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Legal Counsel: Yue Cheng

North America Bureau
Deputy Chief: Ding Ying
Tel/Fax: 1-201-792-0334
E-mail: dingying@bjreview.com

Africa Bureau
Chief: Li Jianguo
Tel: 27-71-6132053
E-mail: casa201208@hotmail.com

General Editorial Office
Tel: 86-10-68996252
Fax: 86-10-68326628
English Edition
Tel: 86-10-68996250

Advertising Department
Tel: 86-10-68995807
E-mail: ad@bjreview.com.cn
Distribution Department
Tel: 86-10-68310644
E-mail: circulation@bjreview.com.cn

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A Positive Signal

The Chinese economy always receives attention from the international community. According to data released by National Bureau of Statistics on January 18, the Chinese economy maintained sound growth in 2017, better than expected.

China's economic development remains stable, ramping up confidence in global growth. There were some pessimistic views about China's economy. Especially when China's GDP growth went down in 2014, some international media and economists talked a lot about the bleak prospects of the Chinese economy. The latest data show that China's economy grew 6.9 percent year on year in 2017, well above the official target of around 6.5 percent. The predictions of China's economic bust have collapsed.

By deepening reform, the Chinese economy grows with improved quality and efficiency. The Chinese Government has taken a series of measures to hasten the shift from heavy pollution and high energy consumption to energy saving and environment friendly industries. China is embracing the boom in the fields of new energy, high technology and environmental protection. Some economists fear that the shutdown of so many polluting factories might lead to GDP plummeting and serious unemployment. Actually, while the energy consumption per unit of GDP is dropping significantly, earnings of enterprises, fiscal revenue of the government and residents' incomes are growing. Thus, shifting the economic growth model is beneficial to all.

China's growing investment abroad

has a positive influence on the global economy. Many countries have expressed a warm welcome for China's investment. Throughout 2017, Chinese investors made direct investment of \$120 billion in 6,236 enterprises in 174 countries and regions. The countries which participate in the Belt and Road Initiative remain the most attractive destinations for Chinese investment. China's investment is playing an important role in promoting shared development across the world.

Chinese companies have increasingly branched out in recent years. But China remains one of the most attractive countries for international investment. In the past two years, the assertion that capital was fleeing from China made headlines in some Western media for a time. But the statistics of foreign investment in China in 2017 proved this assertion wrong. Last year, the number of newly established enterprises in China by foreign investors reached over 35,000, up 27.8 percent year on year. Foreign direct investment that was implemented last year reached 877.56 billion yuan (\$136.5 billion), up 7.9 percent year on year. While making efforts to improve its business environment, China has issued a policy to guide foreign investors to adjust their investment structure. Hi-tech industry has become the field that attracts foreign investment most.

It is a great contribution to the world as China, the second largest economy in the world, keeps its economic growth sound and sustainable. In a sense, the healthy Chinese economy is a boon to the whole world. ■

WRITERS



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地址：北京市西城区百万庄大街24号 邮编：100037

编委会：李雅芳 罗先勇 李建国 丁志涛 李振宙 曾文丹

社长：李雅芳

总编室电话：(010) 68996252 发行部电话：(010) 68310644

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THE FIRST CLONED MONKEYS

Two cloned macaques named Zhong Zhong and Hua Hua play at the non-human-primate research facility under the Chinese Academy of Sciences in Suzhou, Jiangsu Province, on January 22. China announced it successfully cloned the world's first macaques from somatic cells on January 24. The development makes research with customizable populations of genetically uniform monkeys a possibility.

Since Dolly the sheep was successfully cloned from an adult cell in 1997, other mammals have also been cloned, but macaques, which are closely related to humans, have been a challenge. This success means China will be a pioneer in disease and brain science research by taking cloned macaques as animal models.



Harvest Dance

Villagers dance to celebrate the New Year in Chusong Village in Xigaze, southwest China's Tibet Autonomous Region, on January 17. In Xigaze and other farming regions in Tibet, people celebrate the New Year on the first day of the 12th month of the Tibetan lunar calendar. According to local farming tradition, the spring ploughing season always begins on the New Year, thus celebrating one month earlier meets the needs of local agriculture.

Hydrogen City

Wuhan, capital of central China's Hubei Province, will build itself into a hydrogen city through developing its hydrogen energy industry, according to a recently released city development plan.

The city is to advance the research and development of core technology for hydrogen production, storage and transportation, improving hydrogen infrastructure over the coming years.

A hydrogen energy industrial park is expected to be built in the city, gathering more than 100 fuel cell automakers and related enterprises, the plan said.

The city will build up to 20 hydrogen fueling stations from 2018 to 2020 to support the running of around 3,000 hydrogen powered vehicles.

Wuhan is scheduled to become a world hydrogen city by 2025, with three to five trailblazing hydrogen enterprises and 30 to 100 hydrogen fueling stations. The annual production value of hydrogen fuel cells for vehicles will exceed 100 billion yuan (\$15.63 billion), the plan added.

"Despite a late start, China has made rapid progress in hydrogen development, mastering the core technologies of the hydrogen fuel cell," said Zhang Qingjie, President of Wuhan University of Technology.

TCM Innovation

According to a statement from the State Administration of Traditional Chinese Medicine, China will continue to push forward technological innovation in traditional Chinese medicine (TCM), with plans to build

more TCM labs and research centers in the near future.

The administration highlighted the development of the TCM industry during the past five years and also promised the further promotion of TCM.

Wang Guoqiang, head of the administration, said that in addition to the Nobel Prize in Physiology or Medicine won by pharmaceutical chemist Tu Youyou in 2015, 41 new TCM discoveries have won state science and technology awards since late 2012.

Over 400 ancient books on TCM have been edited and published during the past five years, Wang added.

According to recent figures provided by the administration, about 17.5 percent of all patients in China are treated with TCM.

As of September 2017, 20.4 million patients had been discharged from TCM hospitals, accounting for 15 percent of all discharged patients in the country, the administration said.

Currently, 67 percent of town-level and community health centers have TCM units, totaling more than 30,000 nationwide. By September 2017, there were 45,800 TCM clinics across China.

Safe Travel Rush

China's Ministry of Public Security has asked police departments across the country to guarantee the safety and flow of traffic during the upcoming travel rush for the Spring Festival.

Police should investigate and rectify potential safety risks before the 40-day rush starts on February 1, according to a notice issued by the ministry's traffic management bureau.

It also asked police to optimize the handling of traffic congestion, as around 2.98 billion trips are expected to be made during this year's holiday period.

Police should also step up emergency management and spare no effort in dealing with bad weather conditions such as low temperatures, snow and ice, the notice said.

It also stressed that traffic police and volunteers should be organized to provide services.

Infrastructure Upgrading

According to a notice jointly issued by several ministerial level departments, China plans to improve cultural, medical and scientific and technological infrastructure and services in rural areas, particularly those with high levels of poverty.

Free movie screenings and library services will be continued in remote villages and more scientific and technological infrastructure and services will be built, said the notice, which was jointly issued by the Publicity Department of the

Communist Party of China (CPC) Central Committee and other relevant departments.

Specialized medical teams will be dispatched to treat patients in former revolutionary bases, ethnic minority regions, border zones and impoverished areas, the notice added.

The CPC and relevant government departments should carry out events in poorer regions and provide favorable policies in these areas in terms of funding and services, it said.

The notice also called for contributions from individuals and private businesses.

Produce Quality

According to the Ministry of Agriculture, China will expand the range of its quality controls in order to improve food safety.

The ministry will add 28 monitoring indices, including some pesticides and veterinary antibiotics, to the current 94-item produce quality monitoring list.

Monitoring efforts will be targeted at vegetables, fruit, tea, livestock, poultry and seafood. The produce quality monitoring mechanism started in Beijing, Tianjin, Shanghai and Shenzhen in 2001, and now covers over 150 cities in 31 provincial regions.

The overall pass rate for sample testing stood at 97.8 percent in 2017, up 0.3 percentage points year on year.

The agriculture ministry has

called 2018 “the year of agricultural quality,” outlining major tasks, including promoting green production, wider quality monitoring and brand promotion.

Power Use

China’s electricity consumption, a key barometer of economic activity, rose 6.6 percent to 6.31 trillion kilowatt hours in 2017, official data showed on January 22.

The rate was faster than the 5-percent increase for 2016, according to data released by the National Energy Administration (NEA).

Electricity used by the service sector rose 10.7 percent last year, followed by a 7.3-percent increase for the agricultural sector and 5.5 percent for the industrial sector. Residential power use rose 7.8 percent, the NEA said.

Last year, China added 133.72 gigawatts of new power generation capacity, with 34.2 percent thermal power and 9.6 percent hydropower.

The rapid growth in power consumption came amid faster economic growth. China’s economy expanded 6.9 percent last year, picking up for the first time in seven years and well above the government annual target of around 6.5 percent.

Data from the National Development and Reform Commission showed that total power generation in 2017 rose 6.5 percent, with power from clean energy sources up 10 percent,



Getting Connected

Passengers use the in-flight WiFi on board Hainan Airlines flight HU7781 on January 18. On that day, China Eastern Airlines and Hainan Airlines began allowing passengers to use portable electronic devices such as smartphones and tablets although devices must still be switched to the airplane mode while in the air. Several other Chinese airlines are considering similar moves.

outpacing the 5.2-percent growth for thermal power.

Electricity from nuclear, wind and solar power plants rose 16.5 percent, 26.3 percent and 75.4 percent, respectively.

Tourism Growth

Northwest China’s Xinjiang Uygur Autonomous Region welcomed a record high of 107 million tourists in 2017, up 32.4 percent year on year.

The number was announced by Shohrat Zakir, Chairman of the Xinjiang regional government, when he delivered a government work report at the ongoing session of the regional people’s congress.

In addition, tourists spent over

182 billion yuan (\$28.4 billion) in Xinjiang last year, 30 percent more than in 2016.

As tourism is seen as a barometer of stability and harmony, Zakir said, Xinjiang’s tourism performance “shows again that Xinjiang is a great place.”

During the past year, improved social stability has provided conditions and guarantees for Xinjiang’s economic and social development, giving residents a better sense of security, he said.

Calling tourism “an important pillar of industry with the greatest potential” in Xinjiang, the report said that the region should strive for at least a 30-percent year-on-year growth in tourist numbers for 2018.



Warmth in Winter

Volunteers offer *Laba* porridge to sanitation workers in Hefei’s Yaohai District, east China’s Anhui Province, on January 22. The *Laba* Festival, a traditional Chinese celebration on the eighth day of the 12th lunar month, fell on January 24 this year. It is customary on this day to eat a special porridge made with at least eight ingredients, representing people’s prayers for harvest.

Removing Barriers

China will target institutional barriers and deeply embedded interests in reform this year, said a statement from a Communist Party of China (CPC) reform leading group on January 23.

Priority should be given to reforms in key areas including state-owned enterprises and state-owned assets, monopoly sectors, finance and taxation, property rights protection, rural revitalization, social security, opening up, and ecological conservation, according to the statement, issued after the second meeting of the Leading Group for Deepening Overall Reform of the 19th CPC Central Committee.

President Xi Jinping, also General Secretary of the CPC Central Committee and head of the group, presided over the meeting and delivered a speech.

Xi highlighted the importance

of reform in 2018 and called for new breakthroughs with strengthened innovation and concrete efforts.

Reform should be more systematic, holistic and coordinated to seek substantive progress in fundamental areas, the statement said.

Leading officials should lead by example in reform, and more efforts are required in research and supervision of reforms, according to the document.

At the meeting, a plan for the group's work this year and guidelines for a series of reform measures were approved.

Asia Forum

The Boao Forum for Asia (BFA) Annual Conference 2018 will be held from April 8 to 11 in Boao, south China's Hainan Province, under the theme of "an open and innovative Asia for a world of greater prosperity," said BFA Secretary General

Zhou Wenzhong on January 25.

Increased anti-globalization and protectionist rhetoric and actions have caused setbacks in efforts to advance globalization, Zhou said at a press conference in Beijing.

In this context, the Asia-Pacific region needs development that is more open, better coordinated, more inclusive and more balanced than ever before, he added.

The BFA is a nongovernmental and nonprofit international organization with a purpose of promoting economic exchanges and cooperation within Asia and between Asia and other parts of the world. Since 2002, BFA has been holding its annual conference in the beach resort town of Boao.

This year's annual conference is scheduled to be divided into four modules—Globalization and the Belt and Road Initiative, an Open Asia, Innovation, and Reform.

Communication Satellite

Shijian-13, China's first high-throughput communication satellite, has been put into service after completing a key laser communication test, China National Space Administration said on January 23.

The high-orbit satellite has completed a two-way, high-speed laser communication test between the satellite and the ground, the first of its kind in the world, the administration said in a statement.

Serving users in China, the satellite will connect communication base stations in remote areas and meet the needs of distance education, digital news gathering, and emergency communication, said Li Feng, chief satellite designer at China Aerospace Science and Technology Corp.

The satellite, renamed *Zhongxing-16* after it was put into service, will provide better Internet access on planes and high-speed trains, according to the statement.

High-throughput communication satellites can form a communication network with larger transfer capacity and higher transfer speeds compared with ordinary satellites.

A communication network covering China and the Asia-Pacific region is expected to be established in 2020, as China sends more high-throughput communication satellites into space, said the statement.

Online Mediation Platform

China launched an online platform on January 24 to mediate copyright disputes to free all parties involved and mediators from traveling.

Applicants can choose mediators from other cities, since all steps, including application, testifying, cross-examination and mediation, are to be done online.

The platform not only saves costs, but shares resources across the country, said an official from



Access All Areas

The Chongqing-Guiyang high-speed railway, a crucial line in southwest China, is put into use on January 25, with a designed speed of 200 km per hour.



Joy Ride

Students ride shared bikes on a school campus in New Delhi on January 23. Chinese company Ofo has launched pilot projects in seven Indian cities, with 3,000 of its bikes to appear in the country by the end of January.

the Copyright Protection Center of China, a co-host of the platform.

From 2013 to 2016, the number of copyright registrations in China doubled from over 1 million to more than 2 million, said a report compiled in 2017 by the Standing Committee of the National People's Congress.

Since 2010, Chinese police have handled almost 10,000 criminal cases of copyright violation, detaining over 11,000 suspects.

Aviation Database

China's top aviation regulator partnered with U.S. companies to develop the country's aviation navigation database on January 24.

The Air Traffic Management Bureau with the Civil Aviation Administration of China inked a cooperation agreement with U.S. aviation solutions provider Jeppesen and industrial giant Honeywell to make a sound database for aviation navigation.

China is home to 235 civil airports, but only 66 of them can have their data entered into the aviation navigation database, posing risks to

flight safety, according to Che Jinjun, head of the Air Traffic Management Bureau.

Navigation is more demanding for aircraft than for other forms of transport in terms of data precision and timeliness.

China has been addressing its incomplete aviation navigation database for several years, and the partnership will help offer new solutions, according to Che.

Telecom Market

China is considering further opening its telecom market by granting private virtual telecom operators formal commercial licenses, the Ministry of Industry and Information Technology (MIIT) announced on January 24.

The draft decision came after over four years of pilot schemes in 29 provincial regions by 42 private firms.

Starting in 2013, qualified virtual telecom operators could resell mobile communication services under their own brand through leasing telecom operators' networks and facilities or other forms of cooperation.

The pilot schemes have served more than 60 million users and attracted private investment worth 3.2 billion yuan (\$50 million).

The formal commercial licenses are open to all qualified market players, including foreign-invested firms, according to Chen Jiachun, a senior official with the MIIT.

The MIIT will enhance market regulation to ensure information security and protect users' rights, Chen added.

More Housing Supply

Beijing plans to allocate 1,200 hectares of land for the building of residential houses this year, and more will be added to further develop the city's house rental market.

The remarks were made by acting Mayor Chen Jining while he delivered the municipal government's work report at the opening of the annual session of the Beijing Municipal People's Congress on January 24.

In 2018, Beijing will promote the construction of 2.9 million square

meters of joint ownership housing and 6 million square meters of commercial housing, for which the construction land has already been allocated.

Chen said the city would develop the rental housing market, especially the market for long-term renting, and further promote construction of rental housing on collectively owned rural land.

The city has seen no month-on-month growth in the prices of new commercial housing for 15 consecutive months, and the price index for second-hand homes has been dropping for eight consecutive months.

The city has introduced a spate of measures including higher down payments, higher mortgage rates and tougher purchase restrictions as well as joint property rights to cool its housing market.

Beijing supplied a total of 721 hectares of construction land for residential housing last year. In April 2017, the city announced plans to supply 6,000 hectares of land by 2021 in a bid to meet the market demand for residential housing.



Express Delivery

A cargo train loaded with mail sets off from Yiwu, east China's Zhejiang Province, on January 24, bound for Mataszewicze in Poland. The test run will make Yiwu the second city in China to offer a postal train service from China to Europe.



UNITED STATES

Demonstrators rally near Washington Monument during the Women's March in Washington, D.C., on January 20. Tens of thousands of people gathered across the country, demanding greater women's rights



TURKEY

Tanks patrol near the Turkish-Syrian border in Hatay Province on January 21. Turkish ground troops entered Syria's Afrin region that day to combat Kurdish military forces



THE PHILIPPINES

A plume of ash rises from the crater of the Mayon Volcano in Albay Province on January 23. Local authorities raised the alert level from three to four on January 21, meaning that a "hazardous eruption is imminent"





ETHIOPIA

Participants of the 35th Ordinary Session of the African Union Permanent Representatives Committee pose for a group photo at the headquarters of the pan-African bloc in Addis Ababa on January 22. The conference kicked off that day



MALTA

A large marionette is paraded through Triton Square in Valletta on January 20 to celebrate the city being officially named European Capital of Culture for 2018



LIBERIA

The newly elected President George Weah (second right, front) swears in on January 22 in Monrovia. Weah vowed to bolster the weak economy and eradicate corruption of his country



↓ GENIUS BROTHERS HONORED FOR INNOVATION

Chen Yunji (left) and **Chen Tianshi** are scientist brothers in the Institute of Computing Technology under the Chinese Academy of Sciences (CAS). They were honored as two of the outstanding scientists for sci-tech innovation in 2017 in Beijing on January 21.

