

# BEIJING REVIEW

## SHOOTING HIGH

Sport's development fueled by Olympic hopes

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CHINA SWITCHES ON TO CENTRAL ENERGY MINISTRY



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**COVER STORY** It's difficult to envision that as recently as half a century ago, China was a mere blip on the international sporting radar. Sport was the exclusive province of the well-heeled and influential, while the majority of the people were too consumed by daily survival needs to pay it much attention. After 1949, however, the general population's lot improved and the government actively began to publicize sport and good health as essential lifestyle attributes. State-sponsored clubs and events opened hitherto-closed doors to the common man, and sporting icons were born. Today, with some 2,000 international championship titles to its credit, and 286 medals from six summer Olympics, China stands on the brink of being a true world sporting superpower. Yet there remains a yawning disparity between its few elite superstars of sport and the vast numbers of aspirants in training, a gap that can only be breached with a reallocation of funds and a nationwide program that brings gameplay and health to the masses.

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## A Nation in Training

By ZHOU JIANXIONG

Beijing's successful bid to host the 2008 Summer Olympics has been viewed by many as something of great significance, as it symbolizes the confidence the world Olympic family has in China's organizational ability, and represents the global community's acknowledgements of China's robust economic progress and people-centered social development. It can also be seen as a congratulatory message from international sports circles for China's extraordinary achievements in developing its physical culture programs in the past two decades.

The emergence of China as a rising sports star has come a long way. Until the first half of the 20th century, at a time when the country was plunged into sheer destitution, social upheavals and foreign invasion, sports activities were confined only to a privileged few, while the majority of Chinese led a miserable life. It was not until the founding of the People's Republic in 1949 that sporting activities were embraced by the ordinary people. And along with the gradual improvement of the people's livelihood, due attention was paid to bettering their physical fitness and enriching their cultural life. In the spirit of uplifting the health standards of all citizens, not only have relevant guidelines and arrangements been made to encourage active participation in mass sports and fitness schemes, but many state-owned sports facilities have been opened to the public, either for free or with a nominal charge. Tens of thousands of sports societies or organizations have sprung up across the country, providing technical guidance to amateurs, promoting different kinds of sports, and organizing contests at the grassroots level.

Meanwhile, China also has exhibited growing prowess in sports competitions, with its remarkable performance on global sports arenas during the preceding decades. Since rejoining the International Olympic Committee (IOC) in 1979, what was once perceived to be "an inferior race" by Western nations, has, thanks to state-sponsored sports development strategies, captured some 2,000 championship titles in major sporting international events, and grabbed a total of 286 medals, including 112 gold, 96 silver and 78 bronze, in the six summer Olympic Games the country has participated in. This has put China on par with some of the world's sports giants, such as the United States, Russia and Germany.

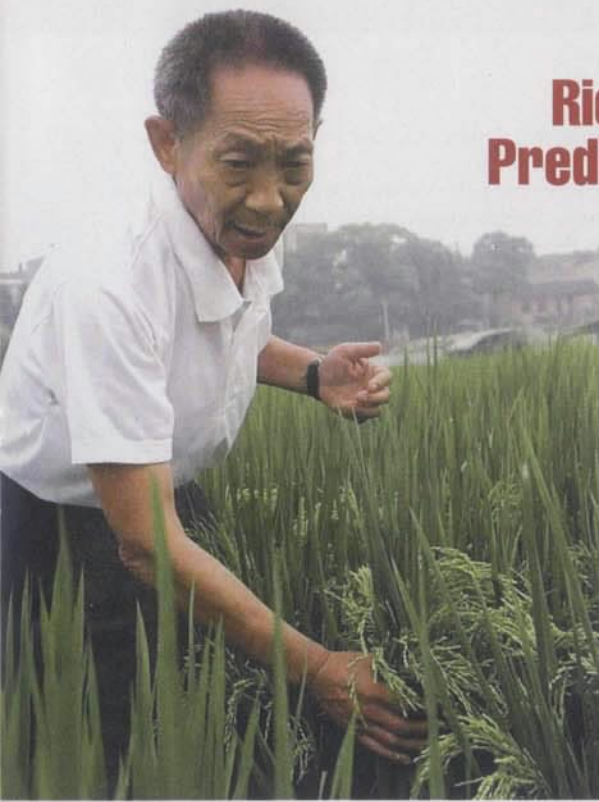
China's ongoing international sporting achievements have inspired local citizens and further stimulated their enthusiasm in sports activities. Sports news claims one of the largest national audiences and is always a favorite topic of discussion, while fitness exercises have become fashionable for the young and old alike, because practicing sports is conceived to be a route to a healthier lifestyle. As the Beijing Olympics draws closer, more and more people have become sports-conscious and expectant of their athletes' good performances.

Despite the impressive showings in global sports competitions, there are differing views on what is the most appropriate strategy to turn China into a real sports power. The main dispute lies in the disproportionate allocation of resources for the state sports development. While an astronomical figure has been used to train world-class sports champions, government spending on mass sports activities remains largely inadequate and can barely meet the growing demand of the masses. The best approach seems to be a substantial budget increase on public sports facilities, equipment, and training programs, so that the fitness levels of the whole nation can be raised. ■

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## Rice Scientist Predicts Record Yield



Though the survival of our world should not be linked to the efforts of a few elite, **Yuan Longping** is definitely someone who has made a bigger contribution. Known as “the father of hybrid rice,” the Chinese agronomist has seen the grain species he developed grown in as much as 50 percent of China’s total rice fields, with an annual yield enough to feed 60 million people.

At a forum on November 18, Yuan revealed that his three-

stage super hybrid rice development program is close to maximum output, which, in 2010, will drive the rice harvest per *mu* (a Chinese measurement equivalent to 1/15 hectare) up to 900 kg. This figure climbed to 700 kg in 2000 and 800 kg in 2004 respectively. More importantly, Yuan said that the potential yield of super hybrid rice is as high as 1,500 kg per *mu*.

Yuan, 77, began research on breeding high-yield hybrid rice in 1964, and, in 1973, he discovered the genetic basis of heterosis in rice, a phenomenon in which the progeny of two distinctly different parents grow faster, yield more and resist better than either parent. On this basis, Yuan and his team soon produced Nan You No.2, a commercial variety with yields 20 percent higher than those of previous species, and released it in 1974. The new crop has greatly improved China’s food availability.

Yuan’s other achievements include developing a new technique for increasing hybrid seed yields through restriction of self-pollination, facilitating the establishment of the hybrid rice seed production industry in China and developing new strategies to further improve hybrid rice. He has also spread his techniques for hybrid rice throughout Asia and to Africa and the Americas, and trained thousands of scientists and researchers from over 25 countries.

In 2000, Yuan was awarded the inaugural State Supreme Science and Technology Award of China. On his long list of honors there are also the 2001 Magsaysay Award, the UN FAO Medal of Honor for Food Security, the 2004 World Food Prize and the 2004 Wolf Prize in Agriculture.

**“Professor Yuan Longping’s pioneering research has helped transform China from food deficiency to food security within three decades. His accomplishments and clear vision helped create a more abundant food supply and, through food security, a more stable world.”**

The UN Food and Agriculture Organization

**“First we must have enough food, then comes eating well.”**

Yuan Longping, talking about his firm belief in the importance of food security for developing countries

**“We now have \$1.4 trillion in foreign exchange reserves, and I tell my foreign friends I have never been under more pressure.”**

Chinese Premier Wen Jiabao, describing China’s huge foreign exchange reserves as a symbol of both strength and huge responsibility when he delivered a speech at the National University of Singapore on November 19

**“Anthropogenic warming and sea level rise would continue for centuries due to the timescales associated with climate processes and feedbacks, even if greenhouse gas concentrations were to be stabilized.”**

Intergovernmental Panel on Climate Change, in its report released on November 17

**“This work represents a tremendous scientific milestone—the biological equivalent of the Wright Brothers’ first airplane.”**

Dr. Robert Lanza, who owns a company engaged in the research of stem cell cloning, after scientists in the United States and Japan created the equivalent of embryonic stem cells from ordinary skin cells, a breakthrough that could someday produce new treatments for disease without the explosive moral questions of embryo cloning

**“They get our oil and give us a worthless piece of paper.”**

Iranian President Mahmoud Ahmadinejad, blaming U.S. President George W. Bush’s policies for the decline of the dollar and its negative effect on other countries, when he addressed the media after the close of the summit of the Organization of Oil Exporting Countries on November 18

**“Cooking this data would be almost impossible.”**

Dr. Paul De Lay, Unaid’s director of monitoring and policy, replying to the idea that earlier estimates of people infected with HIV were deliberately inflated. After releasing new figures on November 21 showing that the global AIDS epidemic is smaller than it previously reported, the AIDS-fighting agency denied that it had inflated estimates for years in an alarmist effort to raise funds

## OPINION

## No More Fare Hikes Please

It's still months before the 2008 Spring Festival, but a recent government report forecast that due to the rising prices of fuel, it's impossible to keep train ticket prices at the same level as 2007.

It's true that railway operators are faced with higher operation costs and rising fares are a future trend. But to what extent should the fare spike keep pace with the rising oil prices? If the railway industry operates in accordance with the market rule, it's acceptable to keep the ticket prices at the level of operation costs. The key to this, however, is that railways, as well as aviation, in China are state-owned monopoly businesses and thus they need to shoulder some social responsibilities instead of focusing on profit margins.

The year 2007 has already seen too many price hikes. As the public suffers under the burden of a host of price increases, it's necessary for transport sectors to try to curb fare increases so that travel during the Spring Festival, which celebrates family reunion, can be easier for the masses.

*Henan Business*

## Kindergarten Corruption Must Stop

Recently, the Education Bureau of Qingdao, east China's Shandong Province, issued a ban on bilingual teaching using the mother tongue and a second language (usually English) in kinder-



**CLASS CON:** Kindergartens charge for special skills classes, which should actually be covered in routine education

gartens, something that comes as a huge relief to parents both psychologically and financially.

Parents are aware enough to know that extra curricular classes are in most cases a way for kindergartens to make more money, but in order that their children will not be left behind in the competitive future environment, they have no option but to send their children to sports, dancing, painting, piano and a host of other additional classes. To stop bilingual classes is a welcome move and more of these "other" programs should be cancelled as well. A problem that arises as a consequence, however, is that once such classes are eliminated, children will have almost nothing to learn, as the entire kindergarten system is now operated in the form of extra curricular programs—so that operators can charge more.

To teach children such skills as foreign languages and painting should actually be part of the regular tuition, and it is unacceptable for kindergartens to separate these from the required curriculum and sell as special commodities.

*Workers' Daily*

## Treat the Disease Not the Symptom

After a big fire killed 14 people in a foot massage center in Chengde City, north China's Hebei Province, on November 14, the authorities swiftly launched a sweeping inspection into local entertainment venues and Internet cafes for hidden danger points, with a view to prevent similar future incidents.

These measures are necessary, but history shows that safety campaigns seldom really help to prevent the next disaster, because almost all consequent measures are temporary in nature and are unable to cope with similar disasters should they occur. A typical example took place after a blaze claimed the lives of dozens of firefighters in Hunan Province's Hengyang City in November 2004, which was also followed by a series of rectification campaigns, yet when four years later in 2007 the city was hit by another fire, the result was again serious human and property losses.

Therefore, it's important to make safety inspections a stringent routine, so that any hidden trouble can be found out ahead of time. For the sake of life and property, the government needs to get tough on this.

*Sanqin Metropolis Daily*

## Avoid Tragedies by Planning

After a deadly stampede in a Carrefour outlet in Chongqing earlier this November, the local government of Hangzhou, Zhejiang Province, announced a ban on sales promotion of daily necessities in supermarkets and marketplaces, to ensure customers' safety.

Soaring prices are increasing the economic burden on ordinary people. There is nothing wrong with markets holding regular sales promotions of everyday goods and currently no law prohibits this practice.

It's true that an oil promotion triggered the Carrefour stampede in Chongqing, but this does not necessarily mean future promotions will inevitably lead to disasters provided if they are well planned. Thus, the sales promotion ban can only make the public's life more difficult.

To effectively tackle the sales promotion issue, instead of imposing a ban on daily necessities, relevant departments should impose adequate safety measures on big retailers. More importantly, retailers should not offer reduced prices for limited periods, as it is the amount and time restrictions that eventually led to the Carrefour stampede. Only by carefully dealing with these things can we expect to see safe promotion activities.

*China Youth Daily*



# Cyclonic Fury

A Bangladeshi woman and her baby stare helplessly at the piles of debris left after the worst cyclone in 130 years hit her village in Khulna District, some 320 km south from the capital Dhaka, on November 15.

The official death toll reached 3,447 as of November 20, while about 3 million displaced survivors were in desperate need of tents, food, drinking water and medical supplies.

Financial aid by the international community is being offered, with the Chinese Government donating \$1 million worth of emergency assistance to the country.

In a message sent to his Bangladeshi counterpart Iajuddin Ahmed on November 18, Chinese President Hu Jintao offered the nation's sympathies to those affected.

**SOCIETY**

**Helping Migrant Population**

Zhang Xinfeng, Vice Minister of Public Security, said in Beijing that his ministry will soon issue a circular throughout China to improve access to better housing, medical services and education for the children of the country's colossal migrant population. China has 140 million farmers who have left their farmland to seek employment in cities, which account for about 10 percent of China's total population.

According to the released draft document, local governments are required to provide education for children of migrant workers; build dorms for migrant workers to improve their living conditions; raise their social insurance coverage; and provide them with the same free services available to city residents, such as infectious disease prevention and treatment, children's vaccinations and maternity care.

**Wardens Turned Prisoners**

China has punished 3,149 corrupt wardens over the past five years, according to the Supreme People's Procuratorate.

A number of senior wardens were caught taking bribes, including Li Wenhua, the former director of the Bureau of Prison Administration in southwest China's Sichuan Province.

Li was involved in a case where the former chief warden of Chuanxi Prison, Wu Bangzhi, took more than 2 million yuan (\$270,000) from a prisoner in return for secretly letting him out of confinement a number of times.

According to Chinese laws, procuratorates set up offices in prisons and centers of reeducation. Prosecutors corrected about 11,000 improper cases over the past five years and detected 26,000 cases of illegal detention, release and punishment.

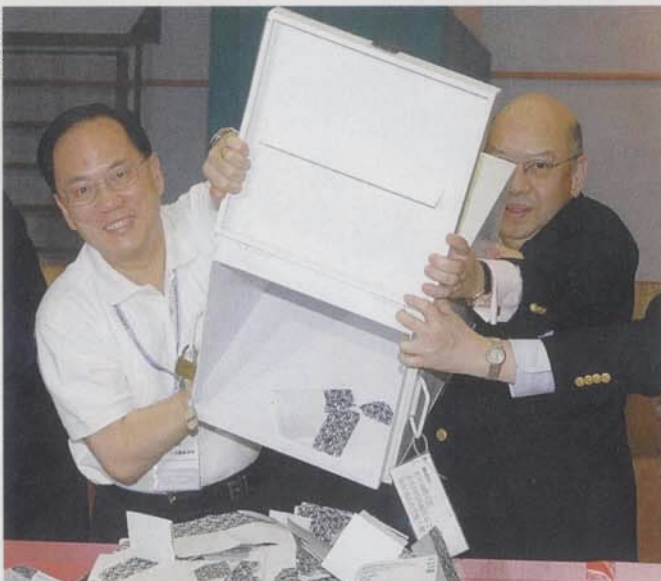
**Smooth Lunar Exploration**

China's first lunar orbiter *Chang'e-1*, which is now circling the moon at a stable altitude of 200 km, has opened its facilities to transmit data back to the Earth, said Pei Zhaoyu, spokesman for the China National Space Administration on November 20.

He added that the orbiter is in good condition and facilities on board will be tested over the next few days.

The satellite has undergone a number of tests since it entered the moon's orbit on November 7. On November 19, it adjusted its position to point its probing facilities toward the moon, positioned the probe's solar panel toward the sun and the directional antenna toward the Earth to allow data to be transmitted back to the Earth.

*Chang'e-1* is expected to relay its first picture of the



**DISTRICT LEADERS FOR HONG KONG** Hong Kong Special Administrative Region Chief Executive Donald Tsang (left) opens a ballot box at a polling station in Hong Kong on November 18. More than 1.14 million registered voters voted that day to choose leaders for 405 constituencies

moon in late November.

**Global Warming Toll**

Meteorological experts in southwest China's Tibet Autonomous Region have expressed concern that global warming is threatening the ecology of the region.

"The warming climate has caused more meteorological disasters than ever in Tibet. Problems like receding snow lines, shrinking glaciers, drying grasslands and desert expansion are increasingly threatening the natural eco-system in the region," said Song Shanyun, Director of the Tibet

Regional Meteorological Bureau.

Song cited two major disasters in 2000, which caused total losses of 1.4 billion yuan (\$189 million). In April 2000, a thawed snowcap triggered an almost unprecedented large-scale landslide in southeast Tibet. More than 300 million cubic meters of debris, piling up to 100 meters high, blocked a river and besieged more than 4,000 people. The other disaster was a once-a-century flood, which affected more than 60,000 people and inundated thousands of hectares of cropland.



**FIRST SNOW** After the first major snowfall of this winter on November 19, street cleaners in northeastern Jilin City shovel snow to guarantee smooth city traffic



**ABDUCTED BABIES RESCUED** Police in central Henan Province look in on four baby girls rescued from traffickers on a bus from southern Guangdong Province to central Shanxi Province. The four children are being temporarily taken care of by a local orphanage



## ECONOMY

## Gold Rush Overseas

The Bank of China (BOC) opened a new outlet in London on November 21, on the heels of the launch of a lending center covering the European market in the city.

With registered capital of 200 million pounds, the new outlet will target middle-class and high-end locals as well as Chinese people living in London.

The second biggest Chinese lender's expansion was part of the ongoing "go-out" move of major Chinese banks with abundant capital raised from share offerings. Within merely one year, the BOC launched a string of new branches and other outlets in Indonesia, Viet Nam, Canada, Brazil and Russia.

As China opens its financial market to overseas investors, local banks face heated domestic competition from foreign rivals. Excess liquidity and a tightening monetary policy in China have also pushed them to seek new profit sources.

## Grain Self-Sufficient

China will remain 95 percent self-sufficient in grain production in the future by expanding both output and reserves, said Fang Yan, a senior official with the National Development and Reform Commission, at a conference in Guangzhou, capital of south China's Guangdong

Province. But he also said domestic supply of grain would fall short of demand in the long term, without clarifying how long the period would be.

"As the rural population moves to urban areas, fodder grain and oil-bearing crops such as soybeans are already in short supply," said Fang.

To ensure adequate supply and improve the quality of farm produce, China will boost large-scale production rather than production by scattered, small farms during the 2006-2010 period.

## Open to More Foreign Investment

China will gradually scrap restrictions on the destination, stock ownership and business scope of foreign investment in the service sector, said Zhang Mao, Vice Minister of the National Development and Reform Commission at a multinational CEO roundtable meeting in Beijing. But, he added, existing restrictions on foreign investment in key industries concerning China's national security and its citizens' livelihood would remain unchanged.

Zhang said foreign investment would be encouraged to enter hi-tech equipment and new material manufacturing and logistics businesses. He added the central and western hinterlands would be open to foreign investment with more incentives.

But Zhang stressed that foreign investors were restricted from setting up businesses for export only in China, and banned from creating polluting projects and those that rely on consuming large amounts of energy and resources.

