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BEIJING REVIEW

TAKING THE PULSE OF TRADITIONAL CHINESE MEDICINE

承浆
廉泉
天突
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华盖
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OLYMPICS COULD SAVE FOLK ART INDUSTRY

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EUROPE.....EURO 1.90
EUROPE.....JPY 188
JAPAN.....JPY 188
SWITZERLAND.....CHF 2.60
CANADA.....CAD 2.60
UK.....GBP 1.20
AUSTRALIA.....AUD 3.00
U.S.A.....USD 1.70
CHINA.....RMB 6.00

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COVER STORY Hotly debated at home, but flourishing globally. Traditional Chinese Medicine (TCM) is standing at the edge of a cliff, according to Chinese public opinion. Calls to have the ancient healing methods scrapped are gaining momentum. Yet Chinese herbal medicine is a multi-billion dollar industry internationally. It's an interesting scenario. TCM is viewed as an accumulation of experience, not science, yet for thousands of years it has been the basis of patient care throughout the East. Having withstood the test of time, TCM is bound to weather the current domestic storm—or is it?

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The Medicine War

By ZHANG ZHIPING

While the rest of the world is embracing traditional Chinese medicine (TCM), in its birthplace it is facing a life-or-death situation.

An Internet petition to remove traditional medicine from China's healthcare system has brought the predicament into the spotlight. Its vanishing legacy, the problematic situation of both TCM practices and the medicine market, and its restricted development due to the prevalence of Western medicine remind us that TCM is in danger in China and something must be done to save it.

The issue of abolishing TCM is not a new topic. About 100 years ago, when Western scientific concepts were introduced to China, some Chinese already insisted on eliminating the use of traditional medicine. The pattern of judging TCM from the perspective of Western criteria still exists in today's argument.

With its deep roots in Chinese culture, the millennia-old traditional medicine has developed its own rules and system. The Chinese people have long benefited from traditional medicine. TCM is more than just technology, and it involves the traditional philosophy of preserving health and the way the Chinese perceive things.

TCM, which on the surface seems out of date and even is deemed to be a pseudoscience, does have certain magical effects in dealing with some medical problems, especially viral infections and chronic diseases. The four procedures of TCM diagnosis—observing, smelling, consulting and pulse-taking, while limited in their functions, are used pretty effectively by some veteran practitioners.

TCM and Western medicine, while two different systems, both have the same objective: human health. To measure traditional medicine by the criteria of Western medicine is unscientific and even ridiculous.

Furthermore, even though it is an age-old tradition, TCM is ahead of the time in some of its concepts, theories and methodology. There has been a growing international interest in and study of TCM. Its philosophy and "eco-medicine" concept can be used as a strong weapon to combat worldwide medical crises. There is no reason to disregard this traditional medical legacy. To discard these medical traditions is to abandon the quintessence of a nation. No one is willing to see that happen.

The petition case is sending a warning signal. It is urgent to improve the management of TCM to get it out of its current predicament. The diminishing of TCM hospitals is attributed to the poor cultural environment in which they operate. There will be no inheritance or innovation of a culture if it doesn't win general recognition from the people. Therefore, we need to popularize education in Chinese traditional culture and TCM alike to integrate the ancient medical practice into our modern society and to foster a favorable environment for its development.

Have a comment, complaint or question? *Beijing Review* welcomes your feedback.

E-mail our editorial team at contact@bjreview.com.cn or write to us at **Beijing Review, 24 Baiwanzhuang Lu, Beijing 100037, China.** Letters may be edited for length or content.

Time's Up for Saddam

Sentenced to death by hanging. That's the November 5 verdict of an Iraqi court on **Saddam Hussein** for his part in the 1982 killing of 148 Shiites in the city of Dujail. There were mixed reactions in Iraq and around the world at the news.

Protests held by Sunnis in Saddam-loyal communities were juxtaposed against celebrations of Shiites, a volatile situation that has sent jitters across the region and the international community. The Iraqi Government strengthened its security by introducing a curfew to avoid eruption of any possible large-scale violence.

Iraqi media echoed some local observers that it did not seem like a coincidence that the sentence came just two days before the U.S. midterm election, when the Bush administration is under great pressure to readjust its Iraqi policy that has been challenged by bombs, kidnappings and rampant crimes in the war-torn country. The White House denied any link between the verdict and the elections and President George W. Bush called the verdict "a milestone in Iraqi people's efforts to replace the rule of a tyrant with the rule of law."

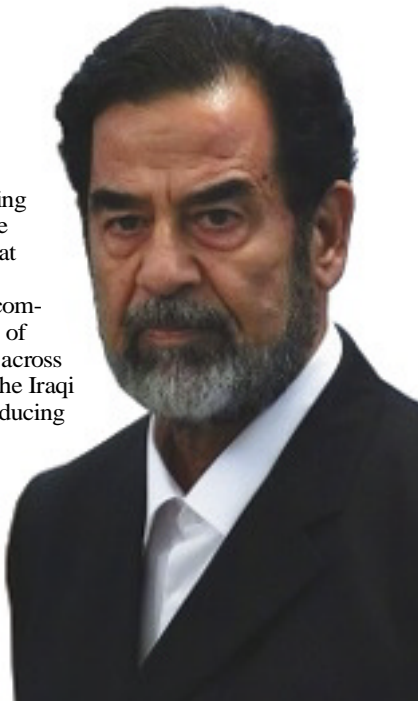
The European Union, however, condemned the capital punishment and warned that any execution would bring new tensions to the region, while Islamic leaders expressed worry that the verdict could "inflame those who revile the United States, undermining its policy in the volatile Middle East and inspiring terrorists to strike."

Saddam's trial has been a nine-month roller-coaster watched avidly by an emotional nation. During the trial three defense lawyers and a witness were murdered. Defiant and shouting "Long live the people and death to their enemies.

Long live the glorious nation, and death to its enemies!" after hearing the verdict, Saddam had to be physically led out of the court.

A disheveled Saddam, who had ruled Iraq with an cast iron fist, was discovered underground near his home village north of Baghdad in December 2003, having fled from American forces in Baghdad. Two years later he went on trial for ordering the Dujail genocide.

Under the current Iraqi law, Saddam still has a chance to appeal errors of the law or trial procedure within 30 days after the sentence. Should the verdict be upheld on appeal, the death penalty will also automatically require review by Iraq's three-man Presidency Council, which, according to Associated Press, agreed six months back not to block the death penalty for Saddam.



LIAM WENCHONG

PEOPLE & POINTS

"WTO membership also helps Viet Nam refine its reform process, creating opportunities for trade expansion, which is an important tool for economic growth."

Vietnamese Trade Minister Truong Dinh Tuyen, after the World Trade Organization formally approved his country's membership of the global free trade system after 12 years of negotiations

"We will fight poverty, encourage investment in Nicaragua and create a new political culture that would set aside our differences and put the Nicaraguan people, the poor, first."

President-elect Daniel Ortega of Nicaragua listed top priorities on his agenda on November 7

"They were unanimous in suggesting that the time is appropriate for India to undertake a manned mission."

Indian Space Research Organization, the state-run space agency, announced its first indigenous manned mission into space, aiming to put an astronaut outside the earth's atmosphere by 2014

"This will be a useful tool for European companies seeking practical advice and assistance on intellectual property theft. However, nothing will ultimately substitute for better enforcement of Chinese anti-counterfeiting laws on the ground."

EU Trade Commissioner Peter Mandelson welcomed in a statement the establishment of a network of centers in 50 large Chinese cities charged with investigating reports of intellectual property infringements

"Clearly, I think in a number of difficult areas the differences cannot be bridged, so I believe there should be more reflections in the capitals and also I believe we need to talk to each other."

China's UN Ambassador Wang Guangya, after an international meeting on sanctions against nuclear-ambitious Iran

"The Chinese Government will always stick to the principal that Saddam Hussein's fate should be decided by Iraqi people. Whatever the decisions they made, China hopes to see stability in Iraq and peaceful life for the Iraqi people at an early date."

Chinese Foreign Ministry spokeswoman Jiang Yu

"The hanging of Saddam Hussein will turn to hell for the Americans. Bush will use this case to tell the voters that Saddam is dead and that the Americans are safe. But actually the American people will be in more danger with the death of Saddam."

Vitaya Wisethrat, respected Muslim cleric in Thailand

OPINION

Free Education Could Restore Teachers' Standing

It was recently disclosed by Tan Songhua, Vice Chairman of the Chinese Society of Education, that the Chinese Government is planning to offer free education to students in six normal universities directly under the Ministry of Education.

The news is extremely welcome, given the increasing blame on education in recent years. Several years of commercialization of the education sector have eroded some of the aura surrounding teachers, who are no longer regarded as models of morality by their students, as they now teach as a profession. Against this background, the resumption of the free education system is expected to help rebuild teachers' former standing to some extent.

The logic is simple: If normal universities charge high tuition fees, students there are actually making an investment in their own education and it's only natural for them to reap profits when they themselves become teachers. That's why teachers' moonlighting in various forms is a common practice today. Some charge extra fees for tutoring after class and there are often all kinds of arbitrary charges in schools.

Teaching is different from other professions, which requires a high moral standard. It is hoped that the free education for future teachers will help to improve the deteriorating moral standard among teachers.

Beijing Youth Daily

Transparent Relief Fund Needed

As winter approaches, huge donations for those stricken by floods in summer around the country are pouring in. While the Ministry of Civil Affairs and Ministry of Finance have already allocated a relief subsidy of almost 3.1 billion yuan, ordinary people are also contributing clothing to fellow countrymen in disaster areas.



COAL MAKES A COMEBACK: Due to rising liquefied natural gas prices, honeycomb coal is once again heating some low-income Chinese homes

The worry now is how to effectively deliver the donations, as there are reports that relief funds are being embezzled in some areas. Under the current system, donations are transferred to disaster victims by local governments, which means the funds are actually at the disposal of local officials.

It's proposed that civil affairs departments should set up explicit standards for relief fund quotas and subsidies and also announce them to the public to make the programs transparent. Besides, insurance companies can also play a role in the management of the funds. Since natural disasters are an annual occurrence and people are always kind enough to make donations, why not establish a special institution to manage the funds? Funds could be used for investment to generate more returns in the future, enabling a regular supply of financial support for disaster victims.

It's high time this flawed distribution system was improved, or people's enthusiasm to offer aid will be extinguished, as they have no idea where their donations end up.

People's Daily

Coal Stoves Making a Comeback

According to *Oriental Morning Post*, China's three largest oil and gas companies—CNPC, Sinopec and CNOOC, sent a petition to the government at the end of October, asking for higher natural gas wholesale prices. Chinese consumers had expected cheaper oil products, given that crude prices in the international market began to decline in the second half of this year. But the fact is, not only will the oil prices remain as high as they were, but liquefied natural gas (LNG) will also become more expensive.

Higher LNG prices will inevitably boost people's daily costs. In the face of climbing prices, some have to turn to cheap coal, resulting in the question: Do the high LNG prices signal the return of the age of coal stoves?

Once we were happy to say goodbye to coal stoves, and rejoiced at the arrival of LNG, as we could no longer stand the polluting and energy-inefficient coal. But today so many have no choice but to again use coal stoves for cooking and heating.

Only monopoly should be blamed for the return of coal stoves. Official sources say that CNPC, Sinopec and CNOOC have controlled almost every link in the exploitation, processing, transportation and sales of natural gas. Without monopoly status, I wonder if the three companies would dare to challenge public tolerance to propose higher gas prices?

The Market News

Finding the Right Representative

Direct voting for deputies to grassroots people's congresses, is governed by the Electoral Law on the National People's Congress and Local People's Congresses, but some principles seem to have already fallen far behind people's rising awareness and demand for democracy. It often happens that voters and deputy candidates do not know each other at all. As a result, the former are blind to deputies' ideas and candidates are ignorant of what the voters want them to bring up in parliamentary discussions.

In Beijing, however, voters are now able to meet the deputy candidates and moreover, able to choose deputies through a variety of questions. The candidates are eligible for selection only when their voters feel satisfied with their answers and believe they are capable of expressing their ideas. This Q&A method ensures that voters know their representatives, suitability of candidates, and transparency of the entire selection process.

Beijing's attempt to change the current voting system seems to be a good way to improve grassroots democracy in China.

China Times

Chinese Doctor to Lead WHO

Margaret Chan was elected director general of the World Health Organization (WHO) in a full assembly vote on November 9, marking the first time a Chinese has held a top-level leadership position of a UN body.

The 59-year-old Hong Kong native obtained her medical degree from the University of Western Ontario in Canada and joined the Hong Kong Department of Health in 1978, where her career in public health began. She was named the first female director of the department in 1994.

In 2003, Chan became head of WHO's Department of Protection of the Human Environment. Two years later she was appointed special representative for pandemic influenza and assistant director general for communicable diseases.

Chan's directorship bid received strong support from the Chinese Central Government and the Hong Kong local administration, in recognition of her dedicated leadership and crisis management skills in handling the severe acute respiratory syndrome outbreaks during her tenure in Hong Kong.

As new WHO chief, Chan said she would focus on reducing poverty, promoting health and preventing diseases and sufferings, especially in developing countries.



SOCIETY

Nuclear Plant On the Yangtze

China will build its first nuclear plant on the Yangtze River, subject to approval from the National Development and Reform Commission, according to a Xinhua report.

The prospective plant in central Anhui Province, which will come under the management of China Guangdong Nuclear Power Holding Co., will have four power units with total installed capacity of 4 million KW. The expected total investment will top 46 billion yuan. According to a local newspaper, construction is expected to start in 2008 for the facility to go into operation in 2015.

Ideal Idols

Successful entrepreneurs have surpassed pop stars as the idols of college students, a recent survey by Shanghai-based Fudan University has found.

Out of a sample of 150 students from different grades and departments in September and October, 96 chose successful entrepreneurs as their idols, 91 added scientists and scholars to the list; only some 75 opted for entertainment personalities.

The results challenged the popular perception that young college students are most impressed by pop culture stardom, and influenced by highly popular national singing contests like Supergirls.

Urgent Work Safety Training

China's workplace safety watchdog, on November 7, called for more training for millions of migrant workers employed in the dirtiest, hardest and most dangerous jobs.

The training of "migrant workers has become the biggest factor in workplace safety. The pace of training must be accelerated," said Sun Huashan, Vice Minister of the State Administration of Work Safety, during a national video conference on the issue.

Sun's call came in the wake of a spate of major accidents at coalmines and a refinery that killed dozens of workers from the second half of October. In northwest Gansu Province, for example, three coalmine accidents between October 31 and November 2 killed 34 miners.

WWF Awards

Northeast Jilin Province was honored by the World Wildlife Fund on November 7 for imposing a ban on hunting as well as for various conservation efforts over the past decade.

Governor Wang Min and Liu Yanchun, Director of the Jilin Provincial Forestry



JU PENG

ELECTING LEGISLATORS President Hu Jintao casts his ballot at a Beijing polling booth on November 8 to elect deputies of local people's congress in his district. Eight million voters in the capital came out to elect a total of 14,386 legislators at different levels

Department, received Leaders for a Living Planet certificates for their conservation achievements at a ceremony held in the provincial capital of Changchun.

The province, which is rich in forestry resources, introduced a law in January 1996, banning the hunting of all terrestrial wildlife, the first such move in the country.

Accelerated Urbanization

Half of the 1.3 billion Chinese population are expected to live in cities by 2010, as about 13 million rural people are flooding into the cities each year, Vice Minister of Construction Qiu Baoxing told an international

forum in Shanghai.

To accommodate this expanded urban population, the country needs a huge amount of resources, currently accounting for 40 percent of the world's total annual cement consumption and 30 percent of the annual steel consumption.

In addition, current construction projects account for around 30 percent of the global total, said the Vice Minister. He estimated that it would be another 30 years before the initial phase of Chinese urbanization would be completed.

Practical Marriage Views

According to an online survey conducted by *China Youth Daily* and China's leading instant messaging service provider Tencent, 51.6 percent of females and 58.8 percent of males think abundant material wealth is necessary for a happy marriage. Nearly 12 percent of male respondents noted that they would not propose to their girlfriends unless they had already purchased a home and a car, now symbols of a decent life in China.

Interestingly, more than half of the respondents thought it was man's responsibility to support the family, while almost all the remainder favored mutual efforts by both sexes; but virtually none thought it was up to women to provide the support alone.



YELLOW HARVEST Grapefruit farmers from Meixian County of southern Guangdong Province are in a good mood after getting top prices for their bountiful harvest

ZHONG XIAOFENG



LIANG SHU

ANCIENT MIRACLE Thai visitors view the label of a replica of a jade shroud sewn with gold wire, unearthed in China, at a four-month exhibition on Chinese ancient technology being held in Pathum Thani in central Thailand

ECONOMICS

Fresh Accounting Standards

The Ministry of Finance has issued guidelines for applying new accounting standards to domestic enterprises, according to a Xinhua report.

The new action marked the preliminary completion of the country's new accounting standards system for enterprises, in a bid to help domestic companies follow international practice.

From the beginning of next year, 48 new auditing standards for certified public accountants will be implemented at domestic accounting firms.

The new system aims to improve the competitiveness of Chinese enterprises by demanding more transparent and accurate fiscal reports, said Vice Minister of Finance Wang Jun at a training class for accountants.

Bond Market Changes

The People's Bank of China has announced it will introduce securities lending to the inter-bank bond market to boost development. The new rules, due to take effect on November 20, allow banks to borrow or lend bonds for a maximum of 365 days, the central bank said in a statement on its website November 6.

Allowing bondholders to lend securities they do not need will increase the volume of paper in the market, which in turn helps bolster liquidity, the central bank explained. Low

liquidity has long been a problem in the interbank bond market, experts said.

The new rules should also reduce price swings and improve the efficiency of the market as well as promoting smoother clearing and contributing to stable market operations, the central bank said.

Hong Kong Economic Prospects

The International Monetary Fund (IMF) expects the Hong Kong economy to grow between 5.5 percent and 6 percent this year, and about 5 percent in 2007 and over the medium term.

The main near-term risks are a sharp slowdown in global demand, particularly in the United States, and a rise in protectionist sentiment against the Chinese mainland, the IMF's Hong Kong office was quoted as saying by a press release from the Hong Kong Special Administrative Region government.

Over the medium term, growth prospects will depend on how well the evolving financial integration with the mainland is managed and expanded, and how well Hong Kong copes with competitive pressures from other regional financial centers, the IMF believes.

Economic "Soft Landing"

A report of a government think tank has concluded that China's overheated economy is showing signs of a "soft landing", as the government's macro control policies, particularly the

tightening of land and credit supply, take effect. This echoed earlier governmental predictions on economic growth that the annual growth rate for 2006 would be slowed down to 10.5 percent from 10.9 percent in the first half of the year.

The report, composed by the economic research institute under the National Development and Reform Commission, says that "the policies and measures taken in the latest round of macro control moves are appropriate and effective, and the economy is likely to make a soft landing."

The report is based on sample studies of two cities, Zibo in the eastern Province of Shandong and Baoding of central Hebei Province.

Buoyant Foreign Trade

China's imports and exports volume is expected to hit \$1.7

trillion this year, up more than 20 percent over last year, said Fu Ziying, Assistant Minister of Commerce on November 5.

Fu told a China Industrial Development Forum in Beijing that China's foreign trade had maintained rapid growth in the first nine months of the year, with the import/export volume reaching \$1.27 trillion, a year-on-year increase of 24.3 percent.

"China reported robust growth in foreign trade in recent years, but only achieved meager profits due to low value added in exported products", said Fu, adding that it was time to shift the growth mode from quantity-oriented to quality-oriented.