Born in Nanchang, Jiangxi Province, in 1983 and 1985 respectively, the two brothers were geniuses in childhood. They finished primary and middle school much earlier than their peers and enrolled in the University of Science and Technology of China at the ages of 14 and 16 respectively. After graduation, they both entered CAS to undertake doctorates in computer science.

Yunji, the elder brother, participated in the research and development of China's own computer chip, Loongson, beginning in 2007. Tianshi joined Yunji's research team in 2010. They now work together in researching an AI-based chip called DianNao. The series chips of DianNao have been used widely for image identification, automatic piloting and language processing.



NEV Subsidies Discontinued

Legal Daily
January 23

It was recently announced by the Ministry of Industry and Information Technology that the Chinese Government will completely annul its subsidies for new-energy vehicles (NEV) by the end of 2020.

Recent years have seen subsidies greatly boost China's NEV production. By 2017, China had produced over 808,000 NEVs. China has ranked number one in the world in terms of NEV production and sales for several consecutive years. However, subsidies make auto companies addicted to such favorable policies.

Huge subsidies have lured a large number of investors to rush to invest in the NEV industry. There are around 300 NEV manu-

facturers in China, with nearly 5,000 types of NEVs appearing in the market or undergoing research and development. Some manufacturers even lack the qualifications to produce NEVs, and some that used to produce farm vehicles also rushed to transform themselves into NEV plants. The situation actually is hindering market order and the sustainable development of China's NEV sector.

Many NEV manufacturers seldom spend money on quality improvement, so their products fail to meet public demand in terms of performance, safety and design. Thus, more NEVs are produced than are needed in the market, resulting in a huge surplus.

The development of NEVs needs support from the government, but it can't count on subsidies for ever. Abolishing subsidies for NEVs will curb irrational investment and eliminate those incapable of operating this business properly, which in turn will help to forge bright prospects for China's NEV industry.

Hainan Island's Environmental Problem

China Newsweek
January 22

The Central Government's environmental inspection team recently released a report on Hainan Province, criticizing the south China island for not protecting the local ecological system and environment in the face of rampant real-estate development.

From August to September in 2017, the Central Government dispatched a team of senior officials and experts to Hainan Province to carry out a special inspection mission on environmental protection. On December 23, 2017, the working group issued the report based on their inspection tour. The report said that some local governments of cities and counties in Hainan Province pursued fiscal revenue from the booming real-estate development sector and ignored the importance of environmental protection and conservation, which has led to serious damage to the local environment. The inspection team also criticized the many reclamation projects for real-estate development which have destroyed original coastal ecological systems.

The Central Government's stern blame of local regulators shows the problems are very serious. As an island, Hainan has limited land resources for large-scale economic development. So, reclaiming land from the sea

“China is a colossal market where the middle class is looking for quality and innovation. French startups must consider this as part of their business plan.”

Thomas Vial, Director of the Tech and Services Department of Business France China, speaking in Paris about newly established French startups in China on January 24

“Compared to road transport, trains are much faster and can help save costs for companies.”

Zhang Haixia, Chief Operating Officer with Xinjiang Hongyunda International Freight Transport Agency, speaking about the China-Europe freight trains that set off from Urumqi, Xinjiang Uygur Autonomous Region, on January 24



became a “consensus” between developers and local regulators. With local government acquiescence, various real estate projects involving reclamation were able to pass strict examination and approval procedures. But this will ultimately damage the local environment and undermine sustainable development.

Recently, the Government of Hainan Province has been correcting its faults at full stretch and prohibits all real estate projects that spoil the environment. The public hope the local government will not limit the remediation action only to real estate projects. The government should mend its governance and implement sustainable development in all respects.

Building Rural Boarding Schools

Qianjiang Evening News
January 22

China’s poverty reduction efforts have entered a critical stage. The plan is not only to lift 70 million people out of poverty within several years, but more importantly, to prevent those who have been helped out from slipping back to poverty. In rural areas, the poverty relief to a large extent relies on education.

Currently, education in rural areas faces many problems. In some impoverished areas, primary school classrooms are almost empty. Some schools only have a dozen students and two or three teachers. In mountainous areas, students live far away from their schools, and thus the journey to and from school costs several hours every day.

In recent years, the Ministry of Education has implemented an action plan to build central schools for students scattered among different remote villages. But this approach cannot resolve all the problems. In fact, rural students need free-of-charge standard boarding schools that provide quality education and daily care from teachers. In rural China, a large number of students are left behind by their parents, who migrate to cities to make a living.

Furthermore, boarding schools are not just simply a school, but a complete premium education system which should be composed of quality teachers and curriculum, well-developed school bus services that ensure safety and save time for children, and safe and comfortable accommodation.

Particularly, children whose parents are working away from home in cities should be given special care. This scenario for boarding schools will not only help to improve rural education, but also uproot poverty in these areas once and for all.



CHINESE ARTIST BECOMES ACADEMICIAN OF FRANCE

Wu Weishan, Curator of the National Art Museum of China, has been honored as an academicien of Académie des Beaux-Arts, the national art academy of France. Wu becomes the second Chinese member of the French art academy. The first Chinese artist to receive such a lifelong title was eminent painter Wu Guanzhong.

Born in Dongtai, Jiangsu Province, in 1962, Wu Weishan graduated from Department of Arts of Nanjing Normal University in 1987. After further study at the European Ceramic Work Center and University of Washington, Wu worked as a professor at Nanjing University and founded the Sculpture Art Research Center in 1998. He was appointed as director of the Fine Art Research Center of the Chinese National Academy of Arts by the Ministry of Culture in 2009. Wu is also vice chairman of the China Artists Association.

As a renowned sculptor, Wu has won a number of artist awards in China and abroad, including the Pangolin Award and the National Award for Person of the Year in Chinese art.

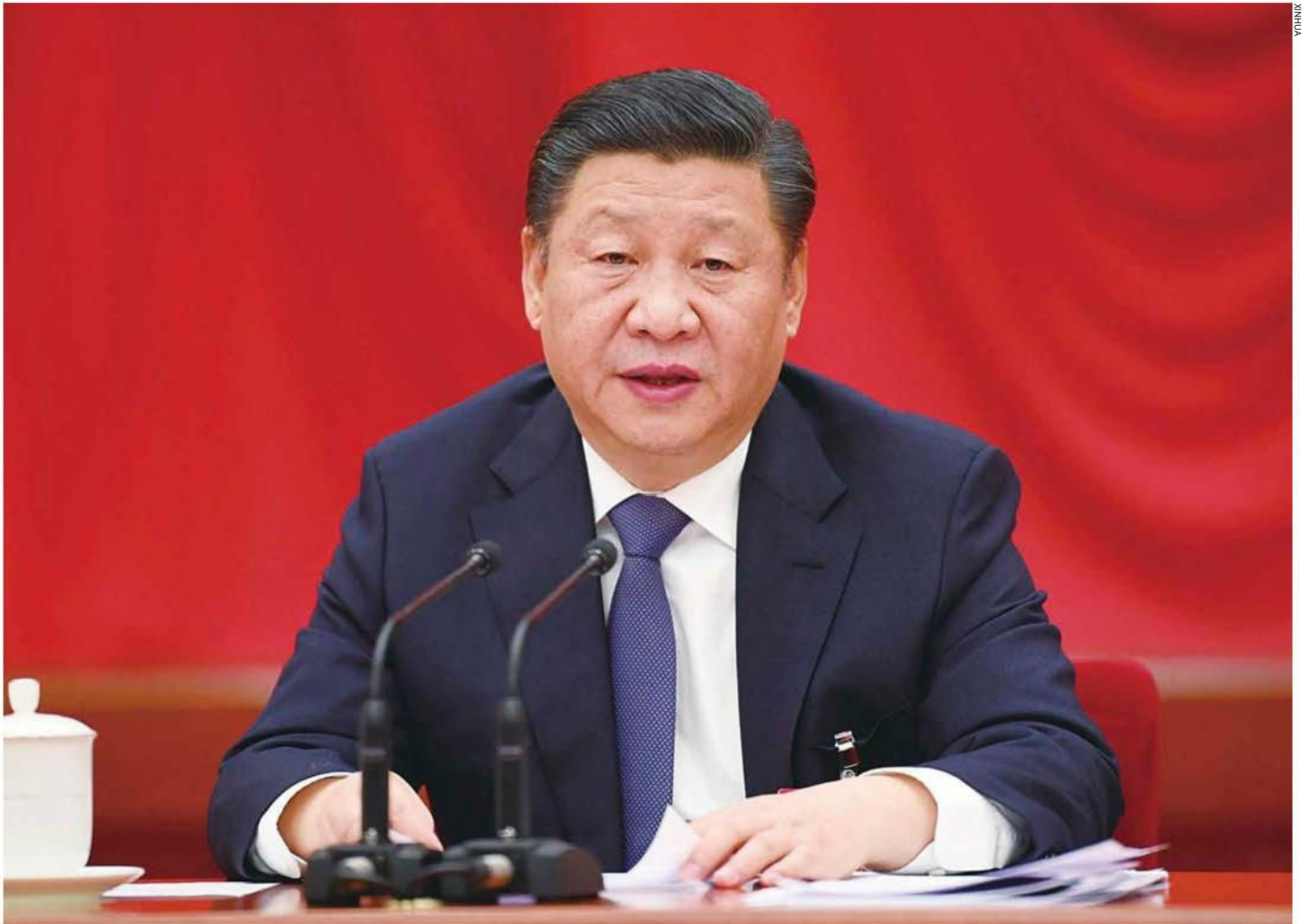


“Both Beijing and Shanghai are speeding up creation of science and innovation centers, and Hefei is also constructing an integrated science center.”

Xiang Libin, Vice President of the Chinese Academy of Sciences, speaking about China’s construction of scientific research centers during a conference in Beijing on January 24

“In the near future, China will plant its own retro-reflector on the moon, which will further boost the development of Lunar Laser Ranging in China.”

Li Yuqiang, an associate researcher with Yunnan Observatories, speaking about China’s first successful Lunar Laser Ranging test on January 22



Xi Jinping, General Secretary of the Communist Party of China (CPC) Central Committee, delivers a speech at the Second Plenary Session of the 19th CPC Central Committee, which was held in Beijing on January 18-19

Constitutional Upgrade

The Second Plenary Session of the 19th Communist Party of China (CPC) Central Committee was held in Beijing on January 18-19. At the meeting, a proposal from the CPC Central Committee on revising the Constitution was adopted. A communiqué was issued after the session. This article is compiled from reports by Xinhua News Agency.

The Communist Party of China (CPC) Central Committee on January 19 proposed writing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era into the Constitution of China, the country's fundamental law.

Major theoretical achievements, principles and policies adopted at the 19th CPC National Congress should be incorporated

into a revision to the Constitution, according to a communiqué issued after the Second Plenary Session of the 19th CPC Central Committee held in Beijing on January 18-19.

A proposal from the CPC Central Committee on the revision was adopted at the meeting.

New achievements, experiences and requirements of the development of the

Party and the nation should be embodied in the revised Constitution, according to the communiqué.

"We should keep pace with the times and improve the Constitution while maintaining its consistency, stability and authority," the document said.

The CPC Central Committee called on the whole Party to unite around it, with Xi

Jinping, General Secretary of the CPC Central Committee, at the core, and adhere to socialist rule of law with Chinese characteristics.

The session was presided over by the Political Bureau of the CPC Central Committee. Xi delivered a speech at the session. The session was attended by 203 members and 172 alternate members of the CPC Central Committee, members of the Standing Committee of the CPC Central Commission for Discipline Inspection, leading officials in charge of relevant affairs, some deputies to the 19th CPC National Congress elected from grassroots organizations, and experts.

At the session, the leaders reviewed and adopted a proposal for amending some parts of the Constitution. Zhang Dejiang, Chairman of the Standing Committee of National People's Congress, introduced the draft proposal at the session.

Why amend?

It is necessary to amend China's Constitution in the new era, said the communiqué.

The People's Republic of China enacted its first Constitution in 1954. In 1982, the Fifth National People's Congress adopted the present Constitution, which underwent four amendments in 1988, 1993, 1999 and 2004, respectively. The Constitution has played an important role in the development of the nation, said the communiqué.

"The Constitution has been improved together with the country's changing reality and development of the Party and the nation," the communiqué said.

Since the last amendment in 2004, the Party and the country have been through important changes.

"The 19th CPC National Congress made important strategic deployments in socialism with Chinese characteristics in the new era," the communiqué said.

It is necessary to amend the Constitution to incorporate theoretical, practical and institutional achievements made by the Party and the people, according to the communiqué.

The amending process should take Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Represents, the Scientific Outlook on Development, and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guide, according to the communiqué.

What is highlighted

Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era is a guideline that the Party and the nation will uphold in the long run.

The communiqué stressed that Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era is the latest achievement in adapting Marxism to the Chinese context and is the Marxism for contemporary China and the 21st century. The Thought should be a guiding ideology that must be upheld in the long term by the CPC and the country, according to the communiqué.

The leadership of the Party must be strengthened and upheld in all areas of endeavor. Adherence to the CPC leadership is listed as a principle in revising the Constitution, and leadership of the CPC is the essential attribute of socialism with Chinese characteristics and the greatest strength of the system, according to the communiqué.

The five-sphere integrated plan, which is to promote coordinated economic, political, cultural, social and ecological advancement, and the new vision of innovative, coordinated, green and open development that is for everyone, are vital for national rejuvenation.

The goals of finishing the building of a moderately prosperous society in all respects by 2020, basically realizing socialist modernization by 2035 and building China into a great modern socialist country by the middle of the 21st century are also emphasized.

Following the path of peaceful development, pursuing a mutually beneficial strategy of opening up and promoting the building of a community with a shared future for mankind are of great significance to the cause of peaceful development for humanity.

The reform to establish a national supervisory system, which is under the Party's leadership and covers all who exercise public power, is a significant political system reform and a major decision to strengthen the self-supervision of the Party and the state.

All shall obey the Constitution

The communiqué stressed the important role of the Constitution in state governance and pledged to guarantee its implementation.

"Efforts to adhere to the rule of law should give priority to the rule of the Constitution. Efforts to adhere to governing by law should put governing in line with the Constitution in the first place," the document said.

"All anti-Constitutional behavior shall be corrected, without fail," said the communiqué. "No organization or individual has the power to overstep the Constitution or the law."

All people, state organs, armed forces, political parties, civil groups, public institutions and companies should take the Constitution as their fundamental guide.

"People at every level of public office, especially leading officials, should exercise power and work according to the Constitution and the law, and subject themselves to the supervision of the people," the communiqué stressed.

Significance

Enriching major institutional provisions in the Constitution would play an important role in improving and developing the system of socialism with Chinese characteristics, said the communiqué.

The revision of the Constitution will provide a powerful guarantee for the development of socialism with Chinese characteristics in the new era.

As the Constitution is at the heart of the Chinese socialist system of law, adherence to the rule of law should give priority to the rule of the Constitution.

Efforts to adhere to governing by law should make governing in line with the Constitution a priority. This experience, which is learned from the history of China's development, should be treasured.

Since the 18th CPC National Congress in 2012, the CPC Central Committee with Xi at the core has led the country to stick to and develop socialism with Chinese characteristics, establishing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.

The proposed revision can keep the Constitution at pace with the development of the Party and the country while maintaining its consistency, stability and authority.

This is an endeavor by the CPC Central Committee to deliver its concept of governance in line with the Constitution. The CPC will also strengthen oversight to ensure compliance with the Constitution, advance constitutional review and safeguard the authority of the Constitution.

Since 2012, the CPC Central Committee has taken significant measures to safeguard the dignity and authority of the Constitution, such as by establishing the National Constitution Day and a mechanism to pledge allegiance to the Constitution.

The proposed revision will enhance the implementation of and adherence to the Constitution by the whole society, boost the confidence of grassroots organizations on reform and development, and provide constitutional guidance for various sectors to speed up reform. ■



COVER STORY

GOOD OMENS

New technologies and business models provide impetus for economic development By Deng Yaqing



role in fueling the economy,” Xu Hongcai, deputy chief economist of the China Center for International Economic Exchanges, told *Beijing Review*. He added that the country’s residential income growth had frequently outpaced that of the economy by 0.2 to 0.3 percentage points in the previous few years, while it increased further to 0.4 percentage points in 2017.

Significant changes are underway in the national economy. According to the NBS, consumption, investment and foreign trade contributed 58.8 percent, 32.1 percent and 9.1 percent, respectively, to economic growth in 2017. China’s economy has shifted from being driven by investment alone to a combination of investment and consumption, from just manufacturing to a mix of manufacturing and services, and from just exports to both imports and exports, said Ning.

Quality growth

Behind the better-than-expected growth registered last year were improvements in quality, efficiency and structure of the economy, said Yan Pengcheng, spokesman for the National Development and Reform Commission (NDRC), stressing that progress has been made in the major aspects of supply-side structural reform.

The targets set for coal, iron and steel de-capacity were reached, the debt-to-asset ratio of industrial enterprises above a designated size—annual principal business revenue of more than 20 million yuan (\$3.13 million)—went down by 0.5 percentage points, the floor space of commercial buildings decreased by 110 million square meters from 2016, and tax and fee cuts totaled 1 trillion yuan (\$156.5 billion) in 2017. From January to November 2017, industrial enterprises above a designated size reduced their costs by 0.28 yuan (\$0.04) per 100 yuan (\$15.65) of income from their main business operations, while investment in agriculture and water conservancy as well as in ecological protection and pollution treatment went up 16.4 percent and 23.9 percent, respectively.

