privately owned small and micro companies through a range of financial tools including bonds, bank lending and equity. Before the RRR announcement, it already eased evaluation rules on January 2 to encourage inclusive financing for small and micro enterprises, rural residents and low and middle-income urban groups.

Financial institutions can deposit less in the central bank as reserve money if they lend a certain share of their loans to small and micro firms each borrowing less than 10 million yuan (\$1.46 million). The threshold was previously set at 5 million yuan (\$730,000).

According to Lian Ping, chief economist of the Bank of Communications (BOCOM), one of China's largest commercial banks, more efforts are needed to make inclusive financing more effective. "The most prominent problem of inclusive financing in China is that the financial structure is not full-fledged. The direct financing system and banks targeting small and micro enterprises need to be improved," Lian told *Beijing Review*.

The central bank will continue to tighten its regulation on financial holding



An employee works at a private manufacturing enterprise in Xingtai, Hebei Province, on December 20, 2018

companies this year to defuse risks caused by shadow banking and Internet financing. In 2018, measures to regulate shadow banking—lending and other financial activities by unregulated institutions or under unregulated conditions—saw initial achievements in deleveraging and risk control but there was a downside as well. Small and private businesses' funding resources became constrained since the shadow banking sector provides easier financing. The authorities have now recognized the role of shadow banking and are trying to develop it under regulations.

The sector has facilitated the financing of private enterprises in recent years, making it deserve more room to develop as long as appropriate regulation is in place, Xu Xueming, Vice President of the Postal Savings Bank of China, said at a forum on December 23, 2018.

## Positive signals

In 2018, the PBC cut RRR four times, injecting a total of 2.3 trillion yuan (\$337.8 billion) into the market. The cuts this year, a follow-up move, still focus on boosting the real economy while avoiding over-escalation of monetary easing.

"The RRR cuts were mostly launched later in the previous years," BOC's Zong said. But the early move this year signals determination to resolve prominent economic problems and boost the confidence of private enterprises, laying a solid foundation for steady economic performances in 2019, he added.

Besides supporting the private sector, the move can also help ease the real estate market. The fundamental policy of controlling speculation will remain consistent, said Yan Yuejin, Research Director of the E-house China R&D Institute, a property research agency.

BOCOM's Lian said the RRR cuts this year may see a smaller margin and lower frequency than in 2018, and the possibility of cutting RMB benchmark interest rates for deposits and loans is slim. As trade talks between China and the United States progress and the momentum of the dollar's strengthening weakens, the depreciation pressure on the renminbi will ease.

A report by the Guanghua School of Management of Peking University on January 3 said the central bank is expected to reduce RRR by around 2 percentage points altogether in 2019 and adopt various monetary policy tools to adjust liquidity, with a focus on improving the monetary transmission mechanism to smooth funding channels.

Lian said greater focus is needed to ensure capital flow into the real economy since large-scale monetary easing may not exert considerable effect due to adequate liquidity. In addition to the targeted RRR cuts, measures such as improving the supply of low-cost loans can be adopted to cut financing costs for domestic enterprises.

"To inject more capital into the real economy, the financial structure needs to be improved, mainly in terms of direct financing, especially boosting the stock market, while stability of the domestic market needs to be maintained," he added. **CI**

# Raising the Bar

## A new national Intellectual Property Court marks an increase in judicial protection By Wang Hairong

As the bell chimed the New Year, Luo Dongchuan, the youngest vice president of the Supreme People's Court (SPC), turned a new page in his life. He was sworn in as the chief judge of the national-level Intellectual Property (IP) appeal court unveiled on January 1.

"The official launch of the court marks a new step in intellectual property rights (IPRs) adjudication and opens a new chapter in IPR judicial protection in China," said Zhou Qiang, President of the SPC. On the first day of 2019, Zhou observed the oath-taking ceremony, inspected the court and delivered a speech.

He hailed the court as a major institutional innovation for strengthening IPR protection, promoting innovation-driven development and nurturing a first-class international business environment. He emphasized strict and impartial trials as well as equal treatment of both domestic and foreign entities.

"China is now the world's second largest economy, and its future development depends on innovation. The judicial protection of IPRs is crucial to protecting innovation," Luo said at a press conference on December 29, 2018, on the day he was appointed chief judge of the court. "Therefore, in order to become a country strong in science and technology and rich in IPRs, China must focus on IPR judicial protection," he said.

"China is the first country in the world to establish a standing IP judicial organ as part of its Supreme Court, demonstrating the government's determination to protect IPRs," Yao Guanyang, partner and patent attorney with Liu Shen & Associates, one of the leading IP law firms in the capital, told *Beijing Review*.