## China's Top Ten Vehicles

Beijing-based Research Institute of Machinery Industry Economics & Management announced its top ten most popular China-designed vehicles for 2007 in Beijing recently. Chang'an Benben, Wuling Sunshine minibus, Chery A5, Geely Vision, Brilliance Splendor, FAW Besturn, Roewe 750, Jiangling Landwind, Dongfeng Future and Delong of Shaanxi Auto Group were honored.

Liu Baowen, Vice Director of the institute, said standards in selecting the winning models included branding value, overall quality, safety, environment-friendliness, comfort, value and after-sales service.

## New Economic Census

China will conduct its second national economic census in 2008 to gather accurate data for scientific policy formation, the State Council announced.

The results will facilitate more effective

macroeconomic controls and more scientific mid- and long-term economic planning, a notice on the Central Government's website said.

The census aims to gather information on layouts and energy consumption of all industrial and service-sector entities in 2008.

Statisticians will also collect data on ownership, financial results, production capacity, staff and research and development activities, the notice stated.



**HERBAL WEALTH** The development of the traditional Chinese medicine industry in southwestern Guizhou Province, from total sales of 3.7 billion yuan (\$500 million) in 2001 to 9.9 billion yuan (\$1.3 billion) in 2006, has brought money-making opportunities to farmers in mountainous areas



**BLACK DAY FOR WHITE ANTS** An expert on white ants gives guidance to farmers living near Chaowu Lake, in central Anhui Province, on ways to destroy white ant nests. White ants are a major danger to the safety of the lake dam



**MY PUPPETS, MY SHOW** Primary and middle school students of Huanxian County of Gansu Province take a handcraft class on how to make puppets for leather shadow shows, and give performances with their own props



**GAS COOPERATION** Greek Prime Minister Kostas Karamanlis (right), his Turkish counterpart Recep Tayyip Erdogan (center) and Azerbaijan's President Ilham Aliyev attend the inauguration ceremony of the Greece-Turkey natural gas pipeline in Ipsala, November 18. The Greece-Turkey natural gas pipeline project, slated for completion in 2011, will eventually extend to Italy via the construction of a Greece-Italy natural gas pipeline, and is a supplement to the Greek-Turkish pipeline, transporting 8 billion cubic meters of natural gas per year



**CLOSER ALLIES** U.S. President George W. Bush (right) shakes hands with Japanese Prime Minister Yasuo Fukuda after a joint statement in Washington, D.C. on November 16. The two leaders announced during the meeting that they would stick to the U.S.-Japan alliance



**PRESSURE ON SARKOZY** Thousands demonstrate on November 20 in Paris, as part of a nationwide day of protest of French civil servants and students, joining a week-long stoppage by transport workers. State employees, including teachers, postal workers and air traffic controllers, launched their strike in support of demands for pay increases and an end to job cuts

◀ **SCORPION KING** The University of Bristol released a photo on November 20 showing a giant sea scorpion. British and German researchers discovered the giant fossilized claw of an ancient sea scorpion that, in its heyday hundreds of millions of years ago, would have been some 2.5 meters long. The find, in a quarry near the western German border town of Pruem, is the biggest specimen of an arthropod ever discovered



**OIL BARONS** Iranian President Mahmoud Ahmadinejad, his Venezuelan counterpart Hugo Chavez and Saudi King Abdullah bin Abdul Aziz al-Saud wave as they stand next to Iraqi President Jalal Talabani prior to the start of the OPEC summit in Riyadh, November 17. OPEC heads of state met in Riyadh for a rare summit, with the organization divided over the falling U.S. dollar and attempts to give a political impetus to the oil-exporting cartel



**FOOT-AND-MOUTH SCARE** Culled sheep are driven away after Cypriot veterinary authorities started a slaughter at the largest farm at the center of the island's foot-and-mouth scare, in the southern Larnaca district, November 14. The latest cull is part of an effort to contain the island's first outbreak of foot-and-mouth disease in more than 40 years



**FINGERPRINTS PLEASE** Foreign residents and their supporters protest in front of the Justice Ministry in Tokyo, on November 20, against a new fingerprinting and photographing program for foreigners entering Japan. Japan modeled the tighter immigration controls on the controversial U.S.-Visit system, which keeps biometric data of foreign visitors



**CALLING IT QUIT?** Pakistani President Pervez Musharraf (left) administers the oath to Mohammad Mian Soomro as caretaker Prime Minister during a ceremony at the Presidential House in Islamabad on November 16. Musharraf said he will quit as army chief before December 1. He also suggested holding the country's parliamentary elections on January 8, 2008



◀ **MINE TRAGEDY** Ukrainian President Viktor Yushchenko talks with miners at the Zasyadko coal mine in the eastern Ukrainian city of Donetsk on November 19. A gas explosion ripped through the notoriously dangerous Ukrainian coal mine the previous day killing at least 80 miners and leaving 20 missing

# Building a Harmonious Partnership

International affairs, trade, the environment and energy will top the agenda at the China-EU Summit

By YAN WEI

**D**espite lingering concerns over issues ranging from trade imbalances to human rights, leaders in China and Europe are optimistic and confident that they will solidify their ties at their annual summit this month in Beijing.

"The partnership between China and Europe has developed harmoniously and effectively," said Ambassador Serge Abou, head of the delegation of the European Commission to China at a recent press conference. "We can be proud of what we have achieved."

The EU is China's largest trading partner, and China is the EU's largest supplier. The EU is also China's largest partner in the field of science and technology. About 120,000 Chinese students study at European universities. Cooperation in tourism is rapidly expanding, as evidenced

by the 1.23 million visas that EU member states issued to Chinese visitors last year.

Portuguese Prime Minister Jose Socrates, whose country currently holds the rotating presidency of the EU, President of the European Commission Jose Manuel Barroso, other senior EU officials and top Chinese leaders will attend this year's summit on November 28, the 10th meeting since the summit was launched in 1998.

Experts are keeping a close watch on topics such as current international affairs, trade, the environment and energy, believing the summit will help enhance coordination between China and the EU on these highly charged issues.

## All-encompassing discussions

Liu Jiansheng, an associate research fellow who specializes in EU studies at the China Institute of International Studies, said the purpose of the summit is to cement the political and economic relations between

China and the EU. He said trade and the new China-EU Partnership and Cooperation Agreement (PCA) would be the most important topics.

The PCA is a new framework that will govern China-EU relations over the next decades. Negotiations on the PCA, which began early this year, have progressed steadily, and there could be an "early harvest" at the summit, Abou said.

Chinese and European leaders also will talk about implementing the Kyoto Protocol and finding a successor for it in preparation for next month's global-warming conference in Bali, Indonesia, Abou said.

At the annual meeting of the UN Framework Convention on Climate Change, government ministers will discuss proposals on mitigating global warming, further developing the global carbon market and financing responses to climate change after the Kyoto Protocol expires in 2012.



"Energy-saving, environmental protection and developing alternative sources of energy in China are sectors with high growth potential," Abou said. "Protecting the environment and saving energy are not in contradiction with high growth. They could lead to very fast growth and serve the general interests of China and the Chinese people."

Regarding the trade imbalance, Abou said there are no "philosophical disagreements" between China and the EU on this issue, because China is convinced that a huge trade surplus is not healthy for its own interests. But the problem will not be solved easily or immediately, he said. The summit is expected to give it an impetus at the leadership level, he added.

The trade volume between China and the EU is projected to exceed \$300 billion this year, with European countries' trade deficit dramatically on the rise, Liu said. It is no wonder that trade frictions have been increasingly frequent in recent years, he said.

Feng Zhongping, Director of the Institute of European Studies at the China Institutes of Contemporary International Relations, said current China-EU relations are characterized by "new developments" and "new challenges." While progress has been made in the fields of trade, strategic dialogue and cultural exchange, challenges are emerging. One of the most difficult challenges is that the China-EU economic and trade relations are becoming both complementary and competitive, with the latter aspect gaining prominence. Given its huge trade deficit, the EU is likely to pressure China to appreciate its currency even more, he said.

Along with the China-EU Summit, there will be a business summit that focuses on dialogue between Chinese and European companies. Intellectual property rights and product safety will be high on its agenda.

"We cannot compromise the safety of our consumers, but we do not like to use this to justify the protectionist stand against China," Abou said. The EU will increase

**HI-TECH PARTNERS:** Wu Zhongze (third from left), China's Vice Minister of Science and Technology, attends the closing ceremony of the year-long China-EU Science and Technology Year in Lisbon on November 9. China and Europe enjoy fruitful cooperation in the fields of science and technology



TOM BINGDAN

**"If we look at the needs of China in the next 10 years and the direction China is going in, we consider we have a lot [to offer] in cooperating with the country."**

—Ambassador Serge Abou, head of the delegation of the European Commission to China

its cooperation with China to improve the safety of Chinese products in foreign markets and the Chinese market as well, he said.

The two sides also will sign some specific agreements, Abou said. The European Investment Bank will give a 500-million-euro loan to help China tackle climate change. China and the EU will sign an agreement on training management professionals at the Shanghai-based China Europe International Business School. Also, the EU's proposal to start a Sino-EU clean-energy center in China may get a favorable response.

#### More common ground

The EU has developed a regional policy to balance the rich and poor areas of Europe, as well as a social policy to deliver social security benefits to Europeans for health care, unemployment and retirement pensions, Abou said. It has technologies, standards and legislation to protect the environment and save energy.

EU states are among the most energy-efficient nations in the world. Also, the EU has set objectives for tackling climate change, and European governments and

companies are trying to put them into practice, he said.

"If we look at the needs of China in the next 10 years and the direction China is going in, we consider we have a lot [to offer] in cooperating with the country," he said.

Apart from probing each other's strategic needs, leaders are set to discuss the international political situation at the summit. Their topics could include antiterrorism, Africa, Myanmar, North Korea and the Middle East, Abou told reporters.

Both Liu and Feng singled out China's policy toward Africa as a major point of contention. As it is impossible to stop China's involvement in Africa, the EU should enhance policy consultation with China and explore ways of cooperation through dialogue, Feng said.

Experts also pointed out that new European leaders are adjusting Europe's foreign policy. While trying to mend their relations with the United States by increasing bilateral strategic coordination, some European countries have taken steps on China's human rights issue, exerting mounting pressure on the country's internal affairs, Liu said. ■

# Going European

## Chinese civil servants look to the West for public administration expertise

By YAN WEI

It wasn't just the demanding in-class questions. Giving challenging presentations and taking nerve-wracking oral exams were also the most difficult activities for Jiang Wei, a Chinese civil servant, who spent a year studying for a Master's degree in European politics and policy at the Catholic University of Leuven in Belgium.

The 27-year-old was one of thousands of participants in the China-Europe Public Administration Program that started at the end of 2003. The program provides assistance to China's economic and social reform activities, increases understanding between China and the EU and exchanges public administration knowledge between the two sides.

Although Jiang did not have an easy time at the university, he believes the experience was rewarding.

"The program gave me an opportunity to learn the theories of public administration systematically and understand the political systems of European countries," Jiang said one recent morning as he accompanied a foreign delegation on a bus trip to the Great Wall. "More importantly, it helped me develop crucial skills for analyzing problems to find solutions."

After Jiang received his degree, he returned to his job at the Department of

International Exchanges and Cooperation in China's Ministry of Personnel, and the program chalked up another success.

Harry List, the program's European Co-director, was also optimistic about the achievements he and his colleagues made over the past four years. "We have fully met the objectives in our work plan," he said. "We have even done more."

To date, some 3,000 people have been involved in various activities in the program in China. Thirty-seven short-term study visits to Europe have been organized, while 25 scholars and government officials have completed long-term study visits ranging from one to six months. Four young civil servants, including Jiang, took part in yearlong Master's degree programs at European institutions.

Four senior public administration forums have been held in Beijing, where European experts shared their knowledge and experience with their Chinese counterparts. This year's forum, with the theme "Public Sector Reform and the Improvement of Government Performance," drew more than 400 participants from China and Europe on November 13-15.

Lu Linxiang, the program's Chinese Co-director, said there is a "fundamental difference" between European and Chinese teaching methods used to train civil servants. Unlike their Chinese counterparts who usually spend most of their class time explaining

key points in textbooks, European professors use various interactive approaches to enhance the capacity of the students in such fields as case studies, brainstorming sessions and presentations, he said.

Lu believes that the program will have far-reaching implications for China's government reform and the improvement of Chinese civil servants' capabilities and has benefited the country on both conceptual and technical levels. Given the Chinese Government's long-term focus on economic development and investment utilization, the program's first senior forum created a sensation when it put forth the forward-looking notion of "social services" in 2004.

"Today, however, the concept is gaining currency as the China emphasizes public health, education, housing, urban development and crisis management," Lu said.

According to Du Zheng'ai, a researcher at the China National School of Administration (CNSA), training civil servants internationally is an emerging global trend.

Along with economic globalization, Du said that many problems have transcended national borders and cannot be addressed by a single country alone. "Receiving training in foreign countries can help broaden the vision of civil servants and make them more capable in the era of globalization," he said.

The CNSA, China's national training center for mid-level and senior civil servants, senior executives of major state-owned enterprises and policy research fellows, cooperates with more than 40 countries, including the United States, Britain, Canada, Germany and Australia. It offers a wide range of international projects to trainees. For example, it has signed collaboration agreements with the Kennedy School of Government at Harvard University, the Wharton School at the University of

## A Fruitful Program

The China-Europe Public Administration Program is funded mainly by the European Commission and co-financed by the Chinese Government. A consortium of seven partners led by the European Institute of Public Administration in Maastricht, the Netherlands, implements the program on the European side. The program's major Chinese beneficiaries are government-affiliated schools of administration at central and provincial levels, the Ministry of Personnel and the State Commission Office for Public Sector Reform.

The China-Europe Public Administration Program also offers assistance in developing training methodology and management. It has piloted methods for selecting and assessing civil servants and measuring the performance of public administrators for a number of local government agencies across China. Considering the satisfying achievements, the EU has decided to launch another joint project

with China in early 2009 after the current program concludes at the end of this year, List said.

The program has also introduced European public administration techniques to China. According to Lu Linxiang, the program's Chinese co-director, the country is adapting the European assessment system, under which the performance of different government agencies can be compared on a quantitative basis. As in business organizations, the efficiency of government agencies can be assessed by "by costs," he said.

The EU funds assistance programs in many countries in Eastern Europe, Africa and Asia. Compared with programs in Africa, which are typically "development aid," programs in China are more within the framework of "cooperation," said Harry List, the program's European Co-director.

"If you have close contacts and exchange your experiences and knowledge on different levels, you can achieve a greater level of understanding and cooperation in the future," List said.

Pennsylvania and the University of Georgia in the United States.

The school has also established cooperative ties with British organizations and universities. Among them, Britain's Overseas Development Administration provides funds for academic seminars, official visits and book donations, with the University of Birmingham serving as the organizer. The CNSA and the United Kingdom Civil Service College have exchanged official top-level visits.

In the past decade, the CNSA has sent more 3,000 students overseas to receive training in public administration or as part of exchange programs such as the China-Europe Public Administration Program. It also has trained more than 600 foreign civil servants mainly from developing countries.

The China-Europe Public Administration Program has benefited other countries, especially some East European ones. At the program's annual forums, officials and scholars from countries such as Latvia, Slovenia and Bulgaria, always find they have much in common with their Chinese colleagues.

"Like China, these countries are in transition from a planned economy to a market-oriented one and are therefore interested in China's experience in this regard," Lu said. "Developed West European countries can get some insight from China's approach to development as they work together with China on the program as well."

Being a diversified bloc, the EU has a special advantage in cooperating with China in the field of public administration, List said. He explained that China finds the EU interesting because it is like "a Chinese meal" in which there are dishes of different flavors to choose from.

Different European countries have different social and historical backgrounds and their public administration systems develop in different ways. According to List, the China-Europe Public Administration Program makes sense because it helps China find its own way while taking into account the experiences of other countries instead of copying European or American models.

That's precisely how Jiang felt. The courses he took in Leuven presented the various social systems in Europe without providing a uniform model.

"We do not want to copy European practices," Jiang said. "We want to learn what the Europeans have done so that we can draw on their successes and avoid their failures."

Chinese civil servants have yet to improve their team spirit and ability to make oral presentations, Jiang said. He believes it is particularly important to offer training to young civil servants.

"Overseas training can have a lifelong effect on them," Jiang said. ■

## Meeting Singapore



**LONG-TERM COMMITMENT:** Chinese Premier Wen Jiabao gave prominence to China's opening-up strategy when he delivered a speech at the National University of Singapore on November 19

Chinese Premier Wen Jiabao attended a series of multilateral and bilateral meetings on November 18-22 in Singapore and reached a wide-ranging consensus with other East and Southeast Asian leaders on enhancing regional cooperation.

During his official visit to Singapore, the first by a Chinese premier in eight years, Wen held talks with his counterpart Lee Hsien Loong, President S.R. Nathan, Senior Minister Goh Chok Tong and Minister Mentor Lee Kuan Yew.

The two prime ministers agreed to strengthen the role of the joint cooperation commission at the vice-prime minister's level and other consultative mechanisms, take bilateral economic and trade cooperation to a higher level, push forward negotiations on establishing a free trade area and establish a dialogue mechanism on defense policy. Following the talks, they signed a framework agreement on the construction of an eco-city in Tianjin and officially

launched the Singapore-China Foundation, an organization that will advance the two countries' cooperation in education and human resource development.

In a speech delivered at the National University of Singapore, Wen said that China's opening up is comprehensive in nature. "We are open not only to developed countries, but also to developing countries. We are open not only in economy, but also in fields such as science, technology, education and culture," he added.

According to Wen, China's opening-up policy is based on mutual benefit, and China is committed to conducting mutually beneficial cooperation on an equal basis with all other countries in the world.

The premier also attended the 11th ASEAN (Association of Southeast Asian Nations) plus Three (China, Japan and the Republic of Korea) Summit, the 11th China-ASEAN Summit and the Third East Asia Summit.

This year marks the 10th anniversary of the ASEAN plus Three mechanism. At its summit meeting on November 20, Wen made a five-point proposal on strengthening and deepening cooperation among the 10 ASEAN states and China, Japan and the Republic of Korea.

The summit adopted the Second Joint Statement on East Asia Cooperation and the ASEAN Plus Three Cooperation Work Plan 2007-17.

After the China-ASEAN Summit, Wen and ASEAN leaders attended the signing ceremony of a memorandum of understanding on strengthening China-ASEAN cooperation on human and plant health.

At the East Asia Summit, Wen elaborated on China's position on climate change and the measures the country has taken and further steps it will take to address climate change.

At a trilateral meeting, Wen, Japanese Prime Minister Yasuo Fukuda and the Republic of Korean President Roh Moo Hyun agreed to strengthen their cooperation in fields such as trade, finance, currency stabilization, environmental protection, resource conservation and youth exchanges. They also pledged to enhance their coordination on regional and international issues and hold dialogues on foreign policies concerning Africa.

Wen also held bilateral meetings with leaders of several other countries. ■

Source: Xinhua News Agency

# Europe's Sweet Talk

France, Germany and Britain talk up their ties with the United States but still find they are an ocean apart on international policy

By ZHAO CHEN

As of November, exchanges between the trans-Atlantic became a hot topic. The leaders of France, Germany and Britain had some very warm words for the United States, but for some European media, this rhetoric was over the top.

## "We love America"

On November 6, Nicolas Sarkozy started his first two-day official visit to the United States. Before this trip, the new French President spent his summer vacation in the United States. Sarkozy, who some European media say is possibly the most pro-U.S. French President, addressed the U.S. Congress, visited George Washington's mansion at Mount Vernon, Virginia, and recalled the Franco-American friendship formed during America's War of Independence.