According to the NBS, the national industrial capacity utilization rate reached 77 percent, its highest in the past five years. ►►

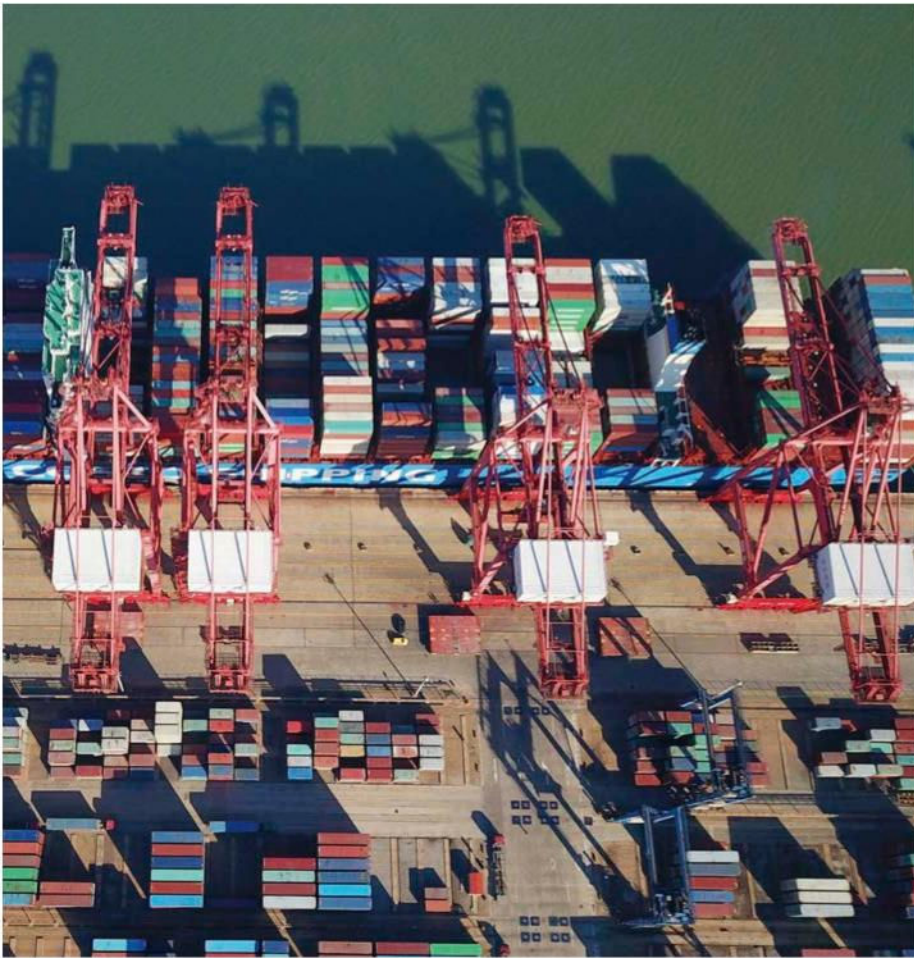
In 2017, China’s year-on-year economic growth rebounded to 6.9 percent following six straight years of slight deceleration, with its total GDP surpassing 80 trillion yuan (\$12.5 trillion) despite a host of challenges at home and abroad. The pace of expansion is 0.4 percentage points higher than an official target of 6.5 percent.

“National economic growth is stable with good momentum, exceeding our expectations,” said Ning Jizhe, head of the National Bureau of Statistics (NBS), at a press conference on January 18, explaining that in pushing forward supply-side structural

reform, China’s economy is pursuing structural improvement, a shift of growth engines and quality growth.

Ning also cited the 1.6-percent growth of the consumer price index, \$3.14 trillion of foreign exchange reserves and 13 million new urban jobs as indications of positive economic momentum. “The unemployment rate at the end of last December was lower than 5 percent,” he said.

“The stable growth of employment guaranteed the increase of residential income, and as income climbed steadily, consumption played a more prominent



A container terminal at Lianyungang Port in east China's Jiangsu Province on January 12

"As the scale of coal, iron and steel production goes down, changes have taken place in supply and demand, and the prices of related industrial raw materials have soared, encouraging enterprises with advanced capacity into production," said Xu.

The optimization of the economic structure also made headway. The value-added output by the service industry contributed 58.8 percent to GDP growth last year, 26.7 percentage points higher than the gross capital formation, Ning said.

Moreover, the per-capita residential disposable income increased by 7.3 percent year on year in 2017, outstripping the growth of the per-capita GDP.

"Policies designed to boost the service industry and small enterprises facilitate job creation, and the government's efforts to alleviate polarization have proven successful through targeted measures that help improve workers' caliber, promote the re-employment of unemployed workers and eliminate poverty," Xu said.

The process of replacing traditional growth drivers with new ones has been accelerated,

said Ning, suggesting that new technologies, industries, forms of business, models and products all flourished in 2017.

He appreciated China's achievements in science and technology, such as aerospace, artificial intelligence, deep sea exploration and biological medicine, saying innovation-driven development continued to gain momentum last year and new dynamic forces have grown rapidly.

New growth engines

A number of significant scientific and technological breakthroughs were reported in 2017, including the development of the C919 large jetliner, the Fuxing bullet train and quantum communications.

The value-added output by emerging strategic industries grew 11 percent year on year in 2017, the production of industrial robots jumped 68.1 percent, and the output of new-energy vehicles rose 51.1 percent.

According to statistics from the NDRC, investment in research and development grew at an average pace of 11 percent in the past five years, with the contribution of

scientific and technological progress rising from 52.2 percent to 57.5 percent.

Some of China's emerging sectors, such as the sharing economy, online shopping, mobile payment and gene detection, now rank alongside the best in the world.

"Some areas, which have made breakthroughs in economic transformation, upgrading and the formation of new growth drivers, and have endured the process of structural adjustment, can serve as a template for high-quality economic growth," said Yan.

Challenges ahead

"While some corporate bonds issued by local companies will expire in 2018 and 2019 and may face default, blind expansion and misconduct concerning some public-private partnership projects by local governments in the past few years may add to local government debts," Xu warned, suggesting that some of the risks lurking in China's financial system may yet return.

"Disorders in the asset management sector remain extant, and risks arising from Internet finance are still lingering and need to be tackled discreetly," said Xiong Yuan, a senior research fellow with the Pangoal Institution, a Beijing-based think tank.

Poverty alleviation is also an arduous task weighing heavily on the minds of China's policymakers. "Last year, more than 10 million people were lifted out of poverty. In the next three years, the country has to lift another 30 million people out of poverty, which is challenging," Xu told *Beijing Review*.

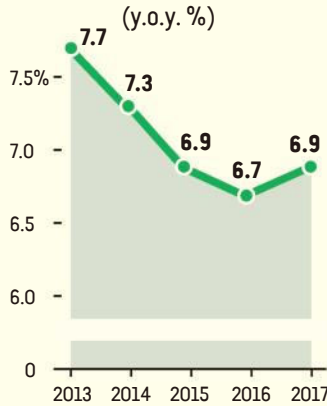
The historic progress so far should not be discounted. According to statistics from the NBS, the population living in poverty was reduced by 12.4 million in 2016, and the number of people escaping poverty is expected to exceed that figure in 2017.

Due to the country's pursuit of green development, energy consumption per 10,000 yuan (\$1,565) worth of GDP went down 3.7 percent in 2017 over the previous year. Last year's 6.9-percent GDP growth was achieved while coordinating social and economic growth with ecological progress, said Ning.

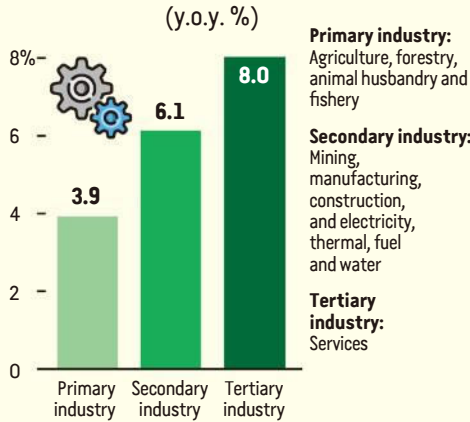
"The battle against pollution is important for the lives of ordinary people, and its results are visible and closely concerned with

China's Economy in 2017

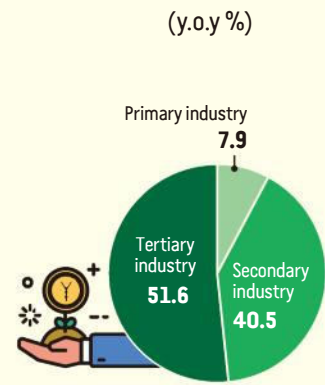
Yearly GDP Growth



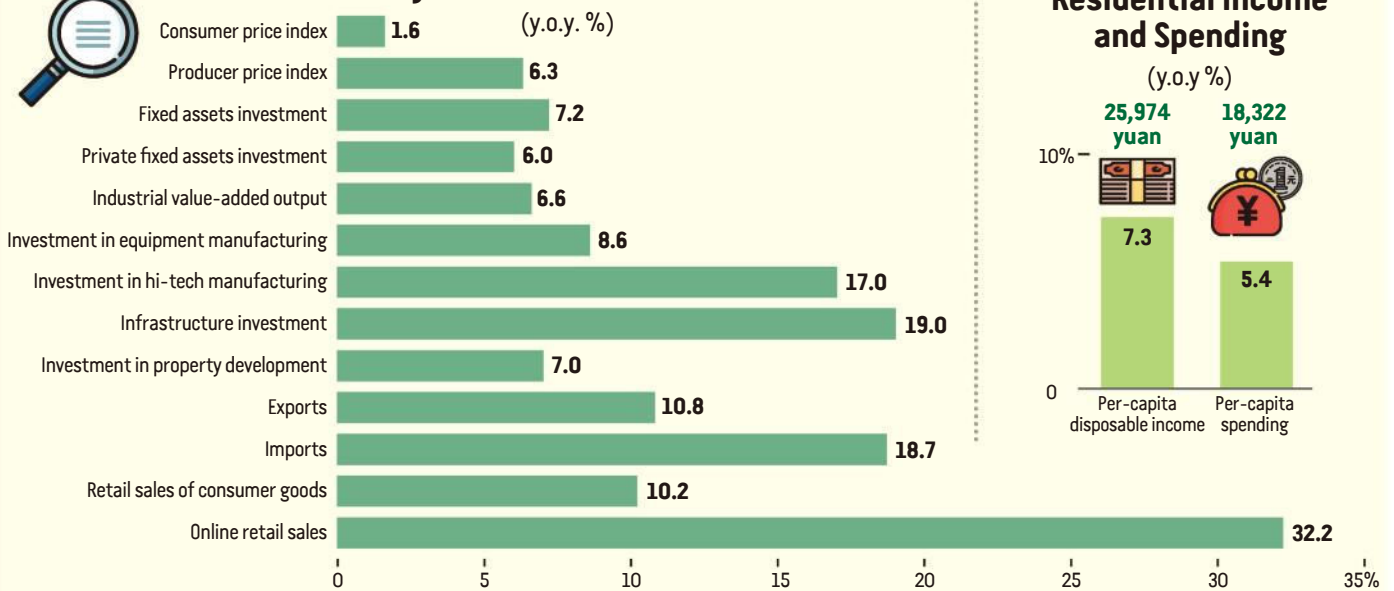
GDP Growth by Industry



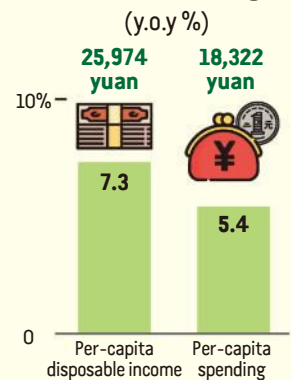
Contribution to GDP by Industry



Other Major Macroeconomic Indicators



Residential Income and Spending



(Sources: National Bureau of Statistics, People's Bank of China; designed by Pamela Tobey)

people's daily life," said Xu.

In 2018, the recovering global economy will continue to prop up China, and the driving factors behind the rebound of the national economy, such as supply-side structural reform and infrastructure investment, will continue their role. Given this, China's economy will maintain a stable uptrend, said Xiong.

Looking forward

At present, the fundamentals of China's economy are sound. Structural adjustment, optimization and upgrading are being imple-

mented at an accelerated pace. The changes brought by quality and efficiency improvements will also become more obvious, Ning said.

Xu holds that the reform China is pursuing can provide a solid foundation for the country's future development, and tangible achievements have already been made toward this goal.

"The steps we have made are concrete, for example in deleveraging. Last year, the debt-to-asset ratio of state-owned enterprises dropped 0.6 percentage points, which will in turn lower the economic leverage

ratio. Similar results have also been achieved in lowering the leverage of financial institutions, effectively curbing potential risks," said Xu.

He predicted that this momentum will extend into the new year, although the growth may slow slightly. "As long as the current trend can be maintained, it will not be difficult to realize a society that is better off than before in China," said Xu. ■

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COVER STORY

GOING THE DISTANCE

As China's economy shifts gear, its pace must be adjusted to match **By Michael Zakkour**



The author is vice president of China/Asia Pacific and Global eCommerce Practices at Tompkins International

In the early years of the 2000s, a shoe factory in Wenzhou of east China's Zhejiang Province, founded by a local entrepreneur who secured clients in the

West, would buy the cutting and shaping machines from Japan, and employ hundreds of employees to work in preproduction, production and postproduction, before exporting the goods to the U.S.

It was the combination of entrepreneurial leaders, ambitious and hardworking factory staff, and foreign made machinery that fueled China's rapid industrialization. This combination of talent and technology was the engine that propelled double digit growth in China's economy for more than 20 years.

In the historical context of development and modernization, China has sprinted from relative obscurity in a global economic context to the precipice of becoming the largest economy in the world, all in just 35 years. China has had to move quickly, after all it had a lot of catching up to do in a short amount of time, and in a world that was rushing into the future.

On the whole, this rapid growth has been a net positive for China, although it has come at a cost, in the form of pollution, strained urban resources, cultural change,



Visitors interact with a voice recognition robot at the first 1024 Global Developer Festival held in Hefei, capital of east China's Anhui Province, on October 24, 2017

unbalanced development and sacrifices for short-term gains.

The 12th (2011-15) and 13th (2016-20) five-year plans made it clear that China needs to reset, and re-imagine its economy for the 21st century.

In transition

China's accession to the World Trade Organization (WTO) in 2001 accelerated an already impressive run of growth. After accession to the WTO and prior to the Beijing 2008 Olympics was a time when the foreign brands that invested and sold in China were largely restricted to the top global luxury brands and mass-market consumer packaged goods companies.

However, something new was developing. The groundwork for the transition from an economy based on manufacturing to one built on innovation and domestic consumption was underway.

Reform and opening up entered a new phase. It became easier for foreign companies to invest in China, a second generation of bright and motivated entrepreneurs emerged, and the demand for goods and services started to spike as the country became richer. Thousands of new companies entered the Chinese market and Chinese companies started to go global for the first time.

Alibaba's launch of Taobao in 2003 and Tmall in 2010 heralded the arrival of e-commerce as a major industry. By 2014 there were 1 billion mobile handsets registered. Massive growth in infrastructure made Chinese cities the envy of the developing and, in many instances, the developed worlds.

China transformed itself from a low cost, low margin producer of goods, to the world's largest consumer society, a world leading technology and innovation hub, an e-commerce powerhouse and the leading driver of worldwide growth generating 35.2 percent of the global total in 2017.

Before China's accession to the WTO, factories bought the machines that made the shoes. Afterward, China started making the machines and selling them to the "new Chinas" of the world. During this period however, it became apparent that rapid growth was not the only answer to China's continued development in a maturing

economy and that adjustments had to be made.

The marathon

Between the sprint and transitional periods, the country has reached many key milestones. China has become the world's second largest economy, one of the most important global technology and innovation hubs and the largest and most innovative e-commerce market. China also has the world's fastest growing middle class, has assumed leadership in globalization, and has invested in a massive modern infrastructure build out.

Now, it is critical that on the domestic front, China avoids the "middle income trap" that has stalled the development of other fast rising economies in the past. Rapid growth is healthy in the earlier stages of development, but continuing to focus singularly on unsustainable growth will not be the long term solution for growth and development over the next 50 years. The time for sprinting is over; China must now prepare to win the marathon as well.

The rapid growth and transition phases were well executed but as was made clear the in the 12th and 13th five-year plans, the road ahead means China's economy must shift to "quality" rather than "quantity."

New approaches

The recently concluded annual Central Economic Work Conference made "high quality development" the feature of China's new economic phase.

High quality development means steady progress in the direction the country has been moving for the last several years—technology and services driven, consumer focused, green, and healthcare oriented.

This requires a fundamental shift in psychology in terms of a greater tolerance and understanding at the central, provincial and municipal levels of government that the "new normal" is a slower, more sustainable and more value-added form of growth. This is not as easy as it sounds. There may be some difficulties and obstacles along the way toward high quality development, but the temptation to fall back on short term, fast growth attitudes, fixes and initia-

tives must be avoided.

The other fundamental shift is in creating new key performance indicators (KPIs). In the business world, a project or initiative's progress and success are judged and evaluated by setting up KPIs at the start and by adjusting them as the project progresses or the business grows. Usually when one set of KPIs is met, a new set is created for the next stage of growth.

Business, technology and political leaders in China must create new KPIs for high quality development. If the old KPIs for fast growth are used it will be difficult to gauge how the new economy is performing.

If you pound an orange with a hammer, you will quickly crush it while opening it to be eaten. But along the way, you are losing a lot of juice, much of the pulp and have quite a mess to clean up. Only if you are starving or being chased is this a wise method.

But, if you have cultivated your own orange grove, it's better to slowly peel and cut the fruit, squeeze its juice and eat it, saving the rest for another day.

Whether in high value-added manufacturing, new services, finance, real estate, or technology, high quality growth comes from efficiently extracting the most out of every resource, keeping things clean and knowing where and when to invest, save and reinvest. It comes from the confidence that you are not in danger of losing everything if you slow down and focus on artistry over sheer force.

China's economic policy and performance on domestic and international fronts made significant progress in 2017. Consumer spending was up, exports were up, the Belt and Road Initiative made strides and per-capita GDP grew to over \$8,000. This means that there is a firm foundation in place for the shift to high quality development.

With a focus on artificial intelligence, electric cars, establishing new trade routes, services and consumption, the blueprints for long term high quality development is in place. As always however, execution is what will prove the plan right. ■

SOUND AND STABLE

A look at China's macro economy in the new era By Guo Tianyong



The author is a finance professor at the Central University of Finance and Economics

China's Gross Domestic Product (GDP) totaled 82.71 trillion yuan (\$12.84 trillion) in 2017, the first time it surpassed 80 trillion yuan, growing 6.9 percent year on year, the National Bureau of Statistics (NBS) said on January 18.

"Major macroeconomic indicators in 2017 all beat market expectations, pointing to economic stabilization," said Ning Jizhe,

head of the NBS.