### Trial standards

In addition to spurring innovation and nurturing a favorable business environment, Luo said that the IP court was set up to prevent inconsistencies in the application of law and improve the quality and efficiency of trials.

China has a legal system where there are two levels of trial, with the second instance being the final judgment. This means that a

case is closed after going through the second level.

"First-instance patent cases used to be tried by local intermediate courts, and after appeal, they went to local high courts. This meant that different trial standards might be applied in more than 30 high courts across the country," Luo explained.

Although many local courts were granted the authority to try IP cases, in 2014, China set up three specialized IP courts in Beijing, Shanghai and Guangzhou. Special tribunals were also set up in local intermediate courts to hear IPR cases. Currently, there are 18 specialized IP tribunals in China, said Yao.

In the past, administrative and civil IP appeals were heard by provincial-level high courts, whereas now, appeals for significant and technically complicated cases will be heard by the national-level IP court, said Wu Handong, former President of the Zhongnan University of Economics and Law.

Thus, the newly established IP court under the SPC allows litigants to appeal directly to the SPC, which ensures the uniformity of trial standards, Luo added.

IPR cases involve patents, copyrights, trademarks, new plant varieties, integrated circuit layout design and monopoly. At present, approximately 200,000 IPR cases are accepted in Chinese courts every year, Luo said. However, a large number of cases involving Internet piracy and trademark infringement are not technically complicated, so they do not necessarily need to be heard by the SPC.

Therefore, he said, of the approximately 2,000 patent cases that are appealed each year, the national-level IP court will mainly hear technically complicated patent cases.

The SPC IP court will hear administrative appeals against invalidity decisions, which previously were reviewed by the Beijing High People's Court, with the corresponding infringement appeals heard by local high courts, which created two legal proceedings that were not synchronized, Yao explained.

"Having a national-level IP court to hear significant and technically complicated cases will also guarantee the quality of judgments, since more experienced judges in IP fields will work together to analyze in-depth legal

issues and technical difficulties," said Yao. This will help enhance judicial credibility and strengthen the judicial protection of IPRs, he said.

More than 20 judges who were appointed to the new court were selected from courts around the country. All of them have postgraduate degrees; half hold doctoral degrees; one third received science and technology education; and one third studied overseas, Luo said.

These judges have been active in handling patent disputes, Yao said, adding that Judge Li Jian was the main author of the SPC's Interpretations on Certain Issues Concerning the Application of Law in the Trial of Patent Infringement Dispute Cases issued in 2016; and Judge Jiao Yan was the main judge in *Innocomm v. Sony*, a recent high-profile Standard Essential Patent (SEP) infringement case, which refers to patents required to conform to industry technical standards.

### Steady progress

Luo is among the first batch of Chinese judges to handle IP cases. Over the years, he has seen the progress in IP judicial protection in China.

"Protecting IPRs is a basic Chinese national policy. The IP legal system has been developing alongside the progression of reform and opening up," Luo said. "The aim to start IPR judicial protection is to meet the demand of the reform and opening-up drive," he said.

China's IPR legislation started from scratch nearly four decades ago, Wu said at a press conference held by the State Council Information Office (SCIO) in December 2018. The Trademark Law was promulgated in 1982, the Patent Law in 1984, the Copyright Law in 1990 and the Anti-Unfair Competition Law in 1993.

They were followed by the Regulations on the Protection of New Plant Varieties and the Regulations on the Protection of Integrated Circuit Layout Design. Before its accession into the World Trade Organization (WTO) in 2001, China revised its laws in accordance with the provisions of international



The Xi'an Intellectual Property Court, is established on February 24, 2018, in Xi'an, capital city of northwest China's Shaanxi Province

conventions, Wu added.

Luo recalled that when he started his first job in the late 1980s, there was no established IPR legal system, so IPR cases were settled according to the General Principles of Civil Law, as well as international treaties and conventions.

Later, judicial organs specializing in trying IPR cases were slowly established. In 1993, China set up its first special IP tribunal in the Beijing No. 1 Intermediate People's Court. Luo started working there at its inception, becoming its vice chief judge in 1995 and chief judge in 2000. In the same year, he began to serve as the vice chief judge of an SPC division specializing in handling IP retrials.

Regarding China's progress in IPR protection in the past 40 years, Wu pointed out that the general public's increasing awareness of IPRs has also promoted their protection.

"Forty years ago, Chinese people didn't know what IP was. I remember that in the 1990s, the term didn't even exist in the legal lexicon," he said. "But today, it has become a buzzword in people's work and life."

Today, politicians, entrepreneurs and

other members of the general public are learning about IP and are aware of their rights, he said.