He encouraged Chinese enterprises to spend more on technological innovation and foster a number of internationally recognized brands, in order to meet this requirement.



ENVIRONMENT-FRIENDLY AUTO A four-wheeled intelligent car developed by the Chinese University of Hong Kong is claimed to have achieved a 40 percent improvement in combustion efficiency, while reducing emissions by up to 60 percent. It is expected to go into mass production in two years



PLAYING IN AUTUMN SUNSHINE China experienced its warmest autumn in 55 years as the average temperature in October reached 11.7 degrees celsius



TRAINING ETHNIC TECHNICIANS A vocational school in eastern Shandong Province has admitted 500 students from the western region, including those of ethnic minorities, under a joint program with a dozen vocational schools in the western provinces, to provide better teaching



XINHUAWENPO

PEACEMAKER REMEMBERED Israeli writer David Grossman speaks to thousands of Israelis gathered to mark the 11th anniversary of the assassination of former Prime Minister Yitzhak Rabin in Tel Aviv on November 4. Rabin was shot after a peace rally in the city for initiating the peace process with the Palestinians



XINHUAWENPO

FEMALE BOMBER The sister of 18-year-old suicide bomber Mirvat Massud holds her photo at their home in the Jabalia refugee camp in the Gaza Strip. Massud blew herself up in an attack on Israeli troops on November 6, as Israel pressed an offensive in the Gaza Strip that left 54 Palestinians and one soldier dead over six days



XINHUAWENPO



XINHUAWENPO

EUROPEAN BLACKOUT An undated image from NASA shows a view of Europe at night. A sudden weekend surge in demand for electricity in Germany due to freezing weather plunged much of Europe into darkness late on November 4, nearly causing an unprecedented Europe-wide blackout

GOLDEN CHRISTMAS An employee of Japanese jeweler Ginza Tanaka introduces a gold Christmas tree, which pops up from a gold Christmas card, in Tokyo on November 7. The jeweler produced the 6 kg solid gold pop-up card worth \$254,000 as an eye-catching display in the shop for the Christmas gift season



HISTORY REENACTED Russian soldiers wearing World War II Soviet military uniforms march in Red Square in Moscow on November 7 during a parade marking the 65th anniversary of the military parade on Red Square when soldiers went directly to the war front



OPPOSING AN EMBARGO On November 8, the UN General Assembly votes overwhelmingly for the 15th time in a row to demand an end to the four-decade-old U.S. embargo against Cuba, which Cuban Ambassador to China Carlos Miguel Pereira Hernandez called the "longest" and "most brutal" in history at a recent press conference in Beijing



NEW MEMBER Panamanian Ambassador to the UN Ricardo Alberto Arias receives a congratulatory hug as his country is formally elected to serve on the Security Council for the next two years. It won the spot after Guatemala and Venezuela dropped out to end a three-week stalemate



REVOLUTIONARY PLANE Researchers from the Massachusetts Institute of Technology and Cambridge University pose with a model of the "Silent Aircraft" in London on November 6. The design is intended for the generation of aircraft expected to enter into service in 2030 and will substantially reduce noise and improve fuel consumption



TREATING TOXIN Containers are discharged from the *MN Toucan*, a ship carrying 3,000 tons of deadly toxins blamed for the deaths of 10 people in the Ivory Coast, upon its arrival at France's main Atlantic Ocean port of Le Havre on November 7. The waste is to be treated in France

A Steady Course

The U.S. midterm elections will not bring a sea change in Sino-U.S. relations, experts predict



VOTE FOR CHANGE: Voters cast their ballots at a polling station in Virginia on November 7

By ZAN JIFANG

Although U.S. politics will follow a new scenario after Democrats gained control of Congress from Republicans in the midterm election on November 7, that will have a rather limited effect on the U.S. diplomatic course, including its policy toward China, analysts predicted.

Most Chinese experts say the election result will not gravely affect Sino-U.S. relations. They hold that the views of President George W. Bush and the Democrats on foreign policy are basically alike, and they just differ over the specifics of some issues.

Though the two parties have had heated debates over many issues, they reached a consensus on the counterterrorism campaign. Even on the Iraq war, the disputes between the two parties are mainly focused on more peripheral issues such as the approach to withdrawing U.S. troops and how to deal with the Iraqi Government. Things are not as simple as Bush saying “we should stay” in Iraq and the Democrats saying “we must go right now.”

But experts also see possible effects on bilateral ties. They think the Democratic Party has close relations with labor unions and thus supports trade protectionism. As a result, there may be more trade frictions between the two countries.

“Although the House of Representatives actually has limited influence on the decision-making related to foreign policy, the change in the Congress will still have some impact on the relations between Washington and Beijing,” said Jin Canrong, Professor at the School of International Studies of Renmin University of China.

“Representative Nancy Pelosi, who will be the Speaker of the House, has a biased view of China, and so in the future Congress will talk more about issues such as human rights and the U.S. trade deficit with China, which may bring about a cacophony in the development of Sino-U.S. relations,” Jin said.

Pelosi has a pro-Taiwan attitude, Chinese scholars say. When Chen Shui-bian was elected the leader of Taiwan, she was one of the leaders of the U.S. Congress who called Chen to congratulate him soon after the election. In November 2001, when the



Chinese Government opposed Taiwan's attendance at the Asian and Pacific Economic and Cooperative Summit held in Shanghai, Pelosi joined with 95 other representatives in writing to Bush, asking him to speak up for Taiwan.

The Democrat-dominated Congress will put more pressure on the White House to use diplomacy, such as in the policy toward China, said Wang Yiwei, a researcher at the Center for American Studies of Fudan University.

"The defeat of the Republicans in the midterm election will greatly affect the president exercising his policy," he said.

Wang holds that the Democrats pay more attention to the interests of small and medium-sized American companies and their workers than do the Republicans, and believe that the influx of too many "made in China" products will severely harm the domestic manufacturing industry. Such a stance will have some effect on

future trade between the United States and China.



All SMILES: Casting his ballot brings a look of joy to this Los Angeles voter

Foreign policy views

On the North Korean nuclear issue, Democrats are very likely to show a more flexible stance and may even be willing to talk with North Korea bilaterally, he said.

"Democrats also have different thinking from Republicans on Iraq. Democrats may want Iraq's neighboring countries, such as Syria, Iran and Turkey, to coordinate on solving the Iraq

problem, rather than what President Bush is doing, which is trying to resolve the problem through the internal change of Iraq itself," Wang said.

The Chinese expert thinks the Democrats may try to change the president's Iraq policy by using their appropriations and oversight powers in Congress.

Western analysts share views similar to those of their Chinese counterparts. They note that prior to the elec-

tion both Democrats and Republicans focused on the Iraq war and the Middle East situation, and Sino-U.S. relations were not a topic. Both parties are aware of the importance of Sino-U.S. relations, and so the election will only change the composition of Congress, not bring a major change in relations between the United States and China.

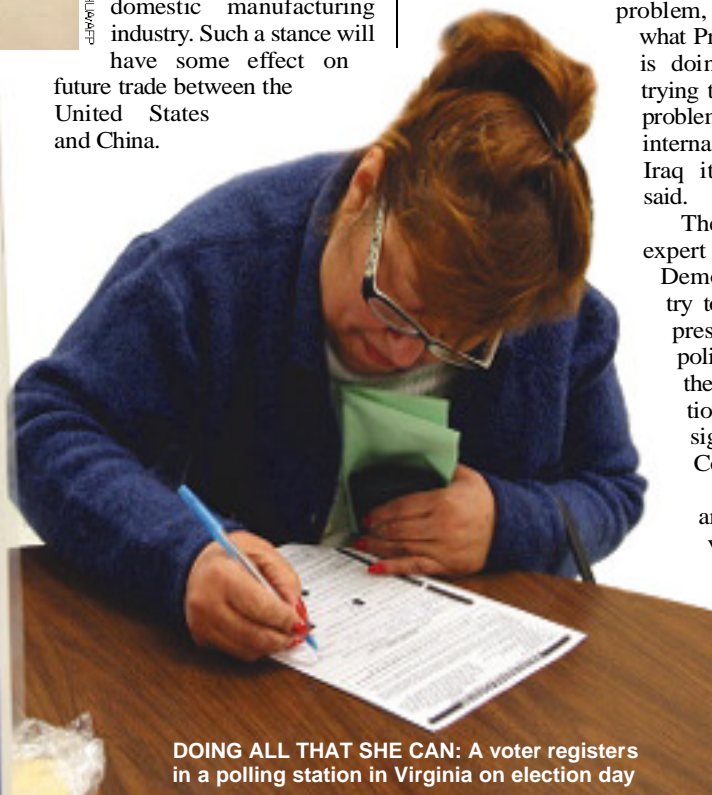
Although many elements affecting the smooth development of Sino-U.S. relations come from Congress, the president dominates foreign policy.

"The policy itself won't change in the short term, because the president has the power to veto," David Brady, Deputy Director of the Hoover Institution, told *Beijing Review*.

But he also foresees that the Democrats will place more emphasis on job protectionism, U.S. trade deficit with China and human rights. "But it will not bring a fundamental change in a couple of years," Brady said.

In his view, the United States and China have a very solid working relationship now. "The two countries are working together on the North Korea issue. The trade relationship between the two countries is also very good. Besides, the Chinese Government has floated the exchange rate of the yuan against the dollar. All these are positive.

"Although some people in the United States want to see China as an enemy economically and militarily and there are also some people in China who want to see the United States as an enemy, I think those people are not ascendant, and they are in the minority in both countries."



DOING ALL THAT SHE CAN: A voter registers in a polling station in Virginia on election day

Where Does U.S. Policy Go From Here?

Democratic control of Congress may mean a more diplomatic approach to international affairs and less pursuit of free trade

By ERIC PFEIGGER

Now that Democrats have won control of the U.S. Congress for the first time since 1994, it is expected that there will be significant changes in America's diplomatic and trade policies. Critics of President George W. Bush's foreign policy can expect his administration to lean more heavily on diplomacy. However, proponents of free trade are likely to see a Congress that is far less open to trade partnerships and the importation of goods onto American shores.

In 2002, President Bush narrowly won approval for the right to directly negotiate trade deals with other nations. The White House has until July 2007 to negotiate such trade agreements without the interference of Congress. This places increased pressure on Bush to make progress on world trade talks that many consider already in jeopardy.

"If you're going to ask for a renewal of trade promotion authority, you're going to have to say what you want to renew it for," Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics, told Reuters. "Obviously, the best answer is to have a comprehensive result in the Doha Round."

Democratic lawmakers tend to vote against bilateral trade agreements because of their financial and political ties to American labor unions, which seek to protect their own financial interests through restrictive international trade policies. For their part, Democrats say their objection to such agreements is rooted in their opposition to the labor practices of other nations. Because of this opposition, proponents of free trade such as the Cato Institute say it will be difficult for Bush to negotiate new deals with nations such as Peru and Colombia. In addition, most experts say it is

The author is the national political reporter for the *Washington Times*



HARD FUTURE: U.S. President George W. Bush shakes hands with a supporter as he arrives for a campaign rally at Elko Regional Airport in Nevada on November 2. After the defeat of Republicans in the Congressional elections, Bush is likely to encounter more pressure from Congress in the last two years of his tenure



SUCCESSFUL REELECTION: California Governor Arnold Schwarzenegger presses the flesh as he visits the Republican Volunteers on November 7. Schwarzenegger was reelected



CHRISTOPHER W. PETERSON

A COMPLETE VICTORY: Democratic Senator Hillary Clinton of New York gets a hug from her husband, former President Bill Clinton, after winning her second term, as Democrats celebrated at a rally in New York on November 7. Democrats captured both houses of Congress from Republicans, who dominated Congress for 12 years

extremely unlikely that a Democratic-controlled Congress would vote to extend Bush's trade agreement authority.

"The election means that the president's trade agenda has come to a screeching halt," Daniel Griswold, Director of Trade Policy Studies at the Cato Institute, told Agence France-Presse. "Divided government will mean no bold trade liberalization, but no bold protectionism either. We're looking at two years of stalemate in U.S. trade policy."

It is widely expected that Representative Charles Rangel, a Democrat from New York, will take over as chairman of the House Ways and Means Committee, which has jurisdiction over taxation, tariffs and other revenue-raising measures. Rangel told reporters on November 8 that he hopes to take a "bipartisan approach" to the issue of trade and will meet with U.S. Trade Representative Susan Schwab and other members of the House to negotiate the next congressional session's trade agenda. However, even if Rangel and the Democrats are united in their opposition to new trade deals, Bush will have his powerful presidential veto to counter any moves to restrict trade.

"Ambassador Schwab and this administration have worked well with members [of both parties in Congress]," Sean Spicer, a

spokesman for Schwab, told reporters after the November 7 election results. "For a number of years, almost every trade vote has been pretty much bipartisan."

For his part, Rangel released a statement saying, "We'll find ways to involve more members on issues like trade policy so we can show the American people that expanded trade doesn't always have to mean the loss of good-paying jobs here at home."

However, most races in the U.S. elections this year were focused on Iraq, not trade policy. While changes in America's policy toward the Middle East are not likely to have a direct impact

on its relations with China, some changes are expected.

Even before Democrats won control of Congress, the Bush administration has been sending signals that it was open to more compromise over the diplomatic stalemate with North Korea. In recent years, Democrats have advocated that the White House consent to direct negotiations with North Korea as a viable alternative to the current six-party talks structure. Nonetheless, even while he has been widely criticized for his Iraq policy, Bush has received a fair amount of praise for his approach to North Korea. Therefore, it seems unlikely that a major reversal in U.S.

policy on this front will happen in the near future.

With the Democrats also appearing to control the Senate, they will have more leverage over U.S. policy with China and North Korea. A researcher with the national research institute told the South Korean newspaper *Chosun Ilbo* that it would be unwise for the U.S. Congress and White House to send "different signals" concerning possible engagement with the North. "If the U.S. Congress and the government send different signals to us, it may further complicate the already very unstable bilateral dialogue channels," he said.

Some Democrats fear that if the White House gives China too much authority in negotiations with North Korea, the United States will lose international prestige. However, U.S. leaders, including UN Ambassador John Bolton, have made it clear they believe the six-party talks are integral to maintaining and improving strong diplomatic ties with China.

U.S. presidents are traditionally given wide leverage to pursue their interests in international diplomacy, even if the other party is running Congress. Experts say it is more likely that the Democrats will aggressively push for Seoul to take over all responsibilities for security along the North-South border. ■

Moving Closer

The two-day Forum on China-Africa Cooperation summit produced business deals and the start of a strategic partnership

By NI YANSHUO

Beijing was the best place to find African leaders in early November. Nearly 50 top officials from the continent assembled for the Beijing Summit and Third Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC), which promoted Sino-African relations.

During the two-day summit on November 4-5, highlighting “friendship, peace, cooperation and development,” most African leaders expressed their wishes to achieve more pragmatic results through Sino-African cooperation.

Liberian President Ellen Johnson Sirleaf said she hopes her country can obtain technology from the Chinese and make bamboo furniture for export. Gabon’s President Omar Bongo said he hopes more Chinese investors will create job opportunities in his country. And after China National Machinery and Equipment Import and Export Co. introduced its plan to cooperate with African countries on infrastructure construction, Guinea-Bissau’s President Joao Bernardo Vieira immediately asked for detailed plans.

“A total of 48 African delegations came to the summit and ministerial conference from distant places, which indicates not only their deep friendship with China, but also the urgent needs of deepening cooperation on both sides,” said Qu Fujun, former Chinese Ambassador to the Democratic Republic of Congo. He added that both sides hope to fully utilize FOCAC, an effective dialogue platform and cooperative mechanism, to further promote Sino-African ties.

“The greatest political achievement of the Beijing summit of FOCAC is boosting the relationship between China and Africa to a new type of strategic partnership,” he said.

A new start

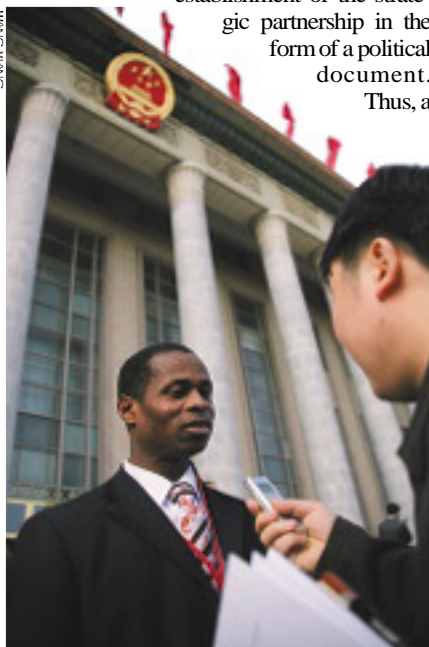
Establishing and developing a Sino-African strategic partnership was the core of the summit. Chinese President Hu Jintao described the partnership as deepening

political relations, broadening economic cooperation, expanding cultural exchanges, promoting balanced and harmonious global development and strengthening cooperation and mutual support in international affairs.

At the same time, at the opening ceremony, he also put forward eight specific measures the Chinese Government will take to develop the strategic partnership, including financial aid, preferential loans, setting up a China-Africa development fund, debt cancellation, duty exemption and personnel training.

In order to implement these measures, the Beijing summit approved an action plan for 2007-09. Notably, China committed itself to doubling its 2006 assistance to Africa by 2009 and trying to increase the bilateral trade volume to \$100 billion by 2010.

The summit issued the Declaration of the Beijing Summit of FOCAC, setting out the establishment of the strategic partnership in the form of a political document. Thus, a



TALK ABOUT THE FUTURE:
A businessman of Cote d'Ivoire speaks to *Beijing Review* magazine

roadmap for the partnership emerged.

“China-Africa cooperation brings real benefits to the two peoples, and enjoys bright prospects,” said Hu in summarizing the two-session roundtable of Chinese and African leaders.

“It is very interesting to hear how greatly China can help Africa. We think that it is a totally new opportunity, especially for the private sector, to which I belong,” Luwis K. Tiengoue, Director of International Projects at Group Eoulee in Cote d'Ivoire told *Beijing Review*. His company has several partners in China, including Tianjin Machinery Import and Export Corp., whose annual trade exceeds \$100 million. He noted that his main task in Beijing is to find new partners in other parts of China and noted that he had contacted some Chinese enterprises.

“China is the best market we can have in the world,” he said.

Generating excitement

Liang Yan is the manager of the Beijing office of Afriland First Bank in Cameroon. After the opening ceremony, she immediately phoned the bank’s General Manager, Alamine Ousmane, describing in detail the eight measures Hu had put forward.

“You know, it was noon Beijing time when the ceremony ended. But in Cameroon, it was about 4 or 5 o’clock in the morning. After the general manager was woken up by my call and informed of the eight measures, he was so excited that he decided to gather all the top officials of the bank immediately to study China’s new policy toward Africa,” she said.

UN Secretary General Kofi Annan welcomed the Chinese Government’s announcement that it would double its aid to Africa by 2009. “This summit is an historic opportunity for China and Africa to build on these shared ideals, and to advance South-South cooperation,” he said in a statement released by his spokesman.

“Viewing President Hu’s speech, especially the measures to train African professionals, send agricultural experts to Africa and increase the number of Chinese Government scholarships to African students, we can see that China is changing its mode of aid to Africa from material aid to supplying the foundation for them to develop independently. This can promote the sustainable development of African countries,” said Shen Jiru, a researcher with the Chinese Academy of Social Sciences.