As socialism with Chinese characteristics enters a new era, China's economy also reaches a new stage. The focus of the nation's economic development has shifted from fast speed to high quality. How will China's macro economy progress in the coming years?

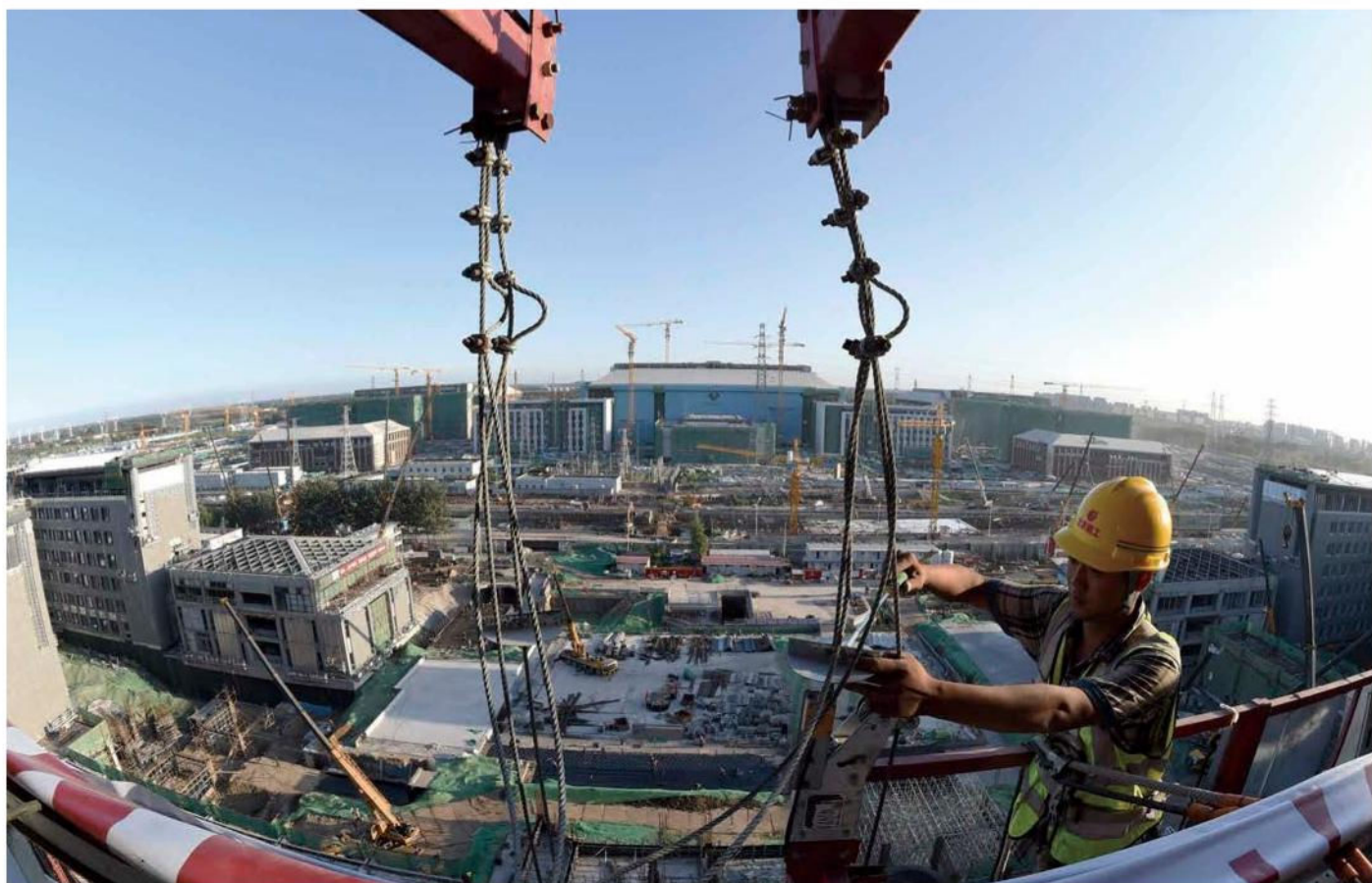
Endogenous power

Chinese President Xi Jinping, also General Secretary of the Communist Party of China (CPC) Central Committee, stressed that China's economy has been "transitioning from a phase of rapid growth to a stage of high-quality development" in the report he delivered to the 19th CPC National Congress in October 2017. In the

past five years, the government had strived to cut overcapacity and deleverage the economy. A series of policies have been introduced in an effort to strengthen supervision on local government debt, Internet finance, the asset management sector and the banking industry.

That is to say, in 2018, China will make steady progress in deleveraging, supervision and slowing down the growth of public investment and real estate investment. The move also shows that the government is willing to pursue quality of economic growth at the expense of speed, so it is estimated that this year, the growth may slightly slow down.

Besides, the overall economy will remain relatively stable without having to



A worker at the construction site in Tongzhou, the sub-center of Beijing, on September 11, 2017

experience drastic fluctuation. The reason for such optimism is a widely anticipated stable growth of domestic consumption, innovation and manufacturing. The rise of the consumer market and the increase of productivity brought by technological advance in emerging sectors of strategic importance will make great contributions to economic development.

Consumption will play a key role in driving growth. A consumption-driven economy will be further consolidated. With a fast urbanized population, China's consumer market will be fully tapped into, supported by government incentives. In December 2017, the General Administration of Customs announced to lower the import tariff of 187 categories of consumer goods, with the average tax rate down from 17.3 percent to 7.7 percent. China will lower the tariff on information technology products for the third time on July 1 this year.

Emerging industries will serve as a new engine for economic growth, and the nation's technological research and development (R&D) capability will improve. In order to accelerate economic restructuring, China has formulated a number of policies to support emerging sectors of strategic importance. The R&D ability has been boosted through tax incentives, financial assistance and industrial policies. In the first half of 2017, the number of patents owned per 10,000 Chinese people reached 8.9, compared with 2.6 at the end of the 12th Five-Year Plan (2011-15) period.

Moreover, against the backdrop of cutting overcapacity, private enterprises have been exploring new business opportunities, placing more importance on upgrading equipment and making innovations. Their competitiveness has been enhanced.

Keeping the pace

In order to reach the goals for economic and social development in 2018, the government

should take the lead in making right and coordinated policy choices so as to prevent foreseeable risks.

The government will make use of multiple monetary tools, carry forward "prudent and neutral" monetary policy, effectively manage liquidity, and maintain reasonable social financing and monetary aggregate.

A financial stability and development committee was established in January, which aims at strengthening policy coordination among regulatory bodies so as to reduce volatility in the financial markets.

Regulatory bodies will seek opinions from business professionals during the process of making new regulations, so that there can be sufficient time for the regulations to mature.

The Central Economic Work Conference held in December 2017 emphasized that China will work to achieve a virtuous interaction between finance and the real economy, between finance and real estate, and within the financial system. This means that as the regulatory system improves, regulatory bodies will make increasing efforts to avoid negative outcomes such as market panic caused by simultaneous issuance of several supervisory policies.

Promising housing market

Since 2017, the government has escalated efforts in regulating the real estate market. By January 10 this year, 129 house purchase quota policies and 169 loan restriction policies had been introduced in 54 cities, and 48 cities had come up with sales caps. As a result of strict regulation, the housing market has become more stable. In November 2017, 11 out of 15 cities with exorbitant housing prices witnessed a price drop year on year.

The Central Economic Work Conference put the real estate market as one of the eight priorities of work in 2018. The conference pointed out that the country will continue its strict regulative policies in the short run, which can help ease panic in the market and crack down on specula-

tive purchases, making sure that housing is for living in, not for speculation. Real estate bubbles and risks will be effectively curbed.

For a long time, the development of the house renting market, especially long-term renting, has been inadequate. For individuals, long-term renting is more stable, which can make both renter and leaser rest assured. For the whole market, renting is the key to improving the current housing system. Serving as an alternative to owning an apartment, renting can help reduce demand for home mortgage finance and further stabilize the market.

Long-term renting will be a major direction for the future development of the real estate market. As a result, Real Estate Investment Trusts (REITs) will embrace huge opportunities in 2018. As a crucial way for real estate securitization, REITs can speed up the realization of rental housing, facilitate asset turnover and market liquidity, and raise individuals' welfare and market efficiency. It is expected that more policies will be put forward to support long-term renting.

Since December last year, the Central Government and local governments have already introduced policies to support companies engaged in the rental housing business and help them get more direct financing. They also encouraged various non-banking financial agencies to provide new and innovative products.

The banking sector has also become actively involved in the field. Rental house financing has become a long-term strategy. Because new policies of asset management were launched, the former model, in which commercial banks depended on real estate development loans and personal housing mortgages, cannot be sustained any more. In 2018, those banks are going to shift focus to the rental housing market.

For instance, China Construction Bank (CCB) in January introduced a house saving business. Customers can deposit their idle properties which are suitable for rent with CCB, and the bank will make a one-off payment to the customer or the landlord in exchange for leasing rights. Then the bank will authorize credible property agencies to manage the properties. ■

The overall economy will remain relatively stable without having to experience drastic fluctuation. The reason for such optimism is a widely anticipated stable growth of domestic consumption, innovation and manufacturing

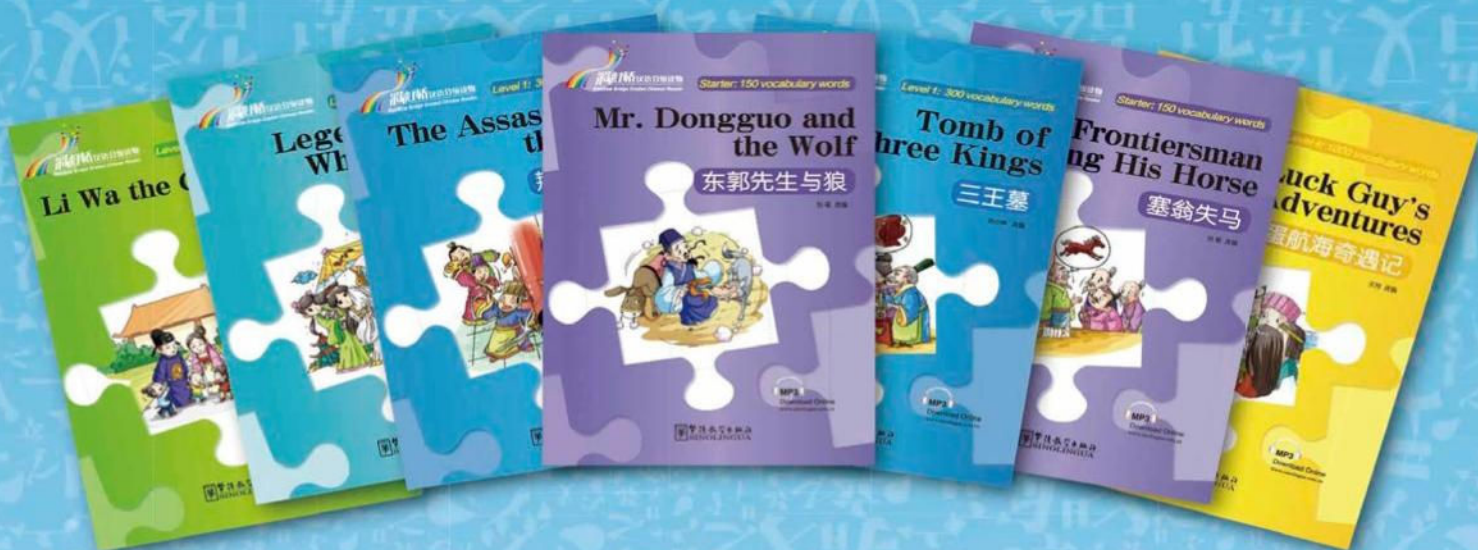


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War and Peace

Developments on the Korean Peninsula can herald either an era of peace or the start of a new conflict **By Shi Yongming**



The author is an associate researcher with the China Institute of International Studies

Tension on the Korean Peninsula seemed to ease as the New Year came, and momentum began to build in the long stalled bilateral ties between the two Korean states. Seizing the diplomatic opportunity presented by the upcoming Winter Olympic Games in South Korea's Pyeongchang city, high-level dialogues were convened in early January by the two sides over the possible measures that can be taken to thaw the icy relationship between the two nations.

Major breakthrough

During the talks, consensus was reached to promote the spirit of a unified Korean nation at this Olympic Games through certain specific and unprecedented arrangements. Both nations decided to hold a joint cultural event at Mount Kumgang prior to the opening ceremony and train their skiers together at the Masikryong ski resort. North Korea also agreed to send a large delegation including 230 cheerleaders and 140 performers, and athletes of both countries will march under a single flag representing the whole Korean Peninsula during the opening ceremony of the games.

According to a joint press release, further talks are being planned to "ease military tensions" and agreements have been made to "facilitate contact, exchange and cooperation in several fields to establish reconciliation and the unity of the people." They also agreed to respect the inter-Korean declarations, committing to resolve the issues of Korean relations through dialogue and negotiations directly among concerning parties. Obviously, both the South and North are hoping to reach rapprochement through

the opportunity presented by these Olympic Games.

However, while things seemed to be heading in a favorable direction on the Korean Peninsula, discord began to emerge elsewhere. On January 16, a meeting of 20 nations seeking to maintain international pressure on North Korea was held in Vancouver at the behest of the U.S. and Canada. Most of the participants were allies of the U.S. during the Korean War, but China and Russia, the two parties most directly connected to the issues on the Korean Peninsula, were not invited to the summit.

While the dialogue between the two Koreas holds the promise of a peaceful future, the Vancouver meeting could catalyze deterioration in the security environment of the Asia-Pacific. The choice now is whether to achieve lasting peace or to slip into a new cold war.

This round of talks was held out of political necessity on both sides. For the South, ensuring a secure environment for the upcoming Winter Olympics is a major priority and the participation of the North offers necessary assurances for a successful event. It was also South Korean President Moon Jae-in's stance on resolving the North's nuclear issue through dialogue that provided the vital precondition for these high-level talks.

Significant year

North Korea also played an active role in bringing these talks to fruition. In fact, North Korean leader Kim Jong-un revealed his intention to promote bilateral dialogue in his New Year's speech. In the speech, Kim said that North Korea has become an international nuclear power with strong and reliable deterrent and his country should regard the accomplishment as a springboard for further progress. To that end, Kim believes that the priority of diplomacy is to thaw ties with the South. If the irregular state of the Korean Peninsula is not rectified, then national reunification cannot be realized and the tragedy of nuclear war may be inevitable,

he said. Noting that the 70th anniversary of the founding of North Korea falls in the same year as the Winter Olympics, Kim revealed hopes to "improve the currently frozen inter-Korean relationship and make this significant year a notable one in the history of our nation."

North Korea's intimation to the South that it is ready to ease tensions was anticipated by many who have long advocated resolving regional issues through dialogue, with U.S. President Donald Trump even expressing support for the idea of inter-Korean talks.

However, a fundamental divergence on the nuclear issue is the most obvious hurdle to successful communication between the two countries. North Korea's aim is to break the siege of international sanctions and finally achieve its strategic goals of creating nuclear weapons and realizing development. These intentions are clearly not in line with attitudes in the South. Consequently, the approach taken by the North is to shelve the nuclear issue during the course of the dialogue, yet this tactic risks derailing the talks as the nuclear issue is of critical importance to the future of both nations.

International politics has never made progress through unilateralism, and the direction of the world must ultimately be decided by the interaction of various powers. North Korea cannot avoid discussing the nuclear issue forever, and while its delegation may have refused to engage with South Korea on the issue, the same kind of rebuttal won't be possible with the U.S.

For South Korea, a door toward the denuclearization, peace and prosperity of the Korean Peninsula seems to have opened slightly, but major challenges still remain. The determination of its leaders and their sincerity, courage and capability to overcome difficulties will be critical in this process. However, the cooperation of international parties is also important and the Vancouver meeting clearly showed that there are problems in the nature of interna-

Hyon Song-wol (front), head of an advance team of a North Korean orchestra, checks the venue and audio equipment in Seoul on January 21. North Korea will send an orchestra to South Korea ahead of the upcoming Winter Olympics in Pyeongchang

tional coordination.

The Vancouver meeting, focused on strengthening action against North Korea in an effort to force the country to renounce its nuclear strategy, was absurd and illegal although it did ultimately welcome the inter-Korean high-level talks.

Illegal and absurd

The illegitimacy of the meeting is firstly reflected in its membership. Most of the nations in attendance were U.S. allies during the Korean War, and the way in which the meeting was summoned in the name of the "United Nations Command" reflected a Cold War mentality. Few of these nations are stakeholders in the issue of North Korea's nuclear program. In an effort to appear legitimate, the meeting constantly emphasized the threat posed by the North Korean nuclear issue to the entire world by deliberately misrepresenting what is essentially a conflict between the U.S. and North Korea as an extension of the Korean War.

In a joint statement released after the event, participants agreed to impose sanctions on North Korea which go beyond those required by UN Security Council resolutions on the matter. They also revealed plans to start inspections of vessels at sea in order to prevent ship-to-ship transfers, which are suspected of violating international law.

The meeting also showed a lack of respect to the UN Security Council. In addition to imposing more intense sanctions, the participants disregarded the Security Council's requirement for related parties, including the U.S., to solve the issue through dialogue. Instead, they formed a block to put pressure on North Korea and force it to abandon its pursuit of nuclear weapons.

The most farcical aspect of the meeting was India's participation and opposition to North Korea. With its own stockpile of illegal nuclear arms, India should have no say on the issue of nuclear proliferation on the Korean Peninsula. By including India in the block, the participants overlooked international law, which is in their



eyes merely an advisory system to be heeded or ignored at will.

The meeting, again, conflated North Korea's human rights issues with its nuclear program, which will only succeed in aggravating Pyongyang. The move also reflected a lack of sincerity for peaceful resolution.

However, the most alarming incident took place before the Vancouver meeting, when a secret Asia-Pacific military summit was convened by the U.S. and Canada and attended by top commanders. This summit targeted North Korea and its details have been kept secret. Opposed by the international community after World War II, it seems

that secret military diplomacy has quietly returned to the world stage under the guise of seeking peace.