Hu Guohua, a retired researcher, was the first person in China to apply for a patent. He filed his application on April 1, 1985, the first day the Patent Law went into effect. Back then, he was working in an aerospace research institute, where he created a device that can turn black-and-white satellite images of Earth into colored ones to capture more information. Upon learning about the impending patent law, he decided to patent his research results.

"Since then, I have applied for more than 20 patents and I have been granted over a dozen patents. Recently, I acquired two more patents," Hu said at a press conference held by the SCIO in December 2018.

Yin Xintian, a former official retired from the China National Intellectual Property Administration (CNIPA), started working at the administration in 1980. He recalled that in 1985, a total of 14,000 applications for inventions, utility models and design patents were filed.

In recent decades, however, the number of patent applications has soared. In 2017, CNIPA received 3.7 million patent applications, granting 1.84 million, according to its annual report.

"In just a few decades, China has constructed an IP system, encouraged homegrown innovation, joined the ranks of the world's IP leaders and is now driving worldwide growth in IP filings," said Francis Gurry, Director General of the World Intellectual Property Organization (WIPO).

The annual World Intellectual Property Indicators (WIPI) report released by WIPO in December 2018 showed that China recorded the highest volume of applications for each category of IPRs, including patents, trademarks and industrial designs from innovators and creators inside the country, as well as foreign entities seeking to protect and promote their work in the country.

"Demand for IP protection is rising faster than the rate of global economic growth, illustrating that IP-backed innovation is an increasingly critical component of competition and commercial activity," said Gurry.



On December 3, 2018, the World Intellectual Property Organization releases a report, which reveals that China topped the world in the volume of applications for each category of IPRs in 2017

related case was launched by U.S. basketball star Michael Jordan against Chinese firm Qiaodan Sports and the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce. The SPC ruled partly in favor of Jordan's claims on December 8, 2016.

In 2012, Jordan accused the Chinese sportswear and shoe manufacturer of unauthorized use of his name. He also requested the Trademark Review and Adjudication Board revoke the sportswear company's trademarks bearing the Chinese translation of his surname. After he lost the case, Jordan brought the trademark authority to court.

In 2015, the Beijing Higher People's Court issued a second-instance verdict, rejecting Jordan's request on the grounds that the trademarks at issue bear the translation of a common family name, which is not exclusively associated with the surname of the basketball star.

In the same year, Jordan filed for a retrial with the SPC. The high court retried the case and partly overturned the second-instance judgment, holding that trademarks bearing the Chinese translation of "Jordan" violated the basketball star's right to his name, whereas those bearing "Qiaodan," the *pinyin* rendition of the Chinese translation, did not.

Another recent foreign-related IP case was the *lwncomm v. Sony* case, which involved *lwncomm*, a network security access provider and developer based in Xi'an, capital of Shaanxi Province, and the Beijing subsidiary of Japan-based Sony Corp.

In 2015, *lwncomm* sued Sony Mobile Communications (China) in the Beijing Intellectual Property Court for infringing on one of its SEPs.

In March 2017, the Beijing Intellectual Property Court made a first-instance judgment on the case. It found that patent infringement did exist and ordered the defendant to compensate the plaintiff 9.1 million yuan (\$1.33 million). The defendant appealed to the Beijing High People's Court, which rejected the appeal on March 28, 2018, maintaining the first-instance judgment.

"From our experience in legal practices, all parties are treated fairly and equally during the trial of foreign-related cases," said Sean Chen, partner and patent attorney with Liu Shen & Associates. **CI**



Staff members offer services at the Intellectual Property Rights Protection Center in Yiwu, east China's Zhejiang Province, on November 21

## Equal treatment

Chinese courts are receiving an increasing number of IP cases involving foreign entities, said Song Xiaoming, chief judge of the SPC's IPR division.

To date, approximately 20 percent of the IP cases handled in Chinese courts have involved foreign entities, with nearly 30 percent of the IP cases in the Beijing Intellectual Property Court being foreign-related.

The trial period of foreign-related cases in China is among the shortest in the world, Song said, adding that in the Beijing

Intellectual Property Court, the average period for handling such cases is four months, shorter than the average of 18 months in major EU countries and much shorter than that in U.S. courts.

"Chinese courts treat all parties equally when dealing with foreign-related cases. Particularly since its accession into the WTO, China has been strictly abiding by the international conventions and the bilateral treaties it has signed, and has implemented the principle of national treatment," Song said.