Trade and investment were new highlights of the summit. After two days of dialogue among more than 1,500 entrepreneurs from both sides, a total of 14 cooperative agreements were signed with a contractual value reaching \$1.9 billion. Meanwhile, the China-

The eight steps the Chinese Government has proposed to assist African countries are as follows:

1. China will double the 2006 level of assistance to Africa by 2009.
2. It will provide \$3 billion of preferential loans and \$2 billion of preferential buyers' credits to Africa in the next three years.
3. It will set up a China-Africa development fund that will reach \$5 billion to encourage Chinese companies to invest in Africa and provide support to them.
4. It will build a conference center for the African Union to support African countries in their efforts to strengthen through unity and support the process of African integration.
5. It will cancel debt in the form of all the interest-free government loans that matured at the end of 2005 owed by the heavily indebted poor countries and the least developed countries in Africa that have diplo-

matic relations with China.

6. China will further open its market to Africa by increasing from 190 to over 440 the number of export items receiving zero-tariff treatment from the least developed countries in Africa having diplomatic ties with China.
7. It will establish three to five trade and economic cooperation zones in Africa in the next three years.
8. Over the next three years, China will train 15,000 African professionals; send 100 senior agricultural experts to Africa; set up 10 special agricultural technology demonstration centers in Africa; build 30 hospitals in Africa and provide 300 million yuan of grants for providing artemisinin and building 30 malaria prevention and treatment centers in Africa; dispatch 300 youth volunteers to Africa; build 100 rural schools in Africa, and increase the number of Chinese government scholarships to African students from the current 2,000 per year to 4,000 per year by 2009.

Africa Joint Chamber of Commerce and Industry was established on November 5.

According to a recent report from the World Bank, China's investment in Africa is exerting a positive influence on the continent's economic growth and that influence will continue to increase in the future.

"The forum supplies an excellent platform to bring entrepreneurs from China and Africa together and can give us access to the great market in Africa," said Fu Dongxing, Manager of the Africa Sector of the Overseas Market Department of Zhenzhou Yutong Group, one of China's vehicle makers.

At the Second Conference of Chinese and African Entrepreneurs held on November 5, Fu was one of the busiest persons there. Within an hour he had spoken to nearly 10 African enterprises from Togo, Namibia, Mozambique, Zambia, Tanzania and Egypt, discussing opening vehicle factories in Africa.

"We have done business in Egypt for two years and our next step is to set up assembly plants in Africa," he said. "It is really outside of my expectation that so many African enterprises have shown an interest in cooperating with us." Yutong recently established a facility in Egypt to increase its after-sales service in Africa.

Boost in trade

Trade between China and Africa continues to increase dramatically. Currently, China is Africa's third-largest trading partner after the United States and France. In 2005, the bilateral trade volume reached \$39.74 billion, up 35 percent year on year. The number is 10 times that of 1995. According to Zhou Yabin, head of the West Asia and Africa Affairs Department of the

Chinese Ministry of Commerce, the Sino-African trade volume in 2006 is expected to exceed \$50 billion.

Cairo will host the next FOCAC meeting, and economic relations between China and Egypt also made a breakthrough at the summit. On November 6, the two countries signed a memorandum of understanding under which Egypt acknowledges China's full market economy status and promises fair treatment for Chinese companies in international trade.

Egypt, the first African country to establish diplomatic relations with China, currently is China's sixth-largest trading partner on the continent with last year's bilateral trade hitting \$2.15 billion. The figure totaled \$1.96 billion in the first eight months of this year, up 47.6 percent over the same period of 2005. According to Bo Xilai, China's Minister of Commerce, Sino-Egyptian trade may reach \$5 billion in the next five years.

Currently, China has several billion dollars of investment in Egypt and the figure is expected to exceed \$5 billion in the coming seven to eight years.

Algeria, Sudan, the Central African Republic and Sierra Leone also signed memorandums of understanding with China on November 5 to acknowledge its full market economy status.

To date, more than 60 countries have granted China the full market economy status, including 14 African countries.

Cooperation on malaria

At the summit, Hu promised to build 30 hospitals in Africa and provide 300 million yuan in grants to provide the drug artemisinin and build 30 malaria prevention and treatment centers in Africa.

Artemisinin is one of the new medicines researched and developed by China and registered worldwide. The World Health Organization (WHO) has assessed the drug to be the one of the most effective medicines to treat the disease. China has almost 80 percent of the world's supply of raw materials needed to produce artemisinin, since 90 percent of the world supply of artemisia, the major herb used in the drug, grows in the Wuling Mountain areas in Hunan, Hubei, Sichuan and Guizhou provinces.

Sino-African cooperation in fighting malaria has been going on for three decades. Up to now, China has supplied anti-malaria medicines at no cost to more than 10 African countries, including Nigeria, Republic of the Congo, Somalia, Niger, Togo, the Central African Republic and Cameroon.

"We are ready now. We can produce artemisinin immediately after we receive orders from the Chinese Government. We can guarantee the timely supply of high-quality artemisinin medicine to African countries," the head of an artemisinin production factory said at the Sino-African Anti-Malaria Exhibition on November 5.

WHO data indicate that a total of 2.5 billion people live in malaria zones, especially in Africa. Of the 300 to 500 million malaria sufferers that emerge each year, Africans account for 90 percent. Malaria has become one of the greatest obstacles to development for African countries.

"We are preparing to establish two pharmaceutical factories in East Africa and West Africa. We expect to locally produce medicines in 2007," said Lu Chunming, General Manager of Beijing Holley-Cotec Pharmaceutical Co. Ltd. ■

Coming Up to Speed

At a seminar on the operation of state-owned enterprises (SOEs) in September, **Shao Ning**, Vice Chairman of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), China's top watchdog of state-owned assets, suggests that the top priority for SOE reform is to introduce more outside investors and make more effort in realizing ownership diversification. Shao shares his unique insight into China's future reform on state-owned assets in an interview with *The 21st Century Business Herald*, one of China's leading business newspapers. Excerpts of the interview follow.

The 21st Century Business Herald:
What is the latest progress on the reform of SOEs and state-owned assets management system in major cities?

Shao: At present, major reform has been seen in small and medium-sized state-owned enterprises, while plans for the bigger ones have been on trial or under assessment.

Referring to the ownership reform, more than 90 percent of small and medium-sized state-owned enterprises are involved in the program. One thing worth mentioning is that new ownership structures have been initially established in east China's middle and small-sized SOEs, but for state-owned businesses located in the poorly developed western area and old industrial cities, progress seems slower.

As restructuring and mergers progress, by the end of last year, we had closed up to 3,658 bankrupt state enterprises, with 7.19 million employees involved. Actually, we are drafting a new four-year plan to bring an end to the 2,100 loss-incurring enterprises being kept afloat by government and hope to properly accommodate the transfer of 3.5 million laborers to the market by 2008.

What is your next step in the reform process of big SOEs in major cities?

In addition to pushing forward the reform within a legal framework, improving the procedure efficiency and regulating the flow of state-owned assets, we still have to be rational in deciding which way to take for specific enterprises, and to reduce reform costs to the minimum.

Though the reform shows signs of initial success, we are still worried about the transfer of state assets in terms of the proportion, believing that a large part of them have been in transactions to business operators and

employees. Internal transfer would be the easiest solution for ownership reform without giving the reins over to outsiders, thus it will not face much resistance in the process.

However, because of the unequal access to information, it might enable some people to reap unfair gains during the reform process.

At the same time, without introducing the capital, products, techniques and corporate governance measures that the enterprises really need, the reform might not be helpful for the future development of the involved businesses.

The bigger the enterprise, the more help it needs from outside partners with adequate capital, advanced techniques and products, as well as fresh ideas in corporate governance. In most cases, strategic alliance with outsiders proves better for future development, at least more effective than relying on internal operators.

Of course, the lack of an authoritative government agency to well protect state assets should also be blamed for excessive internal transfers.

How will the reform of big SOEs be

carried out?

In a macro perspective, the big SOEs will withdraw from the economic sectors where they have no competitive advantage, to leave the market space to small and medium-sized enterprises. Meanwhile, as for the key industries vital to national well-being, the livelihood of the people and national security, such as infrastructure construction, it would be better to allow SOEs to hold major shares.

The national economy and livelihood of the people is a dynamic concept, and much thought needs to be given to key industries relating to economic security as well as the core enterprises playing leading roles in the industries.

The increasing number of mergers and acquisitions of China's leading industrial companies by overseas investors are of great concern, forcing us to make transactions

transparent to the public. It is very likely that we will devise a method by which the whole process can be placed under public supervision.

For other big SOEs left in market-oriented competition, the business strategies, to pull back or to enter into the market, will be decided by their shareholders based on their interests and benefits. Frankly, this issue was not listed on our agenda until the country's state-owned asset management system was installed by and large recently. Now, after state-owned assets supervision and administration commissions at all levels are in place to exercise the power of investors on behalf of the government, they will make the final decision.

To sum up, I think the readjustment in structure of state assets should be classified into three major components. For the industries where SOEs have no competitive advantages, they will gradually drop out; however, they should remain active in major industries of vital importance. For

other average industries, the government should set up a good business environment to allow businesses featuring various types of ownership to compete on an equal footing. As for the role of SOEs in these fields,



REFORM PRESSING AHEAD:
Shao Ning, Vice Chairman of the State-owned Assets Supervision and Administration Commission of the State Council, sees ownership diversification as key to the reform of state enterprises



ZHUO

SIMULTANEOUS LIST: The H shares of the Industrial and Commercial Bank of China (ICBC), China's biggest lender, start trading in Hong Kong on October 27. Stock market listing is considered an effective recipe to vitalize China's large state businesses

it depends on the maintenance and increment in value of state-owned assets as well as the natural selection of stakeholders.

How will the big SOEs develop themselves in the competitive fields?

The driving force and direction of the reform would be the diversification of ownership, which could be realized through two channels: partnerships with outside investors and listings. Most outside strategic investors ask for a controlling stake. As for the large SOEs, which play a special role in our economic system, the pragmatic solution would be listing on stock markets, including domestic or overseas share sales, or simultaneously. In my view, it would be very helpful for the big SOEs to change their business operation methods.

For wholly state-owned enterprises, the SASAC is piloting its board of directors system in the management reform. As a matter of fact, most SOEs overseen by SASAC are not yet operating under a modern corporate governance system, since their boards of directors are mainly made up of personnel chosen within the enterprises. Instead, they should implement a system with clear accountability, to ensure a balance of power and protection of out-

side investors.

The external board directors, selected by the SASAC and directly responsible to the SASAC, will play a bigger role in supervising the use of state assets and the collective decisions made by the leadership of the enterprises.

The aim of SOE reform should be the actual combination of the state-owned economy and market economy.

How do you define the success of SOE reform?

SOEs were born with the centrally planned economy, suited to the specific environment in China's old system. As the economy moved from a planned to a market-oriented one, problems emerged showing that the SOEs were not in tune with the emerging market economy. This was obvious in all areas, ranging from the enterprises themselves to employees and rapidly changing social environment.

In response we have to push reform forward to make the SOEs and state-owned economy eventually become adaptable to a market-oriented economy, meaning the eventual realization of a seamless combination of market economy and state-owned economy.

If we look at issues plaguing enterprises,

they can be divided into two. First, whether the enterprises that we withdraw support from can survive in the market or not. If the troubles facing them can be solved after the reform, it becomes a success.

The second is whether the shift in role of state-owned businesses after reform could make them market-oriented entities and whether their management methods can catch up with the market changes or not. As a matter of fact, the diversification of ownership will help the establishment of a streamlined corporate governance system and getting rid of the heavy financial burden left by history. What is more, the ownership can be freed up along with the marketization of both the employees and business operators, which indicates the upgrading of both the labor force and business owners.

Market rules should not only apply to the way of doing business, but also to the withdrawal of enterprises by sale, auction, reorganization and closure.

The reform should consist of the combination of state-owned economy and market economy, making it an organic component of the latter, rather than an inflexible one. To realize this, we should seek more help from government departments in fulfilling their social responsibility and other facilitating reforms. ■

By FENG JIANHUA

Zhang Gongyao, a professor at Central South University, recently launched an online petition calling for the removal of traditional Chinese medicine (TCM) from the country's healthcare system. This provoked a big public outcry.

Some Internet users signed their names in support of the move, but things did not end

science," said, "Traditional Chinese medicine theory, being all at sea, is a typical pseudoscience, which represents a 'backward productivity'."

According to those who advocate abolishing TCM, modern medical disciplines (i.e., Western medicine) is based on such sciences as physics, chemistry, biology and statistics. The curative effects and side effects of Western medicine can be explained and proven by its theories and clinical experiments.

Traditional Chinese medicine faces a tough time at home but gets an enthusiastic reception abroad

East or West:

Which is Best?

there. When some well-known public figures joined the side of removing TCM from the healthcare system, the debate went wider and deeper.

Zhang, who researches the history of scientific thought, is not an influential figure in the traditional medicine community but his supporters, according to some media reports, come mostly from the health and medical fields.

A battle to defend traditional medicine broke out. An outraged doctor at the hospital affiliated to the Hunan Academy of Traditional Chinese Medicine decided to sue Zhang for libel after legal consultation.

To calm the heated situation, Mao Qun'an, a Ministry of Health official, said at a recent press conference that people who denied the historical achievements, current function and scientific basis of traditional Chinese medicine were clearly ignorant of history.

"The online petition to repudiate traditional Chinese medicine is a farce," said a spokesman for the State Administration of Traditional Chinese Medicine.

A 'pseudoscience'?

The key to the debate is whether TCM is a science or not.

He Zuoxiu, a theoretical physicist and academician of the Chinese Academy of Sciences and a reputed "fighter of pseudo-



ness and side effects. It will benefit the country's medical situation to get TCM out of China's healthcare system," said Zhang.

Traditional medicine, which dates back several thousand years, used to be the quintessence of the country, and Western medicines were not popular until 1949, when the People's Republic of China was established. Before that, TCM was

predominant in the Chinese medical system. It's no surprise then that the debasing of TCM has encountered much opposition.

"I'm a little suspicious of traditional Chinese medicine, but what I'm pretty certain is that it has such a long history and an irreplaceable position in human medical history," said Chen Dazhi, Deputy Director of the Organ Transplant Center at Chaoyang Hospital in Beijing.

Chen said that while TCM theories can't be explained by modern science, it doesn't necessarily mean that TCM is unscientific. It's just a matter of time before TCM can be interpreted by current science, just as many other phenomena that used to be considered unexplainable were later proven scientifically. Even within the Western medical field there are some things that cannot be explained by modern medical theory. In addition, TCM does have good curative effects for many diseases that can't be cured

By contrast, the *yin* and *yang* and five-element theories of TCM seem to be too abstract and metaphysical, and difficult to explain through science. What's more, uncertainties often occur during the clinical application of TCM. For instance, in TCM, there may be 10 different treatment methods for just one disease. Besides, the performance and side effects of each TCM material hasn't been proven through strict clinical experiments. Therefore, TCM is viewed as no more than an accumulation of experience, not a science, though it has some effective medicines and therapies.

Recent negative reports on TCM also have put extra pressure on it, resulting in a lessening of public trust. The most recent one happened in August, when the UK's Medicines and Healthcare Products Regulatory Agency found that one traditional medicine, Fufang Luhui Jiaonang, contained toxic levels of mercury.

"The problem with TCM is its effective-



TRADITIONAL PHARMACY:
A pharmacist dispenses
traditional Chinese herbal
medicines in a TCM
pharmacy in Beijing



by Western medicine.

Song Aizhu, a doctor at the Beijing Hospital of Traditional Chinese Medicine, is keenly aware of the special curative properties of TCM. Her institution has received patients from around the world, and the cupboard in her office is stuffed with gifts sent by the many healed patients.

Miyuri Makabe, a 50-something Japanese woman who was badly injured in a boating accident, came to China for help after two years of Western medical treatment failed to work. "When I landed in this hospital I was like a robot with steel struts tied to my body and crutches under my armpits. I couldn't walk without support," she recalled.

After careful examination, a panel of experts decided to put her through acupuncture treatment, supplemented by some herbal remedies. The next day she showed improvement. On the third day she needed only one

crutch and a week later she could go shopping. In a month she was totally cured and headed back home. Half a year later, when she returned to the hospital for follow-up treatment, she could even scamper about.

"Chinese medicine is so magical, I will introduce it to more people," she said in simple Chinese.

Several patients at the hospital from Switzerland and Romania were randomly asked their reaction to the issue of removing TCM from China's healthcare system. All looked surprised and shook their heads as if to say, "Why? I don't get it."

Hou Manzhen, a veteran practitioner of TCM, has his own point of view on the issue. Chinese medicine theory is built on macro philosophy while its Western counterpart is based on micro philosophy, he said. Take the common cold for example. Western medicine views it as the result of a viral infection while

Chinese medicine sees it as the result of a weakening of the immune system. Thus the treatments differ. A Western doctor might suggest medicine to ease the symptoms, while his Chinese counterpart would suggest a therapy to improve the functioning of the whole body.

"TCM and Western medicine are actually two complementary things," said Hou. "It's not proper to say which one is better. TCM does have some defects, but it makes no sense to exclude it on the basis of Western medicine, and it's unfair to traditional Chinese medicine."

Facing a predicament

Leaving aside the argument about the removal of traditional Chinese medicine from the Chinese healthcare system, what is clear is that TCM is now in difficulty in its place of origin—China.

Sina.com, one of China's largest Internet portals, conducted a survey involving 20,046 respondents. When asked the question "What do you think of TCM," 74 percent voiced their support while only 17 percent opposed it. However, when asked "Would you choose to go to a traditional medicine or Western doctor when you are sick," about 58 percent chose Western doctors, 16 percentage points higher than the rate of those choosing TCM.

What's more frustrating for TCM was another survey conducted by Wang Li, the leading surgeon at the People's Hospital of Peking University. The survey showed that 90 percent of the respondents don't believe in TCM any more. The reasons include TCM's long period of treatment, complicated therapy methods and the exaggerated publicity of some TCM hospitals, she said.

"Pushed by the economic benefits, a few small TCM hospitals and private clinics boast they can heal any disease, which is of course impossible. This has brought a bad influence on traditional Chinese medicine," said Song, the traditional medicine doctor.

"Traditional Chinese medicine is something extensive and profound, and many herbal medicines or treatment methods take the form of secret recipes, which gives an opportunity to a few designing people," said Hou.

According to the certified physician law of China, one is required to have at least four years of medical school education to take the test to become a certified physician and two fifths of the test is about Western medicine.

Many of the most experienced TCM practitioners don't know Western medicine or foreign languages, although they are good at curing diseases, and thus they cannot obtain the certification, which will lead to the disappearance of traditional medical wisdom when they die.

The present medical law enforcement and supervision system hampers the normal



HERBALS GO ABROAD: Beijing Tongrentang, a leading producer of traditional Chinese medicines, opened a branch store in Australia last November

private practice of TCM. Even if a person dies a natural death under a private TCM practice, the practitioner will be punished if someone sues him, since he does not have certification. Another unreasonable point is that a medical accident occurring in TCM practice must be examined by Western medical technology even though the two belong to different medical systems. As a result, TCM treatments are too cautious and conservative in innovation.

Statistics show that the number of TCM practitioners stood at 800,000 in 1912, 500,000 in 1949 and is now below 300,000. The number of Chinese veteran TCM practitioners has dropped to the present 500 from 5,000 in the 1980s, with most of them above the age of 88.

Therefore, some warn that Chinese medicine is facing the loss of its legacy. But Zhang Bing, a professor at the Beijing University of Chinese Medicine, said the crisis is a "problem in progress," and people should not be so worried about it because it will be eased with the advancement of higher education in TCM.