This series of moves by the U.S. and Canada have in fact established a framework for a new Cold War or even a military confrontation in the Indian Ocean and Pacific region. That would not only cause huge divisions in the international community, but further complicate the Korean issue, creating the biggest obstacle for the region's reconciliation. ■

Copiedited by Laurence Coulton
Comments to yulintao@bjreview.com

Economic Issue or Political Game?

The cause, effect and consequence of Iran's recent protests By Lu Jin



The author is an associate researcher with the Institute of West Asian and African Studies under the Chinese Academy of Social Sciences

At the end of 2017, large-scale anti-government protests swept across Iran. Initially venting anger over the government raising prices in the second largest city Mashhad, the protests swiftly spread to several other cities across the country with the help of social media. Later, they assumed a political dimension, with a growing number of people calling on Iran's supreme leader Ayatollah Ali Khamenei to step down. Iran's intelligence department declared that "foreign agents" were involved in fomenting unrest, arresting a number of protesters.

After a week of violence, the protests were quelled and the situation was brought under control. Though the Islamic Revolutionary Guard Corps (IRGC) condemned foreign powers including the United States, Israel and Saudi Arabia for having instigated the protests, their origins are in reality less simple and more multifaceted.

Different fractions

When the first crowd of demonstrators took to the streets of Mashhad to protest soaring prices and high inflation, Iran's conservatives seized the opportunity to accuse President Hassan Rouhani of neglecting people's livelihood and implementing budgetary and economic policies that had led to public dissatisfaction.

The reformists, for their part, believed that the protests were a conspiracy devised by conservative hardliners to weaken the Rouhani government. Mashhad is a city of Shia pilgrimage, often regarded as a conservative stronghold, with a usually sound city management and fiscal status due to abundant income from tourism. The protests broke out shortly after the government announced plans to stop arresting women

for violating Islamic codes of dress, which antagonized conservative forces in Iran's society and politics, with Rouhani's deputy Eshaq Jahangiri claiming that economic issues "were being used as an excuse and that something else, behind the curtain, is going on." Many Western media outlets also asserted that conservative backstage manipulation was responsible for the crisis, with their ultimate purpose to pressure Khamenei to force Rouhani to step down.

With both conservatives and reformists capitalizing on the protests as a chance to bash the other, no action was taken to control the situation at first, and the protests quickly spilled over to other cities while turning increasingly political in nature. Slogans at the demonstrations twisted against the government.

The main participants were young people aged 18 to 35. Among this group, sentiment toward the authorities is fraught. Many were born in the years after the Iran-Iraq War and have mostly received a better education than their forebears. However, in a country which has for decades been stifled by U.S. sanctions, there is little space for these educated young people to fulfill their ambitions. Although the nuclear deal reached during Rouhani's first term brought the promise of improved opportunity when it was signed two years ago, little tangible progress has actually been achieved since then. In the eyes of young Iranians, the conservatives with their vested interests care only for political stability rather than national development, and many are skeptical about their country's governance and disillusioned about their own futures.

Intrinsic issues

Iran is an Islamic republic. Its political system is characterized by the pairing of a secular regime with an Islamic theocratic system. In reality, Iran's theocratic establishment, under the control of the conservatives, usually holds more power than the elected government. In vying for power, Iran's two camps, the conservatives

and the reformists, often make accusations and defame each other in order to win public support, particularly during general elections.

However, in recent years, the Iranian public has become increasingly dissatisfied with the authorities, with corruption, elite privileges, environmental pollution, deficiency of water resources, rising ethnic problems and the adversity of life under U.S. sanctions all contributing to general discontent. People have begun to doubt the government's domestic and foreign policies, attributing the country's problems to the current political system.

During the most recent general election last May, voters were not satisfied with the moderate Rouhani administration, but even so they displayed greater reluctance at the prospect of revolution, which has brought upon other countries war and chaos. A lack of an appealing alternative is essentially the reason Rouhani secured his second term.

Through joining hands with Rouhani, Iran's reformists have dominated in national governance and have been trying to bring about economic reform. If Rouhani can successfully implement economic reform in his second term, it is likely he will also secure a reformist victory at the next general election. After securing his position, Rouhani attempted to challenge the current regime by stressing his own legitimacy, stating that his mandate to rule came from 24 million voters. His words aroused fierce criticism from the conservative camp, with Khamenei himself warning Rouhani that if he cannot prevent polarization between his supporters and opponents, he risks having to leave office.

Rouhani's attempt to speed up economic reform has also been met with considerable domestic resistance. He put forward an industry development initiative to promote economic growth, increase employment, reform the financial system and improve conditions in order to attract more foreign investment, as well as speeding up privatization to increase the private



Supporters of the government demonstrate in Qom, Iran, on January 3

sector's role in economic development. He also spoke out about the way that the IRGC's economic privileges have hindered the development of Iran's private economy. Nonetheless, Rouhani's blueprint for reform was boycotted by the conservatives, and this lack of accomplishment has left many of his young supporters feeling let down.

The roots of the recent protests lie in the intensification of political infighting. Given the current state of polarization, many observers are concerned over future political gaming concerning the succession of the country's supreme leader, which promises to be even more consequential.

Way forward

There have been several major social movements in the history of the Islamic Republic of Iran, during which the country's ruling elites have always been able to maintain social and political stability. The latest protests nonetheless caused concern to Iran's authorities. During the protests, the Rouhani administration maintained a cautious and rational attitude toward the demonstrators, and acknowledged people's right to protest and criticize the government. The IRGC also practiced restraint in quelling the

unrest in order to avoid providing the United States with a pretext to abandon the nuclear deal.

To improve the domestic situation, it is urgent for Iran to carry out systematic reform in both politics and the economy in order to allay the political infighting that has produced such disenchantment among the Iranian people. Foreign strategies must also be adjusted, with a greater focus on internal economic development. In an era of pervasive globalization, Iran's younger generations are more concerned with employment prospects and higher incomes than Islamic idealism, and a failure to acknowledge this will heighten the potential factors for social unrest. Even Iran's old enemy, the deeply conservative Saudi Arabia, has started comprehensive social reform to this effect.

At present, the Rouhani administration is facing several serious challenges. The United States will continue to impose sanctions on Iran, particularly targeting the conservatism of the IRGC. It is also likely that the United States, Israel and Saudi Arabia will continue to jointly contain all Iranian efforts to expand its influence. In light of these pressures, the IRGC still assumes an important task of protecting the country's national security

in order to protect its economic development. So long as these conditions persist, it is wrong for the Rouhani government to completely break the military organization's monopoly over Iran's economy. Rouhani is thus left with two choices. He can either persuade Khamenei to issue orders that limit the IRGC's economic activities, or the Rouhani administration itself can make use of the IRGC's capital advantage to achieve rapid economic development and job creation, although the latter would contradict the original intention of his reforms.

The recent instability has had a negative impact on Iran's investment environment. Under pressure from U.S. sanctions, Western enterprises will be more cautious about investing in Iran. The Rouhani administration must then be more active in responding to the demands of the youth and the jobless in order to avoid a widening of the social divide. It must also continue strengthening relations with European nations, as well as increasing economic and security cooperation with China and Russia, avoiding any potential conflict with the United States. ■

Copyedited by Laurence Coulton
Comments to yulintao@bjreview.com

The Power of Mutual Understanding

People-to-people exchanges help to promote China-India relations

By Liu Zongyi



The author is an associate research fellow at the Shanghai Institutes for International Studies

As the two largest developing countries in the world, China and India share the common goals of boosting their economies and improving their people's lives. Shouldering the common responsibilities of maintaining regional peace and stability while facilitating the rise of Asia, the two countries also share extensive common interests in promoting a multi-polar world and better democratization of international relations.

With rapid economic growth and a remarkable rise in international status, the two countries have greatly improved bilateral relations, which shed significant light in the global community.

From a world perspective, the more global role China-India relations play, the more mutual trust and coordination between the two are required, and more misunderstandings should be cleared up.

It has become a great challenge for both countries to reverse any hint of deterioration in their bilateral relations.

Great potential

Xi Jinping's thought on major-country diplomacy with Chinese characteristics plays an important guiding role in the development of China-India relations.

Xi Jinping, General Secretary of the Central Committee of the Communist Party of China (CPC), stressed in his report to the 19th CPC National Congress held in Beijing last October: "China has actively developed

global partnerships and expanded the convergence of interests with other countries. China will promote coordination and cooperation with other major countries and work to build a framework for major country relations featuring overall stability and balanced development. China will deepen relations with its neighbors in accordance with the principle of amity, sincerity, mutual benefit, and inclusiveness and the policy of forging friendship and partnership with its neighbors. China will, guided by the principle of upholding justice while pursuing shared interests and the principle of sincerity, real results, affinity, and good faith, work to strengthen solidarity and cooperation with other developing countries."

Xi also noted that the CPC will strengthen exchange and cooperation with political parties and organizations of other countries and encourage people's congresses, the military, local governments, and people's organizations to engage in exchanges with other countries, showing the great importance of people-to-people exchanges in promoting relations between countries.

For China and India, two major countries that are also neighbors, it is particularly important to consolidate the civil and social basis of bilateral relations through people-to-people exchanges.

Tracing the development path of China-India relations, especially since the turn of the 21st century, we see Indian local governments' attitudes contrast with those of the federal government on developing relations with China. Local leaders attach great importance to improving economic ties and cultural exchanges with China as well as attracting investments from China. For example, many chief ministers of Indian states have conducted investment roadshows in China.

In addition, people-to-people exchanges

between the two countries remain relatively meager in both scale and range. Due to the lack of substantial exchange, mutual understanding and trust between the two peoples as well as the space and form of exchange also need to be expanded.

So, developing friendly relations with India by promoting people-to-people exchanges is a tremendously significant factor in the establishment of strategic mutual trust between the two countries and the improvement of their bilateral political relations.

Over the past decade, people-to-people exchanges between the two countries have developed rapidly and made some landmark achievements.

For instance, after Xi's visit to India in September 2014, China opened a new route along the Himalayan Nathu La Pass for pilgrims traveling from India to Tibet. However, considering the massive populations of both countries, the present direct contact is still relatively little. Furthermore, national-level political relations between China and India are likely to remain somewhat chilly for quite some time, so a vigorous expansion of people-to-people exchanges is even more necessary.

Methods to expand

The focus of people-to-people exchanges should shift from the state level to the local level. China should recognize the various attitudes of Indian local governments and non-governmental organizations and strengthen exchanges with them, especially those that have already established friendly relations with China.

Additionally, there needs to be innovation in methods and forms of promoting people-to-people exchanges. In recent years, potential conduits have evolved drastically in both form and content.

Many friendly Indian organizations have



Indian pilgrims travel through the Nathu La Pass to China's Tibet Autonomous Region on June 22, 2015

encountered problems at various levels, including aging personnel, lack of funds and organizational shrinkage, which make it harder to carry out substantive exchanges.

In fact, facing the further and acute development of globalization, some non-governmental organizations, professional institutions and cultural foundations have become increasingly active, creating a new force for promoting people-to-people exchanges.

However, due to the lack of docking organizations in China, organizations in each country have not been able to communicate well. This presents a great opportunity to innovate working methods for institutions engaged in non-governmental exchanges, such as the Chinese People's Association for Friendship with Foreign Countries.

At the same time, people-to-people

exchange activities based on large-scale bilateral and multilateral platforms are another emerging trend. For example, people-to-people exchanges have become a major pillar of BRICS cooperation development. To follow the developmental trend, institutions engaged in non-governmental exchanges should optimally utilize available platforms by planning ahead and responding actively.

Active efforts should be made to expand media exchanges between the two countries. Chinese non-governmental institutions for exchanges should play a bigger role in promoting media exchanges between the two countries by greatly promoting communications and cooperation between journalists and news agencies.

For example, some large bilateral and multilateral cultural activities could be organized to attract the attention of the media.

Promoting exchanges between the film and television industries could deliver real and positive information and increase mutual understanding between the peoples of both countries.

A few months ago, the Indian film *Dangal* became a big hit in China. China-India co-productions are not anything new for audiences in the two countries, but there is still a lack of such films that can touch the hearts of audiences on both sides. The love story of the legendary Indian physician Dr. Dwarkanath Shantaram Kotnis and his Chinese wife Guo Qinglan may well serve as a perfect theme of such a co-production. ■

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 Copyedited by Chris Surtees
 Comments to yulintao@bjreview.com

Taking the Initiative

China's vision for a shared future resonates at the Davos Forum By Lan Xinzheng



The 48th World Economic Forum Annual Meeting opens in Davos, Switzerland, on January 23

When participants gathered at the 48th World Economic Forum Annual Meeting in Davos from January 23 to 26 to discuss “creating a shared future in a fractured world,” their main goal was to make a difference. The theme was chosen to reaffirm the importance of cooperation among countries in the context of escalating geopolitical competition, and debate at the Swiss resort sought to foster a favorable climate for the sustained recovery of the world economy.

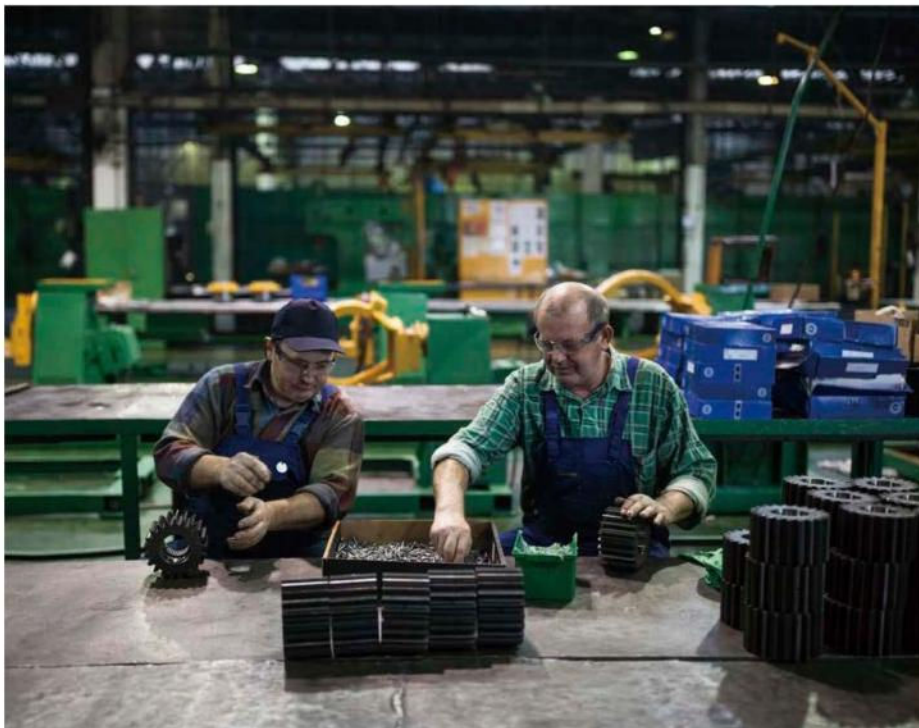
Calls for shared peace and development are resonating throughout many parts of the world. At the same time, however, the emergence of fractures in international collaboration has attracted widespread attention, making them a subject of concern at this year's Davos forum, with many citing conservatism and narrow self-interest as the

cause of these fissures in the international playing field.

In this post-2008 era, the world economy is undergoing a transition from the devastation caused by the global financial crisis to a period of sustained recovery. While the trend toward recovery is undeniable, growth remains sluggish and unstable. The ensuing social problems of economic disenfranchisement, such as unemployment, have given rise to populism. Against this backdrop, conservatives have found a readymade platform from which to air their grievances about globalization, and in putting self-interest above all else, they have overemphasized their own welfare in disregard of the development and security of others. This outright abandonment of the middle ground is taking its toll on the world.

The international community has borne the brunt of the ruptures that have emerged in recent years. U.S. President Donald Trump's “America first” strategy is having negative repercussions for the world economy. The Trump administration's decision to withdraw the United States from the Paris Agreement adversely affects humanity's fight against climate change. Moreover, a few countries refused to fulfill their obligations under Article 15 of the protocol regarding China's accession to the World Trade Organization (WTO). The article obligates other WTO members to end the surrogate country approach in anti-dumping investigations against China as of December 11, 2016, 15 years after the country's entry to the WTO. Their refusal to do so has cast a shadow over the credibility of the WTO and

Employees at work in LiuGong Dressta, a Chinese-funded machinery company, in Stalowa Wola, Poland, on October 26, 2017



international trade rules as a whole. Divisive actions are inhibiting global cooperative efforts to stimulate economic growth.

The international community is hopeful about economic growth in 2018, but recent divisions are dimming expectation. "Creating a shared future in a fractured world," the theme of the World Economic Forum 2018, serves as a kind of wakeup call that there is still a long and rocky road toward economic recovery ahead.

Key concept

At the World Economic Forum in 2017, Chinese President Xi Jinping offered a blueprint for global governance with his proposal of "pursuing a well-coordinated and interconnected approach to developing a model of open and win-win cooperation."

Xi delivered a keynote speech at the 2017 meeting titled Jointly Shoulder the Responsibility of Our Times, Promote Global Growth. His speech was impressive in that it was not preoccupied with China's domestic issues but focused on the development and future of the whole of mankind. Xi is opposed to making economic globalization the scapegoat for the various problems of the modern world, believing it to be a groundless and unhelpful accusation. Today, the nations of the world have become a close-knit community with a shared future. Countries have wide-ranging convergent interests and are mutually dependent, and all enjoy the right to development. In light of this interdependence, it is crucial that modern states view their own interests in a broader context and refrain from pursuing their goals at the expense of others.

Xi further expounded on his concept of building a community with a shared future for mankind at the United Nations Office at Geneva on January 18, 2017.

A community with a shared future for mankind is a new model of global governance put forward by China in its capacity as a responsible world power. Since 2013, Xi has elaborated on the details of this notion on several international occasions, including the 70th anniversary session at the UN headquarters in September 2015. A community with a shared future is premised on cooperation and mutually beneficial outcomes in international affairs, advocating the embrace

of responsibility and pooling of interests as its basic principles, and inclusive, sustainable development as its target.

Active player

China has not only presented the shared future concept, but the country's leadership is also practicing it to push back against reemerging conservatism and anti-globalization in order to reenergize the global economy.