A recent widely covered foreign-



Chinese President Xi Jinping and his wife Peng Liyuan pose for photos with Kim Jong Un, Chairman of the State Affairs Commission of the Democratic People's Republic of Korea, and his wife Ri Sol Ju in Beijing on January 9

## Consolidating Cooperation

Xi Jinping, General Secretary of the Central Committee of the Communist Party of China (CPC) and Chinese President, held talks with Kim Jong Un, Chairman of the Workers' Party of Korea (WPK) and Chairman of the State Affairs Commission of the Democratic People's Republic of Korea (DPRK), during Kim's visit to China on January 7-10. The following is an edited excerpt of a Xinhua News Agency report on the talks:

In a cordial atmosphere, Xi and Kim had an in-depth exchange of views on bilateral relations and issues of common concern on January 8, and reached important consensus.

During talks on January 8, the two sides agreed to make joint efforts to push for continuous development of China-DPRK relations in the new era, and constantly advance the political settlement process

of the Korean Peninsula issue, so as to bring more benefits to people of the two countries, and promote peace, stability, prosperity and development of the region and the world.

Xi pointed out that Comrade Chairman Kim's visit to China at the beginning of 2019, which marks the 70th anniversary of the establishment of the China-DPRK diplomatic relations, fully embodied the

great importance Comrade Chairman attaches to the two countries' traditional friendship and his friendship with the CPC and the Chinese people.

"I highly appreciate it, and, on behalf of the CPC, the Chinese Government and the Chinese people, extend sincere festival greetings to the WPK and the government and the people of the DPRK," Xi said.

Xi stressed that with concerted efforts of both sides, China-DPRK relations opened a new historic chapter in 2018. The two sides, with concrete actions, have demonstrated the strong vitality of the China-DPRK friendship and displayed the resolute determination of the two countries to jointly advance the political settlement of the Korean Peninsula issue. This year marks the 70th anniversary of the establishment of the China-DPRK relations and bears great significance to the efforts in building on past successes to further advance bilateral relations.

"I am willing to work with Comrade Chairman to make sound efforts to guide the future development of the China-DPRK relations," Xi said.

He said the two sides should maintain high-level exchanges, strengthen strategic communication, deepen friendly exchanges and cooperation, and promote the long-term, healthy and stable development of China-DPRK relations.

Kim said he was grateful to General Secretary Xi for taking time from a busy schedule at the beginning of the year to receive the DPRK delegation. He extended festival greetings to the CPC, the Chinese Government and the Chinese people on behalf of the WPK, the government and the people of the DPRK.

"Under the utmost care of Comrade General Secretary, DPRK-China relations were elevated to a new height last year and a new chapter was written," he said.

Kim said with this visit, he hoped to take the opportunity of the 70th anniversary of the establishment of diplomatic relations between the two countries to conduct deep exchanges of views with Comrade General Secretary on consolidating the DPRK-China traditional friendship and stepping up the DPRK-China exchanges and cooperation, and to push for the DPRK-China friendly ties to be consolidated and improved with each passing day.

On the situation of the Korean Peninsula, Xi spoke highly of the positive measures taken by the DPRK to maintain peace and stability and promote denuclearization of the peninsula.

He said major progress was made in the process of a political solution to the Korean Peninsula issue last year with joint efforts of China, the DPRK and other relevant parties.

Noting that a general trend of peaceful dialogue on the peninsula has taken shape, Xi said it has become the international community's common expectation and consensus for the dialogue to continue and yield results. The political settlement of the peninsula issue faces a rare historic opportunity.

China supports the DPRK's continued adherence to the direction of denuclearization of the peninsula, supports the continuous improvement of inter-Korean relations, supports the DPRK and the United States holding summits and achieving results, and supports relevant parties to address their respective legitimate concerns through dialogue, Xi said.

China hopes that the DPRK and the United States will meet each other halfway, Xi said, adding China stands ready to work with the DPRK and other relevant parties to play a constructive role in maintaining peace and stability and realizing denuclearization of the peninsula and lasting peace and stability in the region.

Kim said the Korean Peninsula situation eased over the last year, and China's important role in this process is obvious to all. He said the DPRK highly and sincerely appreciates Chinese efforts.

The DPRK will stick to the stance of denuclearization and resolving the Korean Peninsula issue through dialogue and consultation, and make efforts for the second summit between DPRK and U.S. leaders to achieve results that will be welcomed by the international community, Kim said.

Kim said he hoped that relevant parties will attach importance to and positively respond to the DPRK's legitimate concerns, and jointly push for a comprehensive resolution of the Korean Peninsula issue.

The two sides informed each other of their respective countries' situations. Xi said this year marks the 70th anniversary of the founding of the People's Republic of China. In the past seven decades, the CPC has led the Chinese people in achieving a historic leap: they have stood up, grown rich, and are becoming strong. The CPC has the resolve and confidence to unite and lead people of all ethnic groups in China to overcome all difficulties, obstacles, risks and challenges and forge ahead toward the realization of the Two Centenary Goals and the Chinese dream of national rejuvenation.