TCM has been gradually marginalized. TCM hospitals are facing a declining business, and local financial support is insufficient. In Hunan Province, the provincial fiscal revenue stood at 73.9 billion yuan in 2005 but only 5 million yuan was allocated to TCM, and the spending hasn't seen any increase over the past 10 years.

"Many TCM hospitals would rather adopt Western medical treatments instead of prescribing cheap Chinese herbal medicines to survive in the business," said Bai Zhengping, Deputy Dean of a hospital affiliated with the Hunan Academy of Traditional Chinese Medicine. It costs only 60 yuan to cure a fracture through traditional treatment but the cost for having surgery is 1,600 yuan. To earn more money, hospitals would rather put fracture patients through surgery.

"Most of the current TCM hospitals don't live up to their names," said Lu Bingkui, the former Director of the Chinese Medicine Bureau of the Ministry of Health. "They are mixed hospitals with both traditional Chinese and Western medicines."

A renaissance abroad

The Chinese Government is aware of TCM's difficult situation and is working on alleviating measures.

Traditional Chinese medicine has spread to over 130 countries and regions in the world. Global sales of Chinese herbal medicines have been increasing. According to World Health Organization statistics, in the next five to 10 years, Chinese herbal medicine sales will reach \$200-300 billion worldwide. Figures from WHO also showed the annual sales of the world's vegetable-based

medicines come to about \$16 billion, of which 80 percent is taken up by Japan, 15 percent by South Korea and only 3-5 percent from China. China's herbal medicine exports stood at only \$800 million in 2005.

While in difficulty in its home country, TCM is getting an enthusiastic reception elsewhere. According to Deng Tietao, professor at the Guangzhou University of Traditional Chinese Medicine, acupuncture



ACUPUNCTURE MODEL: A foreign student at Nanjing University of Traditional Chinese Medicine studies acupuncture points on a bronze model with his teacher

is making its way into the mainstream medical care system in Britain. In the United States, acupuncture has been approved in 35 states and the District of Columbia, with over 10,000 acupuncturists and 1 million patients receiving treatment.

"Many countries are investing big money in the research and development of Chinese herbal medicine, which is challenging the development of Chinese herbal medicine in China," according to a Chinese Government document concerning the future development of TCM in China.

In this document, which was issued in August, the government proposed detailed measures and set up objectives to protect the country's legacy. By 2010, TCM clinics or TCM services should be set up in all the health centers at the township level; TCM legislation should be put forward and a TCM standard system should be established, and the prevention and treatment capacity of TCM for serious diseases such as diabetes, cancer and kidney diseases should be enhanced.

On October 22, the State Administration of Traditional Chinese Medicine announced that during the 11th Five-Year Plan (2006-10), the Central Government will invest 5 billion yuan to support the development of TCM; the investment was only 800 million yuan during last Five-Year Plan.

Apart from government support, it is urgent to change the current TCM education mode, experts say.

Currently there are 32 TCM colleges and universities in China, with 390,000 students. Five years ago, the number was a tiny 80,000.

"The current TCM education system focuses too much on the classics of traditional Chinese medicine, and it is adrift from clinical experiments," said Hou, the veteran practitioner. "Medical education shouldn't blindly stick to the classic works,

it should respect the actual curative effects."

Another veteran practitioner of TCM, Gao Rugui, worries about the westernization of Chinese traditional medical education. Western medical knowledge makes up the bulk of TCM students' classes, and TCM texts are intermingled with Western medical thought, which can lead to students' losing faith in TCM.

"TCM education is looking for a reasonable pattern. It's natural to have arguments and controversy during the process. In my opinion, TCM education is moving towards a more rational direction," said Professor Zhang.

The folk tradition of passing down knowledge from masters to their apprentices is also being revived. The government is setting up a high-profile TCM research and study class in Guangdong Province. The class is led by some veteran practitioners of TCM, and attended by students who have mastered basic TCM knowledge and have rich clinical experience.

"It's a complex and systematic project to revive traditional Chinese medicine," said Zhang. "I think the most important thing is to build our own TCM theory on a scientific basis. Without a clear and straight understanding of the TCM mechanism, there's no dialogue or exchange between the two medical systems, and what we can have is only misunderstanding." ■

INTRICATE DELICACY:
Wang Youhong, the head chef
of an herbal cuisine restaurant,
prepares a soup dish for customers



WEL/PHO

By FENG JIANHUA

Wang Youhong's life has been in a whirl ever since the restaurant where he is the head chef opened six months ago. Wang, 34, works in a restaurant in northern Beijing that specializes in herbal cuisine. Every day he is busy showing visiting chefs around as well as having discussions with people interested in partnering with the restaurant.

Despite the remote location of the restaurant, business is buoyant. Its customers include many foreigners who have been attracted to the restaurant by word of mouth.

According to Wang, herbal cuisine brings in revenue of over 400,000 yuan every month, which is the envy of restaurants of a similar scale.

"China's herbal cuisine industry faces a good opportunity for development," said Wang. "I believe in 10 years China's herbal cuisine will have its own famous brands as well-known as the 'Quanjudu' Peking roast duck."

Herbal cuisine has a long history in China. One explanation of its origin is that in gathering food in the wild, the ancient Chinese found that some plants could be prepared as food as well as being used to cure disease. These special plants with the combined nature of food and medicine are seen as the basis for herbal cuisine.

According to historical records, the first professional chef of herbal cuisine appeared in the Chinese emperor's palace over 1,000 years ago. With the country's social development, herbal cuisine has gradually become accessible and popular among ordinary people.

While traditional Chinese medicine uses more than 5,000 kinds of herbs, according to Li Baohua, Vice Director of the Chinese Association of Herbal Cuisine Studies, only 108 herbs are permitted to be used in herbal cuisine.

Since the end of the 1990s, many big cities in China have been hit by a fever for herbal cuisine. "Serving herbal cuisine" has been adopted as a marketing strategy by small restaurants as well as those in five-star hotels.

Concept is misused

"The popularity of herbal cuisine reflects the rise of people's living standards," said Li. "Chinese people are paying more attention to the cultural and health aspects of their diet."

However, due to a lack of supervision, the concept of herbal cuisine has been abused. For example, many restaurants treat herbal cuisine as an advertising catchword, while their chefs know nothing about the characteristics or preparation of such food.

To Your Health

Herbal cuisine, which combines the properties of food and medicine, is becoming more popular, but its future depends on customer education and regulations to insure safety

Wang cited a very common example: some restaurants add some traditional herbs to an ordinary dish and then call it a herbal cuisine dish.

As a matter of fact, the culinary expertise required for herbal cuisine is much more complicated and intricate. While preparing herbal medicine dishes, the chef should bear in mind the body type and health situation of diners, the season and the geographical environment, and base the choice of herbs on these factors. According to traditional Chinese medicine theories, spring is the best season for taking nourishment for the liver, summer for the spleen and stomach, autumn for the lungs and winter for the kidneys.

Casual preparation of herbal cuisine without knowledge of the nature of herbs could harm diners' health, experts say.

However, Wang believes an important factor inhibiting the rapid development of herbal cuisine is people's mistaken perceptions about it. To be specific, traditional herbal cuisine has for a long time placed excessive emphasis on its curative effects and neglected the culinary pleasure for diners. Under such guidelines, herbal cuisine dishes were not appetizing at all and the medicinal taste kept many diners away.

"My herbal cuisine dishes are first and foremost savory dishes," Wang said. "I would first make sure that they are delicious and then think about their nutritional functions."

Wang has been in the herbal cuisine industry for nearly 10 years. When he started as an apprentice cook in 1997, his mentor was Jiao Mingyao, one of China's top-notch herbal cuisine chefs. Jiao used to be the head chef of Tongrentang Emperor Food, the restaurant under China's best-known pharmaceutical brand, Tongrentang, which was appointed to prepare prescriptions for the emperor.

Wang has developed a patented "100-herb banquet" that includes over 200 dishes.

"The recipes for all these dishes have been put to the strictest test," Wang said. "The job for our chefs is to make them savory and achieve the best combination of medicine and diet."

According to Wang, Beijing has only seven or eight restaurants specializing in a medicinal diet, but there are innumerable restaurants in the city using the term herbal cuisine for self-promotion. Wang explained that there are two reasons for such a scenario.

For one thing, there is a limited supply of qualified herbal cuisine chefs. Although the Chinese Association of Herbal Cuisine Studies began to intensify training of herbal cuisine chefs several years ago, the gap between demand and supply remains large. According to Wang, the salary of an herbal cuisine chef is two or three times that of an

ordinary chef. Wang's restaurant has 400 seats and only four herbal cuisine chefs.

For another thing, the popular view of not taking medicine when it can be avoided is harming the popularization of herbal cuisine restaurants. Wang said the ad campaigns for the medicinal diet industry have changed their slogans to "health preservation" and "health protection" to overcome public reluctance.



HERBAL DRINK BAR: A restaurant in Beijing specializing in herbal cuisine displays various types of herb-infused alcohol for customers to choose from

Gap in understanding

"Many people refuse to try a medicinal diet due to their misunderstanding that a medicinal diet is a kind of medicine, which is not true," said Wang.

Many herbal cuisine restaurants are trying to change course to cater to customers. Giving up the model of singularly pursuing the medical effects, they are paying increasing attention to the tastiness of the food. For example, an herbal cuisine restaurant in China's southern city of Chengdu developed a new type of edible rose, which earned the restaurant instant fame and a profit of 3 million yuan over six years.

"It tastes good and has the fragrance of a rose," said patron He Xiaofeng.

Many customers said the principle reason they like herbal cuisine is its taste. Secondly, they hope the cuisine can help strengthen their health.

But some diners turn to a medicinal diet to find a cure for disease. Wang said his prescribed dishes once cured the chronic constipation of an elderly customer who came to his restaurant for relief.

However, Wang emphasized that he would frankly tell a customer not to have too much hope if he or she is seeking a cure from herbal cuisine. "After all, herbal cui-

sine can only play a supportive role in safeguarding health," he said. "The effects are usually slow, and not effective for all diseases."

Zhou Jian is an associate professor of nutrition at the Beijing University of Chinese Medicine. She confirmed that the proven effects of herbal cuisine include nourishing the hair, skin, brain and bones, helping in weight loss and improving sexual function.

But Zhou cautioned, "Without consulting professionals, nobody should casually eat herbal cuisine."

Wang said if a customer does not have a clear requirement, the waiters and waitresses who have received professional training should give tailored suggestions on ordering based on the physical situation of each customer. These suggestions will be carried out only after being approved by the head chef.

"Deliciousness and safety are our top priorities," said Wang.

He said he believes that the herbal catering sector is exhibiting an unhealthy trend of polarization. The fastest-developing sectors are high-end restaurants and low-end restaurants. In contrast, mid-level herbal cuisine restaurants catering to the largest number of customers are developing very slowly.

"This is a big market with huge potential," Wang said.

As for the government's role in promoting the development of medicinal diets, Wang said he believes that government agencies should guide public understanding of herbal cuisine. Another measure is to raise the entry standards for herbal cuisine chefs and further clarify the requirements of the position, which will nurture the healthy and orderly development of the industry. ■

Ancient Cures For Modern Pets

Traditional Chinese medicine is showing its edge in helping pets as well as humans

By FENG JIANHUA

After traveling on a bus for the entire morning, He Guoping and his wife finally arrived at the animal hospital of the Chinese Agricultural University, acknowledged as the best such facility in Beijing. In He's arms was his beloved pet, a six-year-old dachshund.

At the hospital's clinic of traditional Chinese medicine, the couple was met by Liu Zhongjie, a veterinarian experienced in the field.

"Our dog was bouncy and clever. But the other day, it jumped onto the sofa after coming back home, only to find that it could not move its hind legs," said the sad pet-owner. "The symptoms developed so quickly that it could not even stand up."

He took his pet to smaller animal hospitals near his home, but to no avail. After being introduced by doctors there, he came to the well-known animal hospital as the last hope.

Liu's diagnosis was that the dog suffered from a herniated spinal disc.

"How can my dog be cured?" He asked.

"Surgery in this case would cost at least 10,000 yuan, which your family can't afford," said Liu. "But this can also be treated by traditional Chinese medicine and your dog will be given acupuncture every other day."

Liu said according to his clinical experience, pets suffering from herniated lumbar intervertebral discs can gradually develop paralysis in all legs without treatment. The Western therapy is both costly and unreliable. By contrast, he said the recovery rate from acupuncture treatment is above 80 percent.

He's family was greatly relieved to hear that their pet could be cured. "I should have known better to come here earlier," He said.

Growing pet population

According to a report in the Beijing

50,000 in 2000 and over 400,000 in 2005. By the end of October of this year, the total had jumped to 550,000. If unregistered dogs and other pets are included, the number of pets in Beijing exceeds 1 million. If the average spending on each pet is 100 yuan every month, then Beijing residents are spending a staggering 1.2 billion yuan on pet care every year. And that figure is fairly conservative, considering that 100 yuan is not enough for a bath at a pet salon in Beijing.

The sharp increase in the pet population in the capital has triggered an expansion of the number of pet hospitals. In 1995, there were eight such facilities in Beijing. The number climbed to 30 in 2000 and to nearly

300 currently. And it is a lucrative business. A source from the China Animal Agriculture Association, who requested anonymity, told Beijing Review, "As far as I know, most pet hospitals can reach a profit rate of over 300 percent."

With the increase in the number of pets and the unique therapy of traditional Chinese medicine in rehabilitating pets, traditional medicine for pets has become a vibrant industry in some places.

According to a report of the Guangzhou-based Yangcheng Evening News, a new type of training course for veterinarians of traditional Chinese medicine is being offered in Hong Kong and Guangzhou, including courses on massage and acupuncture. Hong Kong set up its first animal hospital specializing in traditional Chinese medicine in April, which is the first of its kind in Asia. The business of this pioneering hospital is particularly good, with average monthly revenue of over 300,000 yuan in the first four months.

"According to my clinical experience, the number of cases of curing pets with traditional Chinese medicine is on an obvious surge," said Liu.

According to Liu, traditional Chinese medicine can cure a wide array of pet diseases. However, for various reasons, traditional Chinese medicine has mainly been adopted for areas where the results of Western medicine are poor, such as nerve dysfunction, sciatic nerve paralysis, chronic digestive diseases and liver and kidney diseases.

"Compared with Chinese medicine, Western medicine enjoys the advantages of convenience in preparing medicine and



HEALING HANDS: Traditional medicine veterinarian Liu Zhongjie checks the joints of a paralyzed puppy

Morning Post, the total number of pets in China has reached 100 million, nurturing a potential market worth 15 billion yuan. The same report estimated that the number of pets in China will reach 150 million by 2010 and the total sales volume of pet-related industries could reach 40 billion yuan. There has been a surging interest in having pets on the Chinese mainland, especially in big cities such as Beijing, Shanghai, Guangzhou and Shenzhen.

According to government statistics, Beijing had fewer than 10,000 dogs registered in 1995. This figure rose sharply to

quick effects," said Liu. "Therefore, who will use traditional medicine when Western medicine can cure the disease?"

Among the nearly 300 animal hospitals in Beijing, many provide certain therapies using traditional Chinese medicine but only 10 have set up specialized clinics for that purpose.

Market is still small

As far as Liu Zhongjie is concerned, although his hospital has a traditional medicine clinic, it does not have its own traditional medicine pharmacy. The owners of sick pets just pay a small diagnostic fee and buy the medicine at regular pharmacies. "This is hardly sustainable considering that Chinese hospitals mainly rely on selling medicine to earn money," Liu said.

"For the time being, animal hospitals are relatively small. The establishment of a pharmacy of traditional medicine requires hiring at least two people. If all the costs are added up, running a pharmacy of traditional medicine will probably become a financial burden of the hospital," Liu added.

Besides the cost consideration for hospitals, people's lack of awareness is another factor inhibiting the development of traditional medicine for pets.

Liu Yanxia, a middle-aged Beijing resident, has kept a papillon dog named

"Zhenzhen" for three years. However, three months ago, the usually active dog suddenly became sluggish. Its owner took it to a nearby animal hospital. Without giving the reason for the disease, the veterinarian prescribed a dizzying range of antibiotics. Yet Liu found that the more medicine the dog took, the weaker it became.

Without further delay, she took the dog to a bigger animal hospital. The veterinarian there told her that her dog suffered from liver failure and could have been cured if traditional medicine therapy had been adopted in the first place. But by taking too many antibiotics, the dog deteriorated so quickly that it became incurable.

"I did not know that pets could be treated with traditional Chinese medicine. But now it is too late," said Liu.

Many pet owners like Liu have little knowledge of traditional medicine for pets. Some of them are curious about it but still don't trust it much.

"Actually traditional Chinese medicine has its own limitations in curing pets. For example, the four basic traditional Chinese medicine diagnostic methods are to observe, listen and smell, ask about the patient's background and take the pulse. Animals cannot speak and therefore it is hard for the disease to be accurately diagnosed. I am personally against the expan-

sion of medical treatment of pets through traditional medicine," said Hou Manzhen, a well-known private traditional medical doctor in Beijing.

However, Liu Zhongjie said Chinese people started to develop knowledge of treating cattle with traditional medicine as early as 7,000 to 10,000 years ago. About 3,000 years ago, China had professional veterinarians of traditional medicine. Around the 1840s, a comprehensive system of veterinary knowledge was developed in the country.

"I think veterinary traditional medicine has a very bright future," said Liu, noting the rapid growth in the number of people studying veterinary traditional Chinese medicine abroad. He told Beijing Review that several of his university classmates have opened their own veterinary clinics of traditional Chinese medicine in the United States and Canada and earned a fairly handsome income.

Liu said although many traditional Chinese medicine colleges offer veterinary courses, many are limited to theoretical knowledge and don't provide clinical practice opportunities.

"I can say that the city has too few veterinarians of traditional medicine who can prescribe the correct medication," said Liu. "Such a situation is quite worrisome." ■

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FARMHOUSE HOTEL: New farmhouses are being built to accommodate tourists in Pingxiliang Village of Shuixigou Township, Xinjiang Uygur Autonomous Region



A New Taste Of the Countryside

Rural tourism programs in Xinjiang are giving the region's residents new options

By JING XIAOLEI

Driving 110 km toward famous tourist attraction Tianchi Lake from Urumchi, capital of the Xinjiang Uygur Autonomous Region, clusters of yurts can be seen alongside the winding road, set amid the trees. The traditional nomads' homes all look new, each with a number printed on the door. Then a signpost catches the eye: It reads "Welcome to the Kazakh Folklore Village!"

Marziya, 39, is the owner of one of the yurts. She is a Kazakh who raised cattle more than 10 years ago on the other side of Tianchi Lake. "We used to be herdsmen and barely did any business except for selling some smoked horse meat," she said.

Official figures show there are about 1.4 million Kazakhs in Xinjiang, accounting for 7 percent of the total population in the autonomous region.

Marziya's yurt is No. A-2, the second yurt in the A section. According to Marziya, there are three sections in this folklore village, with sections A and B completed and section C still under construction.

"We have 58 households in section A. Each household owns two yurts, a bigger one and a smaller one. The bigger one is to accommodate tourists and the smaller one is where we live and prepare food for the

guests," she explained.

Both yurts share the same cement base. According to Marziya, the local government invested a total of 10 million yuan in constructing the folk village.

Last year there was a flood and most of the old yurts were destroyed, so the government allocated a large sum of money to rebuild their homes. "The government spent about 100,000 yuan for each family, including the cement base, the construction of the two yurts and water and electricity supplies," said the owner, adding that the residents have to pay only 300 yuan a year for management expenses.