"We love America," Sarkozy said during his state visit, clearly expressing his wishes to improve Franco-American ties. "I want to reconquer America's heart."

In his speech to the U.S. Congress, Sarkozy said France was willing to strengthen its cooperation with the United States on issues such as anti-terrorism, the tense situations in Afghanistan and Iran, and the peaceful negotiations between Israel and Palestine. He especially stressed that the French army would not leave Afghanistan until the war was over. On the Iran issue, he repeated that France would not accept a nuclear weapon-armed nation. He also suggested that some French companies should withdraw their capital from Iran. U.S. Secretary of State Condoleezza Rice appreciated Sarkozy's hard-line attitudes and hoped that France's stances on these issues would serve as a model for other European countries.

Sarkozy was not the only new European leader to visit the United States. Two days after he left, U.S. President George W. Bush welcomed German Chancellor Angela Merkel and took her for a ride in his pick-up truck at his ranch in Crawford, Texas. Bush also said in his unsophisticated cowboy way that in Texas, inviting someone to your

home is an expression of warmth and respect. "That's how I feel about Chancellor Merkel," Bush said.

When she wrapped up her U.S. visit at a press conference, Merkel called Bush "dear George," and thanked him for inviting her and her husband to "a very beautiful part of this planet." She also allowed U.S. technicians to install video devices in her office in Berlin, so that she could contact the White House directly in the future. The two leaders will use the communications system to have regular discussions on issues like Iran, Afghanistan, climate change and trade.

Although British Prime Minister Gordon Brown didn't visit Bush in Crawford, he, too, has had warm words for the United States of late. In his first foreign policy speech on November 12, Brown surprised critics by saying he had "no truck with anti-Americanism." He reiterated that "America is still Britain's most important friend on the world stage," and that Britain's ties with other European countries were second to its relations with the United States. "It is good for Britain, for Europe and for the wider world that today France and Germany and the European Union are building stronger relationships with America."

Brown noted that the history of the 20th Century proved that when Europe and the United States kept their distance from each other, instability occurred; when they formed a partnership, the world became stronger. He said he believed that over the next years, Europe and the United States would have the best opportunities that they have had in recent eras to make historical progress together on dealing with global issues.

On the Iran nuclear issue, Brown took a harder stance than his predecessor by saying that if Iran continued to disregard the international community's concern about its uranium enrichment activities, Britain would prod other countries to stop investing in Iran's oil and natural gas industries as well as in financial areas. According to an Associated Press report, observers said that before Brown's speech, they never predicted he would uphold the British-American alliance and say that it would benefit the whole world; they had believed Brown would keep his distance from the United States.

## Bush suddenly becomes attractive

In 2003, the Iraq War divided the United States and its traditional European allies, France and Germany. Former U.S.



**HOMELY WELCOME:** President George W. Bush (right) drives with German Chancellor Angela Merkel (left) and First Lady Laura Bush (center) to his ranch in Crawford, Texas, on November 9. The leaders met there for two days and discussed the wars in Iran and Afghanistan

The author is an assistant researcher with the Institute of European Studies under the Chinese Academy of Social Sciences





**SARKOZY PLEASURES AMERICA:** French President Nicolas Sarkozy receives a round of applause after a speech to the U.S. Congress on November 7

Secretary of Defense Donald Rumsfeld categorized anti-war countries, like France and Germany, as “old Europe.” In the meantime, France and Germany publicly opposed the start of the Iraq War, because U.S.-led military actions were without UN authorization.

Four years later, after several big European countries changed leaders, the cold U.S.-European relationship started to warm up again, then returned to normal. There are two explanations for this change.

The first explanation holds that the new leaders of France and Germany are “righties” with a pro-America bent. Their values are similar to Bush’s conservative stance, so they are easier to arrive at an understanding with him. But this view is not convincing. Former French president Jacques Chirac himself was also considered a righty, but he still stood at the forefront of the European leaders who were anti-Bush.

The second explanation is that European leaders have not settled on Bush himself, but are priming themselves for his successor. Therefore, their friendly rhetoric is paving the way for them to improve U.S.-European relations after Bush leaves office. But one problem with this view is that no one knows whether a Republican or Democrat will win the presidential election. The other problem with it is that the “pre-warming” tactic has come too early for the European countries to create its desired effect.

Why then, did Bush suddenly become attractive to the three European leaders? The reason was not based on the leadership changes themselves in France, Germany and Britain, but on changes on the Bush side. Europe hopes to use the timing of America’s temporary weakness to influence its policy and concept, and the first step to this is to warm their relations with the United States.

The Iraq War has prompted the United States to adjust its foreign policy. Rumsfeld’s departure marked the ebbing tide of neo-conservatism and the return of realism and rationalism in U.S. foreign policy. Relying more on international multi-lateral systems, the United States is seeking progress on various international and regional security issues.

The European Union, especially France, Germany and Britain, is America’s most reliable force. After the three big countries changed leaders, the Bush administration was eager to win the new leaders’ support. Sarkozy’s and Merkel’s visits, on some levels, can be considered two of Bush’s diplomatic shows.

Europe and the United States depend deeply on each other for economic reasons and have common interests and strategic goals. But although France, Germany and

## While America has several strategic goals and interests in common with European countries like France, Germany and Britain, the latter’s ideas on many regional and global issues differ from those of the United States

Britain assign themselves to the same “Western camp,” their ideas on the use of military force, global management, climate and environment, and even their general views of the world are quite different.

With the enlargement of the EU, the euro and U.S. dollar have stood up to each other as equals. Europeans are spreading their ideas and actions on foreign affairs to the rest of the world, which is the root of the conflicts between Europe and the United States. Before the Iraq War, America’s fame and force reached the zenith of the country’s power. Conservative American political commentator Robert Kagan described this with a metaphor: Now that America is driving, Europe doesn’t count on grabbing the steering wheel.

Currently, America is in a corner and urgently needs allies. The EU, and in particular, France, Germany and Britain, hopes to seize this opportunity to influence the only superpower in the world with very flexible diplomatic tactics. For instance, it awarded a Nobel Peace Prize to former U.S. Vice President Al Gore for his outstanding achievement on environment protection,

which will help improve U.S. consciousness about environment protection. In another example, Sarkozy fully displayed his diplomatic artistry when he visited the United States by requiring that the country take the lead in coping with global warming. In doing so, he achieved the goal of tying America to environmental protection.

### An equal relationship?

In his speech to the U.S. Congress, Sarkozy called on the United States to not be afraid of a strong EU with an independent defense policy, because NATO cannot be everywhere a conflict or crisis occurs. He also stressed that France and the United States were now allies and would be allies forever. Sarkozy’s warm rhetoric showed that France hadn’t given up its existing stance, but merely changed its strategy to gain practical benefits.

Currently, the U.S.-EU relationship is just as Sarkozy characterized it in May, after he won France’s presidential election. He called the Americans “friends that can rely on our friendship,” and said, “France will always be next to them when they need us.”

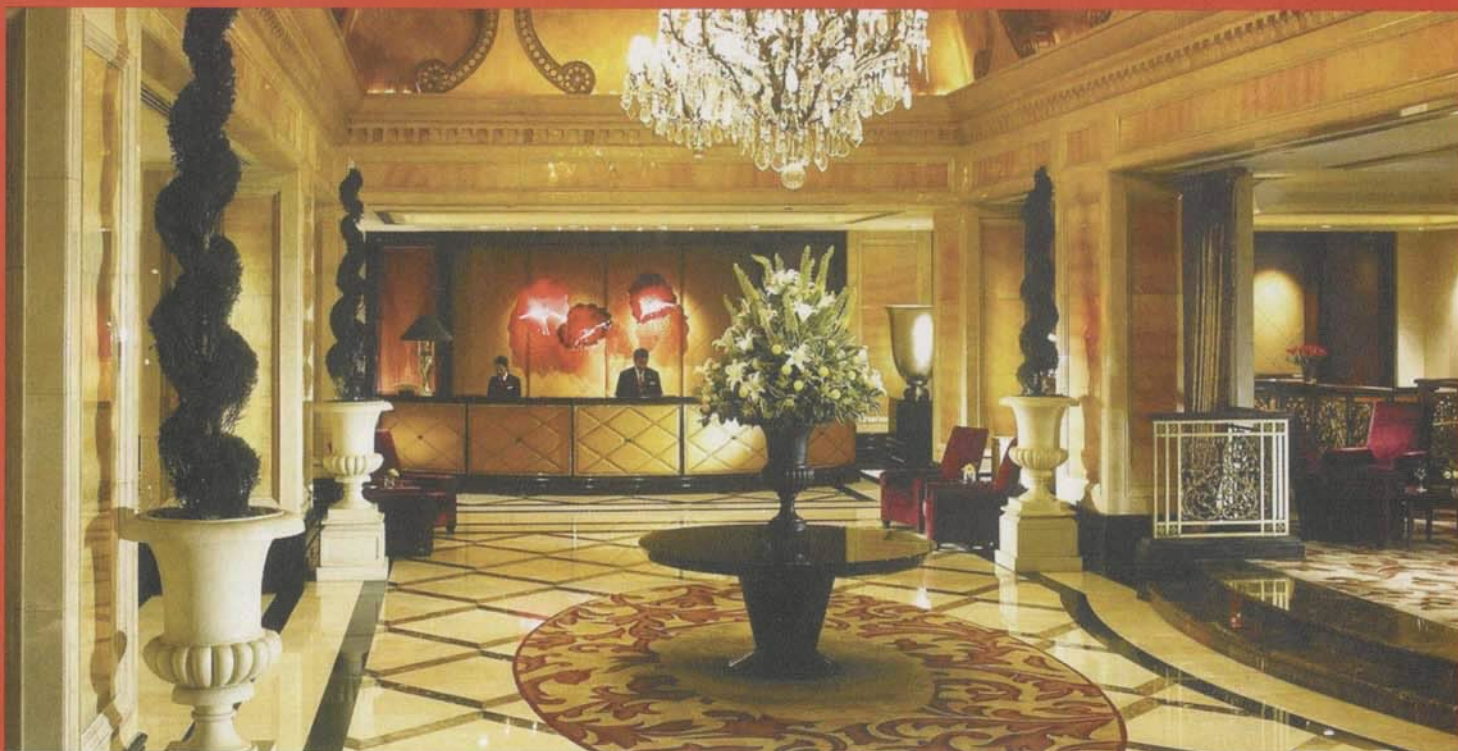
But, Sarkozy also added, “Friends can think differently.”

Indeed, the warm rhetoric cannot cover up the truth: the United States and Europe still have many different opinions on world issues.

America’s attitude is turning tough. It warned Iran that if the country could not prove it did not intend to develop nuclear weapons, it would receive a punishment worse than just sanctions. But France and Germany worried that if military action was used instead of diplomatic negotiation, the result could be just as disastrous as the Iraq War. Britain took a double standard on this issue: calling for sanctions against Iran, while offering the country 290 million pounds (about \$599 million) in loans.

On the Afghanistan issue, although France and Germany said they would stand by America’s side until the end of the war, the two countries do not want to send more troops to war-torn Afghanistan.

In the meantime, the United States will not change its policies on climate change, anti-missile defense bases in Eastern Europe or the weak U.S. dollar. ■



Customers First

## *Impressions of Langham Hotel Hong Kong*

Hong Kong has long been famous for its exquisite architecture and effective administration. Its hotels are no exception. Last week, we had a chance to experience the five-star Langham Hotel Hong Kong and learn about its design and management concepts, namely its unique characteristics and people-oriented services.

Langham Hotel Hong Kong, recognized as a new landmark in the Mong Kok area of Hong Kong, belongs to Langham Hotels International, a wholly-owned subsidiary of the Hong Kong Great Eagle Group, the flagship hotel of which is located in the center of London and has a history of 140 years. The Langham Hotel Hong Kong had been resold several times, and was finally acquired by the Great Eagle Group. After that, the Great Eagle Group built several other new hotels and based their headquarters in Hong Kong.

The hotel is the embodiment of fashion and modernity, setting it apart from other hotels. When referring to its management, the administrator of the hotel said, "We offer services that bring comfort to our customers." Indeed, comfort and relaxation will immediately be felt upon your entry into the hotel.

As part of its uniqueness, the hotel is equipped with eateries catering to a variety of palates: The Place, for its international buffet, The Backyard, for its barbecue buffet, The Ming Court, for its Guangdong-style buffet, and finally The Portal-Word & Play, for its vintage wine and music. It is worth mentioning that The Backyard has an outdoor dining gazebo. You can sit under a mango tree, look up into the sky and relax during a wonderful night talking with friends or family members.

The hotel is delicately decorated, mostly with contemporary Chinese artwork and sculpture. The hotel has collected more than 1,500 pieces of artwork, tops among all of Hong Kong's hotels. With the aim of propelling artistic innovation and promoting local artistic development, the hotel displays the talents of artists from Hong Kong and Chinese mainland. These artworks have broad subjects ranging from naturalistic to satirical. Customers can enjoy the artworks in the hotel lobby, aisles, elevators, business halls and dining rooms.

The guestrooms are modern, light and spacious, and come equipped with 42-inch plasma TV sets. In order to meet the needs of its customers, wireless/cable ADSL Internet access is also provided in the guestrooms. The Cisco telephone network also adds to its convenience. As soon as you check in, you and your partners can automatically establish a special bond through this small phone. If you press the partner's name, a connection to his room will automatically be established. Through this phone, you can set your alarm clock, order hotel services for yourself or the members of your group.

You can even go shopping in the Langham Place, an integrated Siamese building for business, shopping and entertainment, where you can also enjoy the convenience provided by the longest "sky elevator" of Hong Kong, at 83 meters in length. Here, you can appreciate wonderful digital films played by the first digital screen of Hong Kong and take in the view of the entire hotel at the 8th-12th floors.

According to Lo Ka-shui, President of Langham Hotel Hong Kong, the average room prices of Langham Hotel Hong Kong and Langham Hotel Mong Kok have grown 15 percent and 24 percent respectively. The average occupancy rates of the two hotels have also increased 5 percent and 16 percent respectively. The Langham Group has full confidence in the Chinese mainland with its booming economy and tourism, so the group wants to pay more attention to the new market in the near future. It plans to build or invest in 20 new hotels in the mainland in the next five years. Their first Langham Hotel project on the mainland is scheduled to break ground in Chaoyang District, Beijing in 2009 and open in the same year. "We view developed areas like Beijing, Shanghai and Guangdong as the main targets, and other targets include Shenyang, Tianjin, Hangzhou, Dalian, Xiamen and Chongqing. Some other second-tier cities may also be taken into consideration," he added.



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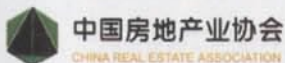
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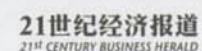
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# What's Driving China's Transition?

**“Development and Transition: Idea, Strategy and Viability”** is the title of a lecture given by **Justin Yifu Lin**, professor at the China Center for Economic Research of Peking University, when he spoke at the Cambridge University-sponsored Marshall Lectures from October 31–November 1. In his talk, Lin elaborated on the successes and failures of China's economic transition along with those of other developing countries. Excerpts follow:

East Asian economies seem to be rather special in terms of their development and transition performance since World War II. Development “miracles” occurred in the newly industrialized economies in East Asia and transitional miracles in China and Viet Nam.

As discussed, China, Viet Nam and other East Asian economies adopted a dual-track, gradual approach in their transition from centrally planned to market economies, which violated the basic tenets of the Washington Consensus and shock therapy. In effect, for its transition from a wartime economy after World War II, Japan also adopted a gradual approach, whereas Germany adopted a big-bang approach. In terms of development policies in Korea and Taiwan, both governments initially adopted a policy mix—including financial repression, overvalued exchange rates, deficit budgets and neglect of the agricultural sector—to support the development of labor-intensive primary manufacturing industries to substitute the imports of manufactured household products—referred to as “primary import substitution.” The policy package was typical in countries that adopted a comparative advantage-defying (CAD) strategy.

It was not, however, the intentional choice of the government in Japan and other East Asian economies to follow a comparative advantage-following (CAF) strategy in pursuit of economic development. Governments in East Asia also had a strong desire for the development of advanced capital-intensive industries—just like governments in other developing countries in the 1950s and 1960s. Their economies were, however, relatively small in population size and their natural resource endowments were extremely poor, which greatly constrained their ability to mobilize enough resources to subsidize the non-viable enterprises in the capital-intensive industries in the early stage of their development. In the early 1950s, Taiwan was influenced by the fashionable

post-war development thinking and tried to protect and subsidize the development of heavy industries by using quantitative restrictions, tariff barriers and subsidized credits via strict regulation of banks and other financial intermediaries. The attempt, however, caused severe budget deficits and high inflation. The government in Taiwan had to give up the attempt and devalued its currency, liberalized trade and raised the real interest rate to encourage savings and contain inflation. Without preferential protection and subsidization, industrial upgrading in Taiwan followed closely the changes in its comparative advantages.

A CAD strategy is very inefficient. How long such a strategy can be maintained depends on the level of resources the government can mobilize to subsidize the non-viable enterprises and to support the investment in the prioritized industries. Resource mobilization is constrained by the natural resource endowment and population size. Contrasting with the case of “resource curse” in many parts of the developing world, the East Asian economies were lucky in the sense that their governments needed to be pragmatic in their policies and unintentionally follow a CAF strategy—even though their governments had strong motivations for nation building. China's Confucian culture—which has a strong impact in East Asia—is pragmatic in nature. The core of Confucianism is *zhongyong*, the golden mean, which advises people to maintain balance, avoid extremes and achieve harmony with the outside, changing world. The political philosophy and policy principles promoted by the Communist leadership of Mao Zedong, Deng Xiaoping and Jiang Zemin, Hu Jintao are, respectively, *shishi qiushi* (finding truth from the facts), *jiefangsixiang* (freeing one's mind from dogmatism), *yushijujin* (adapting to the changing environment) and *hexie* (harmony)—all reflecting the traditional Chinese culture of *zhongyong*.

Before I answer the question of whether East Asia's success, especially its transitional experience, has a general implication for other developing and transitional economies, I need to provide an analysis of the failure of gradual reforms in Poland, Hungary and the former Soviet Union in the 1980s before their adoption of shock therapy. They also tried to reform their planning systems by giving state-owned enterprises more autonomy. Their partial reforms did not, however, have the positive results of the reforms in China and Viet Nam. A number of explanations are in order. First, unlike in China and Viet Nam—where state-owned enterprises, after fulfilling their plan obligations, were allowed to sell their extra outputs at market prices—the enterprises in Eastern Europe and the former Soviet Union were not allowed to set their prices. This price rigidity meant that excess demand and chronic shortages remained and the state producers did not have the incentives to allocate their products to more efficient users, who would then have been able to pay higher prices for their products.

Second, market entry by non-state enterprises was subject to severe restrictions. Production remained monopolized and international trade was centrally regulated. The existing state-owned enterprises therefore never faced real competition pressure from domestic or international sources and lacked the incentives to improve productivity.

Third, in the traditional Soviet-type system, to prevent managerial discretion under the distorted macro-policy environment, state-owned enterprises were not allowed to set their workers' wage level. In the Chinese case, after the profit-sharing arrangement was introduced to the state-owned enterprises, wages were still controlled by the state. A worker's wage would increase only if the enterprise's profits exceeded a preset level. In Poland, Hungary and the former Soviet Union, however, partial reforms gave the enterprises the autonomy to set their workers' wages. The weakening of state control on wages gave managers and workers an opportunity to increase their incomes at the expense of the state by absorbing whatever income flow and whatever assets they could obtain from state-owned enterprises. The state's revenues were thus greatly curtailed.