Xi said positive results have been achieved since the WPK implemented the new strategic line in the past year, demonstrating the WPK and DPRK people's strong love for peace and strong will to pursue development, and receiving wholehearted support from the DPRK people and positive comments from the international community. The Chinese side firmly supports Comrade Chairman in leading the WPK and the people to implement the new strategic line and focus on developing the economy and improving people's well-being.

"We believe that the DPRK people will surely and constantly make new and greater achievements in the cause of socialist construction," Xi said.

Kim said that having visited China four times in less than a year, he was deeply impressed by the achievements made in China's economic and social development as well as the Chinese people's spirit and character of striving for the country's prosperity.

The DPRK side considers China's development experience most valuable and hopes for more trips to China for study and exchanges, he said.

Kim said he believes that under the leadership of the CPC with Comrade General Secretary at the core, the Chinese people will continuously make fresh great achievements along the road of socialism with Chinese characteristics in the new era, and successfully realize the Two Centenary Goals and the Chinese dream of national rejuvenation.

The WPK will lead the DPRK people to continue their great efforts to implement the DPRK's new strategic line and create a favorable external environment for this endeavor, Kim said.

During talks on January 9, Xi spoke positively of the significance of Kim's visit to China this time and looked back on the history of friendly exchanges between China and the DPRK. Xi said China is willing to make joint efforts with the DPRK to safeguard, consolidate and develop relations between the two parties and two countries, jointly write a new chapter of development of relations between the two countries, and jointly make new contributions to regional peace, stability, development and prosperity.

Kim said the DPRK highly values the sound momentum of continuous development of DPRK-China relations, and is willing to work with China to earnestly implement the important consensus reached between the two sides and continue writing a more glorious future of friendship from a new starting point. **CI**

# Four Decades On

## Concerted efforts needed to keep Sino-U.S. relations on track

By Wen Qing

In 1972, at the Jinjiang Hotel in downtown Shanghai, the Shanghai Communiqué was signed by the then Chinese Premier Zhou Enlai and U.S. President Richard Nixon, establishing the framework for the normalization of bilateral relations, which would be realized on January 1, 1979, with the Joint Communiqué on the Establishment of Diplomatic Relations Between the People's Republic of China and the United States of America.

Currently, China-U.S. ties are one of the most important bilateral

relations in the world. Sound Sino-U.S. relations are in line with the fundamental interests of the two peoples and the broad-based expectations of the international community, Chinese President Xi Jinping told U.S. President Donald Trump during their meeting in Buenos Aires, Argentina, on December 1, 2018.

Nevertheless, opportunities and challenges facing bilateral relations are both unprecedented against the backdrop of the ongoing trade conflict between the two largest economies in the world.



Scholars and other experts from China and the United States attend a symposium marking the 40th anniversary of China-U.S. diplomatic relations in Shanghai's Jinjiang Hotel on December 13, 2018

## Mixed signals

According to Diao Daming, an associate professor on Sino-U.S. relations at the Renmin University of China, Washington has been delivering very noisy signals to Beijing, which has rarely been seen in history and is worrisome. He made the remarks at a symposium marking the 40th anniversary of China-U.S. diplomatic relations at the Jinjiang Hotel in December 2018.

"It seemed that Trump wants to solve the issue of trade deficit to boost the economy, but the United States has sent messages that it intends to push China into a corner to compress its strategic space," Diao said, "Maybe Washington itself does not know what it wants at the moment."

Like Diao, many participants expressed concerns about the turn in U.S. policy toward China.

In the 1970s and 80s, China and the United States collaborated against the Soviet Union and after the Cold War, the two countries developed extensive interdependence in the economic field, Zhou Wenzhong, former Chinese Ambassador to the United States, said.

Top Chinese leaders have consistently reiterated the importance of close bilateral ties during the past decades. In 2011, the two countries agreed to build a cooperative partnership based on mutual respect and mutual benefit. Xi's proposal to build a new type of major-country relationship between China and the United States won President Barack Obama's backing.

However, after taking office in 2017, Trump steered an abrupt policy change. His administration named China as a strategic competitor and rival power. Uncertainty was very obvious in the Trump administration's policy toward China, Zhou said.

Xi and Trump agreed in Buenos Aires not to impose new additional tariffs and to step up negotiations between the economic teams of the two sides toward the removal of all additional tariffs and reaching a concrete agreement that would lead to win-win results.

In spite of this, some contradictory developments showed that the U.S. president and his key officials have not reached consensus on a policy toward China, with disagreement abundantly clear, Zhou said. "Thus, the Chinese feel confused when dealing with diplomatic issues with the United States because we do not know who is at the helm in Washington."