The Belt and Road Initiative has been launched by China to strengthen transnational cooperation and bring the world closer to its vision of a shared future. As its initiator, China is engaged in cooperative projects with countries along the ancient Silk Road routes and has so far signed joint agreements on development with more than 80 countries and international organizations.

In addition to the Belt and Road Initiative, China has initiated the Asian Infrastructure Investment Bank and established the New Development Bank together with other members of the BRICS group. These new types of institutional products are gaining recognition and encouraging participation in a growing number of countries.

China has long been a steadfast advocate of the WTO as an important platform for cooperation. Even when certain developed nations refused to implement the 15th article of the protocol on China's accession, China did not falter in its support for the world's multilateral trade systems. Never has China threatened to pull out of the WTO or to wage trade wars with any party.

China will further integrate with international trade rules and ease market access, said Liu He, head of the General Office of the Central Leading Group for Financial and Economic Affairs, in a speech during the 2018 World Economic Forum Annual Meeting. The country will also substantially open up the services sector, the financial sector in particular, and create a more attractive investment environment, he added.

Xi referred to a community with a shared future for mankind six times in his report to the 19th National Congress of the Communist Party of China, while mapping out a schedule for the country's diplomacy in the new era. Xi made a solemn promise to the world: "China will continue to play its part as a major and responsible country, take an active part in reforming and developing the global governance system, and keep contributing Chinese wisdom and strength to global governance."

As leaders discussed how to fight against the rising trend of anti-globalization at the 48th World Economic Forum, disagreement and divergent ideas were inevitable. After listening to the views of delegates from around the world, the concept of global cooperative governance put forward and practiced by China should be at the forefront of everyone's mind. Cooperation or cataclysm? The choice is clear. ■

Copiedited by Laurence Coulton
Comments to lanxinzhen@bjreview.com

AIB Two Years On

The first China-proposed multilateral financial institution has achieved a great deal in its first two years of operation

By Wang Jun

On January 16, 2016, the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank proposed by China, was officially launched after 27 months of preparation. Within the past two years, AIIB has been establishing systems and an organizational structure while steadily expanding loans and investment.

On December 19, 2017, the AIIB Board of Governors approved four new applicants, the Cook Islands, Vanuatu, Belarus and Ecuador, for membership of the bank, bringing the total number of members to 84. This marked the fourth round of admissions since AIIB's launch, when its membership stood at 57.

"The steady expansion of our member-

ship represents a vote of confidence in AIIB by the international community," said Jin Liqun, President of AIIB.

"AIIB's approved membership has risen from 57 to 84, expanding our reach within Asia and around the world," said Danny Alexander, Vice President and Corporate Secretary of AIIB.

Having been deeply involved in the bank's preparation process, Jin believes AIIB has made steady progress. Many countries joined AIIB because they have realized that the initiatives for shared development put forward by China in the establishing of the bank are being put into practice. As the largest shareholder of AIIB, China has taken concrete measures to fulfill these commitments.

More members are supporting AIIB with practical involvement. On December 16, 2017, the Ninth China-UK Economic and Financial Dialogue released policy outcomes, according to which the UK pledged to contribute \$50 million to AIIB's Project Preparation Special Fund, which provides support primarily to low-income developing members to prepare high-quality projects.

"The UK strongly supports AIIB's vital mission to address the infrastructure gap in Asia. I am very pleased to confirm our \$50-million contribution to the AIIB Special Fund, which will help the low-income countries that most need our joint assistance to prepare credible project proposals so they can access finance from the bank," said Chancellor of the Exchequer for the UK Philip Hammond.

"Within the two years of our operation, we can say we have achieved progress and reached milestones as expected," Jin said.

Project expansion

On December 11, 2017, AIIB announced its first project in China, the Beijing Air Quality Improvement and Coal Replacement Project, providing a loan of \$250 million with the aim of reducing coal use by 650,000 tons every year by connecting 216,750 households in 510 rural villages to the natural gas distribution network.

Together with this project, AIIB has also approved a project for a nationwide fiber optic broadband network in Oman, and a rapid transit system in Bangalore, India. Within two years, the total number of AIIB projects has reached 24, covering 12 countries with a total credit volume of \$4.2 billion.

"Usually it is difficult for an institution to conduct large-scale projects in the first two years of operation, but AIIB approved projects of \$1.7 billion in its first year of ex-

AIIB Milestones and Achievements 2016-18

- In December 2017, the AIIB Board of Governors approves four applications to join the bank, bringing its total membership to 84.

- In December 2017, AIIB approves its first loan in China for a natural gas project.

The \$250-million loan will fund a project to connect 216,750 households in 510 villages to the natural gas distribution network.

In two years of operation, AIIB has invested in 24 projects in 12 countries, with loans exceeding \$4.2 billion.

- In 2017, AIIB receives three premium ratings from the global credit rating agencies S&P Global Ratings, Moody's and Fitch in recognition of the bank's strong capital base and stable outlook.

- In June 2017, the AIIB Board of Governors approves three applications at its second annual meeting, bringing the bank's total membership to 80.

- In May 2017, the AIIB Board of Governors adopts resolutions approving seven applications to join the bank, bringing its total membership to 77.

- In March 2017, the AIIB Board of Governors approves 13 applications to join the bank, the first time the bank has admitted new members since its inception, bringing the total membership to 70.

- In September 2016, a groundbreaking ceremony for the permanent headquarters of AIIB is held in Beijing.

The headquarters are to be located in the north of Beijing, between the Olympic Forest Park and the iconic Bird's Nest stadium, with the construction expected to be completed by the end of 2019.

- In June 2016, the bank approves its first four loans, totaling \$509 million, to fund power, housing and transportation projects in Bangladesh, Indonesia, Pakistan and Tajikistan.

- On January 16, 2016, representatives from the 57 founding members of AIIB gather at the Diaoyutai State Guesthouse in Beijing for the opening ceremony.

Through the joint effort of all its members, AIIB aims to become a lean, clean and green development bank for the 21st century.

(Source: Xinhua News Agency)



Jin Liqun, President of AIIB, addresses the opening ceremony of the second Annual Meeting of the AIIB Board of Governors in Jeju, South Korea, on June 16, 2017

istence, and \$2.5 billion in the second year. This is not easy," said Jin.

Jin believes that as a new type of multi-lateral financial institution, AIIB has its own unique decision-making procedures, and will not be subject to any political influence. Many of the projects AIIB has approved are in countries and regions along the Belt and Road routes, which will benefit the people in these countries. "This is in line with the concept of a community with a shared future for mankind included in the Belt and Road Initiative," Jin said.

According to the president, AIIB had been preparing for projects even before it was launched, and the bank receives joint financial support from the World Bank, the Asian Development Bank (ADB), the European Bank of Reconstruction and Development and other international financial institutions.

According to the World Bank figures, since AIIB was launched, the two banks have signed co-financing agreements for 10 projects, involving total investment of \$3.7 billion, of which \$1.7 billion came from AIIB. There are also four co-financing projects between AIIB and ADB, with \$431 million of

investment coming from ADB and \$374 million from AIIB.

"The AIIB is a great partner to work with, and is an important contributor to ending extreme poverty and supporting sustainable development by means of its mandate to finance sustainable infrastructure," said Bert Hofman, World Bank Director for China, Korea and Mongolia, to Xinhua News Agency.

"After two years of operation, AIIB has become an important international organization," said Yao Zhizhong, Director of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences, explaining that in order to meet the demand of the times, AIIB has assumed the responsibility of financing infrastructure construction in Asia, which is part of China's efforts to assume international responsibility and promote globalization.

Gold standard

"Lean, Clean, Green" is the slogan of AIIB, which shows no tolerance on corruption.

In 2017, AIIB received a "zero-risk" rating from the Basel Committee on Banking Supervision, a body that serves as an influential arbiter for the best standards in financial

regulation worldwide. AIIB has also received top-notch ratings from three major credit rating agencies in the world.

"It is very difficult for AIIB to establish such a reputation and standards within just two years," said Ding Chun, Director of the Center for European Studies at Fudan University. He believes this will help AIIB better finance the international market, reduce financing costs and build more infrastructure.

Strict anti-corruption rules have been formulated in the organization, from project financing to internal procurement. "Our most important standard for recruitment is professional integrity," Jin said.

Within a short period of operation, AIIB aims to establish itself as a new type of international multilateral development bank in the 21st century through its sound framework of governance and innovative operation model, said Liu Ying, a research fellow at the Chongyang Institute for Financial Studies at Renmin University of China. ■

Copyedited by Laurence Coulton
Comments to wangjun@bjreview.com

OPINION

Stepping up Risk Prevention

China's top banking regulator has proved through decisive action that oversight in the banking sector is to be tightened and that regulatory standards are to become stricter.

The China Banking Regulatory Commission (CBRC) has fined the Chengdu branch of the Shanghai Pudong Development Bank (SPD Bank) 462 million yuan (\$72 million) for illegally covering up bad loans.

The SPD Bank's branch was found to have offered credit worth 77.5 billion yuan (\$12.1 billion) to 1,493 bogus firms via illegal means in exchange for repayments from enterprises to cover non-performing loans.

According to the CBRC, such organized malpractice reveals poor internal regulation, a low sense of compliance and an excessive focus on business expansion.

This comes after a 722-million-yuan (\$112.8 million) fine was imposed on the China Guangfa Bank in December 2017 for offering illegal guarantees on defaulted corporate bonds.

The move signaled a continuation of the hard stance taken by the government following a tough financial cleanup in 2017. The CBRC last year imposed nearly 3 billion yuan (\$468.9 million) in fines on banking institutions, and punished 270 individuals.

"China will step up its crackdown on the banking sector, while improving its regulatory regime in 2018," said Zeng Gang, a research fellow at the Institute of Finance and Business under the Chinese Academy of Social Sciences.

China has repeatedly vowed to clean up disorder in its banking system, stressing that long-term efforts are needed to control banking sector chaos.

"Banking shareholder management, corporate governance and risk control mechanisms are still relatively weak, and the root causes that create market chaos have not fundamentally changed," the CBRC said in a statement on its website.

The regulator said violations in corporate governance, property loans and the disposal of non-performing assets will be punished

more severely, and announced that it would strengthen risk control in interbank activities, financial products and off-balance sheet business.

"Bringing the banking sector under control will be long, arduous and complex," it said.

Meanwhile, supervision over the regulators is becoming significantly stricter as well.

While the head of the SPD Bank's Chengdu branch was banned from working in the banking sector, local banking regulatory officials and SPD Bank senior management have also been punished for their negligence of duty.

In addition, the CBRC expects to optimize the market environment through stricter regulations, prompting steadier development in the banking sector and better serving the real economy.

More capital was redirected into the real economy as the financial sector saw constant leverage ratio drops in 2017, with over 100 banks offering to reduce their balance sheets, CBRC Chairman Guo Shuqing said earlier in an interview with the *People's Daily*.

In 2018, the banking regulator will further support China's innovation driven strategy by proceeding with inclusive financing and bringing down financial costs, Guo said.

While risks in the financial system are manageable, Guo warned against hidden dangers of "gray rhinos" and "black swans" in safeguarding China's financial stability.

"Shadow banking and cross-selling in financial services require urgent attention, as they are most likely to trigger financial risks within the system," said Lian Ping, chief economist with Bank of Communications.

The Central Economic Work Conference held last December listed defusing major risks as one of the "three tough battles" the country will fight over the next three years.

"We are sure that stricter banking oversight will provide the necessary foundation for winning the battle of preventing major financial risks," said Guo. ■



People stand in a queue to withdraw cash from an ATM of Agricultural Bank of China in Lhasa, Tibet Autonomous Region, on December 29, 2017

This is an edited excerpt of an article originally published by Xinhua News Agency
Copyedited by Laurence Coulton
Comments to yushujun@bjreview.com

NUMBERS

(\$1=6.54 yuan)

6.6%

China's estimated GDP growth in 2018, forecast by the International Monetary Fund, according to the latest World Economic Outlook

12.4 mln

Second-hand automobiles traded in 2017, up 19.3 percent year on year

6.31 tln kwh

Electricity consumed in China in 2017, with a year-on-year increase of 6.6 percent.

9.8 mln

Online shops based in villages by the end of 2017, up 20.7 percent year on year, creating over 28 million jobs

Mergers and Acquisitions Market

December 2017

Number of Cases

M&As among domestic companies



Total value (\$mln)



Chinese companies' overseas M&As

12



506.86

M&As by foreign companies

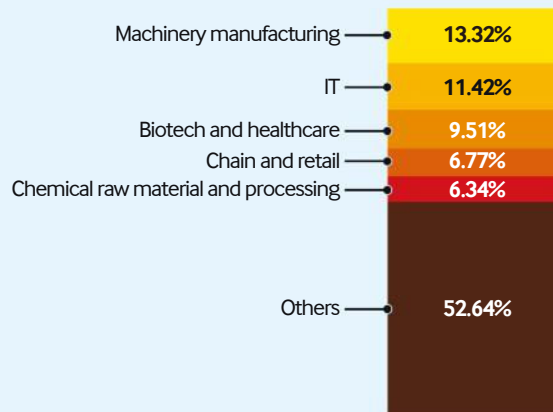
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13.33

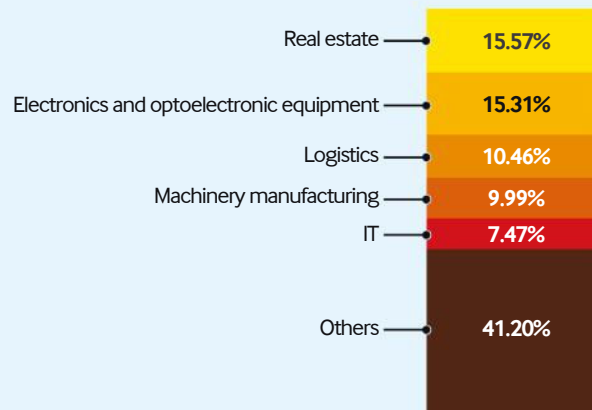
Top Five Sectors in Mergers and Acquisitions Cases

December 2017



Top Five Sectors in Mergers and Acquisitions Value

December 2017



(Source: Zero2IPO)

372,000

The number of Chinese visitors to Abu Dhabi in 2017, making China the largest overseas tourist source market of the United Arab Emirates' capital city

15.18 bln yuan

Aid offered by 19 provincial-level regions to northwest China's Xinjiang Uygur Autonomous Region last year, supporting poverty alleviation and job creation

500

Manufacturing companies to be shut down in Beijing as part of the campaign to move non-capital functions out of the city

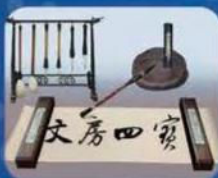
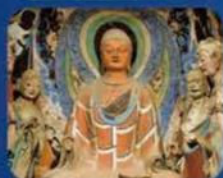
20,000

Industrial robots to be put into use in 2018 in south China's Guangdong Province, aimed at sharpening its edge in manufacturing

CHINA MOSAIC

Weekly video commentary direct from Beijing

中国3分钟



SINGAPORE



Singapore Ushers in the Asian Century

The city-state of Singapore has seen remarkable growth since being founded just over half a century ago. By upholding the best of Asian values, Singapore continues to lead the way in an increasingly globalized world.

Many Southeast Asian countries are blessed with an abundance of natural resources. Singapore has positioned itself as one of the region's largest commodity trading hubs offering tax-friendly incentives, transparent financial and legal sectors, excellent infrastructure and a skilled workforce. These factors have enabled Singapore to become an attractive destination for multinational companies' regional headquarters.

'We are a regional business hub with investors coming to Singapore to establish partnerships and engage with people who understand the Asian region', explains Ho Meng Kit, chief executive officer



Mr. Ho Meng Kit, Chief Executive Officer, Singapore Business Federation

of the Singapore Business Federation. Over the years, the government has anticipated global economic trends and has today positioned Singapore as a successful trade, logistics and financial centre. Through public and private investments in new technologies and innovation, Singapore is positioning itself as a centre of excellence in key industries. Multinationals and tech start-ups are delivering urban, industrial and infrastructure solutions designed to create 'smart' and 'sustainable' cities across Asia. Through the establishment of the Singapore International Commercial Court, Singapore International Arbitration Centre and Singapore International Mediation Centre, Singapore has become Asia's alternative dispute resolution hub. With fast-paced economic development taking place across Asia and foreign investors pursuing more cross-border projects, Singapore is supporting the resolution of international disputes.

Singapore's economic strengths are based on credibility, integrity, transparency and the city state's role as a reliability partner for the region.

ASEAN 2018 – 'Resilience and Innovation'

Having recently celebrated its fiftieth anniversary, the Association of Southeast Asian Nations (ASEAN) remains a regional platform for peace, economic integration and international cooperation. Chairing the Association in 2018, Singapore intends to create a more integrated, competitive and prosperous ASEAN through the theme 'Resilience and Innovation'.

Singapore will promote ASEAN inter-dependence while upholding a rules-based regional mandate to combat terrorism, international crime and cyber-security issues.

Singapore also hopes to strengthen the region's economic and financial resilience by encouraging free and open trade through agreements such as the 'Regional

Comprehensive Economic Partnership'.

'We need to make sure people are aware of the benefits of such agreements and that they are in a position to fully utilise these cross-border trade initiatives', says Ho.

Singapore will also encourage ASEAN member countries to contribute to the region's digital economy to facilitate connectivity, increase trade flows and reduce 'red-tape'.

Connecting with China's Belt and Road Initiative

This year marks the fifteenth anniversary of the ASEAN-China Strategic Partnership (China became the first dialogue partner to sign the Treaty of Amity and Cooperation in Southeast Asia). As coordinator for ASEAN-China relations, Singapore aims to promote greater mutual understanding and encourage further cooperation between China and ASEAN members.



Singapore's lotus shaped ArtScience Museum and the city's Central Business District in the background

Today, China is Singapore's largest trading partner while Singapore is one of China's top foreign investors. In addition to trade and investment, cooperation includes human resource development and environmental protection.

Both governments are involved in flagship projects including Suzhou Industrial Park, Tianjin Eco-City and the Sino-Singapore (Chongqing) Connectivity Initiative. These projects are contributing to China's Belt and Road Initiative (BRI), designed to connect China to the world.

Launched by President Xi Jinping in 2013, BRI is a massive infrastructure and economic development project to create a new 'Silk Road' for the 21st Century.