Fourth, wage inflation caused the shortage to become even more acute; governments in Poland and in the former Soviet Union then tried to play a populist

game. They increased the imports of consumer goods and forced a heavy burden of foreign debt on their countries. Because of this, instead of bringing continuous growth and a gradual transition to a market economy—as in China and Viet Nam—the partial reforms led Poland and the former Soviet Union to the brink of bankruptcy and hyperinflation.

The transition from a CAD-type economy to a market economy in socialist and developing countries proved difficult. A transitional economy's institutions must be weak and there will be severe distortions in prices and production structures. Shock therapy—which characterizes a macro-first approach to building up the requisite market institutions—cannot deliver a rapid jump to a prosperous market economy. The experiences in China and other East Asian economies show that deep and extensive reforms are not required for dynamic growth at the onset of the transition.

As such, the crucial issue in transition is to have a strategy of sequencing reforms that identifies the most pressing bottlenecks and concentrates resources on the relaxation of binding constraints, removing the suppression of incentives and inspiring people to improve performance to achieve a better life through their own efforts. The IMF/World Bank's macro-first reform approach might be appropriate for an economy in which market institutions are more or less intact and the structural imbalance is small. To use the famous analogy in a somewhat different version, "When the chasm is narrow, it's all right to jump over it." The stabilization program can achieve its goal immediately and the economy can soon operate in a normal market environment. In a country that has pursued a CAD strategy for a long time with severe distortions and a large number of non-viable enterprises, the chasm will be too wide and too deep. A jump without careful preparation will result in a disastrous fall. In such a situation, it is desirable to fill and narrow the chasm before making the jump.

The East Asian experience suggests that with a small change that provides the right incentives for people it is possible to unleash dynamic growth on a weak institutional base, leading to an eventual transition to a fully-fledged, well-functioning market economy. For a developing country that follows a CAD strategy, there must be distortions in the incentive system, which suppress individual efforts in production, and there must be industries that are consistent with the economy's comparative advantages but which are repressed. The useful lessons from the gradual, dual-track, micro-first approach to transition in East Asia can be summarized as follows.

- The government can take measures to improve individual incentives by granting partial managerial autonomy and profit-sharing to farms and state-owned enterprises in order to improve incentives and allow the economy to move closer to the production frontier, which will induce a new stream of output growth.

- The government can introduce a dual-track price and allocation system to replace the old single-track plan. It can remove market entry restrictions to allow resources to be allocated increasingly by the non-state sector to the previously suppressed, more productive industries, while maintaining the quota obligations of state-

resulted in a dramatic increase in agricultural productivity and output growth. The government of the former Soviet Union under Mikhail Gorbachev adopted similar reforms of its state farms with 50-year leases. Theoretically, the Russian reforms seemed to be better than the Chinese reforms because of their longer and more secure tenure arrangements; however, the Soviet government had a hard time finding farmers willing to accept this arrangement. In hindsight, the failure of the Soviet Union's reforms might have been because its state farms were highly mechanized, depended heavily on purchased inputs, such as chemical fertilizers and fuel, in the



**CHINA SPEAKS:** Professor Justin Yifu Lin is the first Chinese economist to speak at the world-renowned annual Marshall Lectures, which selects well-known economists from around the world to participate

owned enterprises and farms in order to secure adequate resources to subsidize the existing non-viable enterprises.

- When the products in a sector are allocated largely by the market track, it is time for the government to introduce full market liberalization in the sector.

- The government should introduce continually the necessary regulations and laws to strengthen market institutions during the above process.

The above principles or experiences of other countries should not be applied in a dogmatic way. One example is China's 1979 reform of its household responsibility system, which leased collectively owned land to farm households for 15 years. Like many reforms in China, it was initiated by farmers, sanctioned by the government and introduced nationwide only after its performance was demonstrated. This reform

production process and were far away from markets. As such, a small individual household farm was not viable. The opposite was true in China.

In a gradual, piecemeal reform, therefore, the government should not have a pre-determined, grand blueprint. Instead, it should follow a diagnostic approach, finding out the most crucial binding constraints on incentives and resource allocation and introducing reform measures that are effective but which can be regarded as "halfway measures" by market fundamentalists. In the process, the government should encourage and pay attention to local and private initiatives in institutional innovations. In this regard, political wisdom derived from Chinese culture—*shishiqiushi*, *jiefangsixiang* and *yushijujin*—could be relevant to reform-minded governments in other developing and transitional countries. ■

# PATH TO SPORTING POWER

With the Olympics approaching, China has begun to question its future in international sport

By TANG YUANKAI

**W**hen China returned to the Olympic Games in Los Angeles in 1984 after a 50-year absence, the Chinese national team staged a wonderful debut, grabbing 15 gold medals. Over the following five Olympic Summer Games, Chinese teams won another 97 gold medals and received their best tally, 32 gold medals, at the Athens Olympics, second only to 35 for the United States. Now, with the Olympics coming to China, the Chinese people are hoping for an equally powerful performance.

Liu Peng, Minister of the China General

Administration of Sport, and President of the Chinese Olympic Committee, said recently, "China still lags far behind sports powers such as the United States and Russia."

Liu's predecessor Yuan Weimin voiced the same concern three years ago after the conclusion of the Athens Olympics. Yuan, who was head coach of the Chinese women's volleyball team when it took its third world champion title in a row at the 1984 Olympic Games, even retorted to a journalist, "Do you think these gold medals alone can make us a sports power?"

Yuan believed the strengths of a sports power should be reflected in many aspects, not only in a high level of competitiveness, but also in the fitness of the population, sports facilities, public

participation in exercise and the development level of sports industries. "Sports power should be a comprehensive concept," Yuan said.

Yuan also believed that China would not become a real sports power without producing excellent swimmers, field and track athletes and water sports players. Ren Hai, a professor at Beijing Sport University, said these events are the best index for the general fitness of a country's population.

China has developed substantial advantages in several Olympic events, which have become the major gold medal sources for the country over the years. Among the 28 gold medals Chinese athletes won at the Sydney Olympic Games



in 2000, 21 came from table tennis, diving, badminton, weightlifting and gymnastics. Meanwhile, in the three categories with most gold medals: athletics, swimming and water sports, Chinese players snatched just one out of 119 gold medals.

After the Sydney Olympics, Yuan put forward a strategy to build China's prowess in athletics, swimming and water sports. His strategy yielded remarkable results at the Athens Olympics, where Chinese athletes pocketed four gold medals, two silver medals and one bronze medal in events of the three categories. These medals included China's first Olympic track-and-field gold in a men's event for star hurdler Liu Xiang.

Even in competitive sports, China's comprehensive strengths remain far behind the United States and Russia. In 2005, U.S. athletes won a total of 41 world champion titles in 41 Olympic events, Russian athletes 34 titles and Chinese athletes 28 titles. In 2006, Chinese athletes achieved a record of 79 world champion titles, including China's first titles in boxing, pentathlon, fencing, rowing and sailing. But it was still behind 106 world champion titles for the United States and 83 for Russia. So far this year, American athletes have already harvested over 30 gold medals in athletics and swimming while Russia has shown its supremacy in artistic gymnastics, water ballet, boxing and several athletics events and exhibited its potential to win more

gold medals than China at the Beijing Olympic Games next year.

The China General Administration of Sport drafted a development plan for competitive sports by 2010, whose general goal is to prepare the country to participate in competitions among first-layer countries. In 2004, Xiao Shouzhong, Vice President of the Chinese Olympic Committee, said that China would challenge the forerunners at the Beijing Olympic Games.

Bao Mingxiao, a senior research fellow with the China Institute of Sport Science, said, "Although China for the first time became a first-layer country at the 2004 Olympics, the following two Summer Games in 2008 and 2012 will be the key stages to test and enhance China's strengths."

#### Government-sponsored

"Government's long-term funding for professional sports teams has greatly contributed to the country's outstanding performances at international competitions," said Xiao

Tian, Vice Minister of the China General Administration of Sport.

The Chinese Government started to fund professional sports teams in the 1950s. Under this system, Chinese athletes have reaped almost 2,000 world champion titles.

Ren said, "A country's performance at international sporting competitions is somehow an index of the country's national strength, vitality and capacity for sustainable development, which is decided by the country's comprehensive strength." He said countries with poor comprehensive strength could at best exhibit outstanding edges in a small number of events for a short period of time but couldn't maintain competitiveness in a wide range of events.

China's government-sponsored sports system is totally funded by the government and features a three-layer training system of professional athletes where coaches find talented children from kindergarten and primary schools and train them part time in amateur sports schools; children practice and compete in these amateur schools and star students are given the opportunity to be trained in local professional teams; and outstanding athletes from local teams are promoted to the national team of that sport.

Over the process, the government pays all the expenses for the athletes' professional training, traveling ▶▶

**MASS MOVEMENT:** Taiji Boxing, an ancient Chinese exercise created to improve the health of one's internal organs, continues to draw fans across China

expenses and entrance fees for international competitions. Athletes and their families do not need to make any risky investment and the system has excelled in producing talented athletes over a short period with limited government investment. A direct result of the system has been China's quick rise in the Olympic medal rankings over the last two decades. The system has also helped China

## China would not become a real sports power without producing excellent swimmers, field and track athletes and water sports players

to maintain a long-term edge in certain sports, demonstrated by the five Olympic gold medals in a row in women's three-meter springboard diving.

### Commercial operation

"Mum used to be a star as big as Michael Jordan in China," Lang Ping told her daughter, who was born and raised in the United States. As arguably the most revered volleyball player in the world in the 1980s, Lang, together with her teammates, swept five major world titles in succession in the 1980s, including one Olympic gold medal. Yet Lang's 15-year-old daughter has to grow older to understand that her mother made almost no money out of her fame during the prime of her sporting career. The biggest monetary reward Lang ever got was 10,000 yuan.

In 1996, the government sport administrative authorities formulated an advertisement regulation for professional athletes. Article One of this regulation starts by saying: "The invisible assets of professional athletes all belong to the country," which is understandable since the state has paid the expenses for nurturing their talent. But this regulation has not been well implemented in practice.

In 2001, the Chinese men's soccer team for the first time qualified for the final round of the World Cup. Major players in the team signed several advertisement contracts without ratification from the national team and China General Administration of Sport. Some years ago, the Chinese national table tennis team even tried a commercial agent system out on its players, which allowed them to seek agents and companies to sponsor them. The trial turned out a failure because, except for a handful top ranking players, most players could not find enough money to support their living and training, let alone their air fares to compete abroad.

"The Atlanta Olympics in 1996 unleashed a new chapter for the commercialization of

professional sports in China," said Fang Xuefeng, a senior sports journalist on Beijing Television. Before the Atlanta Games, the prizes for Olympic champions came mainly from the government and overseas foundations. Yet since the Atlantic Olympics, a growing number of star Olympic athletes have started to reap handsome profits from participating in commercial activities, including shooting advertisements.

Over the last decade, reform of the government-sponsored system has continued. Professional sports development has become more inclusive, encouraging the participation of other forces from society. There are more and more professional teams sponsored by businesses, institutions of higher learning, commercial clubs and even individuals. The state remains the major sponsor while active participation by various forces from society has relieved the government's financial burden.

### Mass participation

A survey in 2000 found that the number of active sport participants, defined as those who take part in at least three sessions of more than half-an-hour of exercise every week, account for about one third of China's total population.

"We will strive to raise this proportion to 40 percent by 2010," said Ji Chuan, an official in charge of mass sports in the China General Administration of Sport.

One of China's national sports meetings, slated for the second half of 2010, will host mainly non-Olympic sports designed for exercise rather than competition.

According to Wu Shaozu, former head of China's sport administrative authorities, government money spent on encouraging mass sports will help the country's Olympic medal prospects.

Many experts complain that the social basis for many competitive sports remains poor. Many people have questioned the logic of nurturing a team of talented players against encouraging mass participation in sports, which would give every sport a larger pool of talent.

The China General Administration of Sport and other government departments are investing more in the organization of mass sports. China's economic boom has promoted a rise in living standards. Compared with the past, the Chinese people worry less about food, clothing or housing and more about their health and fitness. Taking part in sports has become part of life for an increasing number of people. "China's dream of becoming a genuine sports power relies on these people," said Wu. ■



**STARTING YOUNG:** Eight-year-old Wei Wangzhen, a member of the amateur teenager weightlifting team of Nanping City of Fujian Province, practices under instruction from his coach

ZHANG SHENGLI



# WOMEN LEAD MEDAL HAUL

Chinese women have overshadowed their male counterparts in sporting events and look likely to do so again at the next Olympics

By TANG YUANKAI

**A**t a workshop organized by the Chinese Olympic Committee in Beijing on November 17, the spotlight was focused on one person, 70-year-old Zheng Fengrong. Exactly 50 years ago, 20-year-old high jumper Zheng leaped into history, creating a new high jump world record of 1.77 meters, and recording the first track-and-field record by a Chinese athlete.

A congratulatory telegraph to Zheng from the President of the International Olympic Committee (IOC) Jacques Rogge was read at the workshop. Rogge praised Zheng as "the first Chinese woman to create a world record."

In the history of China's competitive sports, women have outperformed men in terms of medals. At the Athens Olympic Games, the American team topped the gold medal table with 35 gold medals. Yet looking at the performance of women athletes alone, China had the strongest female team among all countries, which collected 19.5 gold medals, the half coming from the badminton mixed doubles competition.

At the 2000 Sydney Olympics China's female athletes won 16.5 gold medals while the men won 11.5. In Atlanta, China's women won nine and men seven. And in Barcelona women beat men in terms of gold medals by 12 to four.

So far, of the 114 Olympic gold medals, China has won at both Olympic Summer and Winter Games, 67 have been awarded to female athletes.

The trend of a stronger Chinese female team has shown no trace of diminishing. At the latest continental games China took part in, the Doha Asian Games in 2006, Chinese female athletes snatched 93 gold medals out of the total 165. China's athletic female laureates included top-notch performers at Athens as well as younger dark horses who are expected to create a surprise at the Beijing Olympics.

Beijing-based freelance writer A. Dai wrote in his blog: "Chinese men sometimes feel a loss of dignity seeing the opposite sex grab top honors in international competitions. But they are more often proud of their female compatriots' stunts. After all, Chinese male athletes won the country's first

Olympic gold medal and the country's first world championship title in a team event. China's splendid sports honors have been achieved by both male and female athletes."

Li Xiaozhi, a sports historian, believes that the development of female competitive sports is attributable to several factors. Chinese historians agree that the women's movement in the West was different from the women's movement in China. "The women's movement in the West emphasized the fight against male supremacy while ignoring reforms on existing unfair factors in social life and reforms in economic sectors," said Li. He said that by comparison, during the feminist movement in China, socialist public ownership had provided the basis for equal economic status between men and women, which helped to guarantee completely equal political rights between the two genders.

"These conditions have ensured that women are treated equally in the drafting of sports development strategies, which is the primary impetus to the rapid development of women's sports in China."

Some experts say that government sponsorship for professional teams in China also helps women athletes achieve better performances compared with their foreign competitors of the same level. In many countries, some women athletes, especially those in less commercialized sports, cannot afford to go professional. In China, the government pays for the training of athletes in all Olympic events.

Dong Jinxia, a professor at Beijing Sport University, said the rise of Chinese female competitive sports and development of world female sports in general have become inspirations for each other. "The principle of fair play in sports has provided men and women with an absolute equal opportunity, if not the only equal opportunity, to prove themselves and pursue excellence," said Dong.

Some experts believe Chinese women teams' outstanding performances in events

like soccer and weightlifting are due to the fact that these events have developed longer in China than in other countries, before they were listed as Olympic events. When women athletes of European countries and the United States accumulate enough experience, our advantages in these events will



**SOARING TO SUCCESS:** In November 1957, Chinese high jumper Zheng Fengrong jumped over 1.77 meters, becoming the first Chinese woman to create a world record

diminish, especially in strength-demanding events," said an expert who requested anonymity.

Medical experts have pointed out the psychological factors prompting Chinese women athletes to outperform male athletes in Olympic Games. According to national physical surveys in China, Japan, the United States and Canada conducted from the late 1970s to the mid-1980s, Chinese women were physically closer to women in other countries than were Chinese men. Chinese women's rising performance in international competitions has also fueled women's enthusiasm in sports, which has made them healthier and happier. ■

# SPORTS ON CAMPUS

Traditionally chained to the desk and worried about impending exams, an increasing number of Chinese students are now taking a break from their studies to participate in sports

By YUAN YUAN

**"A**lways studying hard in front of a desk which is full of books and exam papers, solemn-looking, no smile, occasionally looking up with a pair of glasses perched on his face." That was the typical image of a high-school student, or even an elementary school student, a couple of years ago in China. Sports were rarely part of the educational picture.

## Physical training

In order to change the poor level of physical exercise among students as well as ideas about sports in general, governments at different levels have implemented policies to improve the conditions for sports. The General Administration of Sport of

China promulgated a Students' Physical Health Standard in July 2002 to replace the former one which was failing to fully reflect the health condition of students. The new standard added height and weight among the standards of physical health. In addition, students of different grades were given different sports activities to do. For example, students in grades one and two in elementary schools will have sit-and-reach tests, while students in grades three and four will take part in a 50-m run.

In May 2007 the State Council of China implemented a plan under the slogan "sun sports for 100 million students of China," calling for physical training of at least one hour every day for juveniles with the purpose to encourage students in elementary and middle schools to leave their

classrooms to do sport. Schools were ordered to set aside one hour for physical training each day.

Due to exam and homework pressure, one hour every day seems quite luxurious, and demonstrates the government's firm stand in promoting and enhancing the importance of sports activities in elementary and middle schools. Few schools have reached the goal of an hour of sport a day, but things are changing in the right direction.

Chenjinglun Middle School is a key middle school in Beijing. The school reformed its physical training classes in 2003, and PE lessons became a daily class. The contents of the classes changed too. Students no longer all receive the same training, but get to choose an activity according to their interest. There are nine different courses, including ping-pong, basketball, football, badminton and Taekwondo.

"It was quite enjoyable to have PE (physical education) lessons in my middle school," said Yin Yuge, a student who just graduated from Chenjinglun Middle School. He took a course in Taekwondo, which enhanced his confidence level.

Kaifeng High School is a key high school in Henan Province. PE lessons are the first thing to be taken into consideration when making class schedules each new semester. The school makes sports plans

# MORE THAN A GAME

The traditional Chinese sport of *jianzi*, or shuttlecock, has found a niche in modern China and also the world

By JING XIAOLEI

**T**he ancient sport of *jianzi*, which originated in China during the 5th Century BC, is growing in popularity both across Asia and the world. *Jianzi* involves juggling a feathered shuttlecock using the knees and feet. Played casually, it has no winners or losers, although in professional competitions it can.

It was first called *Ti Jian Zi*, or simply "kicking shuttlecock" and is believed to have evolved from an ancient military exercise before spreading across Asia taking on different names as it travelled.

The latest edition to the *jianzi* craze is netizen Timeless-love who founded an online fan club in November and hopes to share the

*jianzi* experience with players across China.

"I think playing *jianzi* is the most simple and efficient exercise for those who spend most of their work time sitting in the office and so have a problem finding ways to build their health during work hours," said Timeless-love.

"A shuttlecock was the first toy for me when I was a kid. My sister and I had to work hard to support the family so there was not much time for us to play around and the little game of playing *jianzi* became my favorite," Timeless-love told *Beijing Review*.

The fan club founder believes *jianzi* enjoys three major advantages over many other sports. Firstly, it requires just a shuttlecock, which costs no more than five yuan

and can be played almost anywhere.