## Mutual concessions

"We hope bilateral ties get back on track and the United States again views China as a partner rather than a rival power," Zhou said. According to him, the past four decades proved that cooperation brings benefits to both sides, while confrontation could be damaging.

Since China and the United States have different political and social systems, it is normal that they have divergence on some issues. The trade deficit should be tackled through bilateral negotiations, but a trade war should never be resorted to as it does harm to both sides. For example, General Motors, one of the largest automakers in the United States, has been affected by the additional tariffs imposed by the Trump administration on China-origin imports, since many of its cars produced in China are subject to the restrictive measures.

In October 2018, the International Monetary Fund lowered its forecast for world economic growth for 2018 and 2019, citing increasing trade tensions as the main threat to the world economy. If the situation continues, the U.S. economy will also be affected.

"Bilateral problems need to be resolved, but this cannot be done

through complete concession by the Chinese side or complete victory by the United States. Both sides must compromise and concede," Yang Yi, former Director of the Strategic Studies Institute with the National Defense University of the People's Liberation Army, said.

The United States is in an offensive posture, while China is defensive in bilateral relations at the moment. The U.S. anxiety about China's rapid development led to its extreme pressure on China, severely hurting bilateral relations, Yang said. "The two countries should have an inclusive mentality toward each other and should not pursue complete victory or absolute superiority," he added.

According to Douglas Paal, Vice President for Studies of the Carnegie Endowment for International Peace, the post-Cold War, unipolar world, where the United States is the most dominant country and others are much less a factor, has changed, but there's great disorder and disarray in the global power structure. The old way of doing business can't continue; the United States has to make room for China, Paal pointed out.

The current global order was established under the leadership of the United States after World War II. But some developing countries have grown rapidly in the ensuing years and their interests need to be protected, which means the existing order needs to be adjusted. The United States has to accept this reality and learn to share the fruits of development with the rest of the world, Zhou said.

## No zero-sum game

Graham Allison, a professor at Harvard University, coined the phrase Thucydides Trap that warns of the danger of war when a rising country causes fear in an established power. In his view, the overall relationship between China and the United States is driven by a Thucydides dynamic, with all the natural and predictable consequences that it brings. China is growing stronger but is feeling constrained and contained by the United States, while the United States is accustomed to ruling and is feeling disrupted and disturbed by a rising China, Allison said.

Views toward each other have changed and bilateral relations shifted toward competition, according to Yao Yunzhu, a senior advisor at the China Association of Military Science. But competition does not necessarily result in confrontation and both sides should do their best to make sure that a healthy competition can benefit them and the world as a whole.

Many other participants also believe that China and the United States can avoid falling into the Thucydides Trap. David Lampton, a professor at the Johns Hopkins School of Advanced International Studies, is one of them.

"There is a Thucydides danger, but it does not inevitably lead to war. To avoid this trap, countries have to create more interdependence and conduct ecological cooperation in the world environment," he said. "When I arrived in China in the 1980s, people talked about self-reliance. But today they put great emphasis on interdependence. That is a huge change. The welfare of both countries will improve if we rely on each other to do what we do best."

While suggesting China remain patient, Lampton called on the United States to learn to make room for other countries in the world.

Countries that have nuclear weapons are not going to get involved in conflict, Paal said. In his view, the biggest challenge is how to avoid the growth of China's rim from confronting existing U.S. interests in the area in ways that may lead to conflict. "If we can manage that, we will have huge success." **C**

# For Peace and Stability

## Xinjiang's vocational education and training centers are in the interests of all By Ismail Tiliwaldi

Lasting social stability in Xinjiang Uygur Autonomous Region in northwest China is related to reform, development and stability of China, its reunification, as well as national unity, security and rejuvenation.

Since the 18th National Congress of the Communist Party of China (CPC) in 2012, the CPC Central Committee has attached great importance to work related to Xinjiang. CPC Central Committee General Secretary and Chinese President Xi Jinping has visited the region and hosted many meetings to study and organize work related to Xinjiang. He has also given instructions on governing Xinjiang and maintaining lasting stability in the region.

The local authorities of Xinjiang do not ignore potential risks, condone criminal acts, or shy away from difficulties and pressures. They are treating both the symptoms and root causes of terrorism and extremism, taking comprehensive measures to fight such forces and maintain stability.

Social stability has been ensured in Xinjiang. In the past two years, there were no terrorist attacks and the number of criminal cases, including those endangering public security, dropped. Religious extremism was effectively contained. People's sense of safety and satisfaction significantly increased.