Dr. Ernest Kan, Deputy Managing Partner, Deloitte Singapore

According to Dr. Ernest Kan, deputy managing partner of Deloitte Singapore and board member the Chinese Services Group, the initiative involves close to seventy countries (sixty-two per cent of the global population), thirty-one percent of global GDP and thirty-three percent of global trade volume.

'China has emerged as the world's

largest provider of liquidity and the most dominant exporter of savings', explains Kan. 'The country's vast reserves will have a profound effect on global financial markets'.

The Asian Infrastructure Investment Bank, China Development Bank, China's Silk Road Fund and the Export-Import Bank of China are providing the funding for infrastructure, logistics and industrial development projects relating to BRI.

Singaporean companies and certified consultants are working on BRI-related projects by providing management expertise and facilitating better cross-cultural and cross-border understanding.

With increased international trade and investment, Singapore will play an important role in protecting companies as they reach out to new international markets by offering arbitration and mediation services.

The Singapore International Mediation Centre and the Mediation Center of the China Council for the Promotion of International Trade / China Chamber of International Commerce signed a Memorandum of Understanding in September last year to cooperate on such matters.

'In the not too distant future, the global economy will pivot towards the Asian region'; concludes Kan. 'Asia's influence and impact on the world stage will create both challenges and opportunities for China, Singapore and the rest of the world'.

www.sbf.org.sg

www.sbacc.org.sg

The Case for Alternate Dispute Resolution in Singapore



Maxwell Chambers, located in the business district of Singapore

In the case of legal disputes, litigation can be costly, confrontational, and take years to complete. Today more than ever, businesses are more likely to operate on a global scale, and are increasingly partial to alternative dispute resolution (ADR) processes. ADR can result in quicker, non-adversarial outcomes that are enforceable in multiple jurisdictions. The use of ADR has been on the rise, particularly in Asia, with its maturing markets and growing sophistication of businesses.

Singapore is at the forefront of providing Alternative Dispute Resolution (ADR) services to international companies. Over the years, Maxwell Chambers in Singapore has registered steady growth in the number of arbitration cases held on its premises, and it is largely due to Singapore becoming an increasingly popular destination for international corporate arbitration in Asia. With the presence of various venues in the region, why choose Singapore for arbitration?

Geographic location

Singapore is ideally and strategically located in the dynamic and fast-

growing Asia-Pacific region. It is also closely linked to the major economies of China and India. Singapore is only a short flight away from major Asian cities such as Bangkok, Jakarta, Shanghai, and Tokyo.

Trustworthy legal system

Singapore's legal system, which is based on the British common law system, is ranked among the best in the world (Political and Economic Risk Consultancy 2012 Report), with a judiciary that offers strong support

for arbitration. Singapore's arbitration regime is based on the UNCITRAL Model Law, and as Singapore is a party to the New York Convention, arbitration awards made here are enforceable in over 140 countries.

Integrity and transparency

Singapore has established itself as a trusted location for high quality cross-border dispute resolution. According to the World Economic Forum's Global Competitiveness Report 2016 - 2017, Singapore is ranked the most

transparent and least corrupt country out of 138 economies. It is well-known internationally for its impartiality and neutrality, and its strong anti-corruption stance.

The "Singapore Advantage"

Non-residents are generally required to hold a valid work pass before they can work in Singapore. However, the provision of arbitration and mediation services in Singapore is categorised as a Work Pass Exempt Activity. As such, non-residents can provide arbitration or mediation services in Singapore for the duration of their Short Term Visit Passes subject to a maximum of 60 days. On top of that, non-resident arbitrators who are appointed for arbitration work in Singapore are eligible for tax exemption.



The Coleman room, with tables sourced from Singapore's old Supreme Court

Premium legal facilities and services

Maxwell Chambers, Singapore's only legal hub, prides itself on its world class services and facilities.

Said Gary Born, President of the SIAC Court of Arbitration on the venue, "Maxwell Chambers and its staff set the standard for international dispute resolution venues. Their service and professionalism is unmatched."

Conveniently located in Singapore's business district, it is also the first and only one of its kind in the region. It is home to both hearing facilities and top global ADR institutes under one roof, and is equipped with 22 customisable hearing rooms and preparation rooms. The rooms can also be used for corporate functions such as meetings, seminars, and workshops.



One of Maxwell Chambers' hearing rooms

Maxwell Chambers Pte. Ltd.
32 Maxwell Road Singapore 069115
Tel: (65) 6595 9010
Email: info@maxwell-chambers.com
www.maxwell-chambers.com

Behind Asia's upcoming legal hub

Q&A with Katherine Yap, Chief Executive, Maxwell Chambers



Katherine Yap, Chief Executive,
Maxwell Chambers

Tell us about Maxwell Chambers and its expansion plans.

The year ahead will be exciting for us as we are expanding our premises to occupy the adjacent conserved building at 28 Maxwell Road, now named Maxwell Chambers Suites. The expansion will add 120,000 square feet of floor space and triple our current size. This will help to support the growth of dispute resolution institutions in Singapore and capture more opportunities

in the sector in Asia. Restoration works began in June 2017 and the estimated date of completion is the first quarter of 2019.

What factors led to the decision to expand the premises?

Singapore is becoming an increasingly popular destination for international corporate arbitration in Asia. Furthermore, in recent years, there has been a significant increase in the number of enquiries on tenancy opportunities at Maxwell Chambers. With this rise in demand for hearing rooms and tenant space, we believed that the expansion of Maxwell Chambers was timely.

What can future tenants and visitors expect from Maxwell Chambers Suites?

The new premises will serve as the region's one-stop legal hub and a legal ecosystem of sorts. It will house premium office spaces for both top international and local law practitioners, as well as business facilities for tenants. These facilities include meeting rooms, secretariat services and a 24-hour business centre. One specific feature differentiating the new premises from other office spaces would be the exclusive lounge for tenants, which would provide them with a space to unwind and network.

Upon completion of Maxwell Chambers Suites, the current premises at 32 Maxwell Road will be dedicated solely to hearing and preparation rooms for commercial dispute resolution cases.

To ensure ease of access between both buildings, an overhead bridge will be constructed, linking Maxwell Chambers Suites to our main building.



What kind of tenants have already taken up space at the new building, and what are their reasons for doing so?

We received an overwhelming number of enquiries once it was announced that office space is available at Maxwell Chambers Suites. Some of our existing tenants, such as The Arbitration Chambers and One Essex Court, will be doubling their office space to cater to the rising demand for dispute resolution services. Opus 2, an international firm which specialises in transcription and hearing room services, will also be the first ancillary services firm to occupy an office space at Maxwell Chambers Suites. Our new tenants include both local and international institutions, dispute resolution practitioners, cham-

bers and related legal support services who are keen to establish a presence in Maxwell Chambers and in Singapore.

What does Maxwell Chambers have in store in the next few years?

With both the Permanent Court of Arbitration (PCA) and the International Chamber of Commerce's International Court of Arbitration (ICC Court) setting up offices here, we anticipate more cases to come to Singapore in the next 1 to 2 years. At Maxwell Chambers, we are fully equipped to meet the challenge, and will continually strive to provide premium facilities and services. Lastly, we are of course very excited about Maxwell Chambers Suites commencing operations in 2019! We are certain that Maxwell Chambers and Maxwell Chambers Suites will complement each other and allow us to firmly establish ourselves as the international arbitration destination.

Maxwell Chambers Suites, located in the heart of Singapore's business district, is now taking bookings for office space. Tenancy will be for a minimum of 3 years, beginning in 2019.

To register your interest, please email tenancy@maxwell-chambers.com



A render of the future Maxwell Chambers Suites



A still from *Wolf Warrior 2* featuring lead actor and director Wu Jing

The Plot Thickens

Despite several blockbusters, 2017 exposed the Chinese film industry's weakness—lack of diversity By Yuan Yuan



QUJHSHEN

continuation of the abrupt slowdown of the box office in 2016.

After averaging a yearly growth of 35 percent for over a decade, China's box office expanded less than 4 percent in 2016 and judging from the market results in the first half of 2017, the situation seemed to have worsened.

The dark horse phenomenon

Figures of the State Administration of Press, Publication, Radio, Film and Television show that on March 1 last year, overall box-office sales of the Chinese mainland reached 10 billion yuan (\$1.58 billion), six days slower than in 2016. The succeeding months saw the market dominated by Hollywood money-spinners in spite of the Film Industry Promotion Law coming into effect in March and limiting the quota of foreign films.

Two Hollywood offerings, Michael Bay's *Transformers: The Last Knight*, and *The Fate of the Furious*, the eighth in *The Fast and the Furious* franchise, stumbled in the United States but earned more in China, which has become a major overseas box-office revenue source for Hollywood. Powered by these movies, the overall ticket sales in China reached 20 billion yuan (\$3.15 billion), hitting the figure 16 days earlier than in 2016. *The Fate of the Furious*, grossing \$411 million, became the second box-office hit in China in 2017.

However, the most remarkable milestone was a real life based film from India, *Dangal*, starring Indian actor Aamir Khan, whose films have become as popular in China as Hollywood tales. The story of an Indian wrestler who trains his daughters in wrestling, which is considered a male sport by conservatives, enabling them to hold their own against men, screened in China in May and swept the box office.

Regarded as a dark horse in the Chinese film market, it was soon lauded by moviegoers as a "super touching," "encouraging" and moving story and became China's top-grossing, non-Hollywood foreign film of all time, bringing in 1.297 billion yuan (\$204.24 million) in total.

It was the day of the dark horse all through July with the release of *Wolf Warrior 2*, the Chinese action film that bagged the highest ever box-office earnings in China.

Directed by martial arts expert Wu Jing who also played the superhero, a former special forces operative, the sequel to the 2015 *Wolf Warrior*, which took Wu to an unspecified, war-torn African nation to fight Western mercenaries, hardly received much attention before its release.

However, once it hit the theaters, it created a sensation and was labeled by viewers as the "first successful China-made superhero-style movie."

In just 12 days, *Wolf Warrior 2* had grossed 3.4 billion yuan (\$536 million), edging out the fantasy romance *The Mermaid*, which had

released in early 2016 and created a box-office record of over 3 billion yuan (\$473 million).

After shown in cinemas for 90 days, *Wolf Warrior 2* collected 5.67 billion yuan (\$89.46 million), more than double the money earned by *The Fate of the Furious*, the second highest-earning film in China in 2017.

"*Wolf Warrior 2* is a phenomenal movie," said Chen Xuguang, a professor from the School of Arts in Peking University. "It has dragged many people, who were disappointed with domestically produced movies, back to the cinemas. Additionally, it has attracted many senior people to cinemas."

The success of *Wolf Warrior 2*, Chen said, was not limited to creating a box-office boom for made-in-China films; it also ushered in a new model for domestic theme films, which are often thought to be stereotyped and lack in entertainment.

"It has set a model for theme films and can hopefully activate the production of similar movies," Chen said.

The spate of dark horses continued even after *Wolf Warrior 2*.

Twenty Two, a documentary on 22 women who survived the harrowing ordeal of being used as "comfort women" by Japanese forces, became an unexpected hit.

During World War II, an estimated 200,000 Chinese women were forced into prostitution by the Japanese invaders. Only a handful of them are still alive, historical witnesses of war atrocities.

"This is a group that deserves to be known and correctly understood by more people and a history worth being preserved in a more accurate yet sensitive way," Guo Ke, the director of the docudrama, said in the introduction to the film. "This is probably the last chance for the public to actually see their situations and hear their own words while they are still alive. It should not be a history just written on pages."

Twenty Two won applause with its empathy. The commentators lauded it for containing no interrogation on sordid details or exaggeration. It finally grossed more than 100 million yuan (\$15.77 million), an almost impossible feat for a documentary.

Bad Genius, a dark thriller about a school exam cheating system, was one of the top Thai films to be screened in China after its debut on home turf in October. It fetched 220 million yuan (\$34.7 million) in 11 days, more than the sum of the profits in all other markets, including Thailand itself.

Path of the Soul, a combination of documentary and fiction directed by Zhang Yang, featured a group of Tibetan villagers' 1,200-km pilgrimage to Lhasa, capital of Tibet Autonomous Region. Each of the travelers embarked on this arduous journey for very personal reasons and the movie followed the

Though the Chinese film industry started with a bang in 2017, as the year wore on, it faced a challenging future despite several blockbusters.

While the nine movies released during the holiday week of the Chinese New Year last year—from January 27 to February 2, 2017—scooped up 3.355 billion yuan (\$528.83 million) and shot past the record of the New Year holiday week in 2016, which was \$475.04 million, the success was followed by several dismal months. Industry watchers attributed it to a



The main actors and actresses of the film *Bad Genius* meet audience members in Beijing on October 21, 2017

whole trip, filming the pilgrims as they prostrated themselves on the ground after every few steps.

It grossed over 170 million yuan (\$26.82 million), a surprise bonanza for offerings of this type.

"This type of movie could hardly make any money before," Yin Chengkui, a Beijing Normal University professor and expert on film production, said. "Its box-office earnings can definitely give makers of such genre a shot in the arm."

Youth, directed by Chinese director Feng Xiaogang, was another dark horse that initially targeted a small group of filmgoers. Released on December 15, it chronicled the lives of a group of young people who joined a People's Liberation Army dance troupe in the 1970s, and along with it, underwent the changes the nation experienced till the 1990s.

The recollection of those days attracted many senior citizens to cinemas. The movie collected over 1.413 billion yuan (\$221 million), the highest revenue Feng's movies have ever fetched, making it rank eighth among the box-office hits of 2017.

"The dark horse phenomenon is one of the salient features of the Chinese market in 2017," Yin said. "It shows that today, the audiences won't judge a movie simply by the stars involved or the large investment, but by the story. Good stories talk finally."

Quality, not quantity

According to the State Administration of Press, Publication, Radio, Film and Television, the total ticket revenue in 2017 was 55.9 billion yuan (\$8.83 billion), a 13.45-percent increase on 2016. The number of movie screens surpassed 50,000, making China the country with the most movie screens in the world.

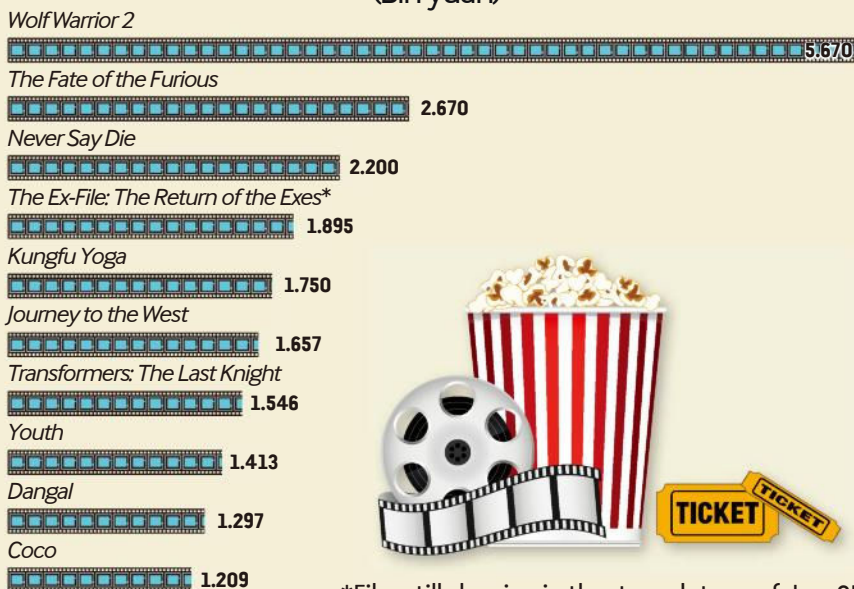
In 2003, when China started reforming the movie industry, total ticket sales stood at just 1 billion yuan (\$158 million). Since then, there has been an average 30-percent growth annually. In 2010, the revenue surpassed 10 billion yuan (\$1.57 billion), jumping to 50 billion yuan (\$7.89 billion) in 2016.

The scale of the industry expanded fiftyfold, an unprecedented speed. It is estimated that by 2020, China will eclipse the United States as the largest film market in the world.

Hollywood studios have noted these changes. According to the Motion Picture Association of America, seven films from U.S. studios earned more in China than in the United States last year. Major studios, while writing their stories, are now taking China's market into consideration, casting Chinese stars wherever possible.

However, the Chinese appetite for Hollywood fare is now waning. *Transformers: The Last Knight*, though seventh on the box-office list in 2017, got many negative reviews in

China's Top Box Office Grossing Films in 2017 (Bln yuan)



*Film still showing in theaters, data as of Jan. 25.
(Source: Douban.com; designed by Pamela Tobey)



Cody Walker (left), the lead actor of the movie *The Fate of the Furious*, and his wife meet fans in Hangzhou, Zhejiang Province, on April 11, 2017

China.

"This is the first time I rated a movie 1 out of 10," posted a netizen on Douban.com, a popular movie rating website in China. "I have no idea how a movie like this can be released."

The sentiment was echoed by many others, who complained the story was "pale, plain and boring."

This trend has continued into 2018. *Star Wars: The Last Jedi*, released on the mainland of China on January 5, didn't get the positive feedback it had expected, earning only 252 million yuan (\$39.8 million) in 11 days.

"The scene in winter 2009—people queuing in long lines from early morning to grab a ticket to a Hollywood movie like *Avatar*—will hardly happen again," said Zhang Zhao, a Beijing-based movie critic. "The Hollywood style is no longer fresh to Chinese audiences, who expect something different and have more choices now."

Comedy, a lucrative genre in China, proved its magnetism once again in 2017. *Never Say Die*, a low-budget story of a male boxer who accidentally swaps bodies with a female journalist, was No.3 in box-office sales with 2.2 billion yuan

(\$347 million), beating Jackie Chan's *Kung Fu Yoga*, fifth with 1.75 billion yuan (\$276 million).

Chinese animated movies also fared well. *Dahufa*, a tale of enslaved people, and *One Hundred Thousand Bad Jokes II*, a collection of parodies of classic Chinese comics, earned 87.6 million yuan (\$13.84 million) and 120 million yuan (\$18.96 million) respectively, showing signs of a boom in the animation industry. Though still substantially less than the 2016 top-grossing animation films like *Monkey King: Hero Is Back*, which made almost 1 billion yuan (\$158 million) in 2016, the producers of the two 2017 animations nevertheless said they were not disappointed and were optimistic about new productions.