It costs about 150 yuan per day to rent a yurt. Each is decorated differently, according to the taste of the owner. Tourists can eat, sleep and sing karaoke inside the yurt. The food served here is home-style.

"Sometimes I hire a dance team to perform for our guests," said Habieke, owner of another yurt in the folk village.

Habieke, also a Kazakh, used to be a tour guide and has sold handicraft articles for some time.

"Since I took up the folk tourism business here several years ago, I'm doing better and better. Last year I made a net profit of some 80,000-90,000 yuan," he said.

Habieke is too busy to run his business alone and he employs two workers to help him.

In this way, herdsmen participate in the service industry and immediately have their income increased, which is an important objective of rural development.

What's more, as herdsmen become settled residents, it is good for the environment, since grazing does some harm, said Qin Xiaoling, a local official.

From farmer to hotel manager

Aside from the folk village experience provided for the tourists, there is another "farmhouse hotel" economy booming in Xinjiang, and Shuixigou Township is a typical example.

Only 50 km from the capital city Urumchi, Shuixigou Township is located adjacent to the Southern Mountain scenic spot, which has a favorable climate that is cool in summer and warm in winter.

Given the climate advantage, Fangjiazhuang Village, under the jurisdiction of Shuixigou Township, has developed the farmhouse hotel business. According to the village Party branch secretary, Xian Hui, the village finished reconstruction work in 2003, with all the old houses torn down and new ones built. The construction of each farmhouse cost 110,000 yuan, with 60,000 yuan paid by farmers and the rest coming from a government subsidy.

This village used to be poverty-stricken,

with a small agricultural production of wheat and potatoes, but it now receives a tourist population that is growing year by year. In 2005, there were 56,000 visitors, and that number has risen to 73,000 so far this year.

"I didn't quite understand the point of tearing down my house and rebuilding it until the next year, when I made a net profit of 100,000 yuan through accommodating the tourists," said village resident Xian Hui.

Xian's house is clean and bright, with a spacious guest room, two bedrooms with four beds in them, a bathroom and an entertainment room for playing mahjong. According to Xian, all the farmhouse hotels have undergone a sanitary inspection and meet those standards.

"You won't believe that a film celebrity like Li Yapeng once stayed at my hotel," said Xian with excitement and pride.

The neighboring Pixiliang Village, on the other hand, still looks like a construction site. Bulldozers move back and forth; a few new houses are standing but others have not yet taken shape.

Not far from the site, a ski slope is being built on one side of the Southern Mountain. According to township official Chen Kuan, the local Xinjiang Hongjing Group Co. Ltd., a telecommunications company, has invested in developing a ski resort where Pingxiliang Village used to be located. So the company has to relocate the villagers

near the foot of the mountain and help them rebuild their houses. When these new houses are finished, they also will be used to operate a hotel business.

In recent years, Shuixigou Township has introduced 29 enterprises and a total investment of 1.8 billion yuan to help develop the local economy, focusing on real estate and tourism.

It seems that the efforts have paid off. In 2005, the per capita net income of the township residents was 4,317 yuan, with 47.7 percent coming from tourism.

Though there are no statistics yet on how much of a contribution this rural tourism makes to the autonomous region's overall tourism revenue, according to Naiyimu Yase, the head of the Xinjiang Tourism Administration, "Countryside tourism is gaining momentum and will flourish in five years."

Dealing with problems

While the government has helped to increase farmers' income and improve their livelihood through various channels, including tourism, the current situation for developing rural tourism does have some defects, according to Professor Chen Chuangang with the Center for Recreation and Tourism Research of Peking University.

The most universal problem, said Chen, is duplication. Sometimes investment deci-

sions are made blindly due to a lack of proper macro-adjustment and guidance from the government. Investors also fail to do sufficient market research and planning before they jump into the heated tourism business.

Chen pointed out that rural tourism remains at the level of providing lodging and food, not going deeply enough into exploring real folk customs. As a result, rural tourism activities follow the same pattern: eat home-style food, drink tea, play mahjong and sing karaoke.

Another problem is of even more concern, said Chen. Countryside tourism in some places destroys the natural rural landscape. Ignoring the basic considerations of simplicity, naturalism and harmony, flashy and luxurious tourist facilities are being put up, which by no means fits into the countryside scene.

Rural tourism is viewed as important because it is considered to be one of the most efficient ways to improve the lives of the rural population. Without resolving the problems that occur in the process of developing countryside tourism, however, there will be no further sustainable development, Chen said.

These problems so far might be denied or overlooked by local governments, but experts have advice on developing healthy and sustainable rural tourism, the most important suggestion being to develop an integrated plan before diving into the booming business. ■



YURT INN: Yurts in the Kazakh Folklore Village are scattered among the trees in the Xinjiang Uygur Autonomous Region

The Winds of Change

The legendary Tuvans, one of the oldest nomadic peoples in northern Xinjiang, feel the impact of embracing the outside world

By JING XIAOLEI

Next to the Kanas Lake “monster,” to many people the Tuvans are the second most mysterious inhabitants of the Kanas region in northern Xinjiang Uygur Autonomous Region. The Tuvans, however, actually are one of the oldest nomadic peoples in north-west China.

The Kanas region is the only place in China that is home to the Tuvans, who number 2,000 and mainly live in three villages around the Kanas Lake. There are about 200,000 Tuvans worldwide, with 30,000 living in Mongolia and the rest mainly in the Republic of Tuva, which is part of the Russia.

“We belong to the Mongol [tribe] and every Tuvan here considers Genghis Khan our hero,” said Buhedi, a 65-year-old resident of Hemu Village, one of the three villages of the Tuva in China. Tuvans believe they are descendants of Mongol troops, and they honor Genghis Khan by hanging a portrait of him on the wall of their wooden houses.

But the origin of the Tuvans remains a mystery. Some experts think that the Tuvans in China migrated from the Republic of Tuva 500 years ago but others

argue that they are

branch of the Mongols as they are believed to be the offspring of the troops of Genghis Khan as he conducted his campaign of conquest.

Tuvans believe in Tantric Buddhism and have preserved the traditional beliefs of their tribe quite well. Religious and traditional festivals are always jolly and active.

For almost 500 years, the Tuvans lived in a picturesque and peaceful region generation by generation, separated from the outside world and undisturbed.

In the mid-1990s, however, Hemu Village began to open up to the outside world and tourism was introduced. Wooden cabins were rented to the tourists, horses were trained to carry the backpackers and rustic food and drink were served to the increasing number of visitors.

Profiting from tourism

Not long after, the tourism economy overtook the traditional agro-pastoral economy and became the main income source for the Tuvans. The per capita income rose to 1,900 yuan last year in Hemu Village, with tourism revenue accounting for 52 percent of the total, while in 1993, the average income was merely 356 yuan, according to Gerelit, the village’s deputy chief.

But the 1,900 yuan income in Hemu is low compared with that of Kanas Village, another area of the Tuva in China. Kanas Village started its tourism business a little earlier than Hemu Village and its per

capita income reached 4,200 yuan in 2005, with 67 percent coming from tourism, according to the village’s official statistics.

“Tourism brings a lot of benefit to the local Tuva residents,” said Gerelit. “The most important result is that our income is increased, as is our livelihood. The quality of our people is also enhanced.”

The deputy chief’s house provides evidence for that assertion. The house is spacious and tidy, with large, delicate carpets covering the wooden floor. In one corner is a big-screen color TV.

Gerelit also mentioned the environmental problems that tourism causes. “Rubbish can be found along the road and the river-side,” he said. “But compared with the good results tourism has brought to us, such a problem so far hasn’t posed any serious threats to our natural environment and we already have this under control.”

In Kanas Village, however, the tourism business has grown a bit too fast and in recent years complaints from tourists have mounted, focusing on the shabby lodging and dining facilities.

Therefore, starting this year, most of the tourism establishments are being dismantled to protect the environment of the Kanas region. As compensation, every Tuvan household in Kanas Village will receive 20,000 yuan every year for five consecutive years. The money comes from ticket sales to the Kanas scenic area. In addition, the scenic area has employed 116 Tuvans to be forest guards, custodians and providers of other services.

Given all these measures, the total income of the 110 Tuvan households each year will come to 4 million yuan, 1 million yuan more than in the past, when the villagers rented houses and provided food for the visitors.

According to various tales, Tuvans are also famous for their alcohol consumption. But when asked about it, Gerelit, the deputy chief, had a quick response. “Don’t believe that,” he commented to *Beijing Review*. “Suppose we Tuvans were all alcoholics and went around with a bottle of wine in hand all day long; who do you think put up so many wooden cabins and fences and raised these horses?”

What has changed along with the economic pattern is the honest and simple ways of the people. One reporter complained that he was welcomed in a Tuvan family with milk tea and local pastries, which he thought was free, but when he was about to leave he was charged 45 yuan for the food and drink.

“I was pretty surprised and felt awkward about this, but it seems that free hospitality is a thing of the past already,” said the reporter. ■



LEGENDARY PEOPLE: An elderly Tuvan lady stands in front of a traditional wooden house

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FAMOUS FIVE: Folk artists Chen Hongchuan (right) and his son Chen Yichen make sculptures of the Olympic Fuwa mascots with rice flour



Traditional Crafts Highlighting Olympics

The Beijing Olympics offers an unprecedented opportunity for China to save its disappearing folk arts

By TANG YUANKAI

Tang Yingying, a 19-year-old history major, bears clear hallmarks of the Chinese younger generation: she oozes confidence and a sense of superiority; and different from older generations, she often says “I” instead of “we.” She wants to live her life according to her own ideas and she dares to pursue success, excellence and new things. But the university junior admits that she has some unusual hobbies for her age. Influenced by her grandfather, Tang is a big Peking Opera fan. She also likes Chinese traditional crafts, prompting her decision to major in history.

For the time being, Tang’s biggest hope is to become a volunteer for the 2008

Olympics. This Beijing girl will graduate from university about the time the capital hosts the 29th Games. “I will study for a master’s degree later, but, during the summer vacation, I can be an Olympics volunteer.”

Tang is a little confused over choosing from a kaleidoscope of voluntary services, such as interpretation, reception, medical care and stadium guide.

But she finally had a revelation on seeing a news item on the Internet: China’s leading instant messaging service provider Tencent and the Chinese Young Volunteers Association had jointly launched a national campaign to protect the nation’s non-material cultural heritage. Different from other such campaigns, this program is to enlist registered young volunteers to become can-

didate apprentices for craftsmen of traditional arts that are on the verge of extinction.

Tang learned that China’s only craftsman carrying on the tradition of making bristle dolls, Bai Dacheng, was seeking apprentices.

“I once saw a bristle doll performance by Bai on TV,” said an excited Tang, and she found them intricate mimics of the images presented in Peking opera. During the performance, Bai put two bristle dolls dressed as warriors on a bronze plate and knocked the plate with a wooden stick. This created a rhythm to which the two dolls responded, their arms and hands “coming to life.” Recalling this unforgettable show, Tang became so excited.

The manufacturing of bristle dolls originated over 100 years ago, deeply influenced by Peking opera and leather shadow puppet performances. Earlier craftsmen made the body of the six-inch puppets with clay and straw and dressed them in a silk coat; finally, the faces were painted to mimic the masks of Peking opera. The last procedure requires sticking a flexible bristle under the bust of the puppets so that this elasticity enables them to move rhythmically. That’s how performance of bristle dolls earns its name, “show on a plate.”

The craft of making bristle dolls was on the verge of extinction in the 1940s when war ravaged the country. Bai, who was raised in a traditional Chinese *hutong* [alleyway], has

enjoyed Peking opera and painting for as long as he can remember. Despite his drawing and painting talents, however, he rarely thought he could one day become the successor to the art of making bristle dolls.

In 1959, he had to withdraw from an aeronautical academy due to health problems. By coincidence, he was introduced to a second-generation bristle doll artist, Wang Hanqing. After seeing Bai's art works, Wang invited him to learn the techniques of making bristle dolls in order to pass on the craft created by Wang's father.

"The charm of bristle dolls is that they contain the nation's rich culture," said Bai. He said there were a story and a piece of history behind every doll.

Besides inheriting the techniques of the Wang family, Bai has made some reforms and innovations. Bristle dolls used to simply have a cone under the waist, while Bai has added legs and shoes to every doll. What's more, he also improved the craft of face painting and the dresses of dolls to make them more complicated and delicate.

The 67-year-old craftsman, who used to take manufacturing and the performances of bristle dolls as his livelihood, now regards passing on the craft as his big most urgent task. He does the entire process of recording by China Central Television. Bai now thinks that's not enough.

"I am willing to pass the bristle doll art to the young people from the Internet," said Bai, one of the first batch of participants in Tencent's initiative in Tencent's initiative.

"The protection of non-material cultural heritage needs the attention of people of all ages, especially young people. In the Internet era, the Internet can be very helpful."

"The traditional media is not good in disseminating information, while the advantages of the Internet can reduce the dissemination cost," said Chenye, Vice President of the site. He expressed the hope that the site could effectively protect traditional culture. Xu also said his company plays the role of a bridge, linking the interests and hobbies of elderly folk artists in an online chat software developed by millions of registered users.

"We wouldn't have confidence in this campaign without the partnership of the China Volunteers Association, a nationwide network of 10 million volunteers. Our cooperation will

have powerful force," said Xu.

Many people believe that the proper qualification of folk artists holds the key to protection of the nation's non-material heritage; allowing unqualified craftsmen to pass on the craft, however, would prove destructive. In response to such worries, Xu said the qualifications of all folk craftsmen in this activity would be carefully checked according to regulations and industry rules.

However, Bai's qualifications are not in doubt, as far as Xu is concerned. Bai's bristle dolls were showcased at two international folk arts expos representing China's folk arts and he was also invited by the Paris-based France-China Association to lecture on Chinese folk arts at schools in major French cities, Xu points out. As an activist in salvaging cultural heritage, Bai has a large personal collection of various folk art works.

Of Beijing's efforts to host a humanistic Olympics in 2008, one important initiative is to promote China's traditional arts by showcasing them on the sidelines of the games. In line with this initiative, Beijing launched a citywide census on non-material heritage resources last July, and this will be finished

performances for the 2008 Olympics.

Tang said she had made up her mind to learn the bristle doll craft from Bai to fulfill her two dreams of becoming an Olympic volunteer and participating in cultural promotion activities during the Games.

Bai's requirements are quite demanding. Candidates must not be profit-driven in learning the art and must have deep knowledge of China's traditional arts and history and some knowledge of stage performance and traditional operas.

Tang believes she meets all the requirements. "Cultural heritage is a bond linking the past and the future as well as the root of China's prospective innovation-driven society," she insists. "Innovation can only be based on the protection of heritage."

She said that, as a history major, she strongly opposes the perception that protection of traditional crafts is a burden of modernization. Instead, she believes that it should be treated as a component of modernization. She gives an example that a technique in producing bronze ware invented in China thousands of years ago was adopted in Germany in manufacturing high-performance gears and borrowed in the United



ON A PLATE:
Folk craftsman Bai Dacheng gives a doll performance at a temple fair in Beijing during the Spring Festival

Sofitel Wanda Beijing

Gerhard Zimmer, General Manager of Sofitel Wanda Beijing and concurrently General Manager Delegate for Accor Hotels in Beijing, is a highly experienced expert and senior executive in the hospitality industry.

Zimmer, specialized in hotel administration, graduated from Cornell University. Over the last 14 years, he has served as a senior executive of Accor—the European leader in the hospitality industry. He was the opening general manager of the first ever Sofitel in China, the Sofitel Hyland Shanghai from 1992 to 1994, vice president and general manager for Accor in the Philippines and director of operations for Accor in China.



Kunlun Hotel

United Nations Secretary-General Designate Ban Ki-Moon enjoyed lunch at Hotel Kunlun's Shanghai Flavor Restaurant on October 27, 2006.



Crowne Plaza Beijing

Champagne Bar, located on the lobby floor in Crowne Plaza Beijing, held an exciting Veuve Cliequot Halloween party. Guests in costume crowded the bar, enjoying DJs, dancing, bubbles, and thrilling decorations. Pictured are dressed-up waiters and waitresses welcoming guests.



Kerry Center Hotel

A delegation led by Prime Minister H.E. Fernando da Piedade Dias dos Santos from Angola stayed at Shangri-la's Kerry Center Hotel for the Beijing Summit and the 3rd Ministerial Conference of Forum on China-Africa Cooperation, which ran from November 4 to 5. Upon their arrival, hotel General Manager George Yang and his associates extended a warm welcome.



Presidential Plaza Hotel

Guinea Bissau President S.E. Sr. Joao Bernardo Vieira stayed at the Presidential Plaza Hotel for the recent Beijing Summit and the 3rd Ministerial Conference of the Forum on China-Africa Cooperation. Arthur Krieger, General Manager of the Presidential Plaza Hotel, and his management team warmly welcomed him and his delegation.



China World Hotel

For the second year running, Shangri-la's China World Hotel was voted as the Best Business Hotel in Beijing by readers of the Asia Pacific edition of *Business Travelers* in the magazine's 2006 readers' poll.

China World Hotel's General Manager Stefan Bollhalder (left) accepted the award from the presentation ceremony's guest of honor, Dr. David D. Ho, Scientific Director and CEO of the Aaron Diamond AIDS Center, at the award ceremony held in Hong Kong recently.



Jing Guang New World Hotel

This golden autumn, the Dynasty Restaurant in Jing Guang New World Hotel has chosen the fine Yangchen Lake hairy crab for everyone. If you are interested in the famous crab, please come to try our steamed, baked and pan-fried hairy crab. Meanwhile, there are also some delicious dishes with crab, including crab meat with seafood soup, sauteed beancurd with crab meat, and crab roe with meatball soup. The price ranges from 68 yuan to 168 yuan per person.

*All prices subject to 10 percent surcharge. Telephone: 86-10-65978888



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中欧国际工商学院
第四届中国汽车产业高峰论坛
 The CEIBS 4th Annual China Automotive Industry Forum



China Europe International Business School (CEIBS)

The Fourth Annual China Automotive Industry Forum successfully concluded on October 31, at the Shanghai campus of China Europe International Business School (CEIBS). As one of the premier events to gain new insights into China's evolving automotive industry, this year's forum was attended by more than 250 government officials, business leaders and senior executives from the automotive industry, and attracted more than 50 members of the international media.

Opened by a warm welcome from Pedro Nueno, the Executive President of CEIBS, the forum explored the question: China's automotive industry—feasible and sustainable development. Automotive industry experts, such as Chen Qingtai, research fellow of the Development Research Center of the State Council of the PRC, Sergio Marchionne, President of the European Automobile Manufacturers' Association, and Li Shufu, Chairman of Geely Group, gathered together to give their own perspectives on many issues, including cooperation and consolidation, expansion of the automotive component industry, and the development of environmental regulations. www.ceibs.edu



Fangcaodi Primary School

Fangcaodi Primary School values quality teaching at its core. It has always paid a great deal of attention to developing students' abilities and intelligence. The school's vision is to attend to the needs of every student in order to help him or her develop in a well-rounded manner. The curriculum design is complete and optimized and is outstanding in courses like Chinese, English, computers, music and art.

To meet current community demands, the school has developed into a large-scale educational entity with branches in different localities. It has a main campus, a boarding school campus, the new Yuanyang campus and an overseas division. Each of the school's campuses is beautiful, featuring spacious classrooms, well-equipped football fields with artificial turf and advanced teaching facilities. All of these contribute to a healthy and pleasant educational environment for children. www.fcd.com.cn

School Information



Australian International School

Australian International School of Beijing (AISB) has been successfully operating since 2004 and is the only school in Beijing licensed for Australian curriculum. Australian curricula are respected and used throughout the world. Our curricula are designed to develop the whole child socially, physically, emotionally and academically.