In 2018, Xinjiang's railway freight volume exceeded 100 million tons, ranking first in the

country. Tourism is booming. In 2017, domestic and foreign tourists paid more than 100 million visits to Xinjiang, an increase of 32.4 percent from the same period in 2016. In the first three quarters of 2018, there were more than 132 million visits, a 40-percent increase year on year. The growth in tourism is the most direct evidence of Xinjiang's current state and people's confidence in the region.

People of all ethnic groups in Xinjiang have lauded the hard-won social stability. Practice has proven that the strategies for governing Xinjiang and the way to maintain lasting stability are correct.

The struggle against separatism pertains to national security, the vital interests of the people,

and the overall situation of reform, development and stability. Terrorism and extremism are enemies of human civilization. Combating terrorism and eliminating extremism is a worldwide mission. Xinjiang is the frontier of China's war on terrorism, extremism and separatism.

The three evil forces of terrorism, extremism and separatism have never ceased their activities of secession and destruction, with some places in Xinjiang seriously affected. Ethnic separatism has a long existence in Xinjiang; hence the elimination of Pan-Islamism and Pan-Turkism cannot be achieved overnight. Religious extremist ideas are highly demagogic and can't be eradicated in the short term.

Some residents in these areas had a poor grasp of the standard spoken and written Chinese language. They also had poor vocational skills, which made it difficult for them to find employment. This weakness made these areas vulnerable to instigation and coercion by terrorists and extremists.

Since October 2016, the regional authority has strengthened the effort to uphold the rule of law, crack down on violent and terrorist crimes while safeguarding human rights, and protect citizens' basic human rights from the onslaughts of terrorism and extremism. At the same time, it has attached importance to rooting out crime from the source.

The autonomous region gives priority to assisting and rehabilitating people who have committed minor offenses related to terrorism and extremism or who have been encouraged or coerced to take part in such activities. The



Visiting diplomatic envoys talk with trainees at a vocational education and training center in Kashgar, Xinjiang Uygur Autonomous Region, on December 29, 2018



Trainees dance in their spare time at a vocational education and training center in Hotan, Xinjiang Uygur Autonomous Region, on October 7, 2018



Residents in a village of Qapqal Xibe Autonomous County in Xinjiang have lunch on February 5, the Spring Festival

root causes are being tackled through vocational education and training. An education and training model has been established, with vocational education and training centers serving as a platform to teach the common language, the law and vocational skills so that the trainees can find employment afterward.

These vocational education and training centers help people influenced by terrorism, extremism and separatism. This is a creative effort by Xinjiang to fight terrorism and maintain stability.

The training is free. Besides studying, trainees at these centers take part in extracurricular activities. People under the influence of religious extremism have been given a chance to return to normal life.

The trainees have improved their command of the common national language, which has enhanced their understanding of the state, citizenship, the rule of law and the Chinese nation. It has also helped them to distinguish right from wrong and resist infiltration by religious extremist ideas.

They are also significantly motivated to shed off poverty. Many have acquired practical skills from the hands-on training. When the training finishes, they earn a stable income working in garment, shoe and brick factories and other enterprises.

Increasing income and becoming well-off have become



Tourists play on a lake in the Bayingol Mongolian Autonomous Prefecture of northwest China's Xinjiang Uygur Autonomous Region on February 6

a reality. A good system of "learning and practicing as well as increasing income" has been established. With their skills, the trainees can better adapt to society and modern life.

With the start of the vocational education and training program, the social environment in Xinjiang has improved. People's desire to acquire modern scientific and technological knowledge and live a civilized life has become stronger and they are consciously resisting the spread of religious extremist ideas. Exchanges among different ethnic groups have become

more frequent. People are more supportive of the anti-terrorism and stability maintenance work, and are hopeful of a better life in the future.