But despite the surface glitter, serious problems lurk in the industry.

According to Zhang Hong of China Film Association, over 500 films were released in China in 2017 and more than 90 percent of them were homemade. However, the box-office revenues of domestically made films only accounted for about 54 percent of the total takings of the year.

"If we take *Wolf Warrior 2* out, the total box

office of China-made movies made the lowest record in recent years," Zhang said.

Zhang went on to say that many movies in 2017 collected only a few thousand yuan, and some just a few hundred. "We should give some attention to those that failed in the market and find the reasons," Zhang said. "It is not a mature market, with just a few movies getting a large portion of the box office, while the majority is suffering a loss."

Zeng Maojun, CEO of Wanda Pictures, one of the major film production companies in China, shone a light on a graver problem. Zeng said the 30-percent growth was merely the result of the number of movie screens increasing.

"Now we have 50,000 movie screens but they all display the same movies," he said. "Many movies can't get into the market while many audiences can't find the movies they want to see in cinemas. Diversification will be the trend in the future. The future box office will be determined by the quality and content of movies." ■

Copyedited by Sudeshna Sarkar
Comments to yuanyuan@bjreview.com



Members of an Ulan Muqir troupe perform for the nomad families of a village in Wenquan County, northwest China's Xinjiang Uygur Autonomous Region, on May 26, 2017

The Nomadic Art

Traveling troupes bring culture and joy to the remote corners of China's vast grasslands **By Pan Xiaoqiao**

The people living on the grassland of north China's Inner Mongolia Autonomous Region are born with a passion for art, expressing themselves through song and dance. However, herders live a life of loneliness cut off from the outside world, and they can only sing to the sky and dance with their livestock. Fortunately, the Ulan Muqir troupes are on hand to enrich their lives.

Ulan Muqir means "red bud" in the Mongolian language. It is a type of traveling troupe organized by the local government, born and rooted in the grassland, and serving its local people. When the first Ulan Muqir troupe was established in 1957 it had only nine members, while today 75 such troupes are made up of

more than 3,000 members. They dance, perform dramas and play musical instruments for herders who live in remote areas in the huge expanse of the steppe, while living alongside them over a period of weeks or sometimes months. A traveling troupe may be small, but its members must be good at performing local songs and dances as the Ulan Muqir troupes form the major public cultural service in the pastoral and farming regions of Inner Mongolia.

On November 21, 2017, President Xi Jinping wrote a letter to the Ulan Muqir in Sonid Right Banner, a county in central Inner Mongolia Autonomous Region.

"In the new era, I hope you can carry forward the fine tradition of the Ulan Muqir, put down

roots, and serve the herders," Xi said in the letter.

As news spread of this letter from the president, people began to direct their attention toward these special traveling troupes.

Humble beginnings

In the 1950s, local herders and farmers lived a dull life in terms of culture, their residences scattered across the grassland, far from each other, and with poor means of transport and communication to depend on. This isolated life left the nomads barely aware of news elsewhere in the country. The Culture Bureau of the Inner Mongolia Autonomous Region thus decided to set up a small traveling group to enrich the

herders' cultural life and promote the government's plans.

On June 17, 1957, the first Ulan Muqir traveling troupe was established in the Сонд Right Banner, Xilin Gol League of Inner Mongolia Autonomous Region. Their equipment included two big wheel carts, two backdrops, two tents, three kerosene lamps, four costumes, five musical instruments, six horses, a radio and a gramophone. All nine members of the troupe could dance, sing and play musical instruments, and they were able to inform the locals of outside news and policies issued by the government through short programs.

Inner Mongolia covers an area of more than 1.18 million square km, composed mainly of pastures, tree farms and mining areas. The troupe often had to travel for several days before reaching their destination, even if sometimes their audience was just one family living in one yurt on the plains. The traveling was hard going, but the Ulan Muqir remained dedicated to their cause.

The endeavors of the first Ulan Muqir spurred the creation of other traveling troupes, and by the end of 1963, Inner Mongolia was home to 30 such groups. At the end of 1964, Chairman Mao Zedong and Premier Zhou Enlai met with representatives from these Ulan Muqir troupes and praised them for their contributions to local society and culture, prompting the Ministry of Culture to organize an Ulan Muqir tour across 27 provinces, municipalities and autonomous regions around the country over the course of seven months. These shows helped to shoot the Ulan Muqir to stardom nationwide and in the years since they have set up tens of thousands of art programs, while cultivating a large number of new artists.

Serving the people

For six decades, the Ulan Muqir troupes have been dedicated to entertaining and educating herders and farmers.

Meng Yuzhen, a troupe leader from the Xilin Gol League's Ulan Muqir, recalls how in the 1980s members performed in the open space of farmhouses or yurts by pulling a backdrop behind, with oil lamps burning either side. Despite the harsh conditions, the audience was very passionate, and in return the Ulan Muqir teams would strive to reach every herder in every corner of Inner Mongolia, no matter how adverse the conditions, so that everyone had a chance to watch their performance.

The Ulan Muqir played an important role in helping to deliver important news and information to their audiences, and most of their programs were written and performed by themselves, with relevant ethnic and regional features. Songs were favored as a way to promote cultural and social values, and to make them more accessible for their audiences.



Dancers of the Сонд Right Banner Ulan Muqir troupe perform in a remote part of north China's Inner Mongolia Autonomous Region in 1996

Most members of the Ulan Muqir come from local families, and so they are often deeply rooted in the culture and tradition of the grassland. Wherever they travel to perform, they live and work alongside the local herders and farmers. In their capacity as performers they entertain, but they also try to help local people in any way they can, by buying books from cities and restoring farm tools.

Jin Hua, an ethnic Mongolian soprano and a member of the first Ulan Muqir team of 1957, said in an interview that the "herders and farmers were very kind and hospitable to us wherever we went to perform. They invited us into their homes and offered to share their food and drink which were already insufficient to feed their families. Today I still feel the warm bonds between the herders and the Ulan Muqir."

Ulan Muqir troupes have also played a role in China's poverty alleviation campaign. On one occasion, upon discovering that a village was lacking in pasture due to drought, the local troupe donated money to help dig a well for the villagers, providing them with a badly needed supply of water.

Keeping up

Nowadays, technology has greatly reduced the distance between remote villages and cities, and the Ulan Muqir troupes are going to great lengths to keep pace with the changing times. Spreading the ethnic culture nationwide has become a new focus for the troupes.

Since 2003, some Ulan Muqir troupes have been extending their range beyond Inner Mongolia, organizing shows in cities such as Beijing and Shanghai. Some have even traveled abroad to perform in commercial shows in countries such as Thailand, Germany and Belgium, where they have received both plaudits and an economic boost.

The Erguna River, mother river for north China's nomadic people and now the boundary between China and Russia, has also become an important stage for the Ulan Muqir. The troupe there has created many folk performances and programs by combining traditionally Russian styles with local features. Now the group presents shows on a stage above the river for Chinese and Russian audiences in July and August each year. It has become an important bridge of cultural communication between the people on either side of the border.

By the end of 2017, the Ulan Muqir troupes had traveled 1.1 million km, having put on more than 300,000 shows with a total audience of 212 million people. The troupes are of great significance to Inner Mongolia's cultural development.

Na Shun, head of an Ulan Muqir troupe under the auspices of the People's Government of Inner Mongolia Autonomous Region, told Xinhua News Agency that "in the past 60 years, the Ulan Muqir troupes have always stuck to the principle of being close to the people."

Na said that his troupe has created more than 1,000 songs, episodes and dance and folk art programs, all full of Mongolian ethnic features and local flavor.

"Our stage is always the vast grassland of Inner Mongolia and the herders are our audience. Today, we travel by cars not by horses but we will carry forward the Ulan Muqir tradition and serve the people forever," Na said.

"The Ulan Muqir's shows are always based on the realities of life on the grassland," Lei Dongxiang, head of the Erguna Ulan Muqir, said.

"We see this as our roots and the direction in which we should continue to head," Lei said. ■

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Comments to panxiaojiao@bjreview.com

China Moves to Eliminate Poverty by 2020

China's poverty relief campaign has achieved great progress, which has attracted world attention. **William Jones**, Washington Bureau Chief of Executive Intelligence Review (EIR) News Service, shared his views on China's poverty alleviation work with *Beijing Review*. His opinions follow:



Through the ages, men of good will have been troubled by the sight of abject poverty and often felt that if they had the means, they would seek to rid the world of poverty. Until now, this wish has been mainly seen as a noble, but fundamentally unrealizable goal. But the commitment of the Communist Party of China (CPC) to eliminate poverty in the country by 2020, reiterated in the strongest terms by Chinese President Xi Jinping at the recent 19th CPC National Congress, is about to make that dream a reality in the most populous nation in the world.

And the track record of the CPC is strong in this regard, raising over 700 million people out of poverty since the reform and opening up was introduced in 1978. This is an absolutely astounding figure, unprecedented in all of human history, and the figure represents 70 percent of all the people who have been brought out of poverty during the period. Estimates have it that there are still around 30 million people in poverty in China. The commitment is to bring 10 million people out of poverty each year, which would allow the country to reach its poverty alleviation goal by 2020. And there are few who doubt that this will be accomplished.

Mobilizing the nation

The advantage that China has in this endeavor is the ability of making poverty reduction a commitment of the entire nation. This is largely due to the dominant role of the CPC, which has set itself the goal of achieving that result. But, more importantly, it has been the determination of the Party leadership, led by General Secretary of the CPC Central Committee Xi Jinping, to make poverty reduction the number one priority for the nation which has created the impetus for this development.

The necessary prerequisite for even envisioning such a program has been the revolution in connectivity over the last 20 years. The development of the high-speed rail system and the creation of new roads and highways, even in the more remote rural districts, have brought the nation much closer together, with easier communication between the major centers and the rural districts. The connectivity is also characterized by wider access to the Internet and wireless phone networks, even in the more remote areas of the country. Internet Plus is now being implemented to bring to bear online philanthropy which could supplement the major efforts of the central and local governments in bringing about poverty reduction. The Internet Plus platform has 100,000 registered donors connected to 40,000 needy families, although it has only been established in 11 cities thus far.

Targeted poverty reduction

Poverty in China is primarily rural poverty. Hong Tianyun, Deputy Director of China's State Council Leading Group Office of Poverty Alleviation and Development, in a speech in July 2017, pointed to three geographical areas, three autonomous prefectures and three demographic groups that were still suffering from extreme poverty. The geographical areas are situated primarily in minority areas in Tibet and Xinjiang Uygur autonomous regions, as well as Sichuan and Yunnan provinces. The three demographic groups most affected by poverty are those who are impoverished because of illness, those who are impoverished as a result of natural disasters or because of market fluctuations, and the elderly poor, who because of their age or inability to work have to be fully supported by social insurance.

Given that poverty primarily affects the

rural areas, the rural vitalization program and the ongoing land reform have contributed mightily to raising the standard of living in rural China. Presently the program is based on the notion of "targeted poverty alleviation" focusing on the groups and the districts which are still suffering from extreme poverty.

With greater flexibility for migrant workers in cities to lease their land holdings in their villages, it is now possible for farmers to combine smaller holdings into larger plots, making possible the use of farm equipment and other economies of scale. With an increasingly tight job market in the major cities for the numerous college graduates each year, many of them find their way to the countryside, where they have the opportunity to use their skills to help farmers in forming cooperatives and introduce them to the use of the Internet and e-commerce in order to create a broader market for the sale of their products. Combining the technical expertise and entrepreneurial spirit of the many young graduates coming to the countryside with the practical knowledge of the local farmers often results in greater output and income for entire villages. In some instances, farmers have agreed to concentrate on a particular crop, which can then be sold more profitably to the wider market.

The increased use of irrigation has also enabled what had been barren fields to be brought into cultivation. In many villages, smaller industries have set up operations, sometimes connected with food processing or other fields related to agriculture, creating new job opportunities for the local population. And with the improvement of the road system, these rural areas, sometimes in very beautiful locations, also become attractive for tourists both from China and abroad, creating a whole new industry for the rural population.

The general thrust of the poverty reduction has been to bring development to the villages. But, in some cases, this is not feasible. Villages which are located in really difficult terrain, or simply lacking any decent roads or highways, may prove



Farmers work in a vegetable greenhouse in a village of Fucheng County, north China's Hebei Province, on January 10. With help of the local government, farmers are able to increase their income through growing quality vegetables and fruits

impossible to bring into the mainstream of commerce. In these cases, people are encouraged to move to areas nearby which are more accessible, and they are then provided with new and modern housing. If they have no skills that can be utilized in the new environment, training courses are set up to provide them with skills, or job opportunities like forest rangers are created, by which they can earn a decent livelihood.

This has been accompanied by a general upgrade of the conditions of life in the villages. New housing is being built. Running water and sewage systems are being put in place. Electricity is being brought into areas that didn't have it. The social welfare net is constantly expanding. And while basic education is universal and free, the quality of education in the villages can vary greatly. There is now a concerted effort to recruit new teachers from city colleges and universities to come and teach in the villages. And the effort is national in scope. The poorer sections of the country are being aided by the more prosperous urban centers, which are providing funds, skilled professionals, innovative ideas, and business investment.

Local officials are also required to keep close track of each of the families in their villages, monitoring their situation and

making sure that they are not falling back into poverty, and analyzing the condition of those who still remain in poverty in order to come up with solutions to their particular dilemma. The cooperation between the Central Government and the local government and village Party officials is the key in this respect, as many of the problems of local poverty cannot be resolved by a one-size-fits-all solution.

The Chinese experience

The Chinese model of poverty alleviation has become a beacon of hope for a large part of humanity. More than half the world's population lives in relative poverty, on less than \$2.50 a day. More than 1.3 billion people live in extreme poverty—on less than \$1.25 a day. The statistics are staggering. But the accomplishment of China in this respect may be a light at the end of the tunnel. Other countries can draw some important thought from the Chinese model.

Firstly, there has to be firm determination from the central leadership to actually eliminate poverty. And this determination must be inculcated at every level of government. The entire nation has got to be mobilized for such an effort. Secondly, connectivity is absolutely essential—a

daunting task in areas of Africa and Latin America, where roads and highways are often lacking. And thirdly, there must be a commitment by the country's intelligentsia to contribute to this process as doctors, teachers and entrepreneurs who are prepared to venture to the countryside in order to help the people develop.

The good news is that nations preparing to launch such a project will not be alone. China in particular has already initiated such development projects in connection with the Belt and Road Initiative, which is also making great headway in Africa and Latin America. The United Nations has poverty alleviation as one of its Millennium Goals. And French President Macron's commitment during his recent visit to work with China in developing Africa is a major step in the right direction. It would well benefit other countries, including the United States with its estimated 41 million people in poverty, to join the club. With a concerted effort, the Chinese example can become contagious and lead us in the direction of a community with a shared future for mankind that President Xi has so warmly espoused. ■

Copiedited by Chris Surtees
Comments to baishi@bjreview.com

Risk of Unemployment In the AI Age

By Lan Xinzhen



One year after the opening of the first cashier-free supermarket in China in 2016, most Chinese cities now have this kind of supermarket. While self-service stores make it more convenient for consumers, they also pose risks to cashiers, whose jobs may thus vanish.

The risk is not limited to those working in supermarkets; people in various posts will have to bear the impact of artificial intelligence (AI). Take drivers for example. Beijing, Shanghai and Shenzhen have already begun to test driverless autos on certain road sections, and thus driverless cars are expected to be widely used in the future. Another example is translators. Machine translation is now being increasingly used. Even doctors, journalists and poets, jobs that involve emotional communication, are also likely to be replaced by AI.

Poems are universally recognized as a product of human emotions and sentiments. Most people thus believe that machines will never be able to replace poets. On December 15, 2017, in a program aired by China Central Television, thanks to its excellent performance, a robot beat three young people who had won prizes in national poem contests.

This is a surprising result. When robots have triumphed over humankind in Go and chess competitions, the credit is put on their strong computing power. However, poem creating implies that robots are able to “think.” In this sense, AI can absolutely become powerful enough to replace human beings in many posts.

The fourth industrial revolution that is based on technologies like cloud computing and big data will have a profound impact on the way of living. However, it may bode ill for job seekers.

Actually, the world has already experienced surging unemployment caused by technological progress. In the third industrial revolution, the wide use of automation equipment in factories led to rounds of mass job cut which were followed by labor protests and social disturbances.

The ongoing fourth industrial revolution is expected to make an even heavier blow to employment than the previous ones. Both white collar and blue

Before new jobs are created to relieve the unemployment pressure from AI's rise, the government, enterprises and individuals should realize the urgency of this issue

collar workers' jobs are likely to be grabbed by robots.

China is now at the global frontier of the fourth industrial revolution. Digital technology keeps reshaping economic patterns and restructuring the value chains of different sectors. The Chinese Government's big data strategy, the huge number of netizens it has and the support of abundant capital help sustain China's leading role in the fourth industrial revolution, but this also boosts the risks of unemployment in the country.

A joint report by Citibank and Oxford University released in February 2016 predicts that the proportion of jobs to be replaced by robots is 47 percent in the United States, 35 percent in Britain, and 77 percent in China.

Whether this prediction is accurate or not, we should be alert to the possibility.

Employment has always been a major task for the Chinese Government. The policy of reform and opening up adopted in the late 1970s has led to enhanced productivity and a surplus of labor in the rural areas, and in order to help these people get employed, China began to develop labor-intensive businesses. Labor dividends are thought to have contributed to China's economic development. However, workers in these businesses will bear the brunt of this round of industrial revolution. Thus, the risk of their unemployment must be paid enough attention.

Nevertheless, probably there should not be too much panic when we face up to the surge of AI, as technological progress, while eliminating some jobs, will also create new jobs, as is proven by history.

However, before new jobs are created to relieve the unemployment pressure from AI's rise, the government, enterprises and individuals should realize the urgency of this issue. To save for a rainy day will help to minimize the negative impact. As for individuals, none of us can change the course and impact of AI technology, but we can make a change to ourselves, at least by upgrading our knowledge, so as to better cope with the situation when the day finally comes. ■

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Comments to lanxinzhen@bjreview.com



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