The second advantage is that playing *jianzi* can exercise the body in a comprehensive way as it requires coordination of the whole body. Many health experts believe that playing *jianzi* is also a good way to exercise hand-eye coordination, which is good for the health of the brain.

Thirdly, *jianzi* can be played by a group of people, so it can help to foster inter-personal communication.

Through thousands of years of social evolution, the old game of *jianzi* has persisted in its existence and found a niche in the modern world where people have many other sports and activities to choose from.

In China's big cities, such as Beijing, people of all ages can be seen playing *jianzi* alone or in groups, in parks and playgrounds, in the mornings and evenings.

In 2001, a national educational policy to promote traditional Chinese sports and exercises was launched. The policy stated that schools in different regions of China could add traditional sports and exercises to their physical education programs.

As well as being a fun sport played across China, *jianzi* is also played competi-

for different students according to their own physique. PE classes are the students' favorite, and give them more energy to study.

Compared with urban schools, schools in rural areas are not so lucky, especially those in poorer areas. The China Youth

Development Foundation (CYDF) conducted a report on the sports environment in primary schools sponsored by Project Hope in June 2007. The report showed that 80 percent of schools had no qualified PE teachers, and no schools had qualified PE facilities. The findings were a striking contrast to

the enthusiasm of students. In light of the report, CYDF made a plan to equip all the schools with qualified sports facilities within three years.

#### Required standard

There are some standards for college students, especially for fresh and sophomore students who take PE lessons as a compulsory course. If they fail to reach a required standard, students can be denied a scholarship.

For junior and senior students, PE lessons are selective. Students can choose different courses according to their own interest, such as volleyball, boxing, football, basketball and tennis, and most universities have qualified facilities and sports grounds for students. The National College Students' Sports Meet is held once every year, and there are other competitions including the one organized by the China University Basketball Association.

University students have less exam pressure and many use the opportunity to participate in sports. It is hoped that the 2008 Olympics will encourage more students to take part in sports, both for their health and as a social activity. ■

◀ **BREAK FROM CLASS:** Students of Yifu Elementary School, Xinyu City, Jiangxi Province, practice bamboo stick jumping



tively and has graced the country's cinema screens. The first national *jianzi* competition took place in 1933 in Nanjing at the fifth National Sports meeting. In June, 1961, a movie called *The Flying Feather*

was so successful that it won an international movie festival gold medal.

In 1984, shuttlecock-kicking became an official national sport. The same year an enthusiastic group of fans in Hong Kong

founded the Amateur Union of Shuttlecock, which in 1994 changed its name to Hong Kong Association of Shuttlecock (HKSA).

While it is already well-known in Asia, the game has been gaining popularity in Europe too. The World Shuttlecock Championship is an annual event that has been held since the founding of the International Shuttlecock Federation (ISF) in 1999. Until then, various countries have taken turns organizing championships.

The sport continues to receive greater recognition, and was included in the 2003 Southeast Asian Games. Among the members of ISF are China, Finland, Germany, the Netherlands, Hungary, Laos, Vietnam, Greece, France, Romania, and Serbia.

Viet Nam and China are generally considered the leading teams in terms of ranking, while in Europe, Hungary and Germany are considered the best. On August 11, 2003, delegates from Finland, France, Germany, Greece, Hungary, Romania, and Serbia founded the Shuttlecock Federation of Europe (S.F.E.) in Ujszasz (Hungary). ■

◀ **KEEP IT UP:** Young people play the traditional sport of *jianzi* near Houhai Lake in Beijing



# Check on Power

Chinese legislators remain deadlocked over a bill aimed at protecting the public from abuses of administrative force

By FENG JIANHUA

**A**fter two years of debate, China remains undecided over a bill that would regulate the power of government, but does remain alive and kicking, and a step closer to becoming law.

Differences of opinion over the groundbreaking Administrative Mandatory Law have so far stifled and almost strangled it. According to China's Legislation Law, if deliberations on a bill before the Standing Committee of China's National People's Congress (NPC), the country's top legislature, are suspended for two years or longer and the bill has not been placed anew on the Standing Committee agenda, the bill is terminated. That almost happened to the Administrative Mandatory Law, but on October 24 it was saved when the latest draft of it was submitted to the Standing Committee of NPC for a second reading.

"It is a pity that it has taken almost two years between the first reading and the second reading of the bill considering the law's

essential role in pushing the transformation of government to a service-oriented one," said Ying Songnian, a professor of law of China National School of Administration, who has participated in the drafting process and two readings.

Yang Jianshun, a professor in the Law School of Renmin University of China, is pessimistic about the law's second reading. He believes that legal experts remain divergent on some coercive measures, such as restrictions on personal freedom and intrusions into private residences by force, and that further debate is needed.

## Abuse of power

Legal experts have accused local governments across China of exploiting legal loopholes. They say that administrative agencies have issued regulations to design mandatory sanctions under the name of enhancing efficiency. These regulations, issued by different government departments, usually fail to outline specific procedures, leaving room for the abuse of power by administrative organizations. Meanwhile, it

is difficult for the victims of these abuses of power to win compensation.

Professor Ying said the Administrative Mandatory Law is essentially a law to regulate administrative power by outlining limits on government power and what kind of procedures should be adopted to deal with different situations. He said the abuse of administrative mandatory sanctions remains widespread. For example, some local governments use coercive measures in land requisition cases against residents that refuse relocation arrangements, often leading to conflict; and environmental protection agencies fail to impose mandatory sanctions on factories that pollute the environment. China urgently needs the Administrative Mandatory Law, according to Ying.

Legal experts, including Professor Ying, believe that the new law could create an awkward situation regarding government power. While power is abused in some cases, infringing on the legal interests of individuals or organizations, it is too weak in other cases, enabling illegal acts to go on without forceful intervention from the government.

**POLLUTING AT WILL:** A lack of power among China's environmental protection authorities has allowed high polluting businesses to go on damaging the environment despite warnings





**REFUSING TO SHIFT:** Law enforcement officers in Beijing try to persuade a watermelon vendor to remove an illegal stand from a curbside in the city

### Biggest barrier

China began the drafting of the Administrative Mandatory Law as early as March 1999 and a preliminary draft came out in 2002, which was open to suggestions from the public. When the draft law was submitted to the NPC Standing Committee for deliberation in December 2005, legal experts optimistically estimated that the draft would become law soon.

Law Professor Jiang Ming'an of Peking University attributed delays in adopting the law to differing opinions on the legislation within it. Debates on the law have fallen into three categories: whether China needs such a law now; whether administrative compulsory measures should be regulated by a law promulgated by the NPC, regulations issued by government or by local people's congresses; and who between administrative organs and the courts has the authority to implement administrative compulsory measures.

Ma Huaide, a professor at China University of Political Science and Law, said one of the strongest voices against hurriedly passing the Administrative Mandatory Law comes from government agencies that are afraid of losing power.

Members of some administrative organs, such as law enforcement officers of city administration and market supervision, are concerned that the law could weaken their powers and limit their ability to do their jobs efficiently. Many of them support the drafting of laws and regulations to avoid the abuse of administrative powers but oppose strict rules that could handicap administrative organs.

The concerns raised by administrative organs have received

some support from the public. Professor Ying, who supports a quick passing of the law, admitted that some administrative compulsory measures contained within the draft law could be a double-edged sword, either raising administrative efficiency or hindering the interests of ordinary people.

Most people are concerned that the government's coercive powers could further expand as a result of the law. In recent years there have been numerous cases of local governments using violence against citizens in the name of implementing the law.

### Coercive measures

The draft law lists some administrative mandatory measures that can be used, including restrictions on personal freedom, sealing up or sequestering property, freezing bank accounts and entering private residences by force, among other coercive measures.

abuse of administrative power and punishment should be imposed on the direct supervisors and people responsible for the abuse.

To reduce often violent conflicts during land requisition cases between government staff and residents that refuse relocation arrangements, the second draft has added provisions that forbid government bodies from cutting water, power, heating and natural gas supplies as a means to force people to fulfill their administrative duty.

### Controversial issues

Of all the mandatory measures, the most controversial are restricting personal freedom and intruding into private residences. The first draft of the law outlined strict rules regarding these measures including ratification from the head of the relevant government body, presentation of identification cards and informing the people concerned of the reasons for the action as well as how to apply for compensation in the event of an abuse of power.

During the second reading of the draft, some lawmakers said that stricter proce-

## Of all the mandatory measures, the most controversial are restricting personal freedom and intruding into private residences

According to legal practices in other countries, legislation on administrative coercive measures aims to fulfill two goals. Firstly, it is needed to confine the coercive powers of administrative organs so that the personal freedom and the property of citizens do not fall victim to random intrusion by the government. Secondly, it grants administrative organs certain coercive powers so that administrative efficiency can be raised and the administrative organs can play a better role in safeguarding public interests and order.

The emphasis in China's draft law is placed on preventing the abuse of power. For example, it is written in the principle of the law that without authorization under law, no government body or organization can take coercive measures. The draft says that mandatory sanctions should not be used if non-mandatory measures, like persuasion, can achieve the desired goals. The use of coercive administrative measures should cause minimal damage to the interests of the party concerned.

Some lawmakers insisted on putting limitations on items that can be confiscated. Thus the second draft added provisions that the seizure of items not related to illegal acts is forbidden. The draft also says people should be compensated for any damage caused by an

dures should be adopted to curb the use of these coercive measures. In light of this, the second draft stated that limits to personal freedom should be abolished once their goal has been achieved.

The second draft also included stricter procedures for intrusion into private residences, stating that a warrant must be issued by a government body of county level or above. However, many people still think it is not strict enough. He Zhongtai, a representative to the NPC who participated in the second reading of the law, said, "As a harsh coercive measure, entering private residences must get permission of the court."

Another lawmaker, Li Dekuai, questioned why the draft law fails to detail procedures for imposing restrictions on personal freedom and intrusion into private residences.

Furthermore, divergences remain over what kind of laws and regulations can include coercive measures. According to Professor Yang, the first draft only covered the powers of the NPC, while the second draft was expanded to include the State Council's regulations and regional regulations made by local people's congresses.

"This change was made after the legislature listened to the suggestions of legal experts and I am one of them," said Yang. ■

# Medals With Chinese Flair

The medals of the Paralympic Games mix traditional Chinese qualities with a robust design

By TANG YUANKAI

**O**n November 14, the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) unveiled the medals for the Paralympic Games of 2008. The design concepts of the medals echo those of the Games of the XXIX Olympiad, and convey the theme of "One World One Dream."

A jade disc is set into the obverse of each Beijing 2008 Paralympic medal, and the emblem of the Beijing 2008 Paralympic Games is found at the center of the jade disc. On the reverse side are the emblem of the International Paralympic Committee (IPC), the name of the event and "Beijing 2008 Paralympic Games" in Chinese, English and Braille.

The color of jade varies with the medal: white jade for the gold medal; gray-white jade for the silver medal; and gray jade for the bronze medal.

"We Chinese traditionally use jade to represent good virtue. Using this special material in the medals of the Paralympic Games vividly interprets Chinese national values. It's a perfect combination of the Chinese nation and the Paralympic Games," said Hang Hai, a professor with the Central Academy of Fine Arts and also one of the chief designers of the medals.

"The design of the medals embodies the spiritual strength of the Paralympic athletes and represents the harmony and peace of human beings," Hang added.



**WINNING DESIGNS:** The front and back of the gold, silver and bronze 2008 Paralympic medals

## Olympics Briefs

### Medal production

According to the medal producer for the 2008 Olympic and Paralympic Games in Beijing, the BHP Billiton, a global resources company, will produce more than 50,000 medals before June 2008. The medal production is expected to consume 13 kg of gold, 1.3 ton of silver and 6.9 tons of bronze.

There are 1,000 gold, silver and bronze medals needed for the two games. Some 40,000 souvenir medals are needed for the 2008 Olympic and 10,000 for the Paralympic Games.

The Australia-based BHP Billiton became medal sponsor for the Sydney Olympics in 2000. The company signed a contract with BOCOG in 2005 to sponsor the Beijing Olympics and began to provide raw materials for the medal production.

The company's Cannington mine in Queensland, Australia,

and its Escondida and Spence operations in Chile will provide the materials needed to produce the gold, silver and bronze medals for the Games.

### Foreign language speaking volunteers sought for Beijing Olympics

Although the number of applicants (730,000) has surpassed the required amount, more foreign language speakers are needed to offer volunteer services for the Beijing Olympic Games, according to the Office of the Volunteer Work Coordination Group for the Beijing Olympic Games.

The office sincerely invites people of all circles who can communicate in any of the foreign languages chosen by BOCOG and meet the volunteer requirements to seize the opportunity to register as volunteers. The departments concerned will go on a new round of selection and testing processes in mid December.



**THUMBS UP:** Paralympic athlete Yang Bozun shows his approval of the Paralympic gold medal at a press conference to unveil the medal designs on November 14

The materials, weight, measurements and patterns of the Paralympic medals strictly follow all guidelines set out by the IPC. In its letter of approval, the IPC relayed a congratulatory message regarding the design program for the medals.

Extensive research and planning for the medal design for the Paralympic Games of 2008 began in November 2006. The final design was chosen from 21 draft works submitted by the design group, which had studied designs from past Paralympics.

Using the successful designs for the Beijing Olympic Games as their template, specific designers were invited to create the "look" and "feel" of the Beijing 2008 Paralympic medals, including designers from the Central Academy of Fine Arts, the Academy of Fine Arts at Tsinghua University and China Banknote Printing and Minting Corporation.

All of the designers had originally submitted entries in the original campaign for the Beijing Olympic Games medals.

On December 7, 2006, a meeting was held to launch the medal design competition. Through December 31, 2006, the aforementioned organizations submitted a total of 21, two-dimensional designs. On January 9, 2007, at the invitation of BOCOG, leading Chinese experts and scholars from the arts, sculpture, minting and Paralympic sports appraised the 21 pieces of work.

BOCOG then asked the relevant organizations to make modifications and improvements to the designs. BOCOG and the IPC approved the final designs on September 20 and October 11, 2007.

"At the beginning, we wanted the Paralympic medals to be different from the Olympic medals, at least in shape. But we had a consensus to use jade as it is a symbol of Chinese culture," said Hang. At last, Hang and his team decided to follow the medals of the Olympic Games for the reason that the two games share the same spirit. ■

The Beijing Olympic Games are expected to provide services in 55 languages. They are English, French, Spanish, Russian, Arabic, Japanese, Portuguese, German, Korean, Italian, Greek, Polish, Hungarian, Czech, Romanian, Serbian, Ukrainian, Croatian, Slovak, Thai, Turkish, Persian, Danish, Lithuanian, Hebrew, Azerbaijani, Norwegian, Latvian, Armenian, Vietnamese, Mongolian, Slovenian, Hindi, Georgian, Macedonian, Indonesian, Amharic, Lao, Estonian, Albanian, Farsi, Icelandic, Filipino, Cambodian, Burmese, Moldavian, Catalan, Luxembourgish, Bosnian, Dutch, Finnish, Swedish, Bulgarian, Malay and Urdu.

Teachers and students in Beijing's universities, including foreign students (teachers) can register at the Chinese Communist Youth League of their universities, while other people can register online at the website of any of Beijing's 18 districts or counties.

### Monitor Food Safety

China has established two electrical monitoring networks using a website platform to guarantee food safety during the Beijing Olympic Games, according to Li Yuanping, an official in charge of the safety of imported and exported products at the General Administration of Quality Supervision, Inspection and Quarantine.

The China product quality monitoring website is a public information platform where people can inquire about product quality and food security. Every product on the website has an electrical monitoring code.

By sending text messages, calling, and searching on the Internet, consumers can judge whether a product is real or fake. Five licensed Olympic food suppliers in Beijing have joined the network.

Li said that all the Olympic food would be included in the product quality-monitoring network to guarantee food safety.

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# Overseas Expansion

China's banks are launching overseas expansion projects while multinational banks vie to start operations in China

By TAN WEI

The Industrial and Commercial Bank of China (ICBC), the world's biggest lender by market value, will acquire a 20-percent stake in South Africa's Standard Bank for \$5.5 billion, said ICBC President Yang Kaisheng, at the 4th Annual Conference of International Finance Forum just concluded on November 8.

If the acquisition is closed smoothly, it will be a milestone for China's commercial banks that are striving to deliver a better performance on the global financial stage. Differing from the small Bank Halim of Indonesia and Seng Heng Bank of Macao which the Chinese bank purchased several months ago, Standard Bank of South Africa is truly a major international bank. Standard Bank has a presence in 18 African countries and 19 major financial centers in Europe, North America and Asia, and is focusing its expansion in burgeoning markets. It topped all other African banks in terms of assets and profits and ranked 106th in the Top 1,000 World Banks by The Banker magazine last year.

Besides this recent news, China Minsheng Bank Corp. also announced on October 8 that it would pay up to 2.5 billion yuan (\$333.3 million) for a 9.9-percent stake in UCBH Holding Inc., the Nasdaq-listed parent company of U.S.-based United Commercial Bank. This was the first overseas acquisition of the Beijing-based mid-sized lender as well as the first ever acquisition of a U.S. bank by a Chinese bank. On November 8, China Merchants Bank got the green light from the U.S. Federal Reserve for opening a branch in New York—the first nod given by the financial security watchdog to a Chinese bank for branch operations in U.S. territory after it implemented the Foreign Bank Supervision Enhancement Act of 1991 (FBSEA).

In recent years, more Chinese banks including the Bank of China (BOC), China Construction Bank (CCB) and China Development Bank (CDB) have concluded overseas acquisitions deals.

"The domestic market will remain the major source of profits for Chinese banks for quite a long period of time," said Guo Tianyong, Director of the Research Center of



**STEP-BY-STEP:** Cross-border mergers and acquisitions have become a major method for a majority of Chinese banks to tackle overseas markets in recent years

the Chinese Banking Industry under the Central University of Finance and Economics. "But confronted with foreign banks keen on securing larger stakes in the Chinese market, Chinese banks have to get stronger through investing overseas, and it's undoubtedly an effective way to lower risks."

## Bigger and stronger

The two-way opening up of China's financial industry—allowing foreign banks to invest in the Chinese market and encouraging domestic banks to seek shares of overseas markets—is a trend of globalization, said Peng Xingyun, a researcher with the Financial Research Center under the Chinese Academy of Social Sciences.

Nobody would have taken Peng's opinion seriously if he had expressed it several years ago when almost all China's commercial banks suffered from non-performing loans (NPLs) accumulated before the 1990s, and extremely low capital adequacy rates which failed to offset any risk.

"Huge changes have taken place in China's banking industry in recent years," said Peng. China's banking sector has taken on a new look due to the fact that all major state-owned commercial banks have taken pains to rid themselves of historical burdens, lowering the rate of NPLs and preparing for IPOs through shareholding reform over the

past several years. For example, CCB, BOC, ICBC and some regional shareholding banks have been listed on the stock market and attracted overseas strategic investors in succession after 2003. By September 30, 2007, ICBC, CCB and BOC ranked, respectively, the world's first, fifth and sixth largest listed banks by market value.

It has been a must choice for Chinese enterprises eager to overcome their development bottleneck to invest overseas in order to obtain resources, energies, brand influ-

ence and sales channels, and the banking sector is no exception.

"It's the right time for Chinese banks to launch overseas expansion," said Luo Zhiheng, General Manager of BOCI Research Ltd. "The great pressure of renminbi appreciation and excess domestic liquidity needs to be eased by investing overseas, and besides, it will be a good bargain for Chinese banks to purchase international financial assets against the backdrop of China's bullish stock markets and excess foreign exchange reserves."