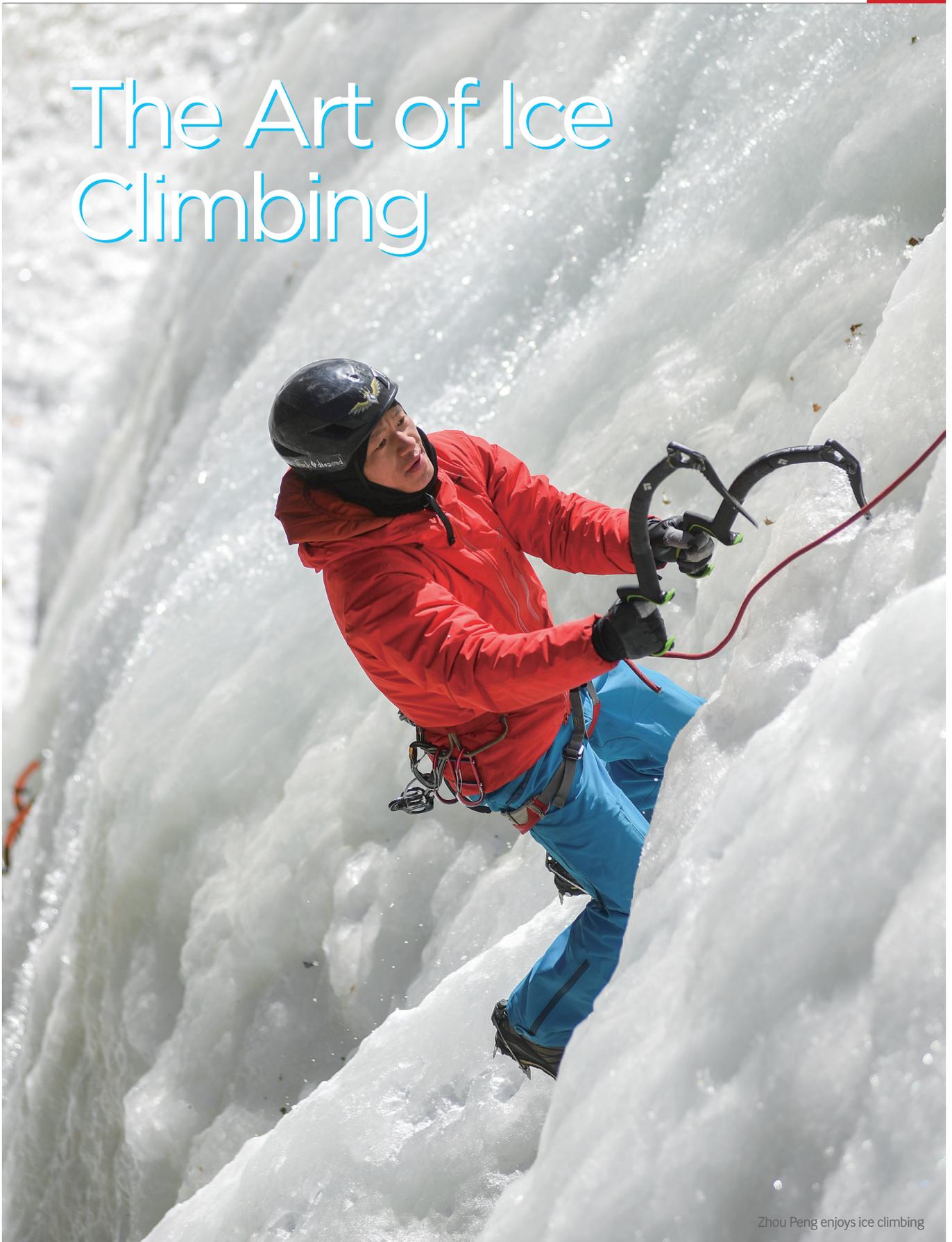
Practice has proven that vocational education and training is in line with the reality of Xinjiang's anti-terrorism, stability maintenance and de-extremization work. It is an effective measure to eliminate the soil that breeds terrorism and extremism. The work has established a fundamental defense against infiltration by terrorism and extremism, and is acknowledged by all ethnic

groups in Xinjiang. It plays an important role in realizing the overall goal of maintaining stability in Xinjiang.

However, despite the initial results, Xinjiang is still not free from terrorist and separatist activities. Terrorism, extremism and separatism spread in China from abroad through the Internet. The anti-separatism struggle still remains tough, complex, long-term, and sometimes even fierce. The struggle cannot be relaxed. **C**

The author is former Vice Chairman of the Standing Committee of the National People's Congress

# The Art of Ice Climbing



Zhou Peng enjoys ice climbing



Zhou Peng, born in 1984, fell in love with ice climbing when he was in college, becoming a rock and ice climbing coach with the Chinese Mountaineering Association after graduation. However, in order to have more time to rock and ice climb, Zhou resigned in 2009, becoming a private coach in a scenic spot in a Beijing suburb.

Although ice climbing is a relatively new sport in China, more people are getting to know it as China steps up efforts to promote winter sports in preparation for the Olympic Winter Games 2022 to be held in Beijing and Zhangjiakou of north China's Hebei Province.

The International Climbing and Mountaineering Federation Ice Climbing World Cup was held in Beijing on January 18-20, attracting about 80 athletes from 15 countries.

Zhou said many Chinese regard ice climbing as a dangerous sport. However, he is pleased to see that more Beijingers are willing to give it a try. **CI**

(Photos by Wei Yao)

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1. Zhou's students take a training class in ice climbing
2. Zhou displays ice climbing safety equipment
3. Zhou collects equipment after a training session at an ice climbing site in Beijing
4. Protection equipment and safe routes are necessary for training