We provide:

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 - Equality of opportunity
 - Courses that develop students as creative and critical thinkers across the spectrum of learning areas
 - An environment that promotes mutual respect and cooperation
 - An ethos that stimulates the pursuit of excellence and personal best
 - Processes that generate the skills of self-discipline, intrinsic motivation and acceptance of responsibility.
- www.aisb.com.cn



Peking University New Channel Chinese Learning Center

Peking University New Channel Chinese Learning Center is the only language training center with official accreditation from Peking University's International College for Language Studies. All of our teachers are from Peking University. They have much Chinese teaching experience and many of them are the authors of Chinese language learning textbooks.

We currently offer various courses for Business Chinese, General Chinese, HSK, Business Chinese Test (BCT), private classes and preparation classes for university entrance exams. Over 500 foreign students have studied with us already. When all required courses are completed, students can obtain a certificate on Chinese language study endorsed by Peking University. www.newchannel.org/dwhy



The Western Academy of Beijing (WAB)

The Western Academy of Beijing (WAB) celebrated the International Day at the elementary school gym on Friday, October 27, 2006. As usual, WAB's international students celebrated their diversity with students from grades 1-5 attired in their home country's native dress. Students performed dances, songs and skits from their native countries. The International Food Fair also took place, at which students gathered in their homeroom classes to share an "international" lunch.

This year, WAB invited Ryan Hreljac as the keynote speaker for this special week. Ryan is a 14-year-old Canadian humanitarian who has been recognized internationally for his global efforts to provide wells and clean water for African rural villagers.

WAB's annual International Day is an opportunity for WAB students and staff to display their cultural diversity and to reflect on what it means to be global citizens. www.wab.edu



Yew Chung International School

Colorful culture and cuisine captured students' interest and stirred imaginations at the Olympic International Day held at the Yew Chung International School of Beijing (YCIS) on November 10.

Each grade chose to represent an Olympic host country for the day, and worked hard at organizing a wonderful array of unique music, culture, interesting facts, food and games of that country.

It all started early in the morning in spite of the harsh cold when the students marched proudly in their selected national costumes, and then sang the national anthems of the six most recent Olympic host countries. Then students became their peers' teachers and led them on a multicultural tour of China, Greece, Australia, the United States, Spain and South Korea. www.ycef.com

Stabilizing China's Finances

A stabilized Chinese financial industry not only will be conducive to domestic development, but will also contribute to the world economy

By LAN XINZHEN

On October 30, the People's Bank of China—China's central bank—issued the Report on Chinese Financial Stability 2006. The report concluded that China's financial reform has undergone tremendous breakthroughs, financial risks have been handled properly, and that the Chinese financial industry is generally stable.

"A stabilized Chinese financial sector is good news for the world economy," noted Liu Fuxiang, professor with University of International Business and Economics, who focuses on international finance study.

The report is second of its kind. The first report was issued on November 7, 2005, concluding that the Chinese financial sector was generally stable, the same as this year. However, the first report also pointed out that Chinese financial stability was confronted with 10 challenges, including the economic growth mode and the management of financial companies.

Liu said that, after the Asian financial crisis in 1997, when people marveled at the effort China had made to stabilize the Asian financial market, they were also worried about whether China could successfully deal with its own possible financial challenges after the full opening of the Chinese financial market at the end of this year.

"Judging from the current situation, there is no need to worry. The Chinese financial market is capable of dealing with all odds," Liu said.

The eight-year trek

From 1998, preventing and resolving financial risks has remained the focus of the Chinese financial market. Up till 2006, the Chinese financial industry has undergone fundamental changes.

"In the past, the high rate of non-performing assets and low level of marketization bore many risks. The capital adequacy ratio, and the asset quality have been improved. The profitability and the sustainable fiscal development have also been strengthened," said Liu. "Currently, our banking industry is competitive even in the

international market."

Among the big four state-owned banks, Bank of China, China Construction Bank and Industrial and Commercial Bank of China have finished joint stock reform and are listed, with the non-performing loan rate at 5.41 percent, 3.51 percent, and 4.69 percent, respectively. Agricultural Bank of China is preparing for reform measures.

In the securities field, the financial report pointed out that the reshuffle of securities companies made a positive achievement. Eight securities companies, namely, China Galaxy Securities, Guotai Junan Securities, Huaxia Securities, Beijing Securities, Tiantong Securities, Southwest Securities, Xinjiang Securities and Shenyin & Wanguo Securities, have all been reshuffled, resulting in a reallocation of resources in the securities sector.

In terms of insurance, insurance companies established standardized management structures and 40 of the domestic insurance companies had changed to a shareholders' system. By the end of 2005, the direct stock investment conducted by insurance companies reached 15.89 billion yuan.

"More importantly, the construction of financial infrastructure is being strength-

ened and the financial environment is improving," noted Liu.

The report shows the payment service network system is formed and is becoming mature. An emergency mechanism, enabling quick response, was initially established with the system. At the same time, financial legislation had achieved great development. The amendment of the Company Law and Securities Law enhanced the law enforcement effort. The enterprise accounting standard was further improved, and a nationwide data network on the credit information of enterprises and individuals is now functioning. Additionally, an anti-money laundering campaign is ongoing.

"The Chinese Government has been working very hard to stabilize its financial market," noted Liu.

Liu said that the Central Government injected 1.4 trillion yuan for the reform of state-owned banks. Adding the money to prevent financial risks in city credit cooperatives, rural cooperative funds, investment and trust companies and city commercial banks, the government had injected no less than 3 trillion yuan in all, amounting to the fiscal revenue of the whole country in 2005.



BOOMING MARKETS: Real estate is red-hot in China, and that has a big impact on the financial industry as well



ANSWERS FROM ABOVE: ICBC Chairman Jiang Jianqing (right) answers questions posed by reporters about the bank's recent IPO as a Merrill Lynch representative (left) watches closely

To secure long-term stability

After several years of financial reform, the Chinese financial market is opened further to the outside world.

The financial stability report shows that, by the end of 2005, the number of foreign-owned or foreign-funded banking institutions had reached 254, with combined assets of \$87.657 billion, accounting for 1.89 percent of overall banking assets. Currently, 154 foreign banking institutions are allowed to operate renminbi business in 25 cities, and another 25 foreign financial institutions hold shares in 20 domestic financial institutions in the banking sector.

There are currently seven foreign-engaged securities companies. The total number of foreign-engaged fund management companies is 20, while the number of qualified foreign institutional investors is 32.

There are 40 insurance operational institutions involving foreign funds, 23 of which are Sino-foreign joint ventures and the remaining 17 are wholly foreign-funded with total assets standing at 40.18 billion yuan and 26.606 billion yuan respectively, accounting for 2.64 and 1.75 percent of the overall insurance assets of the country.

"The Chinese financial sector is gradually becoming an international financial market. After the full opening up of the Chinese financial market on December 11 this year, this trend will speed up. Therefore, it is imperative that our financial industry remains stable," said Zhou Maoqing, researcher with Chinese Academy of Social Sciences (CASS).

The financial report also pointed out that the People's Bank of China will further boost the healthy and sustainable development of the financial industry as well as its stability.

The report noted China should pay attention to the possible negative influence

brought about by an imbalanced global economy, fluctuations of oil prices, the structural problems of the domestic economy and finance, the growing competition in the financial sector and the potential risks of financial innovation.

The imbalanced global economy will lead to long-term low interest rates, the hiking resource and asset prices. Meanwhile, the adjustment of the imbalanced global economy, especially a disorderly one, will magnify the swings of exchange rates of the world's major currencies, slowing down the U.S. economy, therefore impacting China's export and economic growth.

Moreover, the fluctuating supply and prices of resource products such as oil is a major concern for China, giving rise to increasing import cost and potential inflation pressure, which consequently would make the economy suffer a resources bottleneck and threaten economic sustainability.

The structural problems, such as excessive fixed assets investment growth, inadequate consumption, and an imbalanced international balance of payments, are plaguing sustainable economic growth, building up inflation pressure, causing excess liquidity and hikes in asset prices. These will lead to banks facing a rising credit risk along with systematic risks of the economic and financial sectors. The structural problems of the financial sector made banks shoulder some responsibilities, which should have been shouldered by the financial market. The mounting financial risks confronting banks are harmful to the healthy and sustainable development of the banking industry.

The report admits that the innovation ability of financial institutions is not strong and they are short of a system encouraging this.

"If those problems are not resolved, it is hard to maintain long-term financial stability," said Zhou Maoqing.

ty," said Zhou Maoqing.

On recognizing the difficulties, the People's Bank of China stated in the report that China will continue to carry out sound fiscal and monetary policies, and improve and optimize macro-control in an effort to boost the sustainable and healthy development of the economy and finance. Meanwhile, the government will speed up to establish a deposit insurance system, covering all deposit financial institutions to enhance protection of depositors and supplement the current financial supervision.

Mounting problems

The problems affecting financial stability go far beyond what the report cited.

He Dexu, researcher with Institute of Finance and Trade Economics of CASS, noted that the effective market access of financial institutions is conducive to the stable development of the market. He said China needs to improve its legislation on finance and insurance.

The fluctuation of the macro economy, the decrease of real estate prices and real estate loans, and the loss of banking credit, caused by the fluctuation of the real estate market, are three potential risks confronting the financial market.

As the financial sector increases its support to the real estate industry, the latter's capital will account for more on the financial market. According to statistics from the central bank, by the end of 2005, the loans relating to real estate reached 3.07 trillion yuan, making up 14.84 percent of the total loan balance of all financial institutions. Real estate is, to some extent, posing a threat to the whole financial sector.

As a matter of fact, the Shanghai Financial Stability Report issued by the People's Bank of China on August 31 had recognized the abovementioned problems. As an important economic and financial hub of China, the financial situation of Shanghai is imperative to the overall economic situation of China. The Shanghai report revealed that the real estate development of Shanghai is heavily reliant on bank loans and that the fluctuation of the real estate market will directly affect the price of financial assets and loan quality. In 2005, Shanghai's real estate market showed signs of cooling off. Thus special attention should be focused on risks brought about by individual housing loans due to the depreciation of mortgaged property.

"Although the financial stability report concludes that the financial sector is generally stable, we should not take it for granted and at the same time, we should attach great importance to other elements which will influence financial stability," said Zhou Maoqing. ■

Retailers Reshuffle

Retail industry competition is white hot, with acquisitions being the ultimate trump cards

By LAN XINZHEN

On October 29, a Saturday, when employees of many companies were off enjoying one of Beijing's fine autumn days, Trust-Mart employee Li Xiaomei was feeling exhausted and insecure.

"We know that Trust-Mart has been acquired by Wal-Mart, but our boss has not told us yet," said Li.

Wal-Mart, by acquiring Trust-Mart for about \$1 billion (the agreement was reached between the two companies and it may take a while for the agreement to take effect), had made Li's already difficult life—working six and sometimes seven days a week—more stressful, not knowing whether she would be laid off soon or simply have new management.

In many respects, Li's walk on eggshells reflects the same stroll the retailing industry is taking these days in China.

As an industry marked by consolidation, many companies—both

domestic and foreign—are being swallowed whole by others. Trust-Mart is a case in point of why that is so.

Security and profitability will likely go to those retailers that can grow through acquisition.

Trusting in Trust-Mart

The value of Trust-Mart to Wal-Mart isn't apparent judging by surface appearances.

The supermarket Li works for is small with narrow corridors. The goods are not arranged in an orderly way, although they are classified to some degree.

Overall, the store's look and feel is completely different from Wal-Mart's grander layout and comfortable shopping environment.

Trust-Mart, a Taiwanese supermarket registered on China's mainland in 1997, has only four branches scattered in Beijing. They are utterly incomparable to Carrefour, Wal-Mart, White Goat Supermarket and Merry Mart.

Many Beijingers said that they've never heard of the company.

However, in south China, Trust-Mart is known to nearly all.

The top 300 chain store list in the first half of this year conducted by the Ministry of Commerce showed that Trust-Mart ranked 11th. Currently, Trust-Mart's chain stores number more than 100, most of which are located in southern cities like Guangzhou, Shanghai and Hangzhou. It has not been long since Trust-Mart made its way into Beijing and Tianjin in 2003.

Thus, the distinct advantage Trust-Mart brings to Wal-Mart is its large number of chain stores. After acquiring Trust-Mart, the number of Wal-Mart's stores in China will boost to 170, up from the current 66. This will help bridge Wal-Mart's gap with Carrefour, which has more than 200 stores in China. After withdrawing from the Japanese market in 2005 and from the South Korean market in 2006, Carrefour has been particularly keen on the Chinese market.

But Wal-Mart's bold move is just one recent highlight among a growing number of mergers and acquisitions in China's retail industry which is seeking a competitive edge in a cutthroat market.

Acquiring advantage

Since China fully opened its retail market in 2004, international retail tycoons have been strategizing hard to penetrate the market.

Certainly, part of that strategy is developing new stores. B&Q, the U.K.'s leading do-it-yourself and garden center retailer, plans to boost its store count by 10 to 15 annually, with its target fixed at 126 by 2010. It currently has 51. At the same time, Holland Makro hopes to open 50 stores by 2010, although it currently only has five.

But the model for grabbing market



BIG SLICE: A Carrefour employee packs shelves at one of their over 200 stores in China



DON'T HATE THE PLAYER: British B&Q is stepping up its efforts in expanding into the Chinese retail market

share is changing from one of development to one of acquisitions.

"In the past, foreign enterprises tended to set up more stores to grasp the Chinese market," said Di Jiankai, an official with the Ministry of Commerce. "However, such a method of development was time-consuming and required at least two or three years. Fully opening up the retail industry included urging

foreign businesses to adopt an easier and a more convenient way to expand their businesses: Acquisition."

Today, acquisitions are spreading like wildfire.

From early this year until now, there have been nearly 10 retail acquisition cases surpassing tens of millions of dollars each in China. Gome Electronics acquired Yongle (China Paradise Electronics Retail Ltd.). The Wangfujing Department Store swallowed up Xuzhou Hualian. Best Buy took over Five Star Appliance. And the list continues.

In the case of Gome, after having acquired Yongle, its store number should reach 697, three times more than that of rival Suning Electronics, which owns only 224 stores. The sales volume of Gome also is slated to surpass the combined sales volume of Suning and Best Buy.

Di believes that mass acquisition is a natural market trend.

Several years ago, he said, retail market access was easy, resulting in a surging number of supermarkets throughout the country. There are currently over 60,000 supermarkets, selling centers and neighborhood stores nationwide.

But, as the competition in the retail

industry became fierce, many retailers began to lose money. Some supermarkets hence sought acquisition.

Despite the competition, China's retail sector should grow steadily by 8 or 10 percent each year for the foreseeable future, according to statistics from the Ministry of Commerce. Further, there are more than 3,000 foreign retailers in the Chinese market.

Foreign privileges

Currently, foreign retailers enjoy more favorable government policies than domestic enterprises in this realm.

The tax rate of domestic companies is 33 percent while that of foreign companies is 15 percent. Meanwhile, domestic companies are taxed store by store, while foreign companies are taxed on an overall operation basis. This means foreign companies can deduct individual store losses from their taxable income, whereas domestic companies cannot.

Hence, He Jihai, President of China General Chamber of Commerce, noted that the net profit rate of the Shanghai-based Lianhua Supermarket Holdings Co. Ltd.—the largest domestic supermarket company—is 1.5 percent, while that of Wal-Mart and Carrefour is 3.3 percent and over 3 percent, respectively.

Meanwhile, domestic retailers are suffering from a sort of copycat syndrome: imitating foreign retailers—from operations to management—without ever being successfully original.

The lack of uniqueness and creativity results in undifferentiated market solutions, leading to over-competition among many retail companies of the same grade and the same style in the same region.

Foreign retailers are not sympathetic to the pleas of unfair competition or of their floundering domestic counterparts.

"Competition is fierce," said Trust-Mart's Li Xiaomei. "Before our supermarket opened, there were two small supermarkets in this community. But both of them were shut down because of us."

The future: Mega-mart?

In June 2005, Ernst & Young conducted a study of retailers' road to success in China.

Its report pointed out that in the five years ahead, the Chinese retail market would look completely different, with the strong becoming stronger.

Among the winners, they hypothesized, would be domestic Shanghai Brilliance (Group) Co. Ltd. and Gome, and foreign retailers like Wal-Mart and Carrefour.

Due to competition, mergers and acquisitions, many of China's current 60,000 retail companies will disappear, the report predicted. ■



GOME OVER HERE: The opening of the first franchise store of Gome Electronics in northwest China's Lanzhou City attracts many customers

Made in China American Dreams:

In the final article of our five-part series, we feature Fritz Demopoulos, who seems to most closely define what it means to achieve the American Dream in China. Fritz is a bit of a rebel. Quitting his gravy job with News Corp., he struck out like his European and now American parents to build something of his own. But compared to the life they built—three kids, a couple of cars, a house and a business—Fritz doesn't see his American Dream the same way.

While we couldn't pin him down on exactly what the American Dream means to him, his story tells us: It's about creating whatever you want. In China, that may be most possible. Invent, reinvent or just show up here and you might find your creative juices flowing and taking shape, according to Fritz. He arrived one day in 1997 with almost no prior China knowledge and has become one of the country's dotcom moguls.

Let's face it, China suffers from overcrowding, underdeveloped health care and substantial pollution. In the eyes of foreigners, it's probably not exactly the ideal place to raise kids. But on the whole, it may be the most desirable place to turn dreams—at least business ideas—into reality.

Dotcom Venturer

Fritz Demopoulos has proven an American can have dotcom success in China once. Can he do it again?

By YU SHUJUN

Every foreigner in Beijing either knows what *qu na'r* means or must think it strange that only taxi drivers seem to substitute this greeting for *ni hao*. But to Fritz Demopoulos, its literal meaning, "Where are you going?" had far greater significance than a simple taxi driver's information solicitation.

Now founder of Qunar.com, an aptly-named Beijing-based travel search engine, the 37-year-old American has gone a long way in the Chinese media, Internet and wireless industries since he first arrived in China in 1997.

Ironically at that time, the eventual founder of Qunar didn't know where the heck he was going.

"My [old] company sent me to China," Demopoulos said. "They gave me the chance to come out to Asia. But at that time, I didn't know about China. I was lucky, super lucky!"

Arriving in China only by chance, Demopoulos quickly recognized there was a lot more where that came from.

"Opportunities are everywhere," Demopoulos said. "I remember that the former Minister of Information Industry of China Wu Jichuan said, in some way, China is the most open market in the world."

And it's true, he said.

Demopoulos' career path proves that.

What's more, Demopoulos proves that a



REBEL WITH A CAUSE: Years ago, Fritz Demopoulos eschewed his cushy job with News Corp. to do his own thing much more successfully

foreigner doesn't need billion dollar company perks or a slick embassy aura to live out the American Dream in China. Actually, he shows one can be more successful without them—and maybe just by "showing up."

Showing up

When Demopoulos talks, he exudes a bit of California cool, putting our *Beijing Review* staff at ease right away.

He's the kind of guy who ends most sentences with "right?" and just makes you want to respond, "Right on, man!"

Indeed, Demopoulos was born in Los Angeles and went to college there.

But his father was from Greece and mother from Austria, immigrating to the United States in the 1960s.