By the end of the third quarter this year, China's foreign exchange reserves had swelled to \$1.43 trillion, remaining the world's largest. China still faces severe liquidity. The net injection of money was 195.8 billion yuan (\$26.1 billion) for the first three quarters of this year, a year-on-year increase of 30.2 billion yuan (\$4.0 billion). As a solution, the government has founded the China Investment Corp. to soak up excess liquidity and at the same time moderately released liquidity and increased qualified domestic institutional investor (QDII) quotas to encourage the outflow of capital from China.

"Against this backdrop, Chinese banks could avoid risks in the exchange rate market and help to ease the pressure on the government from its huge forex reserves through



**CASH ADVANCE:** Egypt is the first African country to host China's ATM services, enabling customers to withdraw cash from ATM terminal machines

overseas assets acquisition," said Guo.

Cai Esheng, Vice Chairman of the China Banking Regulatory Commission (CBRC), made it explicit that the CBRC would actively encourage and support Chinese financial institutions to seek overseas expansion.

#### Stepping stones to success

"Cross-border mergers and acquisitions have been a major method for a majority of Chinese banks to tackle overseas markets in recent years," said Yang. "The world's top 10 banks by market value last year all got bigger through merger and acquisition activities."

According to Xia Bin, Director of the Institute of Finance Research under the Development Research Center of the State Council, overseas acquisition is the most convenient way for banks to implement global expansion strategies as it helps to augment their capital size. "The size of a bank changes in direct proportion to customer trust as well as the bank's market share," said Xia. "An impressive size endows a bank with a competitive edge, and acquisition also helps a bank to save

**"Chinese banks could avoid risks in the exchange rate market and help to ease the pressure on the government from its huge forex reserves through overseas assets acquisition."**

—Guo Tianyong, Director of the Research Center of the Chinese Banking Industry, the Central University of Finance and Economics

resources, optimize resource allocation, increase its market shares, lower its operational costs and augment its profits."

Burgeoning markets are the targets of acquisition for many Chinese banks. "ICBC will particularly keep an eye on the emerging markets because of the high growth and development potential there," said Jiang Jianqing, ICBC's Board Chairman, explaining why they took an interest in South Africa's Standard Bank. "Besides, the banking sector in

these markets opens up faster to allow in more and more cross-border acquisitions."

China's banks have seldom gained a foothold in regions enjoying huge business potential such as South Asia, the Middle East, Africa and Latin America, Wang Lijun, General Manager of BOC's Overseas Branch Department, pointed out. But for China's commercial banks, these regions will offer remarkable opportunities for business expansion and growth.

"The Asian market will become a main stage for Chinese banks to carry out their overseas expansion strategies in the coming few years," Guo said. "Compared with the

European and American financial markets where the supervision is rigid, the cost is high and the chances are rare for any acquisition, the Asian markets provide huge potential for profits and demand low costs for acquisition."

#### Risks and uncertainties

Overseas expansion has never been as smooth as ambitious Chinese banks have expected. For instance, China Development Bank and China State Investment Co. are suffering heavy losses from their overseas investments, respectively in Barclays Bank of England and the U.S. Blackstone Group.

According to Luo, the major problem with Chinese banks' overseas expansion is high bidding. "Even some large mature banks will make such mistakes," said Luo, citing the famous deal of the Development Bank of Singapore (DBS) acquiring Hong Kong's Dao Heng Bank in 2001. DBS merged Dao Heng at a price three times higher than its book value, and as a result a term "Singapore premium" was created to refer to acquisitions at a high price in the international financial market. Currently, in other fields of merger and acquisition, the term "China premium" is prevailing. Whether it will be frequently referred to in the banking acquisition lexicon remains a question.

Furthermore, lack of experience will also bring Chinese banks great risks in cross-border acquisitions.

"Apart from economic risks, there are also risks related to politics and sovereignty," said Peng. "Some Western countries, in fear of China's rapid economic growth and globalization progress, will consolidate their political intentions and foment nationalist agitations in its people."

High-quality services are the only key for Chinese banks to tackle overseas markets, according to Guo. "The biggest risk rests with whether they can adapt their management style to the needs of overseas operations," said Guo. Guo also pointed out that China's commercial banks, except for the Bank of China, all lack experience in overseas operations and remain domestic bank in terms of their management, business concepts, and the competitiveness of their staff. ■

#### Overseas Acquisitions by Chinese Banks

##### The Industrial and Commercial Bank of China (ICBC)

**October 2007:** The ICBC announced it would acquire a 20-percent stake in South Africa's Standard Bank for \$5.5 billion to become its largest shareholder.

**August 2007:** The ICBC paid \$583 million for an 80-percent stake in the Seng Heng Bank of Macao.

**December 2006:** The ICBC acquired a controlling 90-percent stake of the Bank Halim of Indonesia, which marked the

world's largest lender's first overseas acquisition.

##### China Development Bank (CDB)

**July-August 2007:** The CDB signed a purchase agreement and a cooperation memorandum with Barclays Bank of England on July 23, and paid \$3 billion for a 3.1-percent stake in Barclays' existing share capital in August.

##### China Construction Bank (CCB)

**August 2006:** The CCB agreed to buy out the Bank of America's Hong Kong and Macao operations for \$1.2 billion.

# Who'll Turn on the Lights?

China is faced with the tough task of reshuffling current overlaps in energy administration, in order to create a centralized ministry of energy

By LAN XINZHEN

**T**he draft of China's first energy law is currently being discussed by all related departments and enterprises. As the discussions get deeper, there are increasing voices calling for reestablishing the Ministry of Energy.

The law, aimed to standardize energy supervision, covers all aspects of China's energy strategies and programs including energy exploration, efficiency, security and emergency response as well as international cooperation.

China set up the Ministry of Energy in 1988 but it was dismantled five years later because its administrative functions overlapped with other departments. Faced with increasing energy shortages, the government set up an energy bureau under the National Development and Reform Commission (NDRC) in March 2003. The bureau was crippled, however, because much of the administrative power in the energy sector was scattered between different government organs and major oil, power and coal companies including the State Electricity Regulatory Commission, the State Administration of Coalmine Safety, the Ministry of Water Resources, the Ministry of Land and Resources, China National Petroleum Corp., Sinopec Group and State Grid Corp. of China.

Energy issues have become one of the major bottlenecks for China's economic development following its rapid growth in the last decade. It is imperative the government set up a uniform body for energy macro-control and supervision. Economists and energy experts have called for reestablishing the Ministry of Energy, especially after China suffered a widespread energy crunch in 2004. Many delegates have submitted proposals to establish a ministry of energy to the National People's Congress (NPC), China's top legislature, in March of the past two years.

Usually, creating a ministry as important as the energy ministry is only possible when the tenure of the current government ends and the newly elected one carries out institutional reform. As the office term of

this government will expire in early 2008, the coming March will reveal a better chance for the energy ministry, otherwise, it might have to wait five years for another opportunity.

## Overlapping decision-making

Before the Ministry of Energy was set up in 1988, four former ministry-level organs were responsible for energy administration, namely, the Ministry of Petroleum Industry, the Ministry of Coal Industry, the Ministry of Nuclear Industry and the Ministry of Electricity.

During the institutional reform in 1988, the Ministry of Energy was set up to replace

the Ministry of Electricity and take over administration functions of the three other energy-related ministries, which were turned into three enterprises. However, the decision failed to win support from the petroleum and coal ministries and 20-odd former officials of the coal ministry appealed to the State Council to resume the ministry.

During the 1993 institutional reform, their wishes came true when the Ministry of Energy disappeared and the Ministry of Coal Industry and the Ministry of Electricity came back. China's energy administration was again scattered and administration efficiency crippled.

In 1997, the Ministry of Electricity was turned into the State Grid Corp. of China and the Ministry of Coal Industry was abolished.

In 2003, the NDRC was established and an energy bureau was set up under it to take over the energy administration functions.

Soon, officials with the NDRC's energy bureau became embarrassed by their role—the administrative level of their bureau was lower than those ministry level or vice-ministry level agencies and enterprises such as Sinopec and the State Electricity Regulatory Commission.

**BOTTLENECK:** The energy issue has become one of the major bottlenecks for China's economic development, following the country's rapid growth during the last decade



The related administration functions have now been handled by a variety of ministries, resulting in a lack of planning for energy exploration, consumption, savings and reserves.

As a solution, the State Energy Leading Group was established directly under the State Council to help manage the energy industry in 2005, with Premier Wen Jiabao heading the group, and Ma Kai, Minister of the NDRC, acting as the office director.

Yet, since the main role of the group is to organize and coordinate, the overlapping and scattered administrative pattern remains unchanged.

"This scattered administrative-

pattern made it nearly impossible to plan energy strategies and failed to meet the demands for sustainable economic growth," said Wang Weicheng, a member of the NPC's Environmental and Resources Protection Committee. Wang submitted for a third time his proposal on setting up an



**COMPROMISE:** Ma Kai, Minister of the NDRC, is also acting as the office director of the State Energy Leading Group, established in 2005, to coordinate between different energy-related ministries

energy ministry to the NPC in March this year.

#### Strategic importance

The energy ministry should cover all related energy organs and be entrusted with strong power to make decisions and work out energy strategies, said Zhao Xiaohui, an official with the Ministry of Information Industry.

"We should set up a new energy ministry as soon as possible," continued Zhao. "Because China has already lagged behind in terms of working out energy policies and strategies to meet huge domestic demands for energy and resources." China has to enhance its administrative efficiency and set up an energy ministry to facilitate asset restructuring and acquisition between enterprises, look for global cooperation for oil and gas exploration and stipulate related policies. "It's far from enough to rely on the government to play the coordinator," Zhao added.

Zhao believes a breakthrough would be possible only when the Central Government makes up its mind to overcome barriers between different ministries which do their best to guard their own interests and power.

This is difficult in China, but it's good for the implementation of the state's development strategies as well as the long-term national interests, Zhao said.

China needs a minister of energy from the policy-making team, said Li Puming, a researcher with the NDRC's policy research office. He argued that in dialogues China has with other countries on energy issues, one energy minister instead of a dozen ministers from all energy-related departments will definitely do the job much more efficiently.

An International Energy Agency (IEA) report said China's increasing consumption would make it the world's largest consumer of energy by 2010. China's energy demand is projected to more than double from 2005 to 2030, the report said. As the second largest oil consumer after the United States, China has no authoritative energy administration organ, which made problems worse during recent global oil price hikes.

#### Difficulties to overcome

Despite all the calls about the importance of setting up a powerful, unified energy ministry, mountains of difficulties are ahead for the government to overcome.

To set up a new ministry means a power and personnel reshuffle among all these related energy organs. The biggest difficulty is how to make those already accustomed to and satisfied with their posts and duties satisfy again with their new roles, and to break the balance of power and restore it in terms of interests.

The 1988 institutional reform during which the former energy ministry was set up involved only four ministries, and today it could involve a dozen. It remains unknown whether officials from the above-mentioned ministries will disagree once the new energy ministry takes over their administration power.

It was reported that there were four candidate plans circulating before the leading group was formed in 2005. The idea of forming an energy leading group should win out because the other three, to set up an energy ministry, to form a state energy commission and to promote the NDRC's energy bureau as a vice-ministry level agency, all contain the possibility of claiming energy administration power from related ministries.

It still remains to be seen whether the energy ministry will acquire its due authority if it is eventually established. At present, the Central Government gives priority to energy efficiency and environmental protection while the local governments pursue economic growth. The authority and image of the energy ministry will be trimmed if it fails to coordinate between these government organs. ■





**CUT AND RUN:** Two interest rate reductions within less than two months prove that the damage of the sub-prime crisis to U.S. economy is higher than expected. Here a trader watches a screen at the New York Stock Exchange

# U.S. Rate Cut Causes Reverberations

The United States is still the largest developed economy in the world, and at the same time, China's major export destination. If the U.S. economy slows, China's economic development will be affected for the worse

By LAN XINZHEN

**O**n September 18, the U.S. Federal Reserve (Fed) reduced, for the first time in the past four years, the federal funds rate by 50 basis points, down to 4.75 percent. A month later, the Fed reduced the interest rate again by 25 basis points to 4.5 percent.

The two interest rate reductions in a period of less than two months proved the damage of the sub-prime crisis to the U.S. economy is greater than expected. Judging from the Fed's moves, the economic slowdown led by the shrinking housing market is their major worry.

"From the positive view, if the Fed's interest reduction can help alleviate the slowdown and promote economic development in the United States, it will benefit China's external demand," said Fred Hu, Managing Director of Goldman Sachs Asia. In Hu's opinion, the Fed's interest rate reduction is obvious helpful to stabilizing market and investor confidence.

However, Hu said that the U.S. economy is now in a very vulnerable and unstable stage. If the situation was not improved soon, U.S. economic growth would be much lower than the potential growth rate of 2.5-3 percent, and recession might rear its ugly head.

Heavier pressure on renminbi apprecia-

tion is the most direct impact of the interest reduction in the United States. According to Hu, the sub-prime crisis has led the United States into an interest reduction cycle, while the inflation pressure has led China into an interest raising cycle. Driven by both factors, the U.S. dollar is more likely to further depreciate. The reduction by the Fed has shortened the interest difference between the two countries, intensifying pressure for renminbi appreciation.

"It may cause too much hot money to swarm into China, aggravating the excess liquidity in China," Hu said. "Further expansion of liquidity will also cause the further accumulation of an asset bubble in China."

Yi Xianrong, a Chinese economist, said the two reductions in the United States and several interest rate rises in China will make the Chinese capital market more alluring. Inflow of more capital will further increase China's foreign exchange reserve, and curbing inflation will be a more arduous task for China's central bank. At the same time, pressure on the renminbi to appreciate will intensify.

Yi pointed out that the Fed reduction will have a huge impact on the Chinese economy. While China is continuously raising the interest rate, the Fed's reduction will limit the space of that rise. Together with surging prices and higher asset prices in the domestic market, monetary policies will have little room to

maneuver in China.

Another potential impact is that the abnormal fluctuations of U.S. dollar, gold and oil prices brought about by the Fed's moves may not only fail to stimulate U.S. economy, but also create more turmoil for the U.S. and global economy.

"If the U.S. economy really slows down or even recedes, its impact on China may be heavier than on the U.S. economy," Yi said.

In his opinion, interest rate reduction can further push up assets prices and stimulate inflation. Thus, the problem will not only be dollar depression and inflation driven by imports, but that the confidence of dollar-nominated debts holders could be shaken, leading to an underselling of U.S. treasury bonds. Because the Chinese Government holds a large number of U.S. treasury bonds, the potential risks will be higher.

However, the Chinese Government, unlike economists, hasn't shown much worry about the Fed's recent moves.

Zhou Xiaochuan, Governor of the People's Bank of China (PBC), the country's central bank, pointed out on September 18 when the Fed made the first interest reduction that the PBC didn't feel pressure from changes in interest difference between China and the United States. This is because China's central bank pays more attention to changes in economic activities such as domestic consumption and investment, and decides its monetary policies based on these changes. In other words, even though the Fed reduced the interest rate, because of the rapid increase of the consumer price index in the domestic market, to curb the overheated domestic economy and inflation is still the primary goal of the government's monetary policies.

It's not difficult to judge from the actions of the PBC that the central bank's monetary policies pay close attention to changes of monetary policies of the Fed, but still set the goals of its monetary policies based on changes of domestic economy and investment. That is to say, although the Fed's moves do influence the Chinese economy, these effects are not yet enough to change the course of China's monetary policies. ■

# Chinese Economy Remains Stable

The World Bank contends that China's growth will remain strong even in the face of a modest impact from the U.S. sub-prime crisis

By WANG JUN

The World Bank maintained its 2007 forecast for China's economic growth rate at 11.3 percent and predicted that growth may slow only modestly in 2008 to 10.8 percent. The bank attributed the high gross domestic product (GDP) growth mainly to the continued strong contribution of external trade and investment-driven recovery in domestic demand.

"China's macroeconomic prospects generally remain good," the World Bank announced on November 15. According to the six-month report, prospects remain buoyant domestically. With profit and credit growth strong, investment is likely to continue to expand solidly. Consumption is expected to remain strong as well, although a high consumer price index and inflation could constrain real consumption growth.

The World Bank estimated in April that China's GDP would grow 9.6 percent and raised its forecast to 10.4 percent in May. In September, it lifted the estimate once again to 11.3 percent during its China Quarterly Update.

According to figures released by the National Bureau of Statistics, in the first three quarters, the country's GDP grew 11.5 percent over a year ago. The quarterly GDP growth rates were 11.1 percent, 11.9 percent and 11.5 percent, respectively, year on year. On November 16, the State Information Center, an information research institution under the State Council, predicted that

China's GDP would grow 11.4 percent for the whole year of 2007 while the growth for the fourth quarter would be 11.2 percent.

## Blows from sub-prime crisis limited

Although concerns about the U.S. sub-prime crisis and increasing global oil prices are growing, the World Bank still believes China is well-placed to absorb the impact. According to the report, China is the largest overseas holder of U.S. mortgage-backed securities—around \$260 billion—mostly through its international reserve holdings and through holdings in commercial banks. But most of these holdings are backed by private firms in the United States such as Fannie Mae, the largest buyer and backer of home mortgages in the United States.

The main impact of the banking international turmoil is likely to run via the real economy. Although the world economy still retains momentum, China will be affected more than most other large emerging markets by an economic slowdown in key markets. This is mainly because of the importance exports have on China's economy. At the same time, China is better placed than many countries to deal with the impact. "A moderate global slowdown would mitigate pressures of concern to policymakers on overall growth, inflation, and the trade surplus, while China's strong macroeconomic position provides room to adjust the domestic policy stance, if necessary," the report said.

Moreover, the recent World Bank report also said that the impact of the sub-prime

crisis on East Asia will be modest. Preliminary assessments suggest that direct exposures of East Asian financial institutions to sub-prime risks have been relatively limited, although risks may increase if global economic instability and the tightening of credit markets intensifies and leads to further declines in prices of various other structured assets held by banks.

Record-high oil prices, meanwhile, will test the resilience of the region's economies next year, the bank said. Amid surging global demand and supply tightness, average crude oil price has risen from about \$53 a barrel in January to more than \$90 in early November. At \$90 a barrel, the price of oil would be linked to an income loss in the region of about 1.1 percent of GDP in 2008, according to the bank's calculations.

## Curbing trade surplus

The external balance remains China's main macroeconomic issue, said the World Bank's report. According to figures from the General Administration of Customs of China, in October, China's trade surplus reached a record high of \$27.05 billion, accelerating 13.5 percent year on year.

The World Bank report notes that China has become a major export market for the rest of East Asia but warns that economies need to remain focused on finding new ways to meet China's ever-changing and highly competitive market. "The new challenge for China's East Asian neighbors will be in making the transition from supplying inputs for China's exports to also supplying its domestic market—something that might require significantly different research, production, branding and marketing skills and channels," said Milan Brahmbhatt, the report's lead author.

In the long term, the key challenge remains to rebalance the economy. According to the World Bank, a package of policies to deal with these challenges would include real exchange rate appreciation, with, over time, more exchange rate flexibility; monetary policies that tighten liquidity and increase interest rates; a change in the composition of fiscal spending, with more spending on health and education; further financial sector reforms; structural policies that change the relative attractiveness of manufacturing versus services; and removal of remaining obstacles to rural-urban migration. ■



**HIGH TURNOVER:** China's consumers continue to shop. Here, an employee at a Carrefour store in Shanghai arranges goods

# Cooling Fund Fever

“Have you bought any funds?” or “How much did your funds increase lately?” have become typical greetings among friends



**HARD KNOCKS:** More and more Chinese investors have turned to fund management companies to manage their assets, believing that risks in the stock market are out of their control

By TAN WEI

**C**lothing dealer Duan Tianyu owns a shop in Beijing. Three times a week he goes back and forth to the bank to manage his bank account. In the last two months, Duan has developed a new habit before going to the bank—reading the newspaper to see if any new funds have been issued.

“If there are new funds for sale, I go to the bank after 3 p.m., which is the official closing time for purchasing funds. Otherwise, half the day will be lost waiting in the bank,” explained Duan. He complained of the great number of people lining up to buy funds, forcing him to wait until the wave is over after three. “People are going crazy. They seem to believe that once they buy a fund, they will get rich overnight. They already have more than half the bank counters dedicated to them, but they still complain about the speed,” Duan said.

Duan’s experience is not uncommon. Since the second half of 2006, the soaring net value of mutual funds has lured many to join the stock feast. The latest figures from the Chinese Securities Regulatory Commission (CSRC) showed that by the end of October, the number of fund investors had reached an astonishing 90 million, nine times more than

there were at the end of 2006. “Have you bought any funds?” or “How much did your funds increase lately?” have become typical greetings among friends. In just a short period of time, funds have become one of the hottest topics for ordinary citizens.

Under such circumstances, the supervisory department has started to strengthen controls over the rapidly expanding funds. On November 4, the watchdog issued “Document 44,” which requires all fund management companies to stick to long-term and stable operational plans, matching asset expansion with the management capability, while strictly forbidding the blind pursuit of scale.

Three days after the document was issued, many fund management companies suspended their marketing efforts and investors were not able to buy funds.

“The individual investors are now turning to professional investment institutions instead of operating by themselves,” said Jiang Haichuan, economics professor with University of International Business and Economics. “It is a major advance for this country.” However, Jiang also pointed out that funds are not as profitable as people imagine and risks still exist. Jiang argued that the issuance of Document 44 was intended to cool down the fund buying fever. Though the

stock market could tumble from the stricter controls, individual investors’ interests will be protected in the long run.

## Inhaling fund helium

Since the beginning of 2007, enthusiasm for the purchase of new funds has surged. Many new funds were sold out on their first day of issuance. On April 10, a new fund called China International Domestic Demand Dynamic Stock Fund attracted 90 billion yuan (\$11.7 billion) on its first trading day while its upper limit of scale was 10 billion yuan (\$1.3 billion).

Statistics from the CSRC show that by the end of October, 59 fund management companies were operating a total of 341 different funds. Total scale of the funds was 2.06 trillion units, and they possessed 3.31 trillion yuan (\$440 billion) of total market value, 2.8 and 3.8 times greater, respectively, compared to the start of this year.

Third quarter reports from fund management companies revealed that the asset scale of 10 fund companies exceeded 100 billion yuan (\$13.33 billion), such as Boshi Funds, China Asset Management and E Fund Management. Money managed by Boshi Funds and China Asset Management surpassed 200 billion yuan (\$26.67 billion) respectively. Compared to the second quarter, reports at that time showed only five fund management companies with assets over 100 billion yuan.

Zhang Jianhui, an analyst with Sinolink Securities, said the swelling fund scale was partly because of the increasing awareness about investment among ordinary Chinese citizens and that funds are becoming accepted as a way of wealth management. On the other hand, some fund management companies have manipulated their stock prices to pursue rapid scale expansion in a short period of time.

It is understandable why fund managers did that, Zhang said. Mutual funds can earn more money by charging a management fee. In order to achieve this goal, fund managers have tried hard to expand their scale.

## Correcting the false

Document 44 has specified the regulator’s requirements for the fund market.

For instance, the document forbids fund management companies or their sales agents from tempting investors to falsely believing that funds with low net value are cheaper. The fund management companies are also not allowed to create an atmosphere where investors believe that the fund is hot and that if they don’t buy it now, they will never be able to buy it. Meanwhile, fund managers must control the scale of their funds.

Moreover, fund companies must warn investors of risks they might face if they buy funds. They must market suitable products according to the situation of each individual investor.



Document 44 has made it clear that fund management companies must maintain a long-term operational method and that blind expansion is strictly forbidden in an effort to protect the long term interests of investors.

### Straightjacket on fund mania

Currently, assets managed by fund management companies account for over one third of the tradable market value in the mainland stock market and have become the biggest factor influencing the stock market. Document 44, aimed at cooling fund enthusiasm, had also caused the stock market to suffer.

On November 5, the first Monday after the document was issued, the mainland stock market witnessed its biggest weekly slump in history. In one week (November 5-9), the benchmark Shanghai Composite Index dropped 8 percent, making it the sharpest weekly index drop. In the fund market, 27 funds fell under their paper value of one yuan. Meanwhile, the net value of 214 out of 270 equity funds fell 4 percent in a single week.

"As long as there is new money being invested in the funds, the fund managers will need to buy stocks," Zhang Jianhui said. "Yet under the pressure of redemption, the managers will be forced to sell."

Since October 17, the mainland stock market has witnessed a new round of adjustment. Many fund investors started to redeem funds to avoid further risks. However, to cope with the redemption, managers have had to sell even good-performing blue chips, which in turn caused even a more serious market decline.

Worse still, the issuance of new funds has been restricted. Statistics show that except for qualified domestic institutional investors, the last fund that was issued was

by China Asset Management on September 5. The stock market has lacked sufficient fund support ever since.

Zhang Yu, a fund analyst with China Jiayin Investment Securities, said the regulatory department should not do the risk control alone. The fund managers and fund investors must readjust their mentality before they invest.

"Since the beginning of 2006, tempted by the money-making effect of funds, investors have been at ease when putting

20. Liu was caught in a dilemma. "If I sell the funds, I lose several thousand yuan," Liu said. "If I don't, who knows how much they will continue to fall?" Liu said her friends who had made money earlier were also complaining of shrinking assets due to the gloomy stock market performance.

Song Sanjiang, market director at Fortune SGAM Fund Management, is optimistic about the future of market trends. Song believes mainland investors are becoming more and more mature. "Even when the

## On November 4, the Chinese Securities Regulatory Commission issued Document 44, which requires all fund management companies to stick to long-term and stable operational plans, matching asset expansion with management capability, while strictly forbidding the blind pursuit of scale

their money into the hands of fund managers," Zhang said. "Nearly all of them made money." However, when the profitability of funds suddenly dropped, the enthusiasm was deeply curtailed, said Zhang.

After seeing her friends and neighbors making money by investing in funds, Liu Linqing, a self-employed shop assistant, withdrew half of her life savings—30,000 yuan—and bought three funds. She bought the funds on October 10, but by November 20, her assets had shrunk to no more than 25,000 yuan as the Shanghai Composite Index dropped from the peak of 6,124 points on October 16 to 5,293 points on November

fund value dropped, they did not run to redeem the fund. Although the purchase value also declined, the fund companies still have more money coming in than out."

Song said that although fund managers were unable to expand fund scale at will, this did not mean the money supply to the stock market would drop. The supervisory department's intention was to guide the fund industry into a healthy development trend, not to call off fund management totally, Song said.

Since November 14, over 10 funds have resumed selling to investors and these new purchases will inject an estimated 130 billion yuan (\$17.57 billion) into the stock market. ■



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## MARKET WATCH

**TO THE POINT:** The Chinese central bank governor claimed he was satisfied with the current mainland interest rate, and some took this to mean that another rate hike was not likely in the near future. Following the price hikes of other foods, dairy companies were also forced to raise milk prices due to higher cost. Therefore, next month's consumer price index will remain at a high level, as prices in the food sector continue to rise. The shortage of refined oil on the mainland put pressure on the major oil refineries, which vowed to increase the domestic supply despite losses. China responded quickly to the World Bank report and polluting companies are forbidden from being listed.

By LIU YUNYUN

### Interest Rate Satisfactory

The Chinese central bank Governor Zhou Xiaochuan, after five rounds of interest rate hikes, said for the first time this year on November 19 that he was "satisfied with the current interest rate."

People have grown accustomed to expecting another interest rate hike each time after the monthly consumer price index (CPI) has been released since June. Between March and October, the CPI growth rate hovered above 3 percent—a recognized rate indicating inflation, forcing the central bank to raise the one-year benchmark interest rate from 2.52 percent to the current 3.87 percent.

The central bank has encouraged people to put more money into banks rather than blindly investing in the stock market in a bid to curb excessive liquidity.

Zhou said, the central bank "will pay close attention to the future statistics" and the country needn't readjust the interest rate too frequently, but possibilities exist for further rate hikes.

Zhou said, "It is complicated to analyze the economic statistics," and the central bank will correct the sudden change of traditional prices. He also claimed that inflationary pressure next year should not be too heavy. China is transforming from a planned economy to a market economy, meaning the cen-

tral bank will have to correct the prices of public transportation and facilities, which means that inflationary pressure will rise.

In the future, Zhou said the central bank will further raise the reserve requirement ratio to absorb liquidity. There is still much room to raise reserves that banks must keep with the central bank.

The governor also stated that China supported the idea of a strong dollar and wanted to see dollar grow stronger.

### Expensive Milk

Food prices are slowly driving people crazy—the vegetable price surged after the meat price hike; the edible oil price soared when the vegetable price was still escalating. When the other prices are running high, the milk price is starting to catch up.

In the middle of November, Bright Dairy raised prices of some of its milk products by 2-3 percent, following a 10-percent price hike in August.

*China Business News* quoted people in the know who said the wholesale price of some Mengniu Dairy products will be raised 1.5-2 yuan—about 20-25 percent.

Bright Dairy claimed this round of price hikes covered 30 percent of all products. "The milk, energy, transporta-

tion, and human resources costs are on the rise, and we have been striving to cut costs through optimizing the supply chain," the company said, "But we cannot absorb all rising costs, so we have to raise the price."

Affected by rising raw material prices, the listed dairy companies suffered from stumbling stock prices. From November 12 to 16, Mengniu Dairy stock price plummeted 17.4 percent.

Wang Dingmian, deputy head of the Dairy Association of Guangdong Province, said after a period of rapid development, the two dairy giants—Mengniu and Yili—will be confronted with a bottleneck. "It is hard to say when the risk will subside."

Wang previously said that some dairy producers could not make money so they quit raising cows, leading to shortage of milk. The Central Government promulgated measures to encourage farmers to keep cows. "It takes one-and-a-half years to raise a cow, so we are not optimistic about the near future milk price," said Wang.

### Safe at Home

China's biggest oil producers, known as Sinopec and PetroChina, planned to boost output and imports to cope with the oil shortage in the mainland market as the international oil price soared above \$100 a barrel.

Mainland oil prices are set by the government and are lower than the international level. Therefore, the two major producers would rather export oil than supply the domestic oil needs. Not long ago, the National Development and Reform Commission ordered the two companies to "strictly control export quantity."

Sinopec claimed that it had suspended refined oil exports to ease the oil pressure domestically.

Analysts say that PetroChina and Sinopec take the leading role in domestic oil supply and export, and it is their responsibility to first satisfy the domestic need rather than seeking profit by exporting oil.

In a video conference held during the emergency, Su Shulin, General Manager of Sinopec, stated that the subsidiary refineries have been ordered to refine oil to their largest capability, perfect the quality of refined oil and stabilize the market supply domestically.

However, if the two companies sell oil in the mainland market, they will suf-

fer huge losses, as the sales price is lower than the cost. It is widely expected that the Central Government will compensate the two at the end of this year, like what it did in 2006.

The oil firms halted imports of refined oil this September and October as domestic oil prices dropped lower than import prices. Quite a number of oil filling stations across the country are suffering from supply shortages.

### No Plan to Buy

Rumors have been circulating that three Chinese banks would acquire a 17-percent stake in the Standard Chartered Bank, but senior officials of the Chinese banks denied the report.

*Financial Times*, a well-known British newspaper, reported earlier that Industrial and Commercial Bank of China (ICBC), Bank of China (BOC) and China Construction Bank (CCB) planned to buy a 17-percent stake which is currently held by the Singaporean Temasek Holdings.

China News Services cited an ICBC official as saying that the bank had "never made such a contract with Temasek." Spokesmen for CCB and BOC said they had no knowledge of any such planned acquisition.

Temasek holds more than 17 percent of the shares of Standard Chartered. Analysts said it was important for Temasek to remain Standard Chartered's biggest shareholder and that the Singaporean firm had no reason to sell its shares.

Chinese banks had made six overseas acquisitions by the end of October, with the total value exceeding \$10.7 billion.

### No More Pollution, Please

The World Bank warned that air pollution is costing China 3.8 percent of its GDP, causing more diseases and claiming more lives.

David Dollar, the World Bank country director for China and Mongolia, said air pollution poses higher costs than water pollution. The combined health and non-health cost of outdoor air and water pollution for China's economy stands at around \$100 billion a year, or about 5.8 percent of the country's GDP.

Air pollution, especially in large cities, is leading to higher incidence of lung disease, including cancer, respiratory system problems and therefore higher

### NUMBERS OF THE WEEK

# 95%

China, the world's most populous nation, will remain 95 percent self-sufficient in grain in the future by expanding both output and reserves, according to the National Development and Reform Commission. The department said fodder grain and oil-bearing crops such as soybeans are in short supply and future constraint is unavoidable.

# 3.3 trillion yuan

China Railway Group raised 3.3 trillion yuan (\$445.95 billion) in its yuan-denominated A-share market initial public offering—the biggest on record and tantamount to nearly one third of the GDP in the first half of this year.

levels of work and school absenteeism, said a World Bank report jointly issued with China's State Environmental Protection Administration (SEPA).

Dollar said it would be a cost-effective move to reduce air pollution by moving manufacturing plants out of city centers, replacing coal-burning stoves with liquefied gas-fuelled heating systems, increasing state investment in public transport and limiting the use of private cars.

Despite the pollution challenges, the World Bank has affirmed China's commitment to address the problem. China has put environment protection as its highest priority in its 11th Five-Year

Plan and is working to build a "resource-saving society."

To cope with pollution, the SEPA, the top environmental watchdog, said major industrial polluters will be barred from raising capital on the stock market.

"Enterprises found guilty of environmental violations or failing to meet pollutant discharge requirements will not be allowed to list their shares," said Zhou Shengxian, Minister of SEPA.

In addition, starting from 2009, all enterprises which discharge pollutants must obtain environmental permits. "Otherwise, they will not be allowed to continue, or start, operations," Zhou warned. ■

## 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)



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### Minzu Hotel Beijing

Minzu Hotel Beijing is a four-star hotel with an international standard. Minzu Hotel was built in 1959 on the Changan Avenue in Beijing. The location makes it a big attraction to commercial travelers and tourists. 40 years later, the elegant ambience still sets Minzu apart from other newer hotel buildings in Beijing. Now the hotel has been upgraded ahead of the Beijing Olympic Games in 2008.



### New General Manager of Holiday Inn Downtown Beijing

Holiday Inn Downtown Beijing is delighted to introduce its new general manager—Mr. Jerry Goh. Prior to this, Mr. Goh was the general manager of Holiday Inn North Chongqing.

With over 30 years of experience in the hotel industry, Mr. Goh held senior management positions in China, Australia, Singapore and Indonesia. He used to be the resident manager of Holiday Inn Urumqi and the general manager of Holiday Inn Guilin from 1991 to 1994. Mr. Goh and his team are fully confident they can beat the keenly competitive market and realize significant improvement at Holiday Inn Downtown Beijing.

### Mandarin Oriental, Beijing

Pierre Barthes, most recently General Manager of Mandarin Oriental, Macao, has moved to Beijing to open Mandarin Oriental, Beijing, which is set to become the finest luxury hotel in the city. Located in the landmark new headquarters of China Central Television (CCTV) in the central business district, the hotel is scheduled to start business in time for the Beijing 2008 Olympic Games. As a French native, Mr. Barthes brings with him more than 20 years' experience in the hospitality industry. He joined Mandarin Oriental Hotel Group in 1998 and held a variety of senior management positions in the group's U.S. hotels. Prior to his Macao appointment in 2004, Mr. Barthes was resident manager at Mandarin Oriental, New



York, where he contributed to the successful opening of the hotel.



### The Radisson SAS Hotel Beijing

The Radisson SAS Hotel Beijing is pleased to have accommodated Madame Maud Olofsson, Swedish Vice Prime Minister, and her delegation during her official visit to Beijing. Madame Maud Olofsson was warmly welcomed by Mac Karlsson, general manager of the hotel, upon her arrival at the hotel.

### Swissotel Beijing Hong Kong Macao Center

Swiss cheese fondue is a dish made by combining two or more cheeses (most often Emmentaler and Gruyere) with dry white wine and then melting them together to form a smooth liquid consistency. Guests take crusty bread cubes and dip them into the cheese mixture with long skewers. Fondue dining is based on the concept of relaxed eating from a common pot. Not



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# Is the Writing on the Wall?

The ancient script of the Shui ethnic minority teeters on the brink of extinction, amid efforts to save this intangible heritage

By ZAN JIFANG

Pan Zhongxi daily laments her son's inability to grasp the language of their Shui ethnic group. "My husband and I speak Shui at home, hoping our son can learn the language, but so far although he understands us, he cannot speak any of the words," said Pan, Director of the National Institute of Sandu Shui Autonomous County in southwest China's Guizhou Province.

Pan's 14-year-old son receives his education in Mandarin and, like most Shui ethnic children whose parents have moved to towns or big cities to make a better life, he is one of the younger generation who seems unlikely to carry on the ancient language of his people.

## Avoided unification

The Shui is one of China's 56 ethnic groups, living mainly in Guizhou with a population of around 400,000. Almost half of the Shui people live in Sandu, making up 64 percent of the total population of the county.

This ethnic group is one of the oldest in China and boasts its own language and a unique writing script.

The Shui characters, called *shui shu* in Mandarin, have existed for several thousand years. Having a similar appearance to hieroglyphics, Shui characters comprise many signs that resemble flowers, birds, worms,

fish or other things found in nature, and even symbolic animals such as dragons. In academic circles these characters are seen as a living example of hieroglyphics, as they are still used today.

*Shui shu* has a double meaning—one is the writing script of the Shui ethnic group, and the other is the books written in Shui characters, which normally cover astronomy, calendars, geography, religion, folk customs and ethics, almost like an encyclopedia of the Shui. It is regarded as extreme disrespect to sit on, step over or in any way defile the script.

According to Pan, who has devoted more than 10 years to the study of Shui culture, the current research proves that this ethnic group originally lived in the northern part of the country, located in today's Henan Province. But later, because of wars, the ancestors of the Shui moved southward.

The migration meant that the Shui script avoided the unification of characters by Emperor Qinshihuang (B.C.259-B.C.210), the first monarch of China who unified the country during his reign. Not every character in the spoken Shui language has a corresponding script, and the spoken language is far richer than the written form, according to Pan.

## A dying breed

But with the modernization, this old writing style has gradually faded into obscurity.

Pan introduces, only a select group of about 500 *shui shu* masters can read the script.

These masters command a high status in the Shui ethnic group, and are highly respected by others. They play a very important role in the life of Shui people. All important activities, such as house building, weddings, funerals or ancestor worship, require the presence and assistance of *shui shu* masters. These masters can determine the right season, date and even time of a day to hold such activities or ceremonies.

Pan also stresses the importance of the masters to the passing-on of this old language and its mysterious script. "Every master is like a museum of Shui culture, and as they pass away, part of our history will be lost with them," she said.

In many cases, when a master dies, his family will burn his *shui shu* books as part of the death process, as he has no successor, Pan said.