That, in addition to his parents' business success, gave Demopoulos a bit of a bug to do something other than surf.

"Back in the 1960s when my parents immigrated to the States, what was the American Dream?" Demopoulos asked rhetorically. "You had three kids, a couple cars, a house and a business. That's what my parents did [even] as immigrants, right?"

Right Fritz, but what about your own dream, our staff wondered. And why do you stay in China?

"My dad's an entrepreneur," Demopoulos said. "That's why I wanted to become an entrepreneur too, eventually."

As for China, Demopoulos had a strange yet poignant answer.

"Sometimes here, you can do well just by showing up," he said. Showing up, we wondered, without language skills? Without knowing the culture?

"In China, a lot of people don't have all the experiences and reference points that I have," Demopoulos said. "In the States my experiences and reference points are the same as everywhere else. In China there are these natural advantages. Part of the trick is we have to understand what we think we can do well and understand the limitations."

Rejecting corporate office space

While Demopoulos doesn't understand Chinese culture as well as locals, his resume boasts a stellar corporate pedigree, which enabled him to come here.

Demopoulos began his career in China in 1997 as business development manager for News Corp., having been involved in a range of initiatives with various News Corp.-affiliated companies including

ChinaByte.com, STAR TV, NDS and Twentieth Century Fox.

But when you first meet Demopoulos, you know he's not a company man.

Young and laid back, he speaks in quick purposeful bursts that likely incubate better in the clutter of a start-up rather than a company boardroom.

Demopoulos left News Corp. to co-found Chinese-language sports Internet portal Shawei.com in 1999, although he spoke almost no Chinese at that time.

"I just said this is the time to do it," Demopoulos said. "I remember a friend said, 'Get a desk, a phone and an office and just go for it.' So I did that. I remember the first day we were sitting there—that's when the clock is ticking because you're burning your own money. It's really a lot of pressure."

Fortunately for Demopoulos, the pressure didn't cause any key business ingredients to explode other than popularity.

"We thought we would have a newsletter and as we got more people we would have a proper website," Demopoulos said. "We just grew that business."

Shawei soon grew to become one of China's largest sports websites. In 2000, before the Internet bubble burst, Demopoulos sold Shawei to Hong Kong-based Tom Group for \$15 million.

But for Demopoulos, being anti-establishment didn't mean cutting himself off from media networking in China.

Before starting Qunar.com, Demopoulos served as advisor to an array of well-known Chinese and international media companies including Titan Sports, Hai Run Media Group and InterActive Corp., as well as interim head of business development for Netease.com.

Last year, he co-founded Qunar.com with his former Shawei.com partner Douglas Khoo, a Malaysian, and former Shawei Chief Technology Officer C.C. Zhuang, a Peking University graduate. In June 2005, Qunar finished its beta test of a Chinese-language version and it was formally launched, thus becoming one of the first travel search engines in China.

SideStep look alike?

Demopoulos acknowledges Qunar.com is similar to SideStep.com, a well-known travel search engine in the United States.

But Qunar clearly has a better grasp of the region here, with far more listed searchable regional flights, and in the host country's language of choice.

In developing his business scheme, Demopoulos and his partners examined Google. He found that Google worldwide gets about 23 percent of its revenue from travel-related advertising, and Google China gets about 18 percent.



YES MEN: Going to work every day for someone else's corporation may look impressive, but it only takes you so far, as Fritz Demopoulos proves

Hence, Demopoulos realized there was an enormous travel advertising market waiting to be snatched. However, the Chinese online travel market had been dominated by two Nasdaq-listed companies: Ctrip.com and Elong.com.

How could Qunar carve a niche?

In fact, Ctrip and Elong are actually online agents of hotel accommodation and airfare groups.

But Qunar is just a search engine.

"Our business model is a little bit different," Demopoulos said. "We fight with Baidu and Google for revenue and fight with Ctrip and Elong for customers."

Currently, Qunar.com searches over 300 Chinese-language travel websites. These search results provide consumers with real-time pricing information and other descriptive details from more than 20 airlines and 10,000 hotels serving the Chinese mainland. Through Qunar.com, consumers can quickly, easily and in real-time compare virtually all available prices for air tickets, hotels, car rentals and tour packages online. Qunar aims to allow consumers the best choices and value in travel.

However, one big obstacle for Qunar is

that many Chinese still are accustomed to the traditional way of booking air tickets and other services—in person with a known agent. Even *Beijing Review's* foreign staffers, who in their own countries are more accustomed to ordering air tickets online, often find cheaper prices going to the travel agent down the street.

Certainly, the online travel market in China is tiny.

According to statistics from the China National Tourism Administration (CNTA), as of September 2005, online travel transaction volume was about 4-5 billion yuan, accounting for only 1 percent of the whole market. In the United States, revenue of the online travel market reached \$54 billion in 2004, grasping 20 percent of the whole market.

According to a Deutsche Bank report, U.S. travel consumers drove the share of total bookings from around 1 percent in 1998 to about 19 percent in 2003. The report also pointed out that China consolidators will likely develop more slowly than the U.S. online, but the opportunities and profitability are likely to be greater in China.

The Chinese travel market itself is enormous.

CNTA statistics also show that in 2005 the number of Chinese travelers traveling within China was 1.212 billion (note the entire population is 1.3 billion), and those traveling overseas numbered 31.2 million, up 10 percent and 7.5 percent respectively over 2004.

Meanwhile, as of the end of the first half of this year, the number of netizens in China had reached 123 million, according to the China Internet Network Information Center.

These figures may give confidence to Demopoulos.

"We certainly feel we can change the travel landscape," said Demopoulos, although he declined to discuss revenues or earnings, which would give some indication of his company's growth.

If language is any indication of growth, however, Qunar is poised for the big time.

Besides its present simple Chinese and English versions, Qunar is slated to launch Japanese and Korean versions, as well as traditional Chinese.

In the final analysis, Fritz' American Dream is a work in progress, but no doubt it's happening. So if you happen to be a taxi driver, the next time you ask Fritz Demopoulos, *qu na'r*, listen carefully. He might tell you an inspirational story that could change your life to something a little more—say—American. ■

This concludes "Made in China: American Dreams," a five-part series that began from the No. 38 issue of *Beijing Review*, appeared biweekly and revealed how and why entrepreneurs and executives are increasingly realizing their American Dreams in, or because of, China.

China's Media Morphosis

From new content to new media, communication is more profitable than ever in China

By **SUNNIE WONG & JEREMY WANG**

Walking the streets of Beijing, a Westerner, glancing at the many newspapers being read by Chinese, might think that China's media is vastly underdeveloped.

In fact, the media industry has been moving forward in leaps and bounds, and those newspapers are more a reflection of China's social welfare for idle saunterers than true indication of its media.

After successive years of continuously high growth, the total pre-tax profit of the media industry has exceeded that of the tobacco industry, making it China's fourth largest business. Advertising revenue has increased in volume 20 times in 10 years, topping the 100 billion yuan mark in 2003, with average annual growth of 35 percent.

With its short history, rapidly changing landscape and China-specific regulations, the contemporary media industry here can be elusive to foreign understanding. But with a little help from this media cheat sheet, you may find investment opportunities closer

than a click of your remote control (or iPod).

Chipping away at CCTV

"In the Chinese TV industry, there are only two real areas of competition: entertainment programs and soap operas," said Li Ruigang, President of Shanghai Media Group (SMG). "The latter is simple—you just have to pay for them. Self-produced entertainment programs are the true source of competition."

That means CCTV, the national television network, has much greater competitive strength than local channels, which are constrained in terms of program production by a lack of resources.

A 20-city survey carried out in the first half of this year revealed that the top 20 programs in terms of viewer ratings are all sports-related, and none are produced locally (except for in Shanghai). The reason for this phenomenon is simple: The broadcasting rights for most top sporting events are in the hands of CCTV.

But new entertainment programs are beginning to change everything, especially



OUR HERO: Fans of My Hero talent show turn out in droves to support contestant Song Xiaobo, proving the popularity of this genre in China

for Changsha-based Hunan TV, which has become a domestic media success story.

Hunan TV was the first TV broadcaster in China fully dedicated to entertainment programs. Two reality shows, the Olympic-related I'm a Champion and role-playing Metamorphosis, were launched by Hunan TV in the second half of this year, following the Super Girls singing contest, the hottest talent show in the country over the past two years.

The success of Hunan TV's Joy Camp, a program with popular stars playing entertaining games, also inspired many TV stations to follow suit with similar productions of their own.

Liu Shabai, Vice President of Hunan TV and Broadcast Intermediary Co. Ltd. (TBI), believes that the reason Hunan TV has excelled in its market segment is because it grasps a simple but key point: Viewers watch TV for entertainment.

Hunan TV's self-positioning is in line with this fundamental philosophy.

Hunan TV has in recent years gained both in reputation and profit from its viewer-oriented and interactive concepts. According to the Blue Book of China's Culture released by the Chinese Academy of Social Sciences, over the past year, Hunan TV has pocketed at least 18 million yuan in advertising revenue and 30 million yuan from its SMS-voting as a direct result of the Super Girls frenzy. In fact, the show was so trendy that one Hong Kong-listed company's stock rallied after it claimed to shoot a soap opera called Super Girl.

But Hunan TV's dominance of the entertainment niche has been shaken. The competition talent show My Hero, launched by SMG in 2006, turned out to be just as popular as Super Girls. The runner-up winner in the My Hero competition, Song Xiaobo, has a speaking and hearing disability, which sparked a nationwide wave of learning sign language and proved the clout of the new show with viewers.

Meanwhile, other shows aimed at challenging Super Girls are in the works.

Which is new media?

TBI's Liu recently attended a forum where the organizer arranged for him to sit with representatives from a selection of traditional media organizations.

Liu said he was unhappy with this arrangement and challenged the organizer, "Why did you con-

sider me as a traditional media representative?" He argued that television business in China actually began in the 1980s and, given its short history, should not be regarded as a kind of old media.

Mobile phones, he added, are considered to be among new media due to their SMS capability but they need television as a revenue-generating platform. Digital TV, soon to be launched by TBI, is the newest format in the arena of new media.

Digital TV, in fact, has developed exceptionally quickly in recent years, thanks to significant government encouragement. Qingdao in Shandong Province, Hangzhou in Zhejiang Province and Shanghai have offered digital TV programs to local viewers. TBI began preparing digital TV programs a year ago even though the household-oriented distribution of set-top boxes, necessary accessories for digital TV, has still not begun.

Media bosses are fully aware of the promising prospects offered by digital TV.

Given the 2 million existing registered cable TV subscribers in Hunan Province, it is estimated that, of these subscribers, 20 percent will quickly transfer to digital TV. TBI is expecting to sign up 400,000 users upon the digital TV launch. Supposing that the annual revenue from a digital TV viewer in Hunan was 2,000 yuan, then TBI would receive 800 million yuan per year.

Considering this, it's no small wonder that stocks related to digital TV operators and new media continue to surge.

In addition to digital TV, mobile phone TV and IPTV are new additions to the new media family. SMG has embraced all of these forms. According to SMG President Li, mobile phone TV is a particularly hot concept. There are 20 million existing mobile phone users in Shanghai. If 10 percent of them embrace mobile phone TV, each paying 1 yuan per day, then SMG stands to receive 2 million yuan in additional revenue per day.

That's 730 million yuan extra for SMG each year.

In addition, media groups are broadening their scope. SMG, for instance, has established talent management agency subsidiaries. Such innovations are unprecedented in the Chinese TV industry.

As TBI's Liu put it, "Continual innovation will ensure a prosperous future for us all."

(Xinhua Finance)

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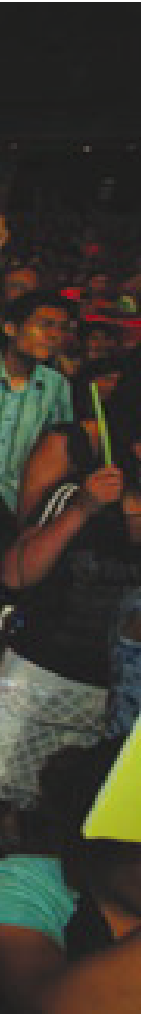
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- Beijing Friendship Hotel
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- Rosedale Hotel & Suites Beijing
- Crowne Plaza Beijing
- Fragrant Hill Hotel Beijing



XINHUA FINANCE

State of the Market

Foreign Trade

China's foreign trade volume is expected to hit \$1.7 trillion in 2006, a year-on-year increase of more than 20 percent, said Fu Ziyang, Assistant Minister of Commerce

According to Fu, the country's foreign trade volume has risen from sixth to third in the world during the past five years, with import and export volume growing at an average annual rate of 24.6 percent.

China has set the goal to keep foreign trade volume at \$2.3 trillion in 2010, with a balance between imports and exports. The growth rate will be maintained at 10 percent annually, according to the 11th Five-Year Plan of the Ministry of Commerce.

"China has reported a robust growth in foreign trade in recent years, but only achieved meager profits due to low added value in export products," said Fu, adding that it is time to shift the growth mode from quantity-oriented to quality-oriented.

China should also "moderately increase its imports," said Fu.

Coal Price

China's coal price continued rising

while exports declined in September, according to the latest reports from the National Development and Reform Commission (NDRC).

The two reports on coal supply conditions released by the NDRC showed that in coal-consuming coastal areas, the price of coal went up 5 yuan per ton on average in September.

The per-ton price of coal for power plants increased to 515-525 yuan in Guangzhou and 505-515 yuan in Shanghai and Ningbo by the end of September, the report said.

As the price increased, coal exports fell in September, according to the report. Coal exports fell 9.1 percent year on year, or 491,000 tons, to 4.93 million tons in September and those in the first nine months stood at 47.22 million tons, a decline of 12.8 percent, or 6.95 million tons, from the same period last year.

The NDRC attributes the price hikes to rising transportation costs and market demand, fueled by heavier dependence on coal by power plants and preliminary stockpiles for heating supply in the coming winter season.

China's coal output in the first nine months totaled 1.57 billion tons, a year-on-year increase of 8.4 percent, or 121.9 million tons, over the same period last year. The government abolished the export tax rebate on coal as of September 15.

Auto Industry

Production China's auto industry posted a 63.87 percent profit growth year on year to reach 22.004 billion yuan during the January-August period, outpacing the 29.87 percent growth in sales revenue, said the China Association of Automobile Manufacturers (CAAM).

The latest figures released by the CAAM showed that the auto industry ended profit declines it had experienced since 2004.

The turning point comes as domestic demand for automobiles surged while steel prices dipped, say industry insiders.

Truck exports in the first eight months jumped 52.2 percent to reach 95,600 vehicles worth \$604 million. Passenger car exports reached 14,400 units valued at \$296 million.

Up to 97.4 percent of the automobiles produced in the first eight months have been sold, CAAM figures showed.

Researchers warn, however, that over-supply could still plague the industry, which



北京周报电子照排中心
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also faces the prospect of rising steel prices. The future of the auto sector remains complex, they say.

Imports China imported \$5.43 billion worth, or 165,000, automobiles in the first three quarters, up 55.4 percent year on year, according to statistics released by the General Administration of Customs.

Imports from Europe and the United States totaled 88,000, compared with 49,000 from Japan and 26,000 from South Korea.

Auto analysts attributed the strong growth in auto imports to the revived market demand, reduced tariffs and appreciation of the renminbi.

Deposit Reserve Rate

The People's Bank of China (PBC), the country's central bank, announced that it is to raise the deposit reserve rate of commercial banks, excluding rural cooperative banks and credit cooperatives, by 0.5 percentage points beginning November 15. It will be the third rise in the deposit reserve rate this year, which had been raised 1.5 percentage points in total.

The move is aimed at tightening the banks' liquidity management, ensuring stable growth of the money supply and credit and maintaining the sustained, coordinated and healthy development of the economy.

"It is the way for the government to squeeze credit and relieve the pressure on the currency," said Wang Xiaoguang, an economist at the NDRC.

The hike will bring the reserves that most banks are required to deposit with the central bank to 9 percent. The PBC raised the bank deposit reserve rate by the same margin of 0.5 percentage points in July and August. The previous two hikes helped take around 300 billion yuan out of commercial banks.

Hotel Industry

The Ministry of Commerce (MOF-COM) predicted that sales of the hotel industry would hit 1.07 trillion yuan this year.

The latest data published by the MOF-COM showed robust growth during the first nine months, with retail sales reaching 749.3 billion yuan, up 102 billion yuan over the same period last year.

Retail sales of the hotel industry accounted for 13.6 percent of the country's total retail sales of consumer goods from January to September, said MOFCOM spokesman Chong Quan.

He said the industry contributed 15.6 percent to the overall growth of the country's retail sales of consumer goods in the third quarter.

During the January-September period,

804 new foreign-invested hotels were established, down 6.2 percent. The paid-in capital arrived at \$550 million, a rise of 38 percent over a year ago.

QDII

China's first qualified domestic institutional investor (QDII) fund, managed by Hua An Fund Management Co. Ltd., has begun operating, the firm announced.

The subscription stood at \$197 million from 16,652 subscribers between September 13 and October 20.

China started the QDII scheme in July, allowing domestic institutions and residents to buy financial products overseas via mainland commercial banks and other financial institutions.

Following eight Chinese and foreign-funded commercial banks, Hua An Fund was awarded a QDII license in August and raised more than \$6 million on the first day of subscription.

The fund will be invested in stocks, bonds, real estate investment trusts and other mainstream financial products in international markets such as New York, London, Tokyo and Hong Kong.

Investors can only withdraw their money from the fund six months after their contracts take effect, said Hua An Fund Management Co. Ltd.

Established in June 1998, Hua An set up China's first open-ended fund and now manages nine securities investment funds valued at 35 billion yuan, including four close-end funds and five open-end funds.


By the end of September, altogether 11 Chinese and foreign-funded commercial banks had acquired QDII licenses, with eight granted quotas totaling \$10.3 billion.

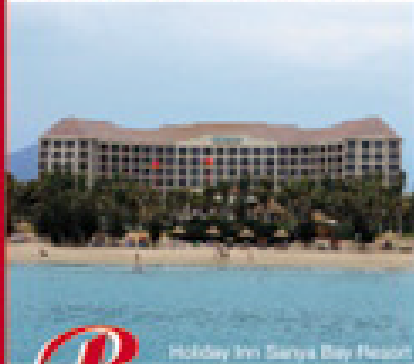
China-ASEAN Trade

Bilateral trade between China and ASEAN will grow more than 20 percent in 2006, said Bo Xilai, Minister of Commerce, at the opening ceremony of the China-ASEAN Expo.

Bo pointed out that over the past 20 years since China's reform and opening up, ASEAN has been very positive in investing in China, which promoted economic development of China. With the development of China's economy, more and more Chinese enterprises will invest in ASEAN and bilateral cooperation will be further broadened.

Bo said that the proposed China-ASEAN Free Trade Zone would be a free trade zone integrating the largest population of the world, which would be substantial for the development and prosperity of an integrated Asia. ■





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Xiamen University Tan Kah Kee College, approved by the Ministry of Education of China, was established jointly by Xiamen University and Xiamen Tan Kah Kee Educational Development Ltd. in 2003. As a comprehensive and independent college that originated from Xiamen University, Tan Kah Kee College currently offers undergraduate programs with support from Xiamen University.

The college shares with Xiamen University not only their teaching facilities and faculty but also their well-known pedagogy, which ensures the high teaching quality. Furthermore, to meet the international standards of higher education and the ever-growing needs of a market economy for qualified college graduates, Tan Kah Kee College dedicates itself to talent-cultivation and constant innovations in its course structures. Please visit www.en.xujc.cn to learn more about us. If you want to join us, please contact Wenny at wenny83@xujc.com or call at 86-596-6682425.