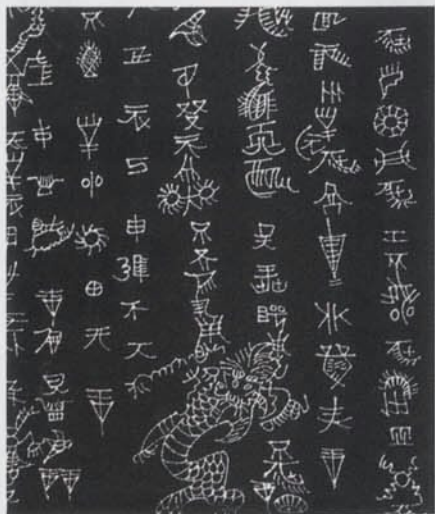
Originally, the passing-on of *shui shu* knowledge is through the word-of-mouth method, such as a father teaching his sons or a master receiving one or two students. Only men can be taught this knowledge.

But the current problem is that less and less young people are interested in learning things that are of little use in their modern life.

According to an investigation, in Sandu, very few young and middle-aged Shui peo-



RECORDING HISTORY: Pan Zhongxi, bent on saving the centuries-old Shui script



ANCIENT TEXT: *Shui shu* is regarded as a living example of hieroglyphics

ple have a basic knowledge of *shui shu*, and among teenagers aged from 7 to 16 years, no one can read Shui characters.

"It's a serious problem," said Pan, "as most of these masters are now older than 60, and we are at a loss of how to replace them."

*Shui shu* is the very essence of the Shui culture, which, Pan said, is why the state is making efforts to rescue it. "If this script disappears we will have lost our history," said Pan.

### Keep the flame burning

To find more materials to assist with the study of *shui shu*, Pan and her colleagues often visit remote Shui villages to collect script books from villagers and *shui shu* masters.

The masters have also made their contribution to the preservation of the old language and writing scripts. Meng Xineng is one of the famous *shui shu* masters in the region who has offered his services to the local government to translate *shui shu* books into Mandarin.

This rescue work has had exciting results. Researchers have found more than 1,400 old characters or signs, and some of them are similar to those on the unearthed potteries of China's Xia Dynasty (2070 B.C.--1600 B.C.), based on which experts guess that the ancestors of the Shui people could very likely have originated in the Xia Dynasty.

There are also some contents found to be closely related with *I Ching*, or *Book of Changes*, an ancient Chinese divination manual and book of wisdom.

The county where Pan lives has now published a series of easy-to-learn textbooks about the history, folk customs, language and writing characters of the Shui, aiming to continue the ethnic culture from childhood.

"We intend to cultivate the Shui identity in our children. It is a natural duty of every parent to make their children familiar with our own language and characters and not to forget our own ethnic culture," said Pan.

The textbooks are used in primary schools in local areas and *shui shu* masters have been invited to give lectures at schools.

Another important work that Pan and her colleagues have undertaken is to record the knowledge of *shui shu* masters. She says the majority of the background to the Shui is not found in books but in the memories of the masters.

All these efforts seem to be reaping dividends. More and more Shui people are now aware of the value of their language and scripts. Some young people have started to learn *shui shu* from masters, giving a ray of hope.

In June 2006, China listed *shui shu* as one of the intangible cultural heritage of the country, which ensures that the old and mysterious scripts will be well protected and passed on to future generations. ■

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January 19-27, 2008  
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Venue: Beijing Exhibition Theater  
Tickets: VVIP/VIP/880/680/480/280/180/80 yuan



December 29  
**Qi Baoligao Morin Khuur Concert**

Venue: Beijing Exhibition Theater  
Tickets: undetermined



December 14  
**Tsai Chin Old Songs Vocal Concert 2007, Beijing**

Venue: Beijing Worker's Stadium  
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November 23-December 6

**Prison Break by Imperial Decree—multi-media vaudeville**  
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**A Xin 2007 Christmas Vocal Concert, Beijing**

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# Should the Car Free Day Initiative Be Compulsory?

When the Central Government decided to cut down on pollution by calling for a Car Free Day in September, many thought it was a flash in the pan. But on October 27, Kunming, in southwest China's Yunnan Province, continued with the practice when private cars were banned from city streets. Now the last Saturday of every month is officially "car free" in the city, apart from public transportation, police and emergency vehicles, making Kunming the first city in China to adopt this initiative on a regular basis.

Kunming's streets are a traffic nightmare as the number of private cars grows each month.

With no subway system, traffic on more than 80 percent of artery roads and streets crawls along at an average speed of 10-21 kph at rush hour.

The new Kunming initiative came about after it was discovered that on the national Car Free Day, the major indices of pollutants, including carbon-hydrogen compound and nitrogen dioxide, dropped 55.9 percent and 45.1 percent in the city, respectively, as exhaust fumes from motorized vehicles were reduced, in addition to a 2.6-decibel decrease in noise level with a 41-percent decrease in the number of on-road vehicles.

Du Lingang, Deputy Secretary General of the Kunming Municipal Government, said that the local government has adopted the "car free

day" program on a monthly basis to promote the concept of green living through advocating public transportation.

Frequent vehicle restrictions have triggered debates among the public. Some civilians questioned the legitimacy of this move, saying that it is improper to promote environment-friendly concepts through the use of administrative power. They say there should be strict rules for the government to exercise its power so that people will feel they are free to be socially responsible on their own terms.

The costs for the car free proposal in China are substantially different from in Western countries where car owners are totally exempted from additional financial costs. If they choose not to drive their cars, they don't have to pay the fuel tax. But in China, owners of motorized vehicles pay for road maintenance on an annual basis. So, if Chinese drivers are not allowed to drive on car free days, for which they have paid road usage in advance, they will definitely suffer financially.

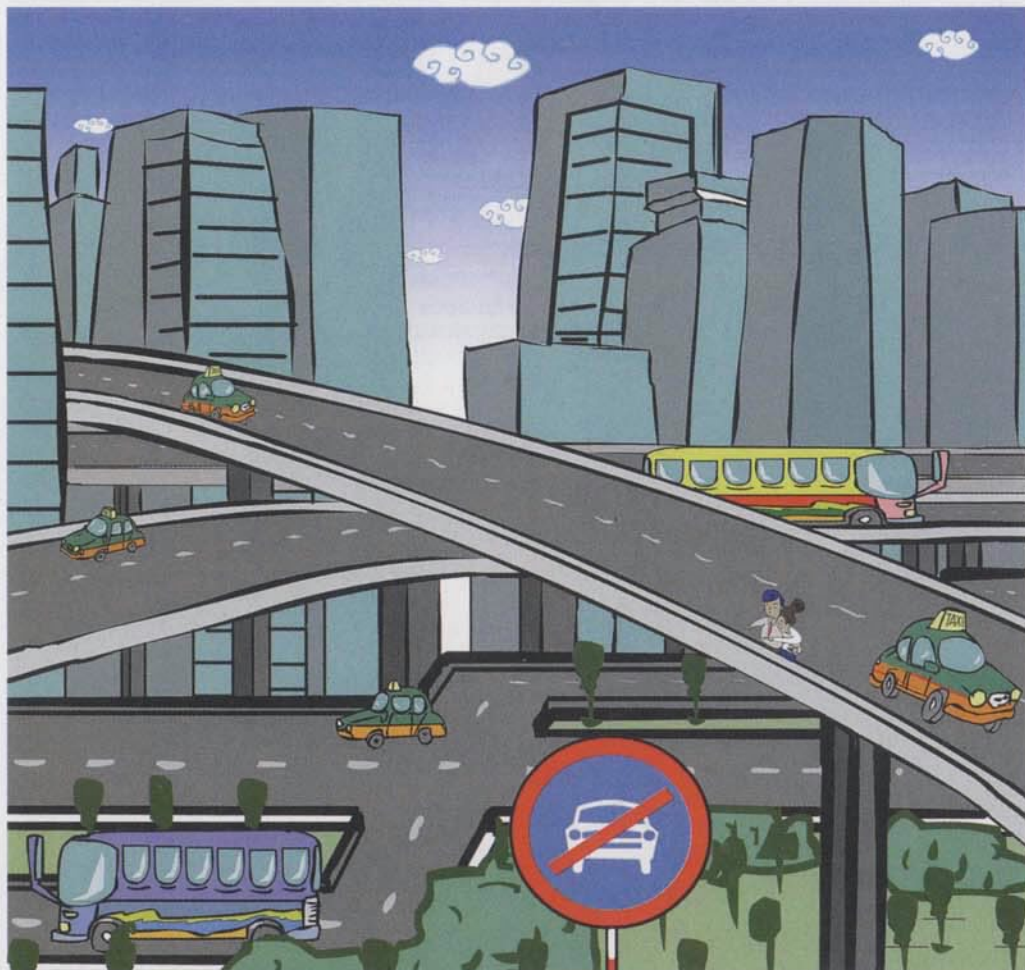
Considering the controversial legal basis for such a decree, people asked whether confining their cars at home has deprived them of their rights on free use of private possessions, or if their road use charges would be refunded.

Others complained of China's far less developed public transportation infrastructure in some areas. As a matter of fact, more pressure has been in place after the car free policy was adopted in some cities, where public vehicles were overloaded, or even close to collapse by the sudden increase of passengers. Take Kunming for example. According to local transportation authorities, public transport is capable of accommodating only 23.5 percent of the total volume of commuters, and city dwellers say there is insufficient public transport when they are not allowed to use their own cars.

An overwhelming majority of citizens opt to take the most speedy, efficient and economical mode of transport, while the government is keen to further promote emission control policies to save energy resources and soothe transportation and environmental woes. The best solution would be that both sides can compromise to meet their respective needs.

## One size doesn't fit all

Shu Shengxiang (*Hefei Evening News*): Good city planning and advanced management experience fail to function once they are transplanted to different locations. That is not because of





system deficiency, but wrong localization strategy, meaning how to maintain the essence of the system after it is moved is key.

Local governments are usually more interested in seeing instant effects of eased traffic congestion, namely saved fuel, reduced pollution and less traffic accidents on no car days, instead of considering the opinions of affected car owners.

It is a temporary solution for traffic and environment problems at best, and it cannot bring a dramatic change in mindsets on environmental awareness in the long term.

To improve the efficiency of traffic planning and utilization of public resources, a simple traffic control is far from enough. The major value of this car free campaign is set to raise people's awareness in the protection of environment, and to exploit more potential capacity of public transport.

**Yang Tao (Sanxia Evening News):** It is of no great help to soothe traffic jams and reduce pollution levels by a dictated policy. People will naturally resort to more green traveling methods through changing their outlook. A policy may curb pollution and congestion each day a month, but it cannot be effective all year around. It is better to improve the efficiency of public transportation.

Private property and the right to use it are protected by the newly released Real Right Law, and there is no exception to privately owned cars.

**Liao Dekai (Youth Daily):** The launch of a car free program has largely displayed the government's determination in resolving traffic and pollution issues that have long been a concern to the public, however, all that should be preconditioned on legitimacy. The national car free day, advocated by the Central Government, is held only once a year, and this frequency speaks volumes.

Meanwhile, this event discloses Kunming local government's lack of intelligence in governance due to its shortage of methods to deal with public emergencies.

**Mao Jianguo (www.china.org.cn):** Transport control is a possible way to improve environmental and traffic conditions. But the results are achieved at the expenses of the people who own private cars, and it is absolutely

unfair on them. The real car free living can be realized by people's enhanced social and environmental awareness, and their willing support of public transport.

It is too easy to solve all related problems by banning private cars. Those in positions of power who are too lazy to resolve the most complicated problems by the simplest method can only add fuel to the fire.

### Car bans needed

**Hong Qiaojun (Jiangnan City Daily):** It is unfair to prevent car owners from using their own possessions. However it is equally unfair for those who are not using cars to breathe the polluted air from car exhausts.

Critics, on one hand, complained of traffic jams, high emissions, and heavy pollution, and thus they suggested the initiative of this car free campaign. Yet when the government followed through with the suggestion, it was accused of impinging on individual rights. But the government is only a guardian for the rights of a vast majority, rather than each individual.

If more people can be made aware of the relationship between man and nature through banning cars, the point has been made.

**Xu Guangmu (Dahe Daily):** While we fully enjoy the comfort and convenience brought by modern inventions like automobiles, we are deeply troubled by its increasingly obvious side effects such as environmental pollution, traffic congestions and huge consumption of energy resources.

But today, more and more people are getting used to traveling by private cars, and there needs to be outside intervention to help them change their traveling habits.

The car free initiative that aims at fostering a more healthy, environment-friendly and civilized lifestyle, may encourage more people to choose alternative environment-agreeable ways of traveling.

**An Ping (Changjiang Times):** Kunming's local government is being accused of imposing compulsory car bans on citizens. Actually, it is the same as some other regions around the world. For example, private cars are banned in downtown Paris. We need more time to test the efficiency of the new traffic policy before drawing hasty conclusions. ■

### 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:** What has caused the Chinese people's dilemma on the reform of their holiday system?

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

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EXCELLENT SKILL: Chefs prepare to make Taiyuan's famous noodles

JIAN HONG DING

around is not much trouble. On weekends, I get downtown by walking, always taking a minute or two to pause on the Fenhe Bridge. Here people feed the fish in the river below and fly exotic looking kites. It's always worth a stop.

And public buses in Taiyuan do not resemble over-stuffed sardine cans.

Ok, let's get something to eat. As Shanxi is famous for noodle dishes, there are a great number of restaurants of this type. Though it's been eight years, I still have yet to complete the list of noodle possibilities. I'm working on it.

I must mention Taiyuan vinegar! If you haven't tasted Taiyuan vinegar, your tongue has missed something. I will state flatly, hands down, nowhere else in the world, nay, the universe, could there be better vinegar than the Taiyuan variety.

Foreign foods, of the fast or regular speed, we've got as well.

Finding a McDonald's or KFC in Taiyuan is about as tough as finding eggs in a chicken coop. Downtown also has a few good coffee shops.

As mentioned, shopping in Taiyuan is quite reasonable. Supermarkets, clothing stores, and media shops are all within easy reach. The Foreign Language Bookstore, while unable to compete with the big boys in Beijing, is nonetheless quite good.

All these favorable conditions, psychologists tell us, affect people's outlook. Maybe that's why the people of Taiyuan are so friendly. The pace of this city is not breakneck, not hectic. Consequently, people tend to behave with a bit more patience and more civility.

So, yes, we do have a problem with pollution in Taiyuan (although over the last few years the severity has lessened), and no, you can't make as much money here as you would in Beijing or Shanghai (but, then again, prices are not so high here). Still, Taiyuan has something about it that has kept me here this long, and the way things are looking I'm probably going to be around for some time to come. ■

## The Real Taiyuan

By ROBERT T. TUOHEY

Having lived in Taiyuan City, Shanxi Province, for some eight-and-a-half years, I think it's not unreasonable to call me a pretty fair judge of the place. In the time I've been here, I've seen everything from the size of the roads to the quality of the water improved. In fact, I can even remember when there were no convenience stores, which now dot the city. Or, to use another example, when our Internet connections were about as predictable as a baby's bottom—now it's all broadband.

Yet, despite all these developments, for the foreigner (prey to guidebooks and the Internet) or the Chinese citizen (repeating run-of-the-mill non-wisdom), the name Taiyuan conjures up just one dusty word: pollution.

Well, folks, I'm here to tell you that there's a whole lot more to Taiyuan than just smoke.

To begin with, the city is nearly ideal in terms of area-size in relation to popula-

tion density: The 2.8 million people here can comfortably fit into the 7,000 square km of the city. This ratio, in combination with the economic boost of the last few years, permits the residents here to enjoy a wide range of goods and services at moderate prices, and yet not deal with the overwhelming, unmanageable aspects found in mega-cities.

True, in major cities of modern China almost anything you want can be bought—but first you've got to go through the fiasco of finding it. Now, maybe in Taiyuan that latest model MP3 that simultaneously clips your toenails and washes the dishes isn't available right this minute—but we will have it in a month or so. And not only do I know exactly where to look, but it'll only take us 20 minutes to get there.

You see I want a city that is hard to get lost in; a city that makes you feel at home. With one big thoroughfare, Yingze Dajie, moving from east to west, the train station is at the top and the old bus depot way down at the other end, you always know where you are.

Naturally, with a city this size, getting

The author is an American lecturer living in Taiyuan

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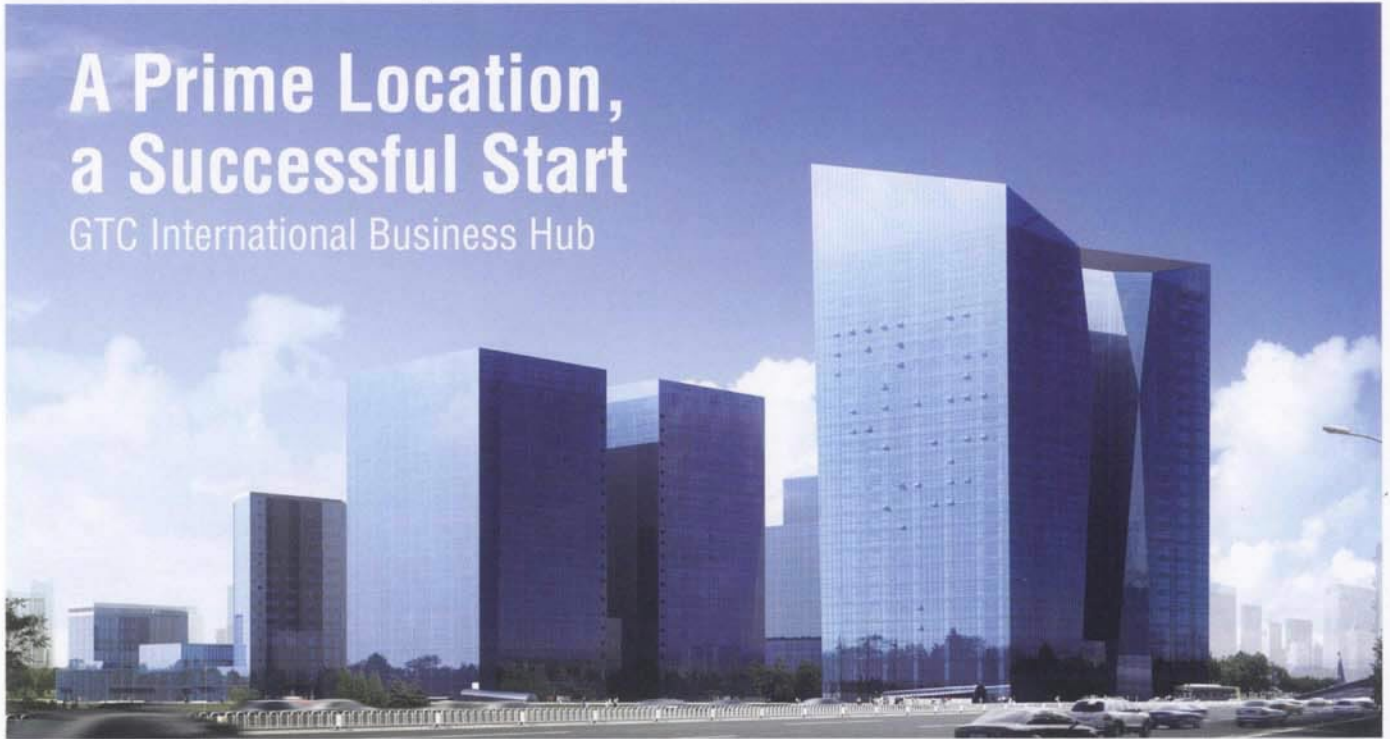
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