Uni-horizon Education Group, located in Guangzhou City, is recruiting two enthusiastic native English teachers for primary students in Guangzhou. Salary offered will be 6,500-8,500 yuan per month for nine to 10 teaching hours per week. They also provide health and accident insurance and roundtrip air ticket for one-year contract. Candidates are requested to be native English speakers from the United States, UK, Canada, Australia or New Zealand, with a bachelor's degree or above and teaching experience. Please send

email to unihorizon@gmail.com for more details.

Foreigners Join to Correct Chinese-style English for the Beijing 2008 Olympic Games

Beijing started using English signs in its public places in late 1980s for the 11th Asian Games in 1990. This act had brought great convenience for foreign visitors. With the upcoming Beijing 2008 Olympic Games, foreigners from all over the world are traveling to Beijing, thus making English sign usage more frequent. These signs have become the "face" of Beijing. However, foreigners may have realized that there are many mistranslated signs throughout shopping centers, hotels, parks, buses, subways and even the airports. Hotels misuse "scatter" for "evacuate" in their emergency information signs while tobacco shop billboards say they sell "smoke" instead of "cigarettes," for example.

To prepare for an excellent Olympics Games in 2008, Beijing has embarked on a campaign to improve its English signs, and Beijing citizens are expected to take part in this campaign. The Beijing Tourism Bureau has issued a regulation requiring hotels and shops to translate their names, service hours, room rates and notices into accurate English. A non-governmental organization has been set up by Chinese and foreign experts to improve the situation. Though argument on how to improve the situation still exists, we believe when the Beijing 2008 Olympic Games starts, foreign visitors may find it easy to recognize most signs.





Canada China Business Council

The Canada China Business Council (CCBC) is a private, membership-based association that seeks to facilitate and promote trade and investment between Canada and China.

CCBC members range from some of the largest and best-known Canadian and Chinese firms to leading innovators and SME (small and medium-sized enterprise) entrepreneurs in both Canada and China. Members represent a variety of sectors including financial services, legal services, information and communications technology, education, manufacturing, construction, transportation, mining and energy. With over 300 member companies, the CCBC also has a small but growing number of Chinese member companies.



Sergio Marchi

Previous event

Sergio Marchi, President of the CCBC, visited China recently. On November 3, as

Canada's former International Trade Minister and Ambassador to the World Trade Organization (WTO) in Geneva, Marchi delivered a keynote luncheon hosted by the CCBC Beijing Chapter at the Beijing Kerry Center Hotel entitled, "The WTO and China—the Need for Mutual Leadership."

Upcoming Event

The Great Canadian Christmas 2006 will be held on Saturday, December 16th 2006. For more upcoming events and membership inquiry, please call 86-10-85261820.

British Chamber of Commerce in China



The British Chamber of Commerce in China is an independent, non-profit and membership-based organization providing connectivity for British businesses in China. It was formally established in 1993 to represent the interests of its members, and provide a network platform for British businesses operating in China.

BCCC's membership consists of a broad spectrum of small, medium and large British businesses and organizations in China, as well as enterprises operating in China with significant UK-related business interests.

Through a series of regular events, BCCC's broad networks and sector-based and horizontal issue-based member forums, members have access to a host of opportunities to express their views, promote their business interests and benefit from the knowledge and experience of fellow members and associates.



BCCC Chairman Michael Fosh speaks to members at a Business Panel Event

Upcoming event

BCCC Christmas Party: 7:00 p.m. on Thursday, December 14, 2006

For more information please contact Mickey Zhao on 8525 1111 ext. 707. For more information about BCCC membership please visit www.pek.britcham.org.

Chamber of Commerce Information

AustCham Beijing

The China-Australia Chamber of Commerce



(AustCham) Beijing was founded in 1996 as a non-profit and private-sector organization promoting Australian business and AustCham member interests in China. AustCham Beijing's membership comprises more than 240 corporations and close to 300 members that represent Australia's service, manufacturing and mining sectors.

Previous events

November 7

Investment Seminar Series with Lowes Wealth Management: "Value Investing: the Only Investment Strategy for the Intelligent Investor"

November 8

A1 GP World Cup of Motorsport Interchamber Networking



AustCham Beijing Chairman John Pendergast, addresses the Second Biannual Australia-China Business Forum. Seated at the dais are Mark Norris, Wang Chao, Teresa Ganbaro, and Kevin Hobgood-Brown

info2@austcham.org.

European Union Chamber of Commerce



The European Union Chamber of Commerce in China serves member companies by being the voice of European business in China. The chamber actively focuses on discussing the operational business concerns of European companies with policymakers through dialogue.

The chamber is built around 31 industry-specific working groups that bring together senior executives for strategic discussions ranging from market access to the evolution of the business environment in China.

Upcoming event

The chamber's Charity Gala Dinner is fast approaching and will be held on Friday, December 8, at the Kempinski Hotel. Following last year's success in raising over 1 million yuan, the chamber hopes to double the amount this year. The evening will include a fashion show to raise funds for warm winter

clothes for those in need, multiple raffles with great prizes, and a band to get people moving after a great dinner.

For more information on the work of the European Union Chamber of Commerce please have a look at www.eurochamber.com.cn.



Celebrating China's Five-year WTO Partnership

Will Real Name Registration Harm Mobile Phone Users' Privacy?

The days of Chinese consumers getting mobile service without having to register with their real names are numbered. The Ministry of Information Industry (MII) has announced that in order to become cell phone subscribers, people will soon have to register with their ID cards. Detailed regulations are expected to be promulgated by the end of the year.

Yi Mingyu, consulting director of the CCID Group, a Beijing-based IT service provider, warned subscribers, who have to provide their identity card at registration, could be turned away by the complicated procedure to start the service, resulting in a loss of business on the part of mobile service providers.

Despite the inconvenience and rise in operational costs, Yi stressed that the real name system will fundamentally be beneficial to users. "We know that a large sum of money has been embezzled simply by fraudulent text messages, and the registration of real names will be a great help to control such crimes."

Yi suggested a gradual phasing in of real name registration, starting first with account holders and then the pre-paid customers. "Though the transition period would bring higher financial costs to both operators and users, in the long run it will be helpful to regulate the market," said Yi.

Insiders predict that by knowing who their customers are, service providers will be able to reduce the rate of overdue subscriptions and also tailor-make service programs better suited to the customers' needs.

The number of China's mobile phone users has surged up to 400 million according to latest statistics of the MII. Of this total, more than half are unidentified. Following the practice of South Korea, Thailand, Australia, Japan and South Africa where the subscribers have to show their ID before purchasing either mobile phones or phone cards, the registration system has proved to be helpful in a wide range of social issues, from antiterror and tracking criminals to curbing message spams.

Those opposed to the usage of a real name system argue against its effectiveness on curbing crimes and doubted the confidentiality of personal information of the clients.

Knowing who you are helps

Chen Jinqiao (assistant chief engineer of the Chinese Academy of Telecommunications Research under the MII):

Some ambivalent users are not totally against the new system but worried about the side effects of such registration, for instance the abuse of giving customer information away or the possible rise in costs for mobile service operators. There is no use panicking over these problems when we could adopt other supplementary measures to resolve them.

It needs time to promote the real name system. Look at it as four stages: First, to get everything ready, which means we will weigh up the advantages and disadvantages and then decide the way in which to best benefit our customers and reduce management risks. The operators should know where their obligations and market potential exists. Second, is the software and hardware improvements. The service providers should keep adjusting the system based on reactions and suggestions solicited from their customers. Third, would be a transitional period to monitor the safety of streamlining the registration procedure. During this period, it is important to differentiate the new users from the ones that need to be reregistered. Also, the gap between different regions and cities should be factored in, perhaps by setting specific deadlines for different regions before full implementation. Fourth is testing. The problems found should be assessed and adjusted. It won't cause much dispute if the procedure is clearly defined and effectively carried out.

Ye Lin (professor at the Renmin University of China):

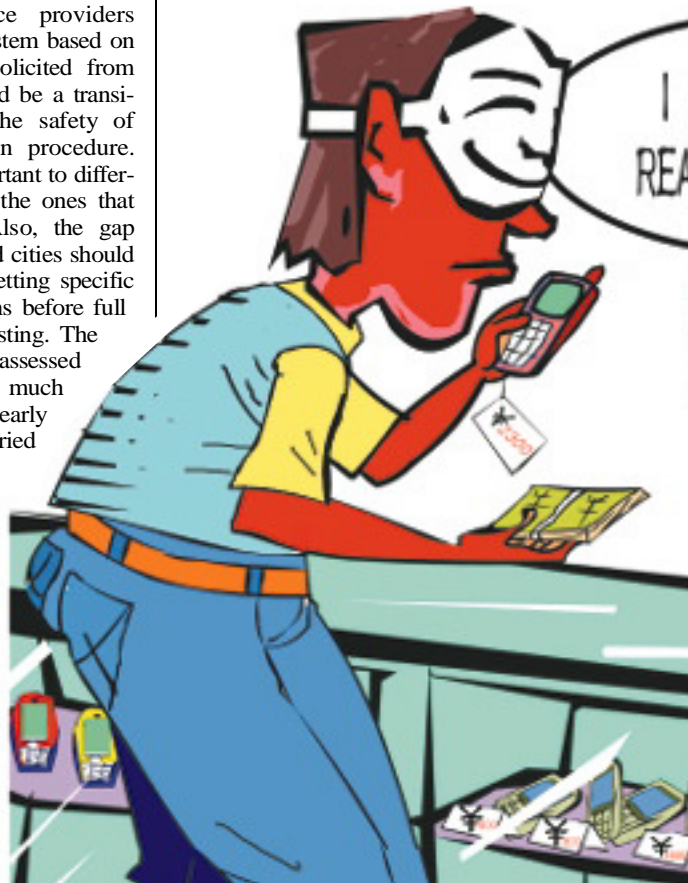
In my eyes, a moderate release of one's personal information does not necessarily mean infringements upon the consumer's privacy. Think about registering to rent an apartment, you should also provide ID. The real name for cell phone users may add more procedures initially, but it should be a reasonable service cost

that subscribers could afford. If we just think about controlling costs to oversimplify the registration procedure, we might face more future problems.

Clients willing to provide operators their personal information show their trust, and in return the service providers should do the same. Disputes do not stem from the real name registration but the abuse of the individual's information that could cause trouble for the users. Perhaps the ruling department could also give some consideration to this.

Xiong Peiyun (Oriental Morning Post): I don't agree with people who say that the real name registration for mobile phone users will affect our communication freedom. Countries from every continent, including the United States, Britain, France, Australia, South Korea, Japan, Singapore and South Africa, all require that cell phone users register their names. Are people in these countries blocked from communicating? If so, why don't they protest? Obviously, the real name system doesn't affect their lives at all.

As a matter of fact, we notice that those committing crimes through disseminating harmful information online, under the disguise of false names, are apprehended by the net police. In other



words, the false names actually contribute more to social disorder, rather than create problems for free communication. On the contrary, a society that has true freedom of expression should allow free communication under real names.

Hu Jian (*China Youth Daily*): The public policy of real name registration will influence a nation with such a large number of mobile phone users, so furious debates over the policy is inevitable. This could show the raised awareness of our citizens, it also reflects the changing concept of government administration. Junk and illegal messages are not the only targets; the ultimate goal is to test the justice of the policy.

As a public policy, it should be necessary. The real name registration for cell phone users, though not yet entrenched in law, at least does not go against the principles of legislation. On the other hand, without other effective ways to curb illegal and trash spams and avoid message fraud, it is the right time for us to put the real name system on trial. The only concern for me is how to balance administrative power and the individual rights of each user?

Chen Jieren (*Nanfang Daily*): As we all know, telecom companies who ask for registration of their clients aim at providing a better service and more efficient management of the business. Take commercial banks for



example. They often require the people who want to open an account to give their real identity for future inquiries. Of course, all this personal information of clients is protected by confidentiality agreements, which are not be seen by others. Yet, seldom do any clients complain that the real name registration in the banking system has impinged on their privacy.

Actually, most phone users in the United States have to provide their identity when buying a phone. However, few of them feel worried as they are satisfied with the mature confidentiality system.

Essentially, it is not the registration that challenges the freedom of information and telecommunication.

Keep it private

Yang Tao (*People's Daily Online*): We are surrounded by the requirements of various credibility systems as society advances. But we are wondering what will be the facilitating measures to protect our privacy from being intruded upon.

The expansion of administrative power will of course reduce the individual rights and should be well managed. The phone number, real name and identity card are private things not available to the public. Unless permitted by the citizens, nobody else has the right to disclose it to the public. Before bringing in a real name registration system, the policymakers should first think of how to protect customer privacy over telecom operators and the sales agents where phone users have to register.

Also, we are calling for the telecom operators, sales agents and government departments to be self-disciplined in protecting the privacy of individuals.

Ou Muhua (*Yanzhao Metropolis Daily*): The success of anti-spam in pornographic and fraudulent messages in foreign countries requires a self-disciplined telecom industry. The real name system is not for the service providers to escape from the accountability to protect customers' privacy, but to better serve more customers.

As common people, we doubt the benefits for the public of such a system and feel it hard to accept. Maybe the telecom operators are finding excuses for their inefficiency in message management and supervision.

The real name registration should be aimed at an expansion of business scope, such as online banking systems, or paying bills by cell phones, instead of curbing phone-related crimes. It is similarly ridiculous for police officers to force consumers who buy knives to show their ID in the name of security concerns, as it is for the purchase of mobile phones and cards.

Liu Yikun (hlj.rednet.cn): A survey conducted by a portal website revealed that, 63 percent of the respondents believed the real name system will help in cracking down on text message crimes, while 60 percent of the respondents looked deeper into the privacy issue, and another 37 percent proposed the police eradicate the use of fake identity cards first. It is obvious that not all people agree with the new system,

some are even suspicious about the consequences and afraid of having their privacy violated.

Moreover, big telecom companies abide by confidentiality, but not the many small sales agents. You can never be sure what small businesses will do with your information. So the authorization and penalty of such release of customer information is very necessary.

The real name registration of cell phone users is not only way to prevent related crimes, but also to help telecom companies improve their service, ensuring the benefits and interests of customers, while allowing them to accept the registration rule at their own risk.

Xu Lifan (*China Youth Daily*): The real name registration demands mutual trust between customers and authorities. In Japan and South Korea, the government has made dual rules to keep both sides in line. Meanwhile, investments in renovation and system update also trouble China. It should be commonly recognized that, the costs of telecommunication infrastructure improvement should be shared by the public, authorities and business operators. In this regard, the real name registration system could be of little help. ■

Note: Opinions used in this column have been gathered from Chinese mass media.

Dear Readers,

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

Upcoming Topic: Does golf have a place in the curriculum of China's higher education?

E-mail us at xqpan@cjpp.org.cn

Please provide your name, telephone number, zip code and address along with your comments.

Editor: Pan Xiaoqiao

ASEAN Good for Globalization

While leaders from China and 10 ASEAN (Association of Southeast Asian Nations) countries gathered in late October in Nanning, capital city of south China's Guangxi Zhuang Autonomous Region, to commemorate the 15th anniversary of the initiation of their bilateral dialogue, Rodolfo C. Severino, Former Secretary General of ASEAN and Senior Research Fellow of the Institute of Southeast Asian Studies, Singapore, shared his views on the region's further development of bilateral ties and free trade with *Beijing Review* in New York.

Beijing Review: You began serving as secretary general of ASEAN in 1998 when Asia was suffering a painful financial crisis. What did ASEAN members do collectively to ride out that financial storm and what did they learn from it? How do you see today's economic development of the region?

Rodolfo Severino: The financial crisis had three dimensions—domestic, international and regional. Domestically, the ASEAN countries, each in their own way, undertook reforms of their national economies, including their financial sectors. Some of these reforms entailed political upheavals. Internationally, ASEAN worked with the international financial institutions and submitted ideas and proposals for the reform of the international financial structure. Regionally, ASEAN advanced the deadlines for the reduction of tariffs on intra-ASEAN trade so as to hasten the integration of the regional economy. Together with China, Japan and South Korea, ASEAN set up a network of bilateral currency swap and repurchase agreements, called the Chiang Mai Initiative, enabling and committing each party to support the currency of another party that may be under speculative attack and, therefore, discourage such speculation. The Chiang Mai Initiative also provided for the collective surveillance of the regional economy. Today, all Southeast Asian countries can be said to have recovered from the financial crisis and to have been strengthened economically by their responses to it.

What are your comments on the relations between China and ASEAN since the two sides initiated bilateral dialogues to further bilateral ties in 1991? And how do you expect such relations to develop in the future?



ASIA TALK: Rodolfo C. Severino discusses ties between ASEAN and its neighbors during an event hosted by Asia Society, a nonprofit and non-partisan organization in New York City

As Premier Wen Jiabao and [Philippine] President Gloria Arroyo declared at the commemorative China-ASEAN summit, ASEAN-China relations have never been better. They can develop further if both sides build confidence, dissipate mutual suspicions, are more open to each other in terms of strategic outlook, including on the energy question, remove obstacles to trade and investment between them, and together persuade their people about the benefits to them of a strengthened ASEAN-China relationship.

In the recent China-ASEAN Business and Investment Summit opened in Nanning, Chinese Premier Wen Jiabao vowed to further open markets and increase imports from ASEAN despite the current trade deficit. How do you see China's efforts in promoting trade relations with ASEAN?

The expansion of trade will depend on measures to remove obstacles to that trade, particularly the technical and other non-tariff barriers to trade. It will depend also on how well and how rapidly business people on each side get familiar with the business opportunities and conditions on the other side. The governments and business people on both sides should cooperate with each other on this.

The China-ASEAN Free Trade Area is planned to be in place by 2010, which is four years from now. Do you think that this target will be fulfilled by then? What will such a free trade area imply for ASEAN members, for China and for the entire world trade system?

The process of freeing up trade in goods between ASEAN and China has already started and there is no reason why the aim of removing all tariffs on ASEAN-China trade, at least between China and the ASEAN 6 [Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand], cannot be achieved by 2010. The liberalization of trade in services and of the flow of investments is being currently negotiated. However, these are government measures that are meant to free up the conditions for trade and investments. It is up to the business people, the traders and the investors to take advantage of the opportunities thus opened. If they do, the ASEAN-China Free Trade Area will be the largest free-trade zone in the world and should be a major contribution to the world trading system.

What do you think still needs to be done to establish such a free trade zone?

To free up trade between ASEAN and China, it is not enough to cut and remove tariffs. More important are the technical and other non-tariff barriers to trade that need to be removed. Important also are trade in services, the harmonization of product standards, the streamlining of customs procedures and smooth transport and telecommunications systems.

The establishment of a China-ASEAN Free Trade Area will accelerate regional integration in Asia. How does regional integration help the countries involved deal with their own development problems? And what do you think of regional integration in the globalization context?

Regional integration would be a great help to development. A large regional market would attract investments into the region. For example, without trade barriers between China and Viet Nam, investors could invest in Viet Nam in order to sell their products to the Chinese market and thus produce jobs in Viet Nam. Provided the region remains open to the rest of the world, regional integration would generate trade and investments in general and thus promote the purposes of globalization.

What kind of role, in your opinion, is China playing in Southeast Asia?

Like other great regional powers, China is seeking good relations with its immediate neighbors in Southeast Asia and stability in that region. It also wants to make sure that threats to its security do not come from Southeast Asia or from the use of Southeast Asia. It therefore considers stronger relations with Southeast Asia to be in its national interest